

BANCFIRST CORP /OK/  
Form 10-K/A  
April 22, 2005  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K/A AMENDMENT NO. 1

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

For the Fiscal Year Ended December 31, 2004

Commission File Number 0-14384

## BANCFIRST CORPORATION

(Exact name of registrant as specified in its charter)

**OKLAHOMA**  
(State or other jurisdiction of  
incorporation or organization)

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

**101 North Broadway, Oklahoma City, Oklahoma 73102**

(Address of principal executive offices) (Zip Code)

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

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

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

Common Stock, \$1.00

Par Value Per Share

(Title of Class)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the 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, 2004 was approximately \$210,497,000.

As of February 28, 2005, there were 7,840,421 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the May 26, 2005 Annual Meeting of Stockholders of registrant (the 2005 Proxy Statement ) to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this report.



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**EXPLANATORY NOTE**

In November 2004, the Securities and Exchange Commission ( SEC ) issued an exemptive order providing companies with a market capitalization under \$700 million with an extension of up to 45 days for (i) the filing of management's report on internal controls over financial reporting and (ii) the required attestation on those controls from the registrant's independent registered public accountants. We elected to utilize a portion of this extension period. This Form 10-K/A is filed in order for BancFirst Corporation (the Company ) to include management's report on internal control over financial reporting required by Item 308(a) of Regulation S-K and the related attestation report of the Company's registered public accounting firm required by Item 308 (b) of Regulation S-K.

As set forth in guidance issued by the Division of Corporation Finance, this Form 10-K/A includes (i) all of the information required by Item 9A of Form 10-K, (ii) the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002, and (iii) the consent of Ernst & Young LLP, as well as the certifications required by Section 906 of the Sarbanes-Oxley Act of 2002. All other items of the Annual Report, as originally filed with the SEC on March 16, 2005, are refiled herein for convenience of reference, except that previously filed exhibits are incorporated herein by reference (other than the consent of Ernst & Young LLP and the Section 302 and Section 906 certifications, new forms of which are being included in this filing). This Form 10-K/A does not reflect events occurring after the filing of the Annual Report on Form 10-K filed on March 16, 2005, nor does it modify or update the disclosures presented therein, except with regard to the specific modifications described in this Explanatory Note.

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**PART I**

**Item 1. Business.**

**General**

BancFirst Corporation (the Company) is an Oklahoma business corporation and a financial holding company under Federal law. It conducts virtually all of its operating activities through its principal wholly-owned subsidiary, BancFirst (the Bank or BancFirst), a state-chartered bank headquartered in Oklahoma City, Oklahoma. The Company also owns 100% of the common securities of BFC Capital Trust I and BFC Capital Trust II, both Delaware Business Trusts, 75% of Century Life Assurance Company, an Oklahoma chartered insurance company, 100% of Council Oak Partners LLC, an Oklahoma limited liability company engaging in investing activities, and 100% of Wilcox & Jones, Inc., an Oklahoma business corporation operating as an independent insurance agency that the Company acquired in 2004.

The Company was incorporated as United Community Corporation in July 1984 for the purpose of becoming a bank holding company. In June 1985, it merged with seven Oklahoma bank holding companies that had operated under common ownership and the Company has conducted business as a bank holding company since that time. Over the next several years the Company acquired additional banks and bank holding companies, and in November 1988 the Company changed its name to BancFirst Corporation. Effective April 1, 1989, the Company consolidated its 12 subsidiary banks and formed BancFirst. The Company has continued to expand through acquisitions and de-novo branches. BancFirst currently has 84 banking locations serving 43 communities throughout Oklahoma.

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

The Bank maintains a strong community orientation by, among other things, appointing selected members of the communities in which the Bank's branches are located to a local consulting board that assists in introducing prospective customers to the Bank and in developing or modifying products and services to meet customer needs. As a result of the development of broad banking relationships with its customers and the convenience and service of the Bank's multiple offices, the Bank's lending and investing activities are funded almost entirely by core deposits.

The Bank centralizes virtually all of its back office, support and investment functions in order to achieve consistency and cost efficiencies in the delivery of products and services. The Bank provides centralized services such as data processing, operations support, bookkeeping, accounting, loan review, compliance and internal auditing to the Bank's community banking offices to enhance their ability to compete effectively. The Bank also provides centrally certain specialized financial services that require unique expertise. The community banking offices assist the Bank in maintaining its competitive position by actively participating in the development of new products and services needed by their customers and in making desirable changes to existing products and services.

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

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

Consumer lending activities of the Bank consist of traditional forms of financing for automobiles, both direct and indirect, residential mortgage loans, home equity loans, and other personal loans. In addition, the Bank is one of Oklahoma's largest providers of guaranteed student loans.

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

Trust services offered through the Bank's Trust and Investment Management Division (the Trust Division) consist primarily of investment management and administration of trusts for individuals, corporations and employee benefit plans. Investment options include collective equity and fixed income funds managed by the Trust Division and advised by nationally recognized investment management firms.

BancFirst has the following principal subsidiaries: Council Oak Investment Corporation, a small business investment corporation; Citibanc Insurance Agency, Inc., a credit life insurance agency, which in turn owns BancFirst Agency, Inc., an insurance agency; Lenders Collection Corporation, which is engaged in collection of troubled loans assigned to it by BancFirst. All of these companies are Oklahoma corporations. BancFirst also owns 50% of PremierSource LLC, an Oklahoma limited liability company providing employee benefit plan and insurance products and services.

The Company had approximately 1,375 full-time equivalent employees as of December 31, 2004 and 1,360 employees at December 31, 2003. Its principal executive offices are located at 101 North Broadway, Oklahoma City, Oklahoma 73102, telephone number (405) 270-1086.

### **Market Areas and Competition**

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

Management believes the Company is in an advantageous competitive position operating as a super community bank. Under this strategy, the Company provides a broad line of financial products and services to small to medium-sized businesses and consumers through full service community banking offices with decentralized management, while achieving operating efficiency through product standardization and



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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, subject to a tiered approval process for larger credits. This decentralized management approach, coupled with continuity of service by the same staff members, enables the Bank to develop long-term customer relationships, maintain high quality service and respond quickly to customer needs. The majority of its competitors in the non-metropolitan areas are much smaller, and neither offer the range of products and services nor have the lending capacity of BancFirst. In the metropolitan communities, the Company's strategy is to be more responsive to, and more focused on, the needs of local businesses that are not served effectively by larger institutions.

Marketing to existing and potential customers is performed through a variety of media advertising, direct

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

### **Control of the Company**

Affiliates of the Company beneficially own approximately 54% of the shares of the Common Stock outstanding. Under Oklahoma law, holders of a majority of the outstanding shares of Common Stock are able to elect all of the directors and approve significant corporate actions, including business combinations. Accordingly, the affiliates have the ability to control the business and affairs of the Company.

### **Supervision and Regulation**

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

The primary goals of the bank regulatory framework are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress has created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and financial holding companies, and the banking industry. This regulatory framework is intended primarily for the protection of a financial institution's depositors, rather than the institution's shareholders and creditors. The following discussion describes certain of the material elements of the regulatory framework applicable to bank holding companies and financial holding companies and their subsidiaries and provides certain specific information relevant to the Company, which is both a bank holding company and a financial holding company. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

### ***General***

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

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

### *Financial Holding Company Regulation*

In general, the Bank Holding Company Act limits the business of bank holding companies that are financial holding companies to banking, managing or controlling banks, performing certain servicing activities for subsidiaries, and as a result of the Gramm-Leach-Bliley Act amendments to the Bank Holding Company Act, engaging in any activity, or acquiring and retaining the shares of any company engaged in any activity, that is either

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(1) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the Secretary of the Treasury, or (2) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments in commercial and financial companies. They also include activities that the Federal Reserve Board had determined, by order or regulation in effect prior to the enactment of the Bank Holding Company Act, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

A financial holding company may conduct any of these activities so long as the financial holding company notifies the Federal Reserve Board within 30 days after the financial holding company commences such activities or acquires a company that engages in such activities. If a financial holding company wishes to engage in activities that are financial in nature or incidental to a financial activity but not yet specifically authorized by the Federal Reserve Board, the financial holding company must file an application with the Federal Reserve Board. If both the Federal Reserve Board and Department of Treasury approve the application, the financial holding company may commence the new activity. The Federal Reserve Board may also approve a new activity that is complementary to a financial activity, but the financial holding company must make an additional showing that the activity does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

In order for a bank holding company to engage in the broader range of activities that are permitted by the Bank Holding Company Act for bank holding companies that are also financial holding companies, (1) all of its depository institutions must be well-capitalized and well-managed and (2) it must file a declaration with the Federal Reserve Board that it elects to be a financial holding company. In addition, to commence any new activity permitted by the Bank Holding Company Act and to acquire any company engaged in any new activities permitted by the Bank Holding Company Act, each insured depository institution of the financial holding company must have received at least a satisfactory rating in its most recent examination under the Community Reinvestment Act. The Company's election to become a financial holding company became effective in March 2000.

***Bank Holding Company Act and other Applicable Laws***

***Bank Holding Company Regulation***

In addition to being a financial holding company, the Company remains a bank holding company and, as such, is regulated under the Bank Holding Company Act and is subject to the supervision of the Federal Reserve Board. Under the Bank Holding Company Act, bank holding companies that are not financial holding companies generally may not acquire the ownership or control of more than 5% of the voting shares, or substantially all the assets, of any company, including a bank or another bank holding company, without the Federal Reserve Board's prior approval. Also, bank holding companies generally may engage only in banking and other activities that are determined by the Federal Reserve Board to be closely related to banking. The Federal Reserve Board has by regulation determined that such activities include operating a mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; servicing loans and other extensions of credit; providing investment and financial advice; acting as an insurance agent for certain types of credit-related insurance; owning and operating savings and loan associations; and leasing personal property on a full pay-out, nonoperating basis. In the event a bank holding company elects to become a financial holding company, it would no longer be subject to the general requirements of the Bank Holding Company Act that it obtain the Federal Reserve Board's approval prior to acquiring more than 5% of the voting shares, or substantially all of the assets, of a company that is not a bank or bank holding company. A bank holding company that does not qualify as a financial holding company is generally limited in the types of activities in which it may engage to those that the Federal Reserve Board had recognized as permissible for bank holding companies prior to the date of enactment of the Gramm-Leach-Bliley Act.

*Control Acquisitions*

Subject to certain exceptions, the Change in Bank Control Act (the Control Act ) and regulations promulgated thereunder by the Federal Reserve Board require any person acting directly or indirectly, or through or in concert with one or more persons, to give the Federal Reserve 60 days written notice before acquiring control of a bank holding company. Transactions which are presumed to constitute the acquisition of control include the

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acquisition of any voting securities of a bank holding company having securities registered under section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), if, after the transaction, the acquiring person (or persons acting in concert) owns, controls or holds with power to vote 25% or more of any class of voting securities of the institution. The acquisition may not be consummated subsequent to such notice if the Federal Reserve Board issues a notice within 60 days, or within certain extensions of such period, disapproving the same.

### *Interstate Banking and Branching*

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Banking and Branching Act ), a bank holding company may acquire banks in states other than its home state without regard to the permissibility of such acquisitions under state law, but 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, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent of such deposits in that state (or such lesser or greater amount set by state law). Legislation passed by the Oklahoma legislature in 2000 eliminated the previously existing requirement that Oklahoma banks be in existence for a minimum of five years before being acquired by, or merged into, another bank, or acquired by an existing bank holding company, and increased the deposit cap from 15% to 20%, with the result that a business combination involving Oklahoma-chartered banks may not result in the control by the combined institution of more than 20% of the total deposits of insured depository institutions located in Oklahoma.

Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines, thereby creating interstate branches, without regard to whether such transactions are prohibited by the law of any state, unless the home state of one of the banks had opted out of interstate branching by enacting specific legislation prior to June 1, 1997, in which case out-of-state banks would generally not be able to branch into that state, and banks headquartered in that state would not be permitted to branch into other states. Oklahoma elected to opt-in to interstate branching effective May 1997 and established a 12.25% deposit cap that was subsequently increased to 20%. Furthermore, pursuant to the Interstate Banking and Branching Act, a bank may open new branches in a state in which it does not already have banking operations if such state enacts a law permitting such *de novo* branching. Oklahoma law permits *de novo* branching and, accordingly, while Oklahoma state-chartered banks such as BancFirst are able to establish an unlimited number of *de novo* branches in Oklahoma, out-of-state banks are now able to establish new branches in Oklahoma to the same extent as formerly favored state-chartered banks.

### *Support for Bank Subsidiaries*

The Federal Reserve Board has issued regulations under the Bank Holding Company Act that require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. Pursuant to such regulations, the Federal Reserve Board may require the Company to stand ready to use its resources to provide adequate capital funds to its banking subsidiaries during periods of financial stress or adversity. Under the Federal Deposit Insurance Company Improvement Act of 1991 ( FDICIA ), a bank holding company is required to guarantee the compliance of any insured depository institution subsidiary that may become undercapitalized (as defined in the statute) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency, up to specified limits. See FDICIA and Related Regulations, below. Under the Bank Holding Company Act, the Federal Reserve Board has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

### *Capital Adequacy Guidelines*

The Federal Reserve Board, the Comptroller and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The risk-based guidelines of the FDIC, the regulatory agency with oversight over state nonmember banks such as the Bank, define a three-tier capital framework. Core, or Tier 1, capital, consists of common and qualifying preferred stockholders' equity, less

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

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

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) for classifying insured depository institutions, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures, and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized.

To be well capitalized under federal bank regulatory agency definitions, a depository institution must have a Tier 1 ratio of at least 6%, a combined Tier 1 and Tier 2 ratio of at least 10%, and a leverage ratio of at least 5%. As of December 31, 2004, the Bank had a Tier 1 ratio of 10.28%, a combined Tier 1 and Tier 2 ratio of 11.43%, and a leverage ratio of 7.90% and, accordingly, was considered to be well capitalized as of such date.

In addition, the Federal Reserve Board has established minimum risk based capital guidelines and leverage ratio guidelines for bank holding companies that are substantially similar to those adopted by bank regulatory agencies with respect to depository institutions. These guidelines provide for a minimum leverage ratio of 3% for bank holding companies that meet certain specified criteria, including those having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 4%. As of December 31, 2004, the Company had a Tier 1 ratio of 12.75%, a combined Tier 1 and Tier 2 ratio of 13.88%, and a leverage ratio of 9.75% and, accordingly, was in compliance with all of the Federal Reserve Board's capital guidelines.

In March 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies (BHCs). Under the final rule, trust preferred securities and other restricted core capital elements will be subject to stricter quantitative limits.

The Federal Reserve Board's final rule limits restricted core capital elements to 25 percent of all core capital elements, net of goodwill less any associated deferred tax liability. Amounts of restricted core capital elements in excess of these limits generally may be included in Tier 2 capital. The final rule provides a five-year transition period, ending March 31, 2009, for application of the quantitative limits.



The Company has evaluated the potential impact of such a change on its Tier 1 capital ratio and has concluded that it would remain well capitalized under the new rules. The regulatory capital treatment of the trust preferred securities in the Company's total capital ratio is expected to be unchanged.

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***FDICIA and Related Regulations***

*Prompt Corrective Action*

FDICIA, among other things, requires the respective Federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within the five capital categories described above. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital-raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of 5 percent of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

Significantly or critically undercapitalized institutions and undercapitalized institutions that do not submit and comply with capital restoration plans acceptable to the applicable federal banking regulator are subject to one or more of the following sanctions: (i) forced sale of shares to raise capital, or, where grounds exist for the appointment of a receiver or conservator, a forced merger; (ii) restrictions on transactions with affiliates; (iii) limitations on interest rates paid on deposits; (iv) further restrictions on growth or required shrinkage; (v) replacement of directors or senior executive directors; (vi) prohibitions on the receipt of correspondent deposits; (vii) restrictions on capital distributions by the holding companies of such institutions; (viii) required divestiture of subsidiaries by the institution; or (ix) other restrictions, as determined by the regulator. In addition, the compensation of executive officers will be frozen at the level in effect when the institution failed to meet the capital standards and may be increased only with the applicable federal banking regulator's prior written approval. The applicable federal banking regulator is required to impose a forced sale of shares or merger, restrictions on affiliate transactions and restrictions on rates paid on deposits unless it determines that such actions would not further an institution's capital improvement. In addition to the foregoing, a critically undercapitalized institution would be prohibited from making any payment of principal or interest on subordinated debt without the concurrence of its regulator and the FDIC, beginning 60 days after the institution becomes critically undercapitalized. A critically undercapitalized institution may not, without FDIC approval: (i) enter into material transactions outside of the ordinary course of business; (ii) extend credit on highly leveraged transactions; (iii) amend its charter or bylaws; (iv) make any material change in its accounting methods; (v) engage in any covered transactions with affiliates; (vi) pay excessive compensation or bonus (as defined); or (vii) pay rates on liabilities significantly in excess of market rates. As of December 31, 2004 and the date of this Report, the Bank is considered well capitalized.

Federal banking regulations also provide that if an insured depository institution receives a less than satisfactory examination rating for asset quality, management, earnings, liquidity or interest rate sensitivity, or market risk, the examining agency may deem such financial institution to be engaging in an unsafe or unsound practice. The potential consequences of being found to have engaged in an unsafe or unsound practice are significant because the appropriate federal regulatory agency may:

if the financial institution is well-capitalized, reclassify the financial institution as adequately capitalized;

if the financial institution is adequately capitalized, take any of the prompt corrective actions authorized for undercapitalized financial institutions and impose restrictions on capital distributions and management fees;

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if the financial institution is undercapitalized, take any of the prompt corrective actions authorized for significantly undercapitalized financial institutions.

Such evaluation will be made as a part of the institution's regular safety and soundness examination. These guidelines did not have a material impact on the Company's or BancFirst's regulatory capital ratios or their well capitalized status.

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FDICIA also includes provisions requiring advance notice to regulators and customers for any proposed branch closing and authorizing (subject to future appropriation of the necessary funds) reduced insurance assessments for institutions offering lifeline banking accounts or engaged in lending in distressed communities. FDICIA also includes provisions requiring depository institutions to make additional and uniform disclosures to depositors with respect to the rates of interest, fees and other terms applicable to consumer deposit accounts.

*Regulatory Restrictions on Dividends*

BancFirst, as a nonmember state bank, may not declare a dividend without the approval of the FDIC unless the dividend to be declared by BancFirst does not exceed the total of (i) BancFirst's net profits (as defined and interpreted by regulation) for the current year to date plus (ii) its retained net profits (as defined and interpreted by regulation) for the preceding two years, less any required transfers to surplus. In addition, BancFirst can only pay dividends to the extent that its retained net profits (including the portion transferred to surplus) exceed its bad debts (as defined by regulation). Under the Federal Deposit Insurance Act, no dividends may be paid by an insured bank if the bank is in arrears in the payment of any insurance assessment due to the FDIC. Additionally, state and federal regulatory authorities have adopted standards for the maintenance of adequate levels of capital by banks. See *Capital Adequacy Guidelines*, above. Adherence to such standards further limits the ability of banks to pay dividends. The payment of dividends by any subsidiary bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has formal and informal policies which provide that insured banks should generally pay dividends only out of current operating earnings.

*Deposit Insurance and Assessments*

BancFirst is insured by the FDIC and is required to pay certain fees and premiums to the Bank Insurance Fund ( BIF ). These deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums on deposits based upon their level of capital and supervisory evaluation, with the well-capitalized banks with the highest supervisory rating paying lower or no premiums and the critically undercapitalized banks paying up to 0.27% of deposits. BancFirst is currently being assessed at the lowest rate of zero percent.

Under the Deposit Insurance Funds Act of 1996 (the *Funds Act* ), beginning in 1997 banks insured under the BIF were required to pay a part of the interest on bonds issued by the Financing Corporation ( FICO ) in the late 1980s to recapitalize the defunct Federal Savings and Loan Insurance Corporation. Before the Funds Act, FICO payments were made only by depository institutions that were members of the Savings Association Insurance Fund (the *SAIF* ). Under the Funds Act, until January 1, 2000, BIF members were assessed for FICO payments at only one-fifth the rate of assessment on SAIF members. The Funds Act required that, as of January 1, 2000, all BIF- and SAIF- insured institutions pay FICO assessments at the same rate. For the first quarter of 2005, FICO rates have been set at 0.0144% for both BIF and SAIF members. The FICO assessment rates for both BIF and SAIF members for 2004 were:

Fourth Quarter	0.0146%
Third Quarter	0.0148%

Second Quarter  
First Quarter

0.0154%  
0.0154%

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***State Regulation***

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

National banks are authorized by the Gramm-Leach-Bliley Act to engage, through financial subsidiaries, in any activity that is permissible for a financial holding company (as described above) 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 Gramm-Leach-Bliley Act provides that state nonmember banks, such as the 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.

Prior to August 2003, BancFirst was a member bank of the Federal Reserve System and subject to dual regulation by the State Banking Board and the Federal Reserve Board. In August 2003, BancFirst elected to no longer be a member bank in the Federal Reserve System and, accordingly, is no longer subject to direct regulation by the Federal Reserve Board. As a state nonmember bank, BancFirst is subject to primary supervision, periodic examination and regulation by the State Banking Board and the FDIC, and Oklahoma law provides that BancFirst must maintain reserves against deposits as required by the Federal Deposit Insurance Act. The Oklahoma State Bank Commissioner is authorized by statute to accept an FDIC examination in lieu of a state examination. In practice, the FDIC and the Oklahoma State Banking Department alternate examinations of BancFirst. If, as a result of an examination of a bank, the Oklahoma Banking Department determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the bank's operations are unsatisfactory or that the management of the bank is violating or has violated any law or regulation, various remedies, including the remedy of injunction, are available to the Oklahoma Banking Department. Oklahoma law permits the acquisition of an unlimited number of wholly-owned bank subsidiaries so long as aggregate deposits at the time of acquisition in a multi-bank holding company do not exceed 20% of the total amount of deposits of insured depository institutions located in Oklahoma.

In addition to the provisions of the Gramm-Leach-Bliley Act that authorize a state nonmember banks to invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) on the same conditions that apply to national banks, FDICIA provides that FDIC-insured state banks such as the 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 BIF, and the bank is in compliance with its applicable capital standards.

***Governmental Monetary and Fiscal Policies***

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The commercial banking business is affected directly by the monetary policies of the Federal Reserve Board and by the fiscal policies of federal, state and local governments. The Federal Reserve Board, in fulfilling its role of stabilizing the nation's money supply, utilizes several operating tools, all of which directly impact commercial bank operations. The primary tools used by the Federal Reserve Board are changes in reserve requirements on member bank deposits and other borrowings, open market operations in the U.S. Government securities market, and control over the availability and cost of members' direct borrowings from the discount window. Banks act as financial intermediaries in the debt capital markets and are active participants in these markets daily. As a result, changes in governmental monetary and fiscal policies have a direct impact upon the level of loans and investments, the availability of sources of lendable funds, and the interest rates earned from and paid on

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these instruments. It is not possible to predict accurately the future course of such government policies and the residual impact upon the operations of the Company.

*Other Legislation*

*Community Reinvestment Act*

Under the Community Reinvestment Act, the Bank has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the needs of its entire community, including low- and moderate-income neighborhoods served by the Bank. The Community Reinvestment Act does not establish specific lending requirements or programs for financial institutions nor does it limit the Bank's discretion to develop the types of products and services that it believes are best suited to its particular community. On a periodic basis, the FDIC is charged with preparing a written evaluation of the Bank's record of meeting the credit needs of the entire community and assigning a rating. The bank regulatory agencies will take that record into account in their evaluation of any application made by the Bank or the Company for, among other things, approval of the acquisition or establishment of a branch or other deposit facility, an office relocation, a merger or the acquisition of shares of capital stock of another financial institution. An "unsatisfactory" Community Reinvestment Act rating may be used as the basis to deny an application. In addition, as discussed above, a bank holding company may not become a financial holding company unless each of its subsidiary banks has a Community Reinvestment Act rating of at least "satisfactory". The Bank was last examined for compliance with the Community Reinvestment Act in 2004, and received a rating of "satisfactory".

*Privacy Provisions of Gramm-Leach-Bliley Act*

Under the Gramm-Leach-Bliley Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions of the Gramm-Leach-Bliley Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

*Other Consumer Protection Laws and Regulations*

In addition to the other laws and regulations discussed herein, the Bank is subject to certain consumer and public interest laws and regulations that are designed to protect customers in transactions with banks. While this list is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and the Right to Financial Privacy Act. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services. Failure to comply with these laws and regulations can subject the bank to various penalties, including enforcement actions, injunctions, fines or criminal penalties, punitive damages to consumers and the loss of certain contractual rights.



*USA Patriot Act of 2001*

In October 2001, the USA Patriot Act of 2001 (the Patriot Act ) was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C., which occurred on September 11, 2001. Intended to strengthen U.S. law enforcement s and the intelligence communities abilities to work cohesively to combat terrorism on a variety of fronts, the Patriot Act substantially broadened the scope of the U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the Patriot Act to financial institutions such as the Bank. Those regulations impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

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Failure of a financial institution to comply with the Patriot Act's requirements could have serious legal and reputational consequences for the institution. The Company has adopted appropriate policies, procedures and controls to address compliance with the requirements of the Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the Act and its implementing regulations.

*Sarbanes-Oxley Act of 2002*

The Sarbanes-Oxley Act of 2002 (the "SOA") provides for corporate governance, disclosure and accounting reforms intended to address corporate and accounting fraud. The SOA established an accounting oversight board that enforces auditing, quality control and independence standards, and is funded by fees from all publicly traded companies. The SOA also places certain restrictions on the scope of services that may be provided by accounting firms to their public company audit clients. Any services being provided to a public company audit client will require preapproval by the company's audit committee. In addition, the SOA makes certain changes to the requirements for audit partner rotation after a period of time. The SOA also requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the SEC, subject to civil and criminal penalties if they knowingly or willingly violate this certification requirement.

Under the act, longer prison terms apply to corporate executives who violate federal securities laws; the period during which certain types of suits can be brought against a company or its officers is extended; and bonuses issued to top executives prior to restating a company's financial statements are now subject to disgorgement if such restatement was due to corporate misconduct.

Executives are also prohibited from insider trading during retirement plan "blackout" periods, and loans to company executives (other than loans by financial institutions permitted by federal rules and regulations) are restricted. The legislation accelerates the time frame for disclosures by public companies, as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in beneficial ownership in a company's securities within two business days of the change.

The SOA also increases the oversight of, and codifies certain requirements relating to, audit committees of public companies and how they interact with the company's registered public accounting firm. Audit Committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the public company. In addition, companies must disclose whether at least one member of the committee is an "audit committee financial expert" (as defined by SEC regulations) and if not, why not. Under the SOA, a company's registered public accounting firm will be prohibited from performing statutorily mandated audit services for a company if such company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company during the one-year period preceding the audit initiation date. The SOA prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statements materially misleading. The SOA also requires the SEC to prescribe rules requiring inclusion of any internal control report and assessment by management in the annual report to stockholders. The SOA requires the company's registered public accounting firm that issues the audit report to attest to and report on management's assessment of the company's internal controls.

Although the Company has incurred additional expense in complying with the provisions of the SOA, such compliance has not had a material impact on the Company's results of operations or financial condition.

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### *Sections 23A and 23B of the Federal Reserve Act and Regulation W*

Transactions between a bank and its affiliates are governed by Sections 23A and 23B of the Federal Reserve Act, which are intended to protect insured depository institutions from suffering losses arising from transactions with affiliates. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. A subsidiary of a bank that is not also a depository institution is not treated as an affiliate of a bank for purposes of Sections 23A and 23B unless it engages in activities not permissible for a national bank to engage in directly. Generally, Sections 23A and 23B (i) limit the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of such institution's capital

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stock and surplus, and limit such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus, and (ii) require that all such transactions be on terms that are consistent with safe and sound banking practices. The term "covered transaction" includes the making of loans to an affiliate, the purchase of or investment in securities issued by an affiliate, the purchase of assets from an affiliate, the issuance of a guarantee for the benefit of an affiliate, and similar transactions. Most loans by a bank to any of its affiliates must be secured by collateral in amounts ranging from 100% to 130% of the loan amount, depending on the nature of the collateral. In addition, any covered transaction by a bank with an affiliate and any sale of assets or provision of services to an affiliate must be on terms that are substantially the same, or at least as favorable, to the bank as those prevailing at the time for comparable transactions with nonaffiliated companies. The Bank is also restricted in the loans that it may make to its executive officers, and directors, the executive officers and directors of the Company, any owner of 10% or more of its stock or the stock of the Company, and certain entities affiliated with any such person.

On October 31, 2002, the Federal Reserve Board issued a new regulation, Regulation W, that was effective April 1, 2003, which comprehensively implements sections 23A and 23B of the Federal Reserve Act. The regulation unifies and updates staff interpretations issued over the years, incorporates several new interpretative proposals (such as to clarify when transactions with an unrelated third party will be attributed to an affiliate) and addresses new issues arising as a result of the expanded scope of nonbanking activities engaged in by bank and bank holding companies in recent years and authorized for financial holding companies under the Gramm-Leach-Bliley Act.

*Enforcement Authority*

The federal banking laws also contain civil and criminal penalties available for use by the appropriate regulatory agency against certain institution-affiliated parties primarily including management, employees, and agents of a financial institution, as well as independent contractors such as attorneys, accountants, and others who participate in the conduct of the financial institution's affairs and who caused or are likely to cause more than minimum financial loss to or a significant adverse affect on the institution, who knowingly or recklessly violate a law or regulation, breach a fiduciary duty, or engage in unsafe or unsound practices. These practices can include the failure of an institution to timely file required reports or the submission of inaccurate reports. These laws authorize the appropriate banking agency to issue cease and desist orders that may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnification, or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, or take other action as determined by the ordering agency to be appropriate.

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***Pending and Proposed Legislation***

There are various pending and proposed bills in Congress that, among other things, could restructure the federal supervision of financial institutions. The Company is unable to predict with any certainty the effect any such legislation would have on the Company, its subsidiaries or their respective activities. Additional legislation, judicial and administrative decisions also may affect the ability of banks to compete with each other as well as with other businesses. These statutes and decisions may tend to make the operations of various financial institutions more similar and increase competition among banks and other financial institutions or limit the ability of banks to compete with other businesses. Management currently cannot predict whether and, if so, when any such changes might occur or the impact any such changes would have upon the income or operations of the Company or its subsidiaries, or upon the Oklahoma regional banking environment.

**Item 2. Properties.**

The principal offices of the Company are located at 101 North Broadway, Oklahoma City, Oklahoma 73102. The Company owns substantially all of the properties and buildings in which its various offices and facilities are located. These properties include the main bank and 83 branches. BancFirst also owns properties for future expansion. There are no significant encumbrances on any of these properties.

**Item 3. Legal Proceedings.**

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

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

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2004.

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

	Price Range		
	High	Low	Declared
			<b>Cash</b>
			<b>Dividends</b>
<b>2004</b>			
First Quarter	\$ 58.750	\$ 55.000	\$ 0.25
Second Quarter	\$ 59.750	\$ 54.640	\$ 0.25
Third Quarter	\$ 65.240	\$ 57.940	\$ 0.28
Fourth Quarter	\$ 79.910	\$ 61.710	\$ 0.28
<b>2003</b>			
First Quarter	\$ 47.110	\$ 42.810	\$ 0.22
Second Quarter	\$ 56.730	\$ 43.900	\$ 0.22
Third Quarter	\$ 57.390	\$ 51.340	\$ 0.25
Fourth Quarter	\$ 59.990	\$ 53.911	\$ 0.25

As of February 28, 2005 there were approximately 400 holders of record of the Common Stock.

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

BancFirst Corporation is a legal entity separate and distinct from the Bank, and its ability to pay dividends is substantially dependent upon dividend payments received from the Bank. Various laws, regulations and regulatory policies limit the Bank's ability to pay dividends to BancFirst Corporation, as well as BancFirst Corporation's ability to pay dividends to its shareholders. See Liquidity and Funding and Capital Resources under Management's Discussion and Analysis of Financial Condition and Results of Operations, Description of Business - Supervision and Regulation and note 14 of the Notes to Consolidated Financial Statements for further information regarding limitations on the payment of dividends by BancFirst Corporation and the Bank.

**Item 6. Selected Financial Data.**

Incorporated by reference from Selected Consolidated Financial Data contained on page A-3 of the attached Appendix.

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

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

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

Incorporated by reference from Financial Review - Market Risk contained on page A-17 of the attached Appendix.



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

The consolidated financial statements of BancFirst Corporation and its subsidiaries, are incorporated by reference from pages A-23 through A-54 of the attached Appendix, and include the following:

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

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

There have been no material disagreements between the Company and its independent accountants on accounting and financial disclosure matters which are required to be reported under this Item for the period for which this report is filed.

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

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

Management's annual report on internal control over financial reporting is incorporated by reference from page A-21 of the attached Appendix. The registered public accounting firm's attestation report on management's assessment of the Company's internal control over financial reporting is incorporated by reference from page A-22 of the attached Appendix.

**Item 9B. Other Information**

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

### **PART III**

#### **Item 10. Directors and Executive Officers of the Registrant.**

The information required by Item 401 of Regulation S-K will be contained in the 2005 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 2005 Proxy Statement under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" and is hereby incorporated by reference. The information required by Item 406 of Regulation S-K will be contained in the 2005 Proxy Statement under the caption "Code of Ethics" and is hereby incorporated by reference.

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

The information required by Item 402 of Regulation S-K will be contained in the 2005 Proxy Statement under the caption "Compensation of Directors and Executive Officers" and is hereby incorporated by reference.

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

The information required by Item 201(d) of Regulation S-K will be contained in the 2005 Proxy Statement under the caption Securities Authorized for Issuance under Equity Compensation Plans and is hereby incorporated by reference. The information required by Item 403 of Regulation S-K will be contained in the 2005 Proxy Statement under the caption Security Ownership of Certain Beneficial Owners and Management and is hereby incorporated by reference.

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

The information required by Item 404 of Regulation S-K will be contained in the 2005 Proxy Statement under the caption Transactions with Management 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 2005 Proxy Statement under the caption Ratification of Selection of Independent Accountants and is hereby incorporated by reference.

**PART IV**

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

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

(1) Financial Statements:

<u>Report of Independent Registered Public Accounting Firm</u>	A-23
<u>Consolidated Balance Sheets at December 31, 2004 and 2003</u>	A-24
<u>Consolidated Statements of Income for the three years ended December 31, 2004</u>	A-25
<u>Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2004</u>	A-26
<u>Consolidated Statements of Cash Flow for the three years ended December 31, 2004</u>	A-27
<u>Notes to Consolidated Financial Statements</u>	A-28 to A-54

The above financial statements are incorporated by reference from pages A-23 through A-54 of the attached Appendix.

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(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:

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 1 to the Company's 8-A/A filed July 23, 1998 and incorporated herein by reference).

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- 3.2 Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2004 and incorporated herein by reference).
- 3.3 Certificate of Designations of Preferred Stock (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
- 3.4 Amended By-Laws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference).
- 4.1 Instruments defining the rights of securities holders (see Exhibits 3.1, 3.2, 3.3 and 3.4 above).
- 4.2 Amended and Restated Declaration of Trust of BFC Capital Trust I dated as of February 4, 1997 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
- 4.3 Form of 9.65% Series B Cumulative Trust Preferred Security Certificate for BFC Capital Trust I (included as Exhibit D to Exhibit 4.2).
- 4.4 Indenture dated as of February 4, 1997, relating to the 9.65% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust I (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
- 4.5 Form of Certificate of 9.65% Series B Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Exhibit A to Exhibit 4.4).
- 4.6 Form of Series B Guarantee of BancFirst Corporation relating to the 9.65% Series B Cumulative Trust Preferred Securities of BFC Capital Trust I (filed as Exhibit 4.7 to the Company's registration statement on Form S-4, File No. 333-25599, and incorporated herein by reference).
- 4.7 Rights Agreement, dated as of February 25, 1999, between BancFirst Corporation and BancFirst, as Rights Agent, including as Exhibit A the form of Certificate of Designations of the Company setting forth the terms of the Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights Agreement (filed as Exhibit 1 to the Company's 8-K dated February 25, 1999 and incorporated herein by reference).
- 4.8 Form of Amended and Restated Trust Agreement relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.5 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
- 4.9 Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (included as Exhibit D to Exhibit 4.8).
- 4.10 Form of Indenture relating to the 7.20% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust II (filed as Exhibit 4.1 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
- 4.11 Form of Certificate of 7.20% Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Section 2.2 and Section 2.3 of Exhibit 4.10).

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4.12	Form of Guarantee of BancFirst Corporation relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.7 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
10.1	Sixth Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 4.1 to the Company's Form S-8 Registration Statements filed October 8, 2004 and incorporated herein by reference).
10.2	Amended and Restated BancFirst Corporation Employee Stock Ownership and Thrift Plan, as amended by amendments dated September 19, 1992, November 21, 2002 and December 18, 2003 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.3	1988 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.4	1993 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.5	1995 Non-Employee Director Stock Plan of AmQuest Financial Corp. as assumed by BancFirst Corporation (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.6	BancFirst Corporation Non-Employee Directors' Stock Option Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
10.7	BancFirst Corporation Directors' Deferred Stock Compensation Plan (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
21.1	Subsidiaries of Registrant (filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).
23.1*	Consent of Ernst & Young LLP.
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1*	CEO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Stock Repurchase Program (filed as Exhibit 99.1 to the Company's Form 8-K dated November 18, 1999 and incorporated herein by reference).

\* Filed herewith.

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**SIGNATURES**

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

April 18, 2005

**BANCFIRST CORPORATION**  
(Registrant)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 18, 2005.

/s/ H. E. Rainbolt  
H. E. Rainbolt  
Chairman of the Board  
(Principal Executive Officer)

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

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

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

William H. Crawford  
Director

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

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

/s/ Robert A. Gregory  
Robert A. Gregory  
Vice Chairman of the Board  
(Principal Executive Officer)

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

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

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

David R. Lopez  
Director

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/s/ J. Ralph McCalmont

J. Ralph McCalmont  
Director

Tom H. McCasland, III  
Director

/s/ Melvin Moran

Melvin Moran  
Director

Ronald J. Norick  
Director

/s/ Paul B. Odom, Jr.

Paul B. Odom, Jr.  
Director

/s/ David Ragland  
David Ragland  
Director

G. Rainey Williams, Jr.  
Director

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

/s/ Randy Foraker

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



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**APPENDIX A**

**BancFirst Corporation**

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**FINANCIAL REVIEW**

The following discussion is an analysis of the financial condition and results of operations of the Company for the three years ended December 31, 2004 and should be read in conjunction with the Consolidated Financial Statements and Notes thereto and the Selected Consolidated Financial Data included herein.

**SUMMARY**

BancFirst Corporation's net income for 2004 was \$37.2 million, or \$4.65 per diluted share, compared to \$31.9 million, or \$4.00 per diluted share for 2003. The 2004 results include after tax gains totaling \$1.76 million on the sale of minority interests in two community banks. Net interest income increased \$8.13 million, or 7.4%, compared to 2003. The increase in net interest income for 2004 resulted from an improved net interest margin coupled with loan growth of \$146.3 million. Provisions for loan losses in 2004 decreased to \$2.70 million from \$3.72 million for 2003. Noninterest income increased to \$51.9 million from \$48.8 million, while noninterest expense increased to \$109 million from \$105 million. The increase in noninterest income includes the after tax gains totaling \$1.76 million on the sale of minority interests in two community banks previously mentioned. The increase in noninterest expense resulted from increases in salaries and employee benefits and the acquisitions of Lincoln National Bancorporation and two branches from Gold Bank, which were completed in the fourth quarter of 2003. The expenses related to the acquisitions were included in operations for only a portion of the fourth quarter in 2003, but were included in operations for all of 2004.

Total assets increased to \$3.05 billion from \$2.92 billion at the end of 2003. Total loans increased to \$2.09 billion from \$1.95 billion for 2003. Total deposits increased to \$2.66 billion from \$2.59 billion for 2003. The Company's average loans to deposits was 74.47% for 2004, compared to 73.33% for 2003. Stockholders' equity increased to \$277 million from \$255 million at the end of 2003. Average stockholders' equity to average assets increased to 8.85% at year-end 2004 from 8.81% at year-end 2003.

Asset quality remained strong in 2004 with nonperforming and restructured assets to total assets decreasing to 0.48% at year-end 2004 from 0.70% at year-end 2003. The allowance for loan losses to nonperforming and restructured loans was 211.05% at December 31, 2004, compared to 158.76% at the end of 2003. Net charge-offs for 2004 were only 0.16% of average loans, compared to 0.18% of average loans for 2003.

The Company has continued to repurchase shares of its common stock under its ongoing Stock Repurchase Program (the "SRP"). During 2004, 41,500 shares were repurchased, compared to 40,075 shares repurchased in 2003. At December 31, 2004, there were 208,126 shares remaining that could be repurchased under the SRP. Also, in January 2003, the Company repurchased 320,000 shares for \$14.4 million, which was not a part of the SRP.

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 \$25.0 million of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the "Trust Preferred Securities") to other investors. In March 2004, BFC II issued an additional \$1.0 million in Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Trust Preferred Securities and the common securities of BFC II were invested in \$26.8 million of 7.20% Junior Subordinated Debentures of BancFirst Corporation. Interest payments on the 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each

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year. The stated maturity date of the 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to mandatory redemption pursuant to optional prepayment terms.

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

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**Table of Contents****Index to Financial Statements****SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in thousands, except per share data)

	At and for the Year Ended December 31,				
	2004	2003	2002	2001	2000
<b>Income Statement Data</b>					
Net interest income	\$ 117,246	\$ 109,117	\$ 109,330	\$ 104,932	\$ 102,335
Provision for loan losses	2,699	3,722	5,276	1,780	4,045
Noninterest income	51,855	48,820	45,212	36,908	29,902
Noninterest expense	108,744	105,382	98,380	96,620	87,724
Net income	37,176	31,882	33,562	27,961	26,217
<b>Balance Sheet Data</b>					
Total assets	\$ 3,046,977	\$ 2,921,369	\$ 2,796,862	\$ 2,757,045	\$ 2,570,255
Securities	560,234	564,735	565,225	544,291	560,551
Total loans (net of unearned interest)	2,093,515	1,947,223	1,814,862	1,717,433	1,666,338
Allowance for loan losses	25,746	26,148	24,367	24,531	25,380
Deposits	2,657,434	2,585,960	2,428,648	2,401,328	2,267,397
Long-term borrowings	7,815	11,063	34,087	24,090	26,613
Junior subordinated debentures	51,804	25,000	25,000	25,000	25,000
Stockholders' equity	277,497	255,372	251,508	223,168	196,958
<b>Per Common Share Data</b>					
Net income - basic	\$ 4.75	\$ 4.07	\$ 4.12	\$ 3.38	\$ 3.22
Net income - diluted	4.65	4.00	4.06	3.34	3.19
Cash dividends	1.06	0.94	0.80	0.72	0.66
Book value	35.39	32.64	30.91	27.02	23.65
Tangible book value	30.77	28.51	28.25	24.34	20.63
<b>Selected Financial Ratios</b>					
<i>Performance ratios:</i>					
Return on average assets	1.22%	1.12%	1.22%	1.05%	1.10%
Return on average stockholders' equity	13.83	12.74	14.33	13.32	14.89
Cash dividend payout ratio	22.32	23.10	19.42	21.30	20.50
Net interest spread	3.89	3.85	3.87	3.57	3.94
Net interest margin	4.29	4.27	4.45	4.44	4.84
Efficiency ratio	64.31	66.72	63.66	68.12	66.34
<i>Balance Sheet Ratios:</i>					
Average loans to deposits	74.47%	73.33%	73.89%	72.12%	73.07%
Average earning assets to total assets	91.02	91.24	90.82	90.11	90.11
Average stockholders' equity to average assets	8.85	8.81	8.53	7.86	7.38
<i>Asset Quality Ratios:</i>					
Nonperforming and restructured loans to total loans	0.58%	0.85%	0.77%	0.78%	0.73%
Nonperforming and restructured assets to total assets	0.48	0.70	0.60	0.58	0.56
Allowance for loan losses to total loans	1.23	1.34	1.34	1.43	1.52
Allowance for loan losses to nonperforming and restructured loans	211.05	158.76	175.16	184.24	207.85
Net chargeoffs to average loans	0.16	0.18	0.31	0.16	0.17



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## CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSIS

## Taxable Equivalent Basis (Dollars in thousands)

	December 31, 2004			December 31, 2003			December 31, 2002		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
<b>ASSETS</b>									
Earning assets:									
Loans (1)	\$ 1,981,918	\$ 119,813	6.05%	\$ 1,822,895	\$ 115,660	6.34%	\$ 1,765,795	\$ 125,782	7.12%
Securities - taxable	530,340	21,144	3.99	504,429	21,960	4.35	516,047	27,338	5.30
Securities - tax exempt	35,688	2,239	6.27	38,016	2,463	6.48	43,784	2,931	6.69
Federal funds sold	217,602	2,872	1.32	226,182	2,421	1.07	168,681	2,761	1.64
<b>Total earning assets</b>	<b>2,765,548</b>	<b>146,068</b>	<b>5.28</b>	<b>2,591,522</b>	<b>142,504</b>	<b>5.50</b>	<b>2,494,307</b>	<b>158,812</b>	<b>6.37</b>
Nonearning assets:									
Cash and due from banks	126,747			120,166			129,813		
Interest receivable and other assets	171,917			153,569			146,373		
Allowance for loan losses	(25,937)			(24,856)			(24,064)		
<b>Total nonearning assets</b>	<b>272,727</b>			<b>248,779</b>			<b>252,122</b>		
<b>Total assets</b>	<b>\$ 3,038,275</b>			<b>\$ 2,840,301</b>			<b>\$ 2,746,429</b>		
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>									
Interest-bearing liabilities:									
Transaction deposits	\$ 432,116	1,255	0.29%	\$ 382,885	1,576	0.41%	\$ 360,955	2,961	0.82%
Savings deposits	746,864	8,284	1.11	709,332	9,246	1.30	599,210	10,892	1.95
Time deposits	717,290	12,989	1.81	767,597	17,078	2.22	900,169	29,026	3.22
Short-term borrowings	27,404	332	1.21	27,460	305	1.11	36,544	607	1.66
Long-term borrowings	8,819	548	6.21	21,745	1,263	5.81	31,144	1,876	6.02
Junior subordinated debentures	47,540	4,111	8.65	25,000	2,447	9.79	25,000	2,447	9.79
<b>Total interest-bearing liabilities</b>	<b>1,980,033</b>	<b>27,519</b>	<b>1.39</b>	<b>1,934,019</b>	<b>31,915</b>	<b>1.65</b>	<b>1,913,022</b>	<b>47,809</b>	<b>2.50</b>
Interest-free funds:									
Noninterest bearing deposits	765,011			625,972			569,286		
Interest payable and other liabilities	24,332			29,985			29,949		

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Stockholders' equity	<u>268,899</u>	<u>250,325</u>	<u>234,172</u>
Total interest free-funds	<u>1,058,242</u>	<u>906,282</u>	<u>833,407</u>
Total liabilities and stockholders' equity	<u>\$ 3,038,275</u>	<u>\$ 2,840,301</u>	<u>\$ 2,746,429</u>
Net interest income	<u>\$ 118,549</u>	<u>\$ 110,589</u>	<u>\$ 111,003</u>
Net interest spread	<u>3.89%</u>	<u>3.85%</u>	<u>3.87%</u>
Net interest margin	<u>4.29%</u>	<u>4.27%</u>	<u>4.45%</u>

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

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**Table of Contents****Index to Financial Statements****RESULTS OF OPERATIONS****Net Interest Income**

Net interest income, which is the Company's principal source of operating revenue, increased \$8.13 million to \$117 million compared to 2003. The net interest margin on a taxable equivalent basis for 2004 was 4.29%, compared to 4.27% for 2003 and 4.45% for 2002. On a taxable equivalent basis, net interest income increased \$7.66 million in 2004, compared to a decrease of \$414,000 in 2003. Changes in the volume of earning assets and interest-bearing liabilities, and changes in interest rates determine the changes in net interest income. The Volume/Rate Analysis summarizes the relative contribution of each of these components to the changes in net interest income in 2004 and 2003. The increase in 2004 was due to loan and investment growth that increased interest income by \$11.0 million, which was partially offset by changes in the mix and volume in deposits and volume in junior subordinated debentures that decreased net interest income by \$1.03 million and lower interest rates that reduced net interest income by \$2.32 million. The decrease in 2003 was due to falling interest rates that reduced net interest income \$6.31 million, which was partially offset by loan growth that increased interest income by \$4.07 million and changes in the mix of deposits that reduced interest expense by \$1.62 million. Average loans grew \$159.0 million, or 8.72%, in 2004 and \$57.1 million, or 3.23%, in 2003. Average time deposits decreased \$50.3 million, or 6.55%, in 2004 and \$133 million, or 14.73%, in 2003, while average total deposits increased in both years.

**VOLUME/RATE ANALYSIS****Taxable Equivalent Basis**

	Change in 2004			Change in 2003		
	Total	Due to Volume(1)	Due to Rate	Total	Due to Volume(1)	Due to Rate
(Dollars in thousands)						
<b>INCREASE (DECREASE)</b>						
<b>Interest Income:</b>						
Loans	\$ 3,837	\$ 10,118	\$ (6,281)	\$ (10,122)	\$ 4,067	\$ (14,189)
Investments - taxable	(876)	1,131	(2,007)	(5,378)	(615)	(4,763)
Investments - tax exempt	(231)	(151)	(80)	(468)	(386)	(82)
Federal funds sold	444	(92)	536	(340)	941	(1,281)
<b>Total interest income</b>	<b>3,174</b>	<b>11,006</b>	<b>(7,832)</b>	<b>(16,308)</b>	<b>4,007</b>	<b>(20,315)</b>
<b>Interest Expense:</b>						
Transaction deposits	(326)	203	(529)	(1,385)	180	(1,565)
Savings deposits	(987)	491	(1,478)	(1,646)	2,924	(4,570)
Time deposits	(4,135)	(1,122)	(3,013)	(11,948)	(4,275)	(7,673)
Short-term borrowings	26	(1)	27	(302)	(151)	(151)
Long-term borrowings	(719)	(753)	34	(613)	(566)	(47)
Junior subordinated debentures	1,657	2,212	(555)			
<b>Total interest expense</b>	<b>(4,484)</b>	<b>1,030</b>	<b>(5,514)</b>	<b>(15,894)</b>	<b>(1,888)</b>	<b>(14,006)</b>



Net interest income	\$ 7,658	\$ 9,976	\$ (2,318)	\$ (414)	\$ 5,895	\$ (6,309)
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(1) Changes due to changes in the mix of earning assets and interest-bearing liabilities have been combined with the changes due to volume.

Interest rate sensitivity analysis measures the sensitivity of the Company's net interest margin to changes in interest rates by analyzing the repricing relationship between its earning assets and interest-bearing liabilities. This analysis is limited by the fact that it presents a static position as of a single day and is not necessarily indicative of the Company's position at any other point in time, and does not take into account the sensitivity of yields and rates of specific assets and liabilities to changes in market rates. The Company has continued its strategy of creating manageable negative interest sensitivity gaps in the short term. This approach takes advantage of the Company's stable core deposit base and the relatively short maturity and repricing frequency of its loan portfolio, as well as the historical existence of a positive yield curve, which enhances the net interest margin over the long term. Although interest rate risk is increased on a controlled basis by this position, it is somewhat mitigated by the Company's high level of liquidity.

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The Analysis of Interest Rate Sensitivity presents the Company's earning assets and interest-bearing liabilities based on maturity and repricing frequency at December 31, 2004. The Company's cumulative negative gap position in the one year interval decreased to \$612 million at December 31, 2004 from \$696 million at December 31, 2003, and decreased as a percentage of total earning assets to 21.86% from 26.53%. This negative gap position assumes that the Company's core savings and transaction deposits are immediately rate sensitive and reflects management's perception that the yield curve will be positively sloped over the long term. In the current environment of rising interest rates, the Company's ability to manage the repricing of its liability rates may enable the Company to improve the net interest margin over time. Additionally, in a rising rate environment, the benefit of the Company's noninterest-bearing funds is increased, resulting in an increase in the Company's net interest margin over time. In light of the above, and assuming no change in the volume or mix of the Company's loans and deposits, the Company's net interest income would reasonably be expected to continue to slightly increase over the next several quarters.

**ANALYSIS OF INTEREST RATE SENSITIVITY****December 31, 2004**

	Interest Rate Sensitive		Noninterest Rate Sensitive		Total
	0 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	
(Dollars in thousands)					
<b>EARNING ASSETS</b>					
Loans	\$ 680,128	\$ 317,890	\$ 940,123	\$ 155,374	\$ 2,093,515
Securities	32,540	93,666	400,799	33,229	560,234
Federal funds sold and interest-bearing deposits	145,643				145,643
<b>Total</b>	<b>\$ 858,311</b>	<b>\$ 411,556</b>	<b>\$ 1,340,922</b>	<b>\$ 188,603</b>	<b>\$ 2,799,392</b>
<b>FUNDING SOURCES</b>					
Noninterest-bearing demand deposits (1)	\$	\$	\$	\$ 584,609	\$ 584,609
Savings and transaction deposits	1,162,096				1,162,096
Time deposits of \$100 or more	194,861	27,957			222,818
Time deposits under \$100	387,721	77,325			465,046
Short-term borrowings	27,707				27,707
Long-term borrowings	767	3,325	3,723		7,815
Junior subordinated debentures				51,804	51,804
Stockholders' equity				277,497	277,497
<b>Total</b>	<b>\$ 1,773,152</b>	<b>\$ 108,607</b>	<b>\$ 3,723</b>	<b>\$ 913,910</b>	<b>\$ 2,799,392</b>
Interest sensitivity gap	\$ (914,841)	\$ 302,949	\$ 1,337,199	\$ (725,307)	
Cumulative gap	\$ (914,841)	\$ (611,892)	\$ 725,307	\$	
Cumulative gap as a percentage of total earning assets	(32.68)%	(21.86)%	25.91%	%	

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

**Provision for Loan Losses**

The provision for loan losses decreased to \$2.70 million for 2004, compared to \$3.72 million for 2003 and \$5.28 million for 2002. These relatively low levels of provisions reflect the Company's strong asset quality. The amounts provided for the last three years primarily relate to loan growth offset by improving credit quality. The Company establishes an allowance as an estimate of the probable inherent losses in the loan portfolio at the balance sheet date. Net loan charge-offs were \$3.10 million for 2004, compared to \$3.21 million for 2003 and \$5.44 million for 2002. These net charge-offs were equivalent to 0.16%, 0.18% and 0.31% of average loans for 2004, 2003 and 2002, respectively. A more detailed discussion of the allowance for loan losses is provided under Loans.

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**Noninterest Income**

Total noninterest income increased \$3.04 million in 2004, or 6.22% compared to increases of \$3.61 million, or 7.98%, in 2003, and \$8.3 million, or 22.50% in 2002. The increase in 2004 included \$2.87 million in gains on the sale of minority interests in two community banks and an increase of \$1.29 million on service charges on deposits. Additionally, the increase in noninterest income was also impacted by the acquisitions of Lincoln National Bancorporation and two branches from Gold Bank, which were completed in the fourth quarter of 2003. The noninterest income related to the acquisitions was included for only a portion of the fourth quarter in 2003, but was included in all of 2004. In 2003, noninterest income included \$3.28 million of securities gains. Excluding the gains on sale of minority interest in 2004 and the gains on sale of securities in 2003, noninterest income increased \$3.44 million, or 7.56%. Noninterest income has become an increasingly important source of revenue. The Company's fee income has increased each year since 1987 due to improved pricing strategies, enhanced product lines, acquisitions and internal deposit growth. New products and strategies continue to be implemented which are expected to produce continued growth in noninterest income.

Trust revenues have grown due to continued development of these products and services. Service charges on deposits have increased as a result of strategies implemented to improve the charging and collection of various service charges, and because of growth in deposits. Income from sales of loans decreased in 2004 due to lower mortgage originations. Other noninterest income, which includes safe deposit box rentals, insurance activities, cash management services, other service fees and gain on sale of assets increased \$5.59 million in 2004, compared to a decrease of \$1.37 million in 2003 and an increase of \$2.33 million in 2002. The decrease in 2003 was mainly due to a decrease in income from credit life insurance activities.

The Company recognized a net loss on securities transactions of \$236,000 in 2004 compared to net gains of \$3.28 million in 2003 and \$291,000 in 2002. The Company's practice is to maintain a liquid portfolio of securities and not engage in trading activities. However, for securities available for sale in an unrealized loss position, the Company has the ability and intent to hold these securities until they mature or fair value exceeds amortized cost. The net losses in 2004 were mainly from the impairment of preferred stock investments owned by the Company's small business investment subsidiary. The net gains in 2003 included \$2.56 million of gains from the sale of securities related to an adjustment of the Company's interest sensitivity in the second quarter of 2003 when a loss of \$2.43 million was also recognized for early extinguishment of certain Federal Home Loan Bank borrowings. The net gains in 2002 were mainly from the redemption, at a premium, of a preferred stock investment owned by the Company's small business investment subsidiary.

**Noninterest Expense**

Total noninterest expense increased in 2004 by \$3.36 million, or 3.19%, compared to increases of \$7.0 million, or 7.12%, for 2003, and \$1.76 million, or 1.82% for 2002. The increase in noninterest expense in 2004 resulted from increases in salaries and employee benefits and the acquisitions of Lincoln National Bancorporation and two branches from Gold Bank, which were completed in the fourth quarter of 2003. The expenses related to the acquisitions were included in operations for only a portion of the fourth quarter of 2003, but were included in operations for all of 2004. The noninterest expense increase in 2003 includes a loss on early extinguishment of debt of \$2.43 million, an operational loss of \$1.18 million, and losses totaling \$1.97 million for uncollectible receivables carried in cash and due from banks. Excluding these losses, total noninterest expense for 2004 increased \$8.94 million, or 8.96%. Salaries and employee benefits have increased over the years due to higher salary levels and benefits costs, additional staff for new product lines and increased loan demand, and acquisitions. Occupancy and fixed assets expense, and depreciation have increased as a result of the addition of facilities from acquisitions and the opening of new branches. Other noninterest expenses decreased \$2.08 million in 2004 and increased \$2.4 million in 2003. The decrease in 2004 was primarily due to the operational loss and the write-off of uncollectible receivables incurred in 2003.

**Income Taxes**

Income tax expense increased to \$20.5 million in 2004, compared to \$17.0 million for 2003 and \$17.3 million for 2002. The effective tax rates for 2004, 2003 and 2002 were 35.5%, 34.7% and 34.0%, respectively. The primary reasons for the difference between the Company's effective tax rate and the federal statutory rate are tax-exempt income, nondeductible amortization and state tax expense.

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Since banks have traditionally carried large amounts of tax-exempt securities and loans, certain financial information is prepared on a taxable equivalent basis to facilitate analysis of yields and changes in components of earnings. Average balance sheets, income statements and other financial statistics on a taxable equivalent basis have been presented for this purpose.

**Impact of Inflation**

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

**FINANCIAL POSITION**

**Cash and Federal Funds Sold**

Cash consists of cash and cash items on hand, noninterest-bearing deposits and other amounts due from other banks, reserves deposited with the Federal Reserve Bank, and interest-bearing deposits with other banks. Federal funds sold consists of overnight investments of excess funds with other financial institutions. The amount of cash and federal funds sold carried by the Company is a function of the availability of funds presented to other institutions for clearing, the Company's requirements for liquidity, operating cash and reserves, available yields, and interest rate sensitivity management. Balances of these items can fluctuate widely based on these various factors. Cash and federal funds sold decreased \$18.7 million in 2004 and \$30.2 million in 2003 as these liquid funds were used for growth in loans.

**Securities**

Total securities decreased \$4.5 million, or 0.80%, compared to a decrease of \$490,000, or 0.09%, in 2003. Securities available for sale represented 94.3% of the total securities portfolio at year-end 2004, compared to 93.2% at year-end 2003. These levels reflect the Company's strategy of maintaining a very liquid portfolio. Securities available for sale had a net unrealized gain of \$4.34 million at year-end 2004, compared to a \$14.9 million net unrealized gain the preceding year. These unrealized gains are included in the Company's stockholders' equity as net unrealized gains, net of income tax, in the amounts of \$3.15 million and \$9.84 million for 2004 and 2003, respectively.

**SECURITIES**

December 31

	2004	2003	2002
(Dollars in thousands)			
<b>Held for Investment</b>			
U.S. Treasury and other federal agencies	\$ 5,296	\$ 8,281	\$ 15,502
States and political subdivisions	26,864	30,184	39,591
<b>Total</b>	<b>\$ 32,160</b>	<b>\$ 38,465</b>	<b>\$ 55,093</b>
Estimated market value	\$ 33,168	\$ 40,191	\$ 57,585
<b>Available for Sale</b>			
U.S. Treasury and other federal agencies	\$ 501,744	\$ 499,647	\$ 494,907
States and political subdivisions	10,715	12,083	3,367
Other securities	15,615	14,540	11,858
<b>Total</b>	<b>\$ 528,074</b>	<b>\$ 526,270</b>	<b>\$ 510,132</b>
<b>Total Securities</b>	<b>\$ 560,234</b>	<b>\$ 564,735</b>	<b>\$ 565,225</b>

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

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

Management had the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time the Company will receive full value for the securities. As of December 31, 2004, the Company had unrealized losses largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Furthermore, as of December 31, 2004, management also had the ability and intent to hold all securities classified as available for sale with an unrealized loss for a period of time sufficient for a recovery of cost. Accordingly, as of December 31, 2004, management believes the impairments are temporary and no material impairment loss has been realized in the Company's consolidated income statement.

The Maturity Distribution of Securities summarizes the maturity and weighted average taxable equivalent yields of the securities portfolio. The Company manages its securities portfolio for liquidity and as a tool to execute its asset/liability management strategy. Consequently, the average maturity of the portfolio is relatively short. Securities maturing within five years represents 94.07% of the total portfolio.

**MATURITY DISTRIBUTION OF SECURITIES****December 31, 2004**

		After One Year But		After Five Years But		After Ten Years		Total	
		Within One Year	Within Five Years	Within Ten Years					
Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield

(Dollars in thousands)

**Held for Investment**

U.S. Treasury and other federal agencies	\$	387	5.91%	\$	4,342	6.40%	\$	482	6.43%	\$	85	6.42%	\$	5,296	6.37%
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State and political subdivisions	5,099	6.17	15,827	6.24	4,212	7.88	1,726	7.50	26,864	6.56
<b>Total</b>	<b>\$ 5,486</b>	<b>6.15</b>	<b>\$ 20,169</b>	<b>6.27</b>	<b>\$ 4,694</b>	<b>7.73</b>	<b>\$ 1,811</b>	<b>7.45</b>	<b>\$ 32,160</b>	<b>6.53</b>
Percentage of total	17.06%		62.71%		14.60%		5.63%		100.00%	
<b>Available for Sale</b>										
U.S. Treasury and other federal agencies	\$ 120,105	4.36%	\$ 376,456	3.95%	\$ 4,940	4.22%	\$ 243	6.63%	\$ 501,744	4.06%
State and political subdivisions	614	6.03	3,995	3.82	4,911	5.68	1,195	5.99	10,715	5.03
Other securities			179	6.05			15,436	3.77	15,615	3.80
<b>Total</b>	<b>\$ 120,719</b>	<b>4.37</b>	<b>\$ 380,630</b>	<b>3.95</b>	<b>\$ 9,851</b>	<b>4.94</b>	<b>\$ 16,874</b>	<b>3.98</b>	<b>\$ 528,074</b>	<b>4.07</b>
Percentage of total	22.86%		72.08%		1.87%		3.19%		100.00%	
<b>Total securities</b>	<b>\$ 126,205</b>	<b>4.45%</b>	<b>\$ 400,799</b>	<b>4.07%</b>	<b>\$ 14,545</b>	<b>5.85%</b>	<b>\$ 18,685</b>	<b>4.34%</b>	<b>\$ 560,234</b>	<b>4.21%</b>
Percentage of total	22.53%		71.54%		2.60%		3.33%		100.00%	

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**Loans**

The Company has historically generated significant loan growth from both internal originations and acquisitions. Total loans increased \$146 million, or 7.51%, in 2004, and \$132 million, or 7.29%, in 2003. In 2004, the loan growth was internal and was concentrated primarily in the various types of real estate loans. In 2003, loan growth from the acquisition of Lincoln and the Gold Bank branch acquisitions accounted for \$74.9 million of the overall loan growth.

*Composition*

The Company's loan portfolio is diversified among various types of commercial and individual borrowers. Commercial loans are comprised principally of loans to companies in light manufacturing, retail and service industries. Construction and development loans totaled \$152 million, or 7.28% of total loans at the end of 2004, down from \$154 million, or 7.90% of total loans at the end of 2003. Real estate loans are relatively evenly divided between residential mortgages and loans secured by commercial and other types of properties. Real estate mortgage loans represented 54.6% of total loans at December 31, 2004, compared to 50.9% of total loans at December 31, 2003. Consumer loans are comprised primarily of loans to individuals for the purchase of vehicles and student loans.

Loans secured by real estate have been a large portion of the Company's loan portfolio. In 2004, this percentage was 61.8% compared to 58.8% for 2003. The Company is subject to risk of future market fluctuations in property values relating to these loans. The Company attempts to manage this risk through rigorous loan underwriting standards, training of loan officers and close monitoring of the valuation of individual properties collateralizing the loan.

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	December 31,									
	2004		2003		2002		2001		2000	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Dollars in thousands)										
Commercial, financial and other	\$ 525,306	25.10%	\$ 536,901	27.57%	\$ 525,592	28.96%	\$ 545,371	31.76%	\$ 534,743	32.09%
Real estate construction	152,402	7.28	153,755	7.90	136,539	7.52	84,445	4.92	84,637	5.08
Real estate mortgage	1,142,259	54.55	991,130	50.90	891,912	49.15	816,142	47.52	771,783	46.32
Consumer	273,548	13.07	265,437	13.63	260,819	14.37	271,475	15.80	275,175	16.51
Total	\$ 2,093,515	100.00%	\$ 1,947,223	100.00%	\$ 1,814,862	100.00%	\$ 1,717,433	100.00%	\$ 1,666,338	100.00%

The Maturity and Rate Sensitivity of Loans presents maturity and repricing information for commercial, financial and other loans, and real estate loans, excluding one to four family residential loans. Over 38% of the commercial real estate and other commercial loans have maturities of one year or less. However, many of these loans are renewed at existing or similar terms after scheduled principal reductions. Also, over half of the commercial real estate and other commercial loans had adjustable interest rates at year-end 2004. The short maturities and adjustable rates on these loans allow the Company to maintain the majority of its loan portfolio near market interest rates.

**MATURITY AND RATE SENSITIVITY OF LOANS****December 31, 2004**

	Maturing			
	Within One Year	After One But Within Five Years	After Five Years	Total
(Dollars in thousands)				
Commercial, financial and other	\$ 287,596	\$ 193,045	\$ 44,665	\$ 525,306
Real estate construction	113,890	32,801	5,711	152,402
Real estate - mortgage (excluding loans secured by 1 to 4 family residential properties)	105,597	219,383	315,219	640,199
Total	\$ 507,083	\$ 445,229	\$ 365,595	\$ 1,317,907
Loans with predetermined interest rates	\$ 200,456	\$ 219,812	\$ 92,134	\$ 512,402

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Loans with adjustable interest rates	306,627	225,417	273,461	805,505
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 507,083	\$ 445,229	\$ 365,595	\$ 1,317,907
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Percentage of total	38.48%	33.78%	27.74%	100.00%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

*Nonperforming and Restructured Loans*

Nonperforming and restructured assets decreased \$5.70 million, or 27.9% in 2004, and increased \$3.68 million, or 22.0% in 2003.

Nonperforming loans have been relatively low in recent years. Nonperforming and restructured loans as a percentage of total loans was 0.58% at year-end 2004, compared to 0.85% at year-end 2003 and 0.77% at year-end 2002.

Nonaccrual loans negatively impact the Company's net interest margin. A loan is placed on nonaccrual status when, in the opinion of management, the future collectibility of interest and/or principal is in serious doubt. Interest income is recognized on certain of these loans on a cash basis if the full collection of the remaining principal balance is reasonably expected. Otherwise, interest income is not recognized until the principal balance is fully collected. Nonaccrual loans decreased \$4.69 million, or 35.1%, in 2004, compared to an increase of \$2.48 million, or 22.8%, in 2003. Total interest income which was not accrued on nonaccrual loans outstanding at year end was approximately \$439,000 in 2004 and \$505,000 in 2003. Only a small amount of this interest is ultimately collected.

The classification of a loan as nonperforming does not necessarily indicate that loan principal and interest will ultimately be uncollectible. The Company's experience is that a significant portion of the principal and some of the interest is eventually recovered. However, the above normal risk associated with nonperforming loans is considered in the determination of the allowance for loan losses. At year-end 2004, the allowance for loan losses as a percentage of nonperforming and restructured loans was 211.05%, compared to 158.76% at the end of 2003 and 175.16% at the end of 2002.

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Other real estate owned and repossessed assets decreased in 2004 to \$2.51 million from \$3.94 million at year-end 2003. Other real estate owned consist of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure, and premises held for sale. These properties are carried at the lower of the book values of the related loans or fair market values based upon appraisals, less estimated costs to sell. Losses arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for loan losses. Any losses on premises identified to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Losses from declines in value of the properties subsequent to classification as other real estate owned are charged to operating expense.

The Company places a substantial amount of emphasis on disposing of other real estate owned and repossessed assets. To encourage local management to sell the other real estate as quickly as possible and to ensure that it is carried at a conservative value, the Company's policy is to write down other real estate annually by the greater of 10% of its remaining carrying value or the difference between its remaining carrying value and its estimated market value.

**NONPERFORMING AND RESTRUCTURED ASSETS**

	December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Past due over 90 days and still accruing	\$ 3,149	\$ 2,674	\$ 2,515	\$ 1,742	\$ 2,790
Nonaccrual	8,688	13,381	10,899	10,225	8,852
Restructured	362	415	497	1,348	569
<b>Total nonperforming and restructured loans</b>	<b>12,199</b>	<b>16,470</b>	<b>13,911</b>	<b>13,315</b>	<b>12,211</b>
Other real estate owned and repossessed assets	2,513	3,939	2,819	2,699	2,130
<b>Total nonperforming and restructured assets</b>	<b>\$ 14,712</b>	<b>\$ 20,409</b>	<b>\$ 16,730</b>	<b>\$ 16,014</b>	<b>\$ 14,341</b>
Nonperforming and restructured loans to total loans	0.58%	0.85%	0.77%	0.78%	0.73%
Nonperforming and restructured assets to total assets	0.48%	0.70%	0.60%	0.58%	0.56%

Potential problem loans are performing loans to borrowers with a weakened financial condition, or which are experiencing unfavorable trends in their financial condition, which causes management to have concerns as to the ability of such borrowers to comply with the existing repayment terms. BancFirst had approximately \$27.1 million of these loans, which are not included in nonperforming and restructured assets, at December 31, 2004. In general, these loans are well collateralized and have no identifiable loss potential. Loans which are considered to have identifiable loss potential are placed on nonaccrual status, are allocated a specific allowance for loss or are directly charged-down, and are reported as nonperforming. The Company's nonaccrual loans are primarily commercial and real estate loans.

*Allowance for Loan Losses*

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

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The Company's net charge-offs continue to remain relatively low. In 2004, the Company recognized \$3.1 million of net charge-offs, which was 0.16% of average loans, compared to \$3.21 million of net charge-offs, or 0.18% of average loans, for 2003, and \$5.44 million, or 0.31% of average loans, for 2002. The Company's allowance for loan losses to total loans continues to remain relatively low. In 2004, the Company's allowance for loan losses represented 1.23% of total loans, compared to 1.34% for 2003 and 2002.

**ANALYSIS OF ALLOWANCE FOR LOAN LOSSES**

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Balance at beginning of period	\$ 26,148	\$ 24,367	\$ 24,531	\$ 25,380	\$ 22,548
Charge-offs:					
Commercial	(1,729)	(1,687)	(3,129)	(854)	(1,062)
Real estate	(943)	(1,037)	(1,028)	(428)	(815)
Consumer	(1,422)	(1,578)	(2,391)	(2,274)	(2,481)
Other	(85)	(191)	(4)	(101)	(19)
Total charge-offs	(4,179)	(4,493)	(6,552)	(3,657)	(4,377)
Recoveries:					
Commercial	406	370	434	336	544
Real estate	196	496	118	287	353
Consumer	438	408	541	368	770
Other	38	14	19	37	19
Total recoveries	1,078	1,288	1,112	1,028	1,686
Net charge-offs	(3,101)	(3,205)	(5,440)	(2,629)	(2,691)
Provision charged to operations	2,699	3,722	5,276	1,780	4,045
Additions from acquisitions		1,264			1,478
Balance at end of period	\$ 25,746	\$ 26,148	\$ 24,367	\$ 24,531	\$ 25,380
Average loans	\$ 1,981,918	\$ 1,822,895	\$ 1,765,795	\$ 1,684,460	\$ 1,542,795
Total loans	\$ 2,093,515	\$ 1,947,223	\$ 1,814,862	\$ 1,717,433	\$ 1,666,338
Net charge-offs to average loans	0.16%	0.18%	0.31%	0.16%	0.17%
Allowance to total loans	1.23%	1.34%	1.34%	1.43%	1.52%
Allocation of the allowance by category of loans:					
Commercial, financial and other	\$ 6,541	\$ 7,654	\$ 7,602	\$ 7,500	\$ 8,161

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Real estate - construction	1,735	1,898	1,594	1,106	1,178
Real estate - mortgage	14,139	13,036	11,317	10,673	10,262
Consumer	3,331	3,560	3,139	3,332	3,586
Unallocated			715	1,920	2,193
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 25,746	\$ 26,148	\$ 24,367	\$ 24,531	\$ 25,380
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Percentage of loans in each category to total loans:					
Commercial, financial and other	25.10%	27.57%	28.97%	31.76%	32.09%
Real estate - construction	7.28	7.90	7.52	4.92	5.08
Real estate - mortgage	54.55	50.90	49.14	47.52	46.32
Consumer	13.07	13.63	14.37	15.80	16.51
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**Liquidity and Funding**

The Company's principal sources of liquidity and funding are its generation of profits and diverse 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, competitive service charges and other banking services offered, the Company can, to a limited extent, control its level of deposits. The level and maturity of deposits necessary to support the Company's lending and investment functions is determined through monitoring loan demand and through its asset/liability management process. Short-term borrowings, comprised primarily of federal funds purchased and repurchase agreements, provide additional funding sources, as well as long-term borrowings. The Company could also utilize the sale of loans, securities, and liquidation of other assets as sources of liquidity and funding.

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Total deposits increased \$71.7 million, or 2.77%, in 2004, and \$157 million, or 6.47%, in 2003. The increase in 2004 was from internal growth. The increase in 2003 was primarily due to the Gold Bank and Lincoln National Bancorporation acquisitions which added \$132 million in total deposits. Demand deposits as a percentage of total deposits have been increasing since 1994. The Company's core deposits provide it with a stable, low-cost funding source. Core deposits were 91.8% of total deposits in 2004, compared to 91.0% in 2003. Time deposits decreased in 2004 and 2003 due to lower interest rates offered on certificates of deposit.

**ANALYSIS OF AVERAGE DEPOSITS**

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
<b>Average Balances</b>					
Demand deposits	\$ 765,011	\$ 625,972	\$ 569,286	\$ 528,186	\$ 461,870
Interest-bearing transaction deposits	432,116	382,885	360,955	349,613	351,559
Savings deposits	746,864	709,332	559,210	451,156	406,909
Time deposits under \$100	497,773	544,899	636,150	707,707	657,535
Total core deposits	2,441,764	2,263,088	2,125,601	2,036,662	1,877,873
Time deposits of \$100 or more	219,517	222,698	264,019	299,085	233,409
Total deposits	\$ 2,661,281	\$ 2,485,786	\$ 2,389,620	\$ 2,335,747	\$ 2,111,282

**Percentages of Total Average Deposits And Average Rates Paid**

	% of		% of		% of		% of		% of	
	Total	Rate	Total	Rate	Total	Rate	Total	Rate	Total	Rate
Demand deposits	28.75%		25.18%		23.82%		22.61%		21.88%	
Interest-bearing transaction deposits	16.24	0.29%	15.40	0.41%	15.11	0.82%	14.97	1.65%	16.65	2.23%
Savings deposits	28.06	1.11	28.54	1.30	23.40	1.95	19.32	3.00	19.27	4.03
Time deposits under \$100	18.70	1.70	21.92	2.17	26.62	3.17	30.30	5.18	31.14	5.45
Total core deposits	91.75		91.04		88.95		87.20		88.94	
Time deposits of \$100 or more	8.25	2.06	8.96	2.36	11.05	3.37	12.80	5.37	11.06	5.94
Total deposits	100.00%		100.00%		100.00%		100.00%		100.00%	
Average rate paid on interest-bearing deposits		1.19%		1.50%		2.36%		3.98%		4.48%

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The Company has not utilized brokered deposits. At December 31, 2004, 77.5% of its time deposits of \$100,000 or more mature in one year or less.

**MATURITY OF CERTIFICATES OF DEPOSIT \$100,000 or More**

	<b>December 31, 2004</b>
	<b>(In thousands)</b>
Three months or less	\$ 90,375
Over three months through six months	35,072
Over six months through twelve months	47,223
Over twelve months	50,148
<b>Total</b>	<b>\$ 222,818</b>

Short-term borrowings, consisting mainly of federal funds purchased and repurchase agreements, are another source of funds for the Company. The level of these borrowings is determined by various factors, including customer demand and the Company's ability to earn a favorable spread on the funds obtained. Short-term borrowings totaled \$27.7 million at December 31, 2004, compared to \$16.6 million at December 31, 2003.

In 1995, the Bank became a member of the Federal Home Loan Bank of Topeka, Kansas (the "FHLB") and began borrowing from the FHLB at favorable interest rates. These borrowings are principally used to match-fund longer-term, fixed-rate loans, and are collateralized by a pledge of residential first mortgages and certain securities. Long-term borrowings decreased to \$7.8 million in 2004 from \$11.1 million in 2003. In 2003, the Company executed the early payment of \$25.1 million in FHLB borrowings as part of an adjustment in the Company's interest sensitivity. As a result, a loss of \$2.43 million was recognized on this early extinguishment of debt in 2003.

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The Bank is highly liquid. This liquidity positions the Bank to respond to increased loan demand and other requirements for funds, or to decreases in funding sources. Cash flows from operations, investing activities and other funding sources have provided the funds for the increased loan activity.

The liquidity of BancFirst Corporation is dependent upon dividend payments from the Bank and its ability to obtain financing. Banking regulations limit bank dividends based upon net earnings retained by the bank and minimum capital requirements. Dividends in excess of these limits require regulatory approval. During 2004, the Bank declared four common stock dividends totaling \$10.1 million and two preferred stock dividends totaling \$1.93 million.

The Company has various contractual obligations that require future cash payments. The following table presents certain known payments for contractual obligations by payment due period as of December 31, 2004.

**CONTRACTUAL OBLIGATIONS****December 31, 2004**

	Payment Due by Period					Totals
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Indeterminate Maturity	
	(Dollars in Thousands)					
Long-term debt <sup>(1)</sup>	\$ 3,908	\$ 4,205	\$ 239	\$	\$	\$ 8,352
Junior subordinated debentures <sup>(1)</sup>	4,285	8,569	8,569	139,133		160,556
Other liabilities <sup>(2)</sup>					10,338	10,338
Operating lease payments	710	1,297	1,203	3,814		7,024
Certificates of deposit	524,555	117,774	45,508	28		687,865
<b>Total</b>	<b>\$ 533,458</b>	<b>\$ 131,845</b>	<b>\$ 55,519</b>	<b>\$ 142,975</b>	<b>\$ 10,338</b>	<b>874,135</b>

(1) Includes principal and interest.

(2) Represents insurance reserves.

**Capital Resources**

Stockholders' equity totaled \$277 million at year-end 2004, compared to \$255 million at year-end 2003 and \$252 million at year-end 2002. Stockholders' equity has continued to increase due to net earnings retained, stock option exercises, and unrealized gains on securities. The

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Company's average equity capital ratio for 2004 was 8.85%, compared to 8.81% for 2003 and 8.53% for 2002. At December 31, 2004, the Company's leverage ratio was 9.75%, its Tier 1 capital ratio was 12.75%, and its total risk-based capital ratio was 13.88%, compared to minimum requirements of 3%, 4% and 8%, respectively. Banking institutions are generally expected to maintain capital well above the minimum levels.

On May 27, 2004, the Company amended its Amended and Restated Certificate of Incorporation to increase the number of shares of common stock that the Company has the authority to issue from 15,000,000 shares to 20,000,000 shares.

In January 2003, BancFirst Corporation repurchased 320,000 shares of its common stock for \$14.4 million. The shares were repurchased through a market-maker in the Company's stock and was not a part of the Company's ongoing Stock Repurchase Program.

In November 1999, the Company adopted a Stock Repurchase Program (the "SRP") authorizing management to repurchase up to 300,000 shares of the Company's common stock. The SRP was amended in May 2001 to increase the shares authorized to be purchased by 277,916 shares and was amended again in August 2002 to increase the number of shares authorized to be purchased by 182,265 shares. The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options, and to provide liquidity for shareholders wishing to sell their stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and must be approved by the Company's Executive Committee. At December 31, 2004 there were 208,126 shares remaining that could be repurchased under the SRP.

In January 1997, BancFirst Corporation established BFC Capital Trust I (the "Trust"), a trust formed under the Delaware Business Trust Act. BancFirst Corporation owns all of the common securities of the Trust. In February 1997, the Trust issued \$25,000 of aggregate liquidation amount of 9.65% Capital Securities, Series A (the "Capital Securities") to other investors. The proceeds from the sale of the Capital Securities and the common

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securities of the Trust were invested in \$25,000 of 9.65% Junior Subordinated Deferrable Interest Debentures, Series A (the 9.65% Junior Subordinated Debentures ) of BancFirst Corporation. The Series A Capital Securities and 9.65% Junior Subordinated Debentures were subsequently exchanged for Series B Capital Securities and Junior Subordinated Debentures, pursuant to a Registration Rights Agreement. The terms of the Series A and Series B securities are identical in all material respects. Interest payments on the 9.65% Junior Subordinated Debentures are payable January 15 and July 15 of each year. Such interest payments may be deferred for up to ten consecutive semi-annual periods. The stated maturity date of the 9.65% Junior Subordinated Debentures is January 15, 2027, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Capital Securities represent an undivided interest in the 9.65% Junior Subordinated Debentures, are guaranteed by BancFirst Corporation, and qualify as Tier 1 regulatory capital. During any deferral period or during any event of default, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

In January 2004, BancFirst Corporation established BFC Capital Trust II ( BFC II ), a trust formed under the Delaware Business Trust Act. BancFirst Corporation owns all of the common securities of BFC II. In February 2004, BFC II issued \$25,000 of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the Trust Preferred Securities ) to other investors. In March 2004, BFC II issued an additional \$1,000 in Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Trust Preferred Securities and the common securities of BFC II were invested in \$26,804 of 7.20% Junior Subordinated Debentures of BancFirst Corporation. Interest payments on the 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each year. Such interest payments may be deferred for up to twenty consecutive quarters. The stated maturity date of the 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Trust Preferred Securities represent an undivided interest in the 7.20% Junior Subordinated Debentures, are guaranteed by BancFirst Corporation, and qualify as Tier 1 regulatory capital. During any deferral period or during any event of default, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

Future dividend payments will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company and the Bank, their capital needs, applicable governmental policies and regulations and such other factors as the Board of Directors deems appropriate. 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 2005.

**Market Risk**

Market risk is defined as the risk of loss related to financial instruments from changes in interest rates, foreign currency exchange rates and commodity prices. The Company's market risk arises principally from its lending, investing, deposit and borrowing activities. The Company is not exposed to market risk from foreign exchange rates and commodity prices. Management monitors and controls interest rate risk through sensitivity analysis and its strategy of creating manageable negative interest sensitivity gaps, as described under Net Interest Income above. The Company does not use derivative financial instruments to manage its interest rate risk exposure.

The table below 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, 2004.

**MARKET RISK**

**December 31, 2004**

Avg. Rate	Expected Maturity / Principal Repayments at December 31,						Balance	Fair Value	
	2005	2006	2007	2008	2009	Thereafter			
(Dollars in thousands)									
<b>Interest Sensitive Assets</b>									
Loans	6.33%	\$ 842,427	\$ 333,244	\$ 246,930	\$ 157,581	\$ 103,220	\$ 410,113	\$ 2,093,515	\$ 2,052,752
Securities	4.21	126,205	136,774	80,388	174,714	8,922	33,231	560,234	561,242
Federal funds sold and interest bearing deposits	2.34	145,643						145,643	145,643
<b>Interest Sensitive Liabilities</b>									
Savings and transaction deposits	0.91	1,162,095						1,162,095	1,162,095
Time deposits	1.95	524,555	81,864	35,910	11,669	33,839	28	687,865	692,205
Short-term borrowings	1.21	27,707						27,707	27,707
Long-term borrowings	5.89	3,559	2,918	1,104	234			7,815	8,159
Junior subordinated debentures	8.39						51,804	51,804	52,938
<b>Off Balance Sheet Items</b>									
Loan commitments									901
Letters of credit									300

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The expected maturities and principal repayments are based upon the contractual terms of the instruments. 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.

### **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 loan 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 Loan Losses*

The allowance for loan losses is management's estimate of the probable inherent losses in the Company's loan portfolio.

The allowance for loan losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The amount of the allowance for loan losses is based on past loan loss experience, evaluations of known impaired loans, levels of adversely classified loans, general economic conditions and other environmental factors. A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The majority of the Company's impaired loans are collateral dependent. For collateral dependent loans, the amount of impairment is measured based upon the fair value of the underlying collateral and is included in the allowance for loan losses.

The amount of the allowance for loan losses is first determined by each business unit's management based on their evaluation of their unit's portfolio. This evaluation involves identifying impaired and adversely classified loans. Specific allowances for losses are determined for impaired loans based on either the loans' estimated discounted cash flows or the fair value of the collateral. Allowances for adversely classified loans are estimated using historical loss percentages for each type of loan. An allowance is also estimated for non-adversely classified loans using a historical loss percentage based on losses arising specifically from non-adversely classified loans, adjusted for various economic and environmental factors related to the underlying loans. Each month the Company's Senior Loan Committee reviews the adequacy of each business unit's allowance, and the aggregate allowance for the Company. The Senior Loan Committee also periodically 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. 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 impaired and adversely classified loans, and their adherence to the Company's loan policies and procedures.

The process of evaluating the adequacy of the allowance for loan losses necessarily involves the exercise of judgment and consideration of numerous subjective factors and, accordingly, there can be no assurance that the current level of the allowance will prove adequate in light of future developments and economic conditions. Different assumptions and conditions could result in a materially different amount for the



allowance for loan losses.

*Income Taxes*

The Company files a consolidated income tax return. Deferred taxes are recognized under the liability method based upon the future tax consequences of temporary differences between the carrying amounts and tax bases 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.

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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. Changes in the various factors considered in our estimates could produce material changes in the accruals for income taxes.

*Intangible Assets*

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of the core deposits. Prior to 2002, the excess of cost over the fair value of assets acquired (goodwill) was amortized on a straight-line basis over fifteen to forty years, depending upon when the goodwill originated. Beginning with 2002, goodwill is no longer amortized. Customer relationship intangibles are amortized on a straight-line basis of eighteen years. All intangible assets are reviewed annually in the fourth quarter 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 income statement.

The evaluation of 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 for the year ended December 31, 2004 resulted in no material impairments.

*Fair Value of Financial Instruments*

Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management strategy, to provide liquidity or for other reasons, are classified as available for sale and are stated at estimated market value. Unrealized gains or losses on securities available for sale are reported as a component of stockholders' equity, net of income tax. Securities that are determined to be impaired, and for which such impairment is determined to be other than temporary, are adjusted to fair value and a corresponding loss is recognized.

The estimates of fair values of 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.

#### **Segment Information**

See note (20) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's operating business segments.

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**Forward-Looking Statements**

The Company may make forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) with respect to earnings, credit quality, corporate objectives, interest rates and other financial and business matters. 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. Actual results may differ materially from forward-looking statements.

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**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, issued by the Committee of Sponsoring Organizations ( COSO ) of the Treadway Commission. Based on that assessment and criteria, management has determined that the Company has maintained effective internal control over financial reporting as of December 31, 2004.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report, has issued an audit report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. Their report, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, is included in this annual report.

BancFirst Corporation

Oklahoma City, Oklahoma

April 18, 2005

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

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

/s/ Randy Foraker  
Randy Foraker  
Executive Vice President and  
Chief Risk Officer

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of BancFirst Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that BancFirst Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BancFirst Corporation'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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, management's assessment that BancFirst Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, BancFirst Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2004 consolidated financial statements of BancFirst Corporation and our report dated March 14, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

April 18, 2005

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

BancFirst Corporation

We have audited the accompanying consolidated balance sheets of BancFirst Corporation as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flow for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BancFirst Corporation at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Oklahoma City, Oklahoma

March 14, 2005

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	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 100,564	\$ 155,367
Interest-bearing deposits with banks	15,643	3,761
Federal funds sold	130,000	105,809
Securities (market value: \$561,242 and \$566,461, respectively)	560,234	564,735
Loans:		
Total loans (net of unearned interest)	2,093,515	1,947,223
Allowance for loan losses	(25,746)	(26,148)
Loans, net	2,067,769	1,921,075
Premises and equipment, net	68,643	66,423
Other real estate owned	2,035	3,428
Intangible assets, net	6,203	4,726
Goodwill	30,046	27,611
Accrued interest receivable	18,723	19,006
Other assets	47,117	49,428
<b>Total assets</b>	<b>\$ 3,046,977</b>	<b>\$ 2,921,369</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits:		
Noninterest-bearing	\$ 807,474	\$ 720,366
Interest-bearing	1,849,960	1,865,324
Total deposits	2,657,434	2,585,690
Short-term borrowings	27,707	16,610
Accrued interest payable	3,884	3,741
Other liabilities	18,542	21,546
Long-term borrowings	7,815	11,063
Junior subordinated debentures	51,804	25,000
Minority interest	2,294	2,347
<b>Total liabilities</b>	<b>2,769,480</b>	<b>2,665,997</b>
Commitments and contingent liabilities		
Stockholders' equity:		
Senior preferred stock, \$1.00 par; 10,000,000 shares authorized; none issued		

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Cumulative preferred stock, \$5.00 par; 900,000 shares authorized; none issued		
Common stock, \$1.00 par; 20,000,000 shares authorized; shares issued and outstanding: 7,840,796 and 7,822,637, respectively	7,841	7,823
Capital surplus	63,054	60,819
Retained earnings	203,450	176,893
Accumulated other comprehensive income, net of income tax of \$1,187 and \$5,128, respectively	3,152	9,837
	<u>277,497</u>	<u>255,372</u>
Total stockholders' equity		
	<u>\$ 3,046,977</u>	<u>\$ 2,921,369</u>

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

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**BANCFIRST CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2004	2003	2002
<b>INTEREST INCOME</b>			
Loans, including fees	\$ 119,294	\$ 115,050	\$ 125,135
Securities:			
Taxable	21,144	21,960	27,338
Tax-exempt	1,455	1,601	1,905
Federal funds sold	2,798	2,319	2,639
Interest-bearing deposits with banks	74	102	122
	<u>144,765</u>	<u>141,032</u>	<u>157,139</u>
<b>INTEREST EXPENSE</b>			
Deposits	22,528	27,900	42,879
Short-term borrowings	332	305	607
Long-term borrowings	548	1,263	1,876
Junior subordinated debentures	4,111	2,447	2,447
	<u>27,519</u>	<u>31,915</u>	<u>47,809</u>
Net interest income	117,246	109,117	109,330
Provision for loan losses	2,699	3,722	5,276
	<u>114,547</u>	<u>105,395</u>	<u>104,054</u>
<b>NONINTEREST INCOME</b>			
Trust revenue	4,490	4,267	3,989
Service charges on deposits	27,063	25,771	25,001
Securities transactions	(236)	3,283	291
Income from sales of loans	1,753	2,303	1,370
Other	18,785	13,196	14,561
	<u>51,855</u>	<u>48,820</u>	<u>45,212</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and employee benefits	63,216	57,326	56,119
Occupancy and fixed assets expense, net	6,488	6,187	5,429
Depreciation	6,128	5,455	5,423
Amortization of intangible assets	831	580	600
Data processing services	2,493	2,339	2,117

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Net expense from other real estate owned	524	401	428
Loss on early extinguishment of debt		2,429	
Marketing and business promotion	3,382	2,906	3,018
Other	25,682	27,759	25,246
	<u>108,744</u>	<u>105,382</u>	<u>98,380</u>
Total noninterest expense			
Income before taxes	57,658	48,833	50,886
Income tax expense	(20,482)	(16,951)	(17,324)
	<u>37,176</u>	<u>31,882</u>	<u>33,562</u>
Net income			
Other comprehensive income, net of tax of \$(3,989), \$(1,597) and \$4,119, respectively			
Unrealized gains (losses) on securities	(6,839)	(3,928)	6,709
Reclassification adjustment for gains included in net income	154	(2,134)	
	<u>30,491</u>	<u>25,820</u>	<u>40,271</u>
Comprehensive income	\$	\$	\$
	<u>30,491</u>	<u>25,820</u>	<u>40,271</u>
<b>NET INCOME PER COMMON SHARE</b>			
Basic	\$ 4.75	\$ 4.07	\$ 4.12
	<u>4.75</u>	<u>4.07</u>	<u>4.12</u>
Diluted	\$ 4.65	\$ 4.00	\$ 4.06
	<u>4.65</u>	<u>4.00</u>	<u>4.06</u>

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

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**B ANCFIRST CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Dollars in thousands, except per share data)

	Year Ended December 31,					
	2004		2003		2002	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>COMMON STOCK</b>						
Issued at beginning of period	7,822,637	\$ 7,823	8,136,852	\$ 8,137	8,260,099	\$ 8,260
Shares issued	59,659	60	45,860	46	63,352	63
Shares acquired and canceled	(41,500)	(42)	(360,075)	(360)	(186,599)	(186)
Issued at end of period	<u>7,840,796</u>	<u>\$ 7,841</u>	<u>7,822,637</u>	<u>\$ 7,823</u>	<u>8,136,852</u>	<u>\$ 8,137</u>
<b>CAPITAL SURPLUS</b>						
Balance at beginning of period		\$ 60,819		\$ 59,232		\$ 57,412
Common stock issued		2,235		1,587		1,820
Balance at end of period		<u>\$ 63,054</u>		<u>\$ 60,819</u>		<u>\$ 59,232</u>
<b>RETAINED EARNINGS</b>						
Balance at beginning of period		\$ 176,893		\$ 168,240		\$ 148,306
Net income		37,176		31,882		33,562
Dividends on common stock (\$1.06, \$0.94 and \$0.80 per share, respectively)		(8,301)		(7,343)		(6,502)
Common stock acquired and canceled		(2,318)		(15,886)		(7,126)
Balance at end of period		<u>\$ 203,450</u>		<u>\$ 176,893</u>		<u>\$ 168,240</u>
<b>ACCUMULATED OTHER</b>						
<b>COMPREHENSIVE INCOME</b>						
Unrealized gains on securities:						
Balance at beginning of period		\$ 9,837		\$ 15,899		\$ 9,190
Net change		(6,685)		(6,062)		6,709
Balance at end of period		<u>\$ 3,152</u>		<u>\$ 9,837</u>		<u>\$ 15,899</u>
Total stockholders equity		<u>\$ 277,497</u>		<u>\$ 255,372</u>		<u>\$ 251,508</u>

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

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**BANCFIRST CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

(Dollars in thousands)

	December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 37,176	\$ 31,882	\$ 33,562
Adjustments to reconcile to net cash provided by operating activities:			
Provision for loan losses	2,699	3,722	5,276
Depreciation and amortization	6,959	6,035	6,023
Net amortization of securities premiums and discounts	2,740	2,185	486
Realized securities losses (gains)	236	(3,283)	(291)
Gain on sales of loans	(1,753)	(2,125)	(1,370)
Gain on sale of minority stock	(2,874)		
Proceeds from sales of loans held for sale	91,242	137,308	100,383
Deferred income tax provision	1,245	867	1,071
Amortization of tax basis difference	1,301		
Provision for losses on other real estate owned	381	288	267
Decrease in interest receivable	283	3,427	486
Increase (decrease) in interest payable	143	(1,970)	(3,780)
Other, net	(5,222)	(9,315)	298
Net cash provided by operating activities	<u>134,556</u>	<u>169,021</u>	<u>142,411</u>
<b>INVESTING ACTIVITIES</b>			
Net cash and due from banks provided (used) for acquisitions	(3,960)	11,562	
Purchases of securities:			
Held for investment	(3,074)	(1,962)	(5,223)
Available for sale	(172,132)	(182,622)	(129,356)
Maturities of securities:			
Held for investment	8,356	16,394	21,009
Available for sale	143,103	100,878	99,339
Proceeds from sales and calls of securities:			
Held for investment	1,031	2,194	916
Available for sale	14,072	92,386	2,471
Net (increase) decrease in federal funds sold	(24,191)	28,191	74,000
Purchases of loans	(39,030)	(16,473)	(14,423)
Proceeds from sales of loans	63,520	60,910	39,332
Net other increase in loans	(268,281)	(245,762)	(232,624)
Purchases of premises and equipment	(9,085)	(7,597)	(9,099)
Proceeds from the sale of other real estate owned and repossessed assets	5,324	4,807	6,395
Other, net	9,787	406	2,814
Net cash used for investing activities	<u>(274,560)</u>	<u>(136,688)</u>	<u>(144,449)</u>

	_____	_____	_____
<b>FINANCING ACTIVITIES</b>			
Net increase in demand, transaction and savings deposits	129,678	135,251	162,807
Net decrease in certificates of deposits	(57,935)	(110,235)	(135,487)
Net increase (decrease) in short-term borrowings	11,097	(14,516)	(27,648)
Net increase (decrease) in long-term borrowings	(4,195)	(23,024)	9,997
Issuance of junior subordinated debentures	26,804		
Issuance of common stock	2,295	1,633	1,883
Acquisition of common stock	(2,360)	(16,246)	(7,312)
Cash dividends paid	(8,301)	(7,173)	(6,202)
	_____	_____	_____
Net cash provided (used) by financing activities	97,083	(34,310)	(1,962)
	_____	_____	_____
Net decrease in cash and due from banks	(42,921)	(1,977)	(4,000)
Cash and due from banks at the beginning of the period	159,128	161,105	165,105
	_____	_____	_____
Cash and due from banks at the end of the period	\$ 116,207	\$ 159,128	\$ 161,105
	_____	_____	_____
<b>SUPPLEMENTAL DISCLOSURE</b>			
Cash paid during the year for interest	\$ 27,376	\$ 33,785	\$ 51,589
	_____	_____	_____
Cash paid during the year for income taxes	\$ 16,976	\$ 15,026	\$ 15,326
	_____	_____	_____

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



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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in thousands, except share and per share amounts)**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of BancFirst Corporation and its subsidiaries (the Company) conform to generally accepted accounting principles and general practice within the banking industry. A summary of the significant accounting policies follows.

**Basis of Presentation**

The accompanying consolidated financial statements include the accounts of BancFirst Corporation, Century Life Assurance Company, Council Oak Partners, LLC, Wilcox & Jones, Inc., and BancFirst and its subsidiaries (the Company). The operating subsidiaries of BancFirst are Council Oak Investment Corporation, Citibanc Insurance Agency, Inc., BancFirst Agency, Inc., Lenders Collection Corporation and PremierSource, LLC. Three other operating subsidiaries of BancFirst, Mojave Asset Management Company, Desert Asset Management Company, and Delamar Asset Management Limited Partnership, were liquidated and dissolved in August 2004. One other operating subsidiary of BancFirst, Express Financial Corporation, was liquidated and dissolved in December 2004. 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 for 2003 and 2002 have been reclassified to conform to the 2004 presentation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States inherently involves the use of estimates and assumptions that affect the amounts reported in the financial statements and the related disclosures. These estimates relate principally to the determination of the allowance for loan losses, income taxes and 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 does not engage in securities trading activities. Any sales of securities are for the purpose of executing the Company's asset/liability management strategy, eliminating a perceived credit risk in a specific security, or providing liquidity. Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management strategy, to provide liquidity or for other reasons, are classified as available for sale and are stated at estimated market value. Securities with limited marketability, such as Federal Home Loan Bank stock, are carried at cost, which approximates fair value, and are classified as available for sale. Unrealized gains or losses on

securities available for sale are reported as a component of stockholders' equity, net of income tax. Gains or losses from sales of securities are based upon the book values of the specific securities sold. 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 securities for impairment at least quarterly. Impairment is considered to be other-than-temporary if it is likely that all amounts contractually due will not be received for debt securities and when there is no positive evidence indicating that an investment's carrying amount is recoverable in the near term for equity securities. When impairment is considered other-than-temporary, the cost basis of the security is written down to fair value, with the impairment charge included in earnings. In evaluating whether the impairment is temporary or other-than-temporary, the Company considers, among other things, the time period the security has been in an unrealized loss position, and whether the Company has the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

**Loans**

Loans are stated at the principal amount outstanding. Interest income on certain installment loans is recorded by use of a method that produces a reasonable approximation of a constant yield on the outstanding principal. Interest on all other performing loans is recognized based upon the principal amount outstanding. A loan is placed on nonaccrual status when, in the opinion of management, the future collectibility of interest and/or principal is in serious doubt. Interest income is recognized on certain of these loans on a cash basis if the full collection of the remaining principal balance is reasonably expected. Otherwise, interest income is not recognized until the principal balance is fully collected.

**Allowance for Loan Losses**

The allowance for loan losses is maintained to provide for probable credit losses related to specifically identified loans and for losses inherent in the portfolio that have been incurred as of the balance sheet date. The allowance for loan losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The amount of the allowance for loan losses is based on past loan loss experience, evaluations of known impaired loans, levels of adversely classified loans, general economic conditions and other environmental factors. A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The majority of the Company's impaired loans are collateral dependent. For collateral dependent loans, the amount of impairment is measured based upon the fair value of the underlying collateral and is included in the allowance for loan losses.

**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 income statement.

**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 market values based upon appraisals, less estimated costs to sell. Losses arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for loan losses. Any losses on premises identified to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Losses from declines in value of the properties subsequent to classification as other real estate owned are charged to operating expense.

#### **Intangible Assets**

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of the core deposits. Prior to 2002, the excess of cost over the fair value of assets acquired (goodwill) was amortized on a straight-line basis over fifteen to forty years, depending upon when the goodwill originated. Beginning with 2002, goodwill is no longer amortized, but is evaluated annually for impairment. Customer relationship intangibles are amortized on a straight-line basis over eighteen years. All intangible assets are reviewed in the fourth quarter 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 income statement.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

**Stock - Based Compensation**

The Company uses the intrinsic value method, as described in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ( APB 25 ) and related interpretations, for accounting for its stock-based compensation. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ( FAS 123 ), as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123, which, if fully adopted by the Company, would change the method the Company applies in recognizing the cost of these plans to the fair value method. Adoption of the cost recognition provisions of FAS 123 is optional and the Company has not yet adopted such provisions. However, pro forma disclosures as if the Company adopted the cost recognition provisions of FAS 123 in 1995 are required and are presented below.

	Year Ended December 31,					
	2004		2003		2002	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
APB 25 charge	\$	\$	\$	\$	\$	\$
FAS 123 charge		601		706		643
Net income	37,176	36,575	31,882	31,176	33,562	32,919
Net income per share:						
Basic	\$ 4.75	\$ 4.67	\$ 4.07	\$ 3.98	\$ 4.12	\$ 4.05
Diluted	4.65	4.57	4.00	3.91	4.06	3.99

The effects of applying FAS 123 to the pro forma disclosure are not indicative of future results. FAS 123 does not apply to grants of options prior to 1995 and the Company anticipates making additional grants in the future.

**Income Taxes**

The Company files a consolidated income tax return. Deferred taxes are recognized under the liability method based upon the future tax consequences of temporary differences between the carrying amounts and tax bases 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.

**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.

**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. Acquisitions accounted for as purchases or as book value purchases are presented net of any stock issued, assets acquired and liabilities assumed.

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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

**Recent Accounting Pronouncements**

The Financial Accounting Standards Board (the FASB) Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statements 137 and 138, was adopted by the Company on January 1, 2001. It was further amended by Statement 149 in 2003. This Statement established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those financial instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and its resulting designation. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement is effective for fiscal years beginning after December 15, 2001, and replaces Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of* and also replaces the provisions of Accounting Principles Board Opinion No. 30, *Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business*, for disposals of segments of a business. Statement 144 requires that long-lived assets to be disposed of by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the ongoing operations of the entity. Since the provisions of this Statement are to be applied prospectively, the adoption of this new standard did not have a material effect on the Company's consolidated financial statements.

In October 2002, the FASB issued FAS No. 147, *Acquisitions of Certain Financial Institutions* an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9. This Statement is effective October 1, 2002. FAS No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions*, and FASB Interpretation No. 9, *Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method*, provide interpretive guidance on the application of the purchase method to acquisitions of financial institutions. This Statement removes acquisitions of financial institutions from the scope of both FAS No. 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with FAS No. 141 and FAS No. 142. In addition, this Statement amends FAS 144 to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor and borrower relationship intangible assets and credit cardholder intangible assets. The adoption of this new standard did not have a material effect on the Company's consolidated financial statements.





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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 ( FIN 46 ) which provides guidance for determining when an entity should consolidate another entity that meets the definition of a variable interest entity. Special purpose entities and other types of entities are assessed for consolidation under this new guidance. FIN 46 requires a variable interest entity to be consolidated if the company will absorb a majority of the expected losses, will receive a majority of the expected residual returns, or both. FIN 46 is effective immediately for interests in variable interest entities acquired after January 31, 2003. It applied in the first interim period after June 15, 2003 to interests in variable interest entities acquired before February 1, 2003. As of October 9, 2003, the FASB deferred compliance with FIN 46 from July 1, 2003 to the first period ending after December 15, 2003 for variable interest entities created prior to February 1, 2003. However, the Company adopted FIN 46 on July 1, 2003, as originally issued, and de-consolidated BFC Capital Trust I. In December 2003, the FASB issued a revision of FIN 46 ( Revised FIN 46 ) that codified the proposed modifications and other decisions previously issued through certain FASB Staff Positions, made other revisions, and superseded the original FIN 46. The effect of this de-consolidation was to remove the \$25,000 of 9.65% Capital Securities and the related interest expense from the Company's consolidated financial statements, and instead report the \$25,000 of Junior Subordinated Debentures issued by BancFirst Corporation to the Trust, and the related interest expense thereon. In March 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies.

In May 2003, the FASB issued FAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement is effective for all new and modified financial instruments beginning with the first interim period beginning after June 15, 2003. FAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be accounted for as equity and requires that those instruments be classified as liabilities, or assets in certain circumstances. The adoption of this new standard did not have a material effect on the Company's consolidated financial statements.

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP 03-3 requires acquired loans, including debt securities, to be recorded at the amount of the purchaser's initial investment and prohibits carrying over valuation allowances from the seller for those individually-evaluated loans that have evidence of deterioration in credit quality since origination, and it is probable all contractual cash flows on the loan will be unable to be collected. SOP 03-3 also requires the excess of all undiscounted cash flows expected to be collected at acquisition over the purchaser's initial investment to be recognized as interest income on level-yield basis over the life of the loan. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life, while subsequent decreases are recognized as impairment. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The guidance is effective for loans acquired in fiscal years beginning after December 15, 2004. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In March 2004, the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) released Issue 03-01, Meaning of Other Than Temporary Impairment, which addressed other-than-temporary impairment for certain debt and equity investments. The recognition and measurement requirements of Issue 03-01, and other disclosure requirements not already implemented, were effective for periods beginning after June 15, 2004. In September 2004, the FASB staff issued FASB Staff Position (FSP) EITF 03-1-1, which delayed the effective date for certain measurement and recognition guidance contained in Issue 03-1. The FSP requires the application of pre-existing other-than-temporary guidance during the period of delay until a final consensus is reached. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB revised SFAS 123, Accounting for Stock-Based Compensation (SFAS 123R). SFAS 123R establishes accounting requirements for share-based compensation to employees and carries forward prior guidance on accounting for awards to nonemployees. The provisions of this statement will become effective for interim periods beginning July 1, 2005 for all equity awards granted after the effective date. SFAS 123R requires an entity to recognize compensation expense based on an estimate of the number of awards expected to actually vest, exclusive of awards expected to be forfeited. Currently, the Company recognizes forfeitures as they occur. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

**(2) MERGERS & ACQUISITIONS AND RECENT TRANSACTIONS**

In January 2003, BancFirst Corporation repurchased 320,000 shares of its common stock for \$14,400. The shares were repurchased through a market - maker in the Company's stock and was not a part of the Company's ongoing Stock Repurchase Program.

In October 2003, BancFirst Corporation completed the acquisition of Lincoln National Bancorporation ( Lincoln ) of Oklahoma City, Oklahoma for cash of \$16,949. Lincoln had consolidated total assets of approximately \$107,673. As a result of the acquisition, Lincoln was merged into the Company, and Lincoln's wholly-owned bank subsidiary, Lincoln National Bank, became a subsidiary of the Company and was merged into BancFirst in February 2004. The acquisition was accounted for as a purchase. Accordingly, the effects of the acquisition are included in the Company's consolidated financial statements from the date of the acquisition forward.

In November 2003, BancFirst completed the acquisition of the Hobart and Lone Wolf, Oklahoma branches of Gold Bank. As a result of the acquisition, BancFirst purchased approximately \$16,256 of loans and other assets, and assumed approximately \$40,465 of deposits, for a premium of approximately \$2,731. The acquisition was accounted for as a purchase. Accordingly, the effects of the acquisition are included in the Company's consolidated financial statements from the date of the acquisition forward.

In January 2004, BancFirst Corporation established BFC Capital Trust II ( BFC II ), a trust formed under the Delaware Business Trust Act. BancFirst Corporation owns all of the common securities of BFC II. In February 2004, BFC II issued \$25,000 of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the Trust Preferred Securities ) to other investors. In March 2004, BFC II issued an additional \$1,000 in Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Trust Preferred Securities and the common securities of BFC II were invested in \$26,804 of 7.20% Junior Subordinated Debentures of BancFirst Corporation. Interest payments on the 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each year. Such interest payments may be deferred for up to twenty consecutive quarters. The stated maturity date of the 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Trust Preferred Securities represent an undivided interest in the 7.20% Junior Subordinated Debentures, are guaranteed by BancFirst Corporation, and qualify as Tier 1 regulatory capital. During any deferral period or during any event of default, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

In October 2004, the Company completed the acquisition of Wilcox & Jones, Inc., an independent insurance agency headquartered in Tulsa, Oklahoma for \$4.8 million. The purchase price included \$4.0 million in cash and \$800 in notes payable. As a result of the acquisition, Wilcox & Jones was merged into the Company and became a wholly-owned subsidiary of BancFirst Corporation. The acquisition was accounted for as a purchase. Accordingly, the effects of the acquisition have been included in the Company's consolidated financial statements from the date of the acquisition forward.

In 2004, the Company sold minority interests it owned in two community banks and recognized pre-tax gains totaling \$2.87 million.

**(3) DUE FROM BANKS AND FEDERAL FUNDS SOLD**

The Company maintains accounts with various other financial institutions and the Federal Reserve Bank, primarily for the purpose of clearing cash items. It also sells federal funds to certain of these institutions on an overnight basis. As a result, the Company had concentrations of credit risk in four institutions totaling \$130,000 at December 31, 2004 and in one institution totaling \$28,239 at December 31, 2003. These institutions are selected based on the strength of their financial condition and their creditworthiness. No collateral is required on such balances.

The Company is required, as a matter of law, to maintain a reserve balance in the form of vault cash or on deposit with the Federal Reserve Bank. The average amount of reserves maintained for each of the years ended December 31, 2004 and 2003 was approximately \$21,027 and \$20,000, respectively.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

## (4) SECURITIES

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

	December 31,	
	2004	2003
Held for investment at cost (market value: \$33,168, and \$40,191, respectively)	\$ 32,160	\$ 38,465
Available for sale, at market value	528,074	526,270
<b>Total</b>	<b>\$ 560,234</b>	<b>\$ 564,735</b>

The table below summarizes the amortized cost and estimated market values of securities held for investment:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<b>December 31, 2004</b>				
U.S. Treasuries	\$	\$	\$	\$
Mortgage backed securities	5,296	187	(3)	5,480
States and political subdivisions	26,864	863	(39)	27,688
<b>Total</b>	<b>\$ 32,160</b>	<b>\$ 1,050</b>	<b>\$ (42)</b>	<b>\$ 33,168</b>
<b>December 31, 2003</b>				
U.S. Treasuries	\$ 788	\$	\$	\$ 788
Mortgage backed securities	7,493	326	(1)	7,818
States and political subdivisions	30,184	1,408	(7)	31,585
<b>Total</b>	<b>\$ 38,465</b>	<b>\$ 1,734</b>	<b>\$ (8)</b>	<b>\$ 40,191</b>

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

The table below summarizes the amortized cost and estimated market values of securities available for sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<b>December 31, 2004</b>				
U.S. Treasuries	\$ 1,655	\$ 21	\$ (12)	\$ 1,664
U.S. federal agencies <sup>(1)</sup>	479,255	4,805	(1,672)	482,388
Mortgage backed securities	17,464	238	(10)	17,692
States and political subdivisions	10,579	148	(12)	10,715
Other securities <sup>(2)</sup>	14,430	1,185		15,615
<b>Total</b>	<b>\$ 523,383</b>	<b>\$ 6,397</b>	<b>\$ (1,706)</b>	<b>\$ 528,074</b>
<b>December 31, 2003</b>				
U.S. Treasuries	\$ 2,156	\$ 33	\$	\$ 2,189
U.S. federal agencies <sup>(1)</sup>	455,476	14,163	(110)	469,529
Mortgage backed securities	27,583	354	(8)	27,929
States and political subdivisions	11,907	189	(13)	12,083
Other securities <sup>(2)</sup>	14,217	323		14,540
<b>Total</b>	<b>\$ 511,339</b>	<b>\$ 15,062</b>	<b>\$ (131)</b>	<b>\$ 526,270</b>

(1) Primarily consists of FHLMC, FNMA, GNMA and mortgage backed securities.

(2) Primarily consists of FHLB stock and equity securities.

The maturities of securities held for investment and available for sale are summarized below. 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 allocated over maturity groupings based on the weighted-average estimated maturities of the underlying collateral.

December 31,	
2004	2003

	Estimated		Estimated	
	Amortized	Market	Amortized	Market
	Cost	Value	Cost	Value
<b>Held for Investment</b>				
Contractual maturity of debt securities:				
Within one year	\$ 5,486	\$ 5,529	\$ 7,860	\$ 7,943
After one year but within five years	20,169	20,759	21,233	22,240
After five years but within ten years	4,694	4,982	7,100	7,589
After ten years	1,811	1,898	2,272	2,419
<b>Total</b>	<b>\$ 32,160</b>	<b>\$ 33,168</b>	<b>\$ 38,465</b>	<b>\$ 40,191</b>
<b>Available for Sale</b>				
Contractual maturity of debt securities:				
Within one year	\$ 119,923	\$ 120,719	\$ 143,009	\$ 144,059
After one year but within five years	378,098	380,630	328,778	342,067
After five years but within ten years	9,722	9,851	15,227	15,402
After ten years	1,385	1,438	10,281	10,389
<b>Total debt securities</b>	<b>509,128</b>	<b>512,638</b>	<b>497,295</b>	<b>511,917</b>
Equity securities	14,255	15,436	14,044	14,353
<b>Total</b>	<b>\$ 523,383</b>	<b>\$ 528,074</b>	<b>\$ 511,339</b>	<b>\$ 526,270</b>

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

The following is a detail of realized securities gains, losses and impairments:

	Year Ended December 31,		
	2004	2003	2002
Proceeds	\$ 316	\$ 89,921	\$ 2,181
Gross gains realized	27	3,308	291
Gross losses realized			
Impairments	263	25	

Securities having book values of \$475,972, \$439,105 and \$432,578 at December 31, 2004, 2003 and 2002, respectively, were pledged as collateral for public funds on deposit, repurchase agreements and for other purposes as required or permitted by law.

A total of 71 securities had unrealized losses at December 31, 2004. These securities, with unrealized losses segregated by length of impairment, were as follows:

	Less than 12 Months		More than 12 Months		Total	
	Estimated		Estimated		Estimated	
	Estimated Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Held to Maturity</b>						
U.S. federal agencies	\$	\$	\$ 657	\$ 3	\$ 657	\$ 3
States, political subdivisions, and other	110		2,971	39	3,081	39
<b>Total</b>	<b>\$ 110</b>	<b>\$</b>	<b>\$ 3,628</b>	<b>\$ 42</b>	<b>\$ 3,738</b>	<b>\$ 42</b>
<b>Available for Sale</b>						
U.S. federal agencies	\$ 29,865	\$ 211	\$ 143,224	\$ 1,483	\$ 173,089	\$ 1,694
States, political subdivisions, and other	275	1	2,647	11	2,922	12
<b>Total</b>	<b>\$ 30,140</b>	<b>\$ 212</b>	<b>\$ 145,871</b>	<b>\$ 1,494</b>	<b>\$ 176,011</b>	<b>\$ 1,706</b>



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

Management has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2004, management also had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying debt securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2004, management believes the impairments detailed in the table above are temporary and no material impairment loss has been realized in the Company's consolidated income statement.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

## (5) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	December 31,			
	2004		2003	
	Amount	Percent	Amount	Percent
Commercial and industrial	\$ 382,438	18.27%	\$ 409,910	21.05%
Agriculture	93,691	4.48	85,094	4.37
State and political subdivisions:				
Taxable	3,093	0.15	221	0.01
Tax-exempt	15,822	0.76	20,560	1.06
Real Estate:				
Construction	152,402	7.28	153,755	7.90
Farmland	83,887	4.01	83,843	4.31
One to four family residences	502,015	23.98	441,010	22.65
Multifamily residential properties	11,987	0.57	10,316	0.53
Commercial	544,370	26.00	455,961	23.41
Consumer	273,548	13.07	265,437	13.63
Other	30,262	1.43	21,116	1.08
<b>Total loans</b>	<b>\$ 2,093,515</b>	<b>100.00%</b>	<b>\$ 1,947,223</b>	<b>100.00%</b>
Loans held for sale (included above)	\$ 9,066		\$ 4,115	

The Company's loans are mostly to customers within Oklahoma and over half of the loans are secured by real estate. Credit risk on loans is managed through limits on amounts loaned to individual borrowers, underwriting standards and loan monitoring procedures. The amounts and types of collateral obtained to secure loans are based upon the Company's underwriting standards and management's credit evaluation. Collateral varies, but may include real estate, equipment, accounts receivable, inventory, livestock and securities. The Company's interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral. The amount of estimated loss due to credit risk in the Company's loan portfolio is provided for in the allowance for loan losses. The amount of the allowance required to provide for all existing losses in the loan portfolio is an estimate based upon evaluations of loans, appraisals of collateral and other estimates which are subject to change due to changing economic conditions and the economic prospects of borrowers. It is reasonably possible that a material change could occur in the estimated allowance for loan losses in the near term.



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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Changes in the allowance for loan losses are summarized as follows:

	Year Ended December 31,		
	2004	2003	2002
Balance at beginning of period	\$ 26,148	\$ 24,367	\$ 24,531
Charge-offs	(4,179)	(4,493)	(6,552)
Recoveries	1,078	1,288	1,112
Net charge-offs	(3,101)	(3,205)	(5,440)
Provisions charged to operations	2,699	3,722	5,276
Additions from acquisitions		1,264	
Total additions	2,699	4,986	5,276
Balance at end of period	\$ 25,746	\$ 26,148	\$ 24,367

Below is a summary of impaired loans and the amounts included in the allowance for loan losses for impaired loans. No material amounts of interest income were collected on impaired loans for 2004 or 2003.

	Year Ended December 31,	
	2004	2003
Allowance for loss on impaired loans	\$ 1,908	\$ 2,126
Recorded balance of impaired loans	7,597	4,194

BancFirst 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 collectibility or present other unfavorable features. A summary of these loans is as follows:

Year Ended	Balance Beginning of		Collections/ Terminations	Balance End of
December 31,	the Period	Additions		the Period
2002	\$ 7,491	\$ 4,292	\$ (4,591)	\$ 7,192
2003	\$ 7,192	\$ 38,528	\$ (23,078)	\$ 22,642
2004	\$ 22,642	\$ 9,121	\$ (22,893)	\$ 8,870

Transfers from loans to other real estate owned and repossessed assets are non-cash transactions, and are not included in the statement of cash flows. Such transfers totaled \$4,909 and \$5,443 for the years ended December 31, 2004 and 2003, respectively.

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

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

	December 31,	
	2004	2003
Land	\$ 14,759	\$ 13,419
Buildings	69,152	67,351
Furniture, fixtures and equipment	43,558	40,928
Accumulated depreciation	(58,826)	(55,275)
Total	\$ 68,643	\$ 66,423

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

## (7) INTANGIBLE ASSETS AND GOODWILL

The Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets effective January 1, 2002. All intangible assets and goodwill were reassessed and reviewed for impairment as of that date. No changes were made to the estimated useful lives of intangible assets and no impairment charges were recognized from the adoption of this statement.

The following is a summary of intangible assets:

	December 31,			
	2004		2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$ 6,297	\$ (2,370)	\$ 7,981	\$ (3,255)
Customer relationship intangibles	2,308	(32)		( )
<b>Total</b>	<b>\$ 8,605</b>	<b>\$ (2,402)</b>	<b>\$ 7,981</b>	<b>\$ (3,255)</b>

Amortization of intangible assets and estimated amortization of intangible assets are as follows:

<b>Amortization</b>	
Year ended December 31:	
2004	\$ 831
2003	580
2002	600
<b>Estimated Amortization</b>	
Year ending December 31:	
2005	\$ 804
2006	767
2007	606
2008	512

The following is a summary of goodwill by business segment:

	<u>Metropolitan Banks</u>	<u>Community Banks</u>	<u>Other Financial Services</u>	<u>Executive, Operations &amp; Support</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Year Ended:</b>						
<b>December 31, 2004</b>						
Balance at beginning of period	\$ 12,993	\$ 14,088	\$	\$ 1,713	\$ (1,183)	\$ 27,611
Acquisitions	211	124	2,485			2,820
Adjustments	(385)					(385)
Balance at end of period	<u>\$ 12,819</u>	<u>\$ 14,212</u>	<u>\$ 2,485</u>	<u>\$ 1,713</u>	<u>\$ (1,183)</u>	<u>\$ 30,046</u>
<b>Year Ended:</b>						
<b>December 31, 2003</b>						
Balance at beginning of period	\$ 7,144	\$ 12,561	\$	\$ 1,713	\$ (1,183)	\$ 20,235
Acquisitions	5,849	1,612				7,461
Branch Closing		(85)				(85)
Balance at end of period	<u>\$ 12,993</u>	<u>\$ 14,088</u>	<u>\$</u>	<u>\$ 1,713</u>	<u>\$ (1,183)</u>	<u>\$ 27,611</u>

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Certificates of deposit in denominations of \$100 or more totaled \$222,818 and \$250,891 at December 31, 2004 and 2003, respectively. At December 31, 2004, the scheduled maturities of all certificates of deposit are as follows:

2005	\$ 524,555
2006	81,864
2007	35,910
2008	11,669
2009	33,839
Thereafter	28
	<hr/>
Total	\$ 687,865
	<hr/>

**(9) SHORT-TERM BORROWINGS**

The following is a summary of short-term borrowings:

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
	<hr/>	<hr/>
Federal funds purchased	\$ 20,592	\$ 5,698
Repurchase agreements	7,115	6,912
Notes payable		4,000
	<hr/>	<hr/>
Total	\$ 27,707	\$ 16,610
	<hr/>	<hr/>
Weighted average interest rate	1.21%	1.11%
	<hr/>	<hr/>

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



The Company enters into sales of securities to certain of its customers with simultaneous agreements to repurchase. These agreements represent an overnight borrowing of funds.

The notes payable represented short-term advances on a \$12,000 revolving line of credit with another bank. Advances under the line of credit bore interest at one of three specified rates, at the option of the Company. Interest was due quarterly and at maturity, or at the end of various interest periods which was selected by the Company. Any outstanding principal was due at the maturity of the note. The note was not renewed after maturity in April 2004.

#### **(10) LONG-TERM BORROWINGS**

The Company borrows under a line of credit from the Federal Home Loan Bank of Topeka, Kansas in order to match-fund certain long-term fixed rate loans. Such advances are at rates of from 5.09% to 7.86% and mature from 2005 through 2008. Interest payments on the advances are due monthly. Required principal payments on the advances for 2005 total \$3,292. The Company's assets, including residential first mortgages, are pledged as collateral for the borrowings under the line of credit.

In October 2004, the Company issued two promissory notes related to the acquisition of Wilcox & Jones, Inc., an independent insurance agency, totaling \$800. The notes are payable to the prior principals who remain in management with the agency. The notes mature in three equal annual installments with the first installment of \$267 due in October 2005. The notes have a six month adjustable interest rate equal to the 180 day Treasury Bill. At December 31, 2004, the effective interest rate was 1.95%.

In June 2003, the Company retired \$25,100 of Federal Home Loan Bank advances under its line of credit, and recognized a loss on early extinguishment of debt of \$2,429. This early retirement of the advances was part of a plan to adjust the Company's interest rate sensitivity. These retired advances had fixed rates from 3.47% to 7.87% and maturities from 2008 to 2017.

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Maturities of long-term debt as of December 31, 2004 are as follows:

2005	\$ 3,559
2006	2,918
2007	1,104
2008	234
2009 and after	
<b>Total</b>	<b>\$ 7,815</b>

**(11) JUNIOR SUBORDINATED DEBENTURES**

In January 1997, BancFirst Corporation established BFC Capital Trust I (the Trust), a trust formed under the Delaware Business Trust Act. BancFirst Corporation owns all of the common securities of the Trust. In February 1997, the Trust issued \$25,000 of aggregate liquidation amount of 9.65% Capital Securities, Series A (the Capital Securities) to other investors. The proceeds from the sale of the Capital Securities and the common securities of the Trust were invested in \$25,000 of 9.65% Junior Subordinated Deferrable Interest Debentures, Series A (the 9.65% Junior Subordinated Debentures) of BancFirst Corporation. The Series A Capital Securities and 9.65% Junior Subordinated Debentures were subsequently exchanged for Series B Capital Securities and Junior Subordinated Debentures, pursuant to a Registration Rights Agreement. The terms of the Series A and Series B securities are identical in all material respects. Interest payments on the 9.65% Junior Subordinated Debentures are payable January 15 and July 15 of each year. Such interest payments may be deferred for up to ten consecutive semi-annual periods. The stated maturity date of the 9.65% Junior Subordinated Debentures is January 15, 2027, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Capital Securities represent an undivided interest in the 9.65% Junior Subordinated Debentures, are guaranteed by BancFirst Corporation. In March 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies. During any deferral period or during any event of default, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

In January 2004, BancFirst Corporation established BFC Capital Trust II (BFC II), a trust formed under the Delaware Business Trust Act. BancFirst Corporation owns all of the common securities of BFC II. In February 2004, BFC II issued \$25,000 of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the Trust Preferred Securities) to other investors. In March 2004, BFC II issued an additional \$1,000 in Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Trust Preferred Securities and the common securities of BFC II were invested in \$26,804 of 7.20% Junior Subordinated Debentures of BancFirst Corporation. Interest payments on the 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each year. Such interest payments may be deferred for up to twenty consecutive quarters. The stated maturity date of the 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Trust Preferred Securities represent an undivided interest in the 7.20% Junior Subordinated Debentures, are guaranteed by BancFirst Corporation. In March 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies. During any deferral period or during any event of default, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

(12) INCOME TAXES

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

	Year Ended December 31,		
	2004	2003	2002
Current taxes: Federal	\$ (17,902)	\$ (15,108)	\$ (15,377)
State	(1,335)	(976)	(876)
Deferred taxes	(1,245)	(867)	(1,071)
<b>Total income taxes</b>	<b>\$ (20,482)</b>	<b>\$ (16,951)</b>	<b>\$ (17,324)</b>

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Income tax expense (benefit) applicable to securities transactions approximated \$(51) and \$1,149 for the years ended December 31, 2004 and 2003, respectively.

A reconciliation of tax expense at the federal statutory tax rate applied to income before taxes follows:

	Year Ended December 31,		
	2004	2003	2002
Tax expense at the federal statutory tax rate (Increase) decrease in tax expense from:	\$ (20,180)	\$ (17,091)	\$ (17,810)
Tax-exempt income, net	846	938	1,087
Excess cost amortization			(124)
State tax expense including amortization of basis difference, net of federal tax benefit	(1,301)	(582)	(518)
Federal tax credits	809		
Other, net	(656)	(216)	41
<b>Total tax expense</b>	<b>\$ (20,482)</b>	<b>\$ (16,951)</b>	<b>\$ (17,324)</b>

The net deferred tax asset (liability) consisted of the following:

	December 31,	
	2004	2003
Allowance for loan losses	\$ 8,894	\$ 9,003
Basis difference related to tax credits	1,502	
Discount on securities of banks acquired	117	98
Write-downs of other real estate owned	167	241
Deferred compensation	636	662
Other	70	145
<b>Gross deferred tax assets</b>	<b>11,386</b>	<b>10,149</b>
Unrealized net gains on securities available for sale	(1,582)	(5,128)
Depreciation	(2,961)	(2,278)

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Leveraged lease	(3,335)	(2,867)
Other	(1,059)	(1,890)
	<u>          </u>	<u>          </u>
Gross deferred tax liabilities	(8,937)	(12,163)
	<u>          </u>	<u>          </u>
Net deferred tax asset (liability)	\$ 2,449	\$ (2,014)
	<u>          </u>	<u>          </u>

During 2004, the Company made an investment in an entity that qualified for Federal New Markets Tax Credits and Oklahoma Small Business Capital Formation Credits. A deferred tax asset and other deferred asset were recorded for the difference between the basis in the investment for financial reporting and tax purposes. The deferred tax asset is being realized in relation to the utilization of the federal tax credits. The other deferred asset is being amortized to income tax expense in relation to the utilization of the federal and Oklahoma tax credits. Although not anticipated, the federal tax credits may be subject to recapture in future years upon the occurrence of certain events. The net effect of the tax credits utilized, the realization of the deferred tax asset and the amortization of the other deferred asset decreased total income tax expense for 2004 by \$381.

**(13) EMPLOYEE BENEFITS**

In May 1986, the Company adopted the BancFirst Corporation Employee Stock Ownership and Thrift Plan (the ESOP) effective January 1, 1985. The ESOP covers all eligible employees, as defined in the ESOP, of the Company and its subsidiaries. The ESOP allows employees to defer up to the maximum legal limit of their compensation, of which the Company may match 50%, but not to exceed 3% of their compensation. In addition, the Company may make discretionary contributions to the ESOP, as determined by the Company's Board of Directors. The aggregate amounts of contributions by the Company to the ESOP for the years ended December 31, 2004, 2003 and 2002, were approximately \$3,149, \$2,170 and \$2,266, respectively.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

BancFirst Corporation also adopted a nonqualified incentive stock option plan (the BancFirst ISOP ) in May 1986. In 2004, the Company amended the BancFirst ISOP to increase the number of shares to be issued under the plan to 1,200,000. The BancFirst ISOP will terminate December 31, 2011. The options are exercisable beginning four years from the date of grant at the rate of 25% per year for four years. Options granted prior to 1996 expire at the end of eleven years from the date of grant. Options granted after January 1, 1996 expire at the end of fifteen years from the date of grant. Options outstanding as of December 31, 2004 will become exercisable through the year 2011. The option price must be no less than 100% of the fair market value of the stock relating to such option at the date of grant.

In June 1999, the Company adopted the BancFirst Corporation Non-Employee Directors Stock Option Plan (the BancFirst Directors Stock Option Plan ). A total of 75,000 shares may be issued under the plan. Each non-employee director is granted an option for 5,000 shares. The options 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. Options outstanding as of December 31, 2004 will become exercisable through the year 2007. 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.

A summary of the options granted under both the BancFirst ISOP and the BancFirst Directors Stock Option Plan is as follows:

	Year Ended December 31,					
	2004		2003		2002	
	Options	Avg. Price	Options	Avg. Price	Options	Avg. Price
Outstanding at beginning of year	597,436	\$ 34.79	565,000	\$ 31.81	558,875	\$ 29.40
Options granted	62,550	59.95	80,228	51.10	88,500	39.86
Options exercised	(58,123)	25.43	(41,292)	26.21	(55,500)	20.81
Options canceled	(31,375)	49.56	(6,500)	31.82	(26,875)	30.87
Outstanding at end of year	570,488	37.69	597,436	34.79	565,000	31.80
Exercisable at end of year	218,274	29.45	214,960	27.36	172,627	25.19
Weighted average fair value of options granted	\$ 14.78		\$ 14.93		\$ 12.75	

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: a dividend yield of from 1.5% to 2.0%; risk-free interest rates are different for each grant and range from 3.74% to 7.74%;

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the expected lives of the options are from five to ten years; and volatility of the Company's stock price is from 16.23% to 90.52% for all grants.

A summary of options outstanding under the BancFirst ISOP and the BancFirst Directors' Stock Option Plan as of December 31, 2004 is as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Remaining		Number Exercisable	Wgt. Avg. Exercise Price
		Contractual Life in Years	Wgt. Avg. Exercise Price		
\$15.13 to \$18.63	20,000	1.73	\$ 16.88	20,000	\$ 16.88
\$20.75 to \$29.50	61,325	6.76	24.07	59,450	23.90
\$30.50 to \$39.81	292,585	9.59	34.13	137,524	33.58
\$40.00 to \$65.78	196,578	9.44	49.33	1,300	40.00
	<u>570,488</u>	<u>8.96</u>	<u>37.68</u>	<u>218,274</u>	<u>29.45</u>

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

AmQuest Financial Corp. ( AmQuest ), which merged with the Company in 1998, had four stock option plans. These plans were assumed by the Company, but no new options will be issued under the plans. Pro forma disclosures, as if the cost recognition provision of FAS 123 had been applied, have not been presented for these plans since such disclosures would not result in material differences from the intrinsic value method. Three of the plans are qualified incentive stock option plans for employees (the AmQuest Employees Stock Option Plans ). A total of 178,135 shares were authorized to be issued under the plans. These options became fully vested at the time of the merger and will expire at various dates through November 2006. A summary of the options granted under the AmQuest Employees Stock Option Plans is as follows:

	Year Ended December 31,					
	2004		2003		2002	
	Options	Avg. Price	Options	Avg. Price	Options	Avg. Price
Outstanding at beginning of year	2,456	\$ 15.82	4,674	\$ 15.05	11,525	\$ 15.67
Options exercised			(2,218)	14.20	(6,851)	16.09
Options canceled						
Outstanding at end of year	2,456	\$ 15.82	2,456	15.82	4,674	15.05

A summary of options outstanding under the AmQuest Employees Stock Option Plans as of December 31, 2004 is as follows:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Wgt. Avg. Remaining Contractual Life	Wgt. Avg. Exercise Price
\$13.58 to \$17.05	2,456	1.36	\$ 15.82

AmQuest's other stock option plan was for non-employee directors (the AmQuest Directors Stock Option Plan ). The AmQuest Directors Stock Option Plan was authorized to issue up to 118,755 shares and the options were fully exercisable when granted. These options will expire at various dates through May 2007. A summary of the options granted under the AmQuest Directors Stock Option Plan is as follows:



	Year Ended December 31,					
	2004		2003		2002	
	Options	Avg. Price	Options	Avg. Price	Options	Avg. Price
Outstanding at beginning of year	2,775	\$ 18.62	4,913	\$ 17.39	5,785	\$ 17.26
Options exercised	(871)	18.86	(2,138)	15.80	(872)	16.51
Outstanding at end of year	1,904	18.51	2,775	18.62	4,913	17.39

A summary of options outstanding under the AmQuest Directors Stock Option Plan as of December 31, 2004 is as follows:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Wgt. Avg. Remaining Contractual Life	Wgt. Avg. Exercise Price
\$13.58 to \$20.84	1,904	1.85	\$ 18.51

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In May 1999, the Company adopted the BancFirst Corporation Directors' Deferred Stock Compensation Plan (the "Deferred Stock Compensation Plan"). 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. A total of 20,000 shares are authorized to be issued under the plan. A summary of the accumulated stock units is as follows:

	December 31,	
	2004	2003
Accumulated stock units	13,636	11,796
Average price	\$ 42.54	\$ 39.17

**(14) STOCKHOLDERS' EQUITY**

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

(a) Senior Preferred Stock: \$1.00 par value; 10,000,000 shares authorized; 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: \$5.00 par value, 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; 900,000 shares authorized; no shares issued or outstanding.

(c) Common stock: \$1.00 par value; 20,000,000 shares authorized. At December 31, 2004 and 2003, there were 7,840,796 shares and 7,822,637 shares issued and outstanding, respectively.

On May 27, 2004, the Company amended its Amended and Restated Certificate of Incorporation to increase the number of shares of common stock that the Company has the authority to issue from 15,000,000 shares to 20,000,000 shares.

In January 2003, BancFirst Corporation repurchased 320,000 shares of its common stock for \$14,400. The shares were repurchased through a market-maker in the Company's stock and the repurchase was not a part of the Company's ongoing Stock Repurchase Program.

In November 1999, the Company adopted a Stock Repurchase Program (the "SRP") authorizing management to repurchase up to 300,000 shares of the Company's common stock. The SRP was amended in May 2001 to increase the shares authorized to be purchased by 277,916 shares and was amended again in August 2002 to increase the number of shares authorized to be purchased by 182,265 shares. The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options, and to provide liquidity for shareholders wishing to sell their stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and must be approved by the Company's Executive Committee. At December 31, 2004 there were 208,126 shares remaining that could be repurchased under the SRP. Below is a summary of the shares repurchased under the program.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

	Year Ended	
	December 31,	
	2004	2003
Number of shares repurchased	41,500	40,075
Average price of shares repurchased	\$ 56.85	\$ 45.80

BancFirst Corporation'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 December 31, 2004, approximately \$47,052 of the equity of BancFirst was available for dividend payments to BancFirst Corporation.

During any deferral period or any event of default on the Junior Subordinated Debentures, BancFirst Corporation may not declare or pay any dividends on any of its capital stock.

The Company and BancFirst are subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve System. These guidelines are used to evaluate capital adequacy and involve both quantitative and qualitative evaluations of the Company's and BancFirst'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. The required capital amounts and the Company's and BancFirst's respective ratios are shown below.

	To Be Well					
	Actual		For Capital		Capitalized Under Prompt	
	Adequacy Purposes		Corrective Action Provisions			
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2004:						
Total Capital						
(to Risk Weighted Assets)-						
BancFirst Corporation	\$ 319,791	13.88%	\$ 184,000	8.00%	N/A	N/A
BancFirst	260,454	11.43%	182,400	8.00%	\$ 228,000	10.00%

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Tier I Capital (to Risk Weighted Assets)-						
BancFirst Corporation	293,650	12.75%	92,200	4.00%	N/A	N/A
BancFirst	234,313	10.28%	91,200	4.00%	136,700	6.00%

Tier I Capital (to Total Assets)-						
BancFirst Corporation	293,650	9.75%	90,500	3.00%	N/A	N/A
BancFirst	234,313	7.90%	89,000	3.00%	148,500	5.00%

As of December 31, 2003:						
Total Capital (to Risk Weighted Assets)-						
BancFirst Corporation	\$ 266,765	12.48%	\$ 171,000	8.00%	N/A	N/A
BancFirst	233,653	11.42%	163,700	8.00%	\$ 204,600	10.00%
Lincoln National Bank	9,816	14.81%	5,300	8.00%	6,628	10.00%

Tier I Capital (to Risk Weighted Assets)-						
BancFirst Corporation	240,532	11.26%	85,500	4.00%	N/A	N/A
BancFirst	208,507	10.19%	81,800	4.00%	122,700	6.00%
Lincoln National Bank	8,984	13.55%	2,650	4.00%	3,975	6.00%

Tier I Capital (to Total Assets)-						
BancFirst Corporation	240,532	8.33%	86,800	3.00%	N/A	N/A
BancFirst	208,507	7.57%	82,500	3.00%	137,600	5.00%
Lincoln National Bank	8,984	8.83%	3,050	3.00%	5,080	5.00%

To be well capitalized under federal bank regulatory agency definitions, a depository institution must have a Tier 1 Ratio of at least 6%, a combined Tier 1 and Tier 2 Ratio of at least 10%, and a Leverage Ratio of at least 5%. As of December 31, 2004 and 2003, BancFirst was considered to be well capitalized. There are no conditions or events since the most recent notification of BancFirst's capital category that management believes would change its category.

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

## (15) NET INCOME PER COMMON SHARE

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

	Income	Shares	Per Share
	<u>(Numerator)</u>	<u>(Denominator)</u>	<u>Amount</u>
<b>Year Ended December 31, 2004</b>			
<b>Basic</b>			
Income available to common stockholders	\$ 37,176	7,830,513	\$ 4.75
Effect of stock options		165,023	
<b>Diluted</b>			
Income available to common stockholders plus assumed exercises of stock options	\$ 37,176	7,995,536	\$ 4.65
<b>Year Ended December 31, 2003</b>			
<b>Basic</b>			
Income available to common stockholders	\$ 31,882	7,835,589	\$ 4.07
Effect of stock options		137,286	
<b>Diluted</b>			
Income available to common stockholders plus assumed exercises of stock options	\$ 31,882	7,972,875	\$ 4.00
<b>Year Ended December 31, 2002</b>			
<b>Basic</b>			
Income available to common stockholders	\$ 33,562	8,136,762	\$ 4.12
Effect of stock options		123,401	
<b>Diluted</b>			
Income available to common stockholders plus assumed exercises of stock options	\$ 33,562	8,260,163	\$ 4.06

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Below is 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' exercise prices were greater than the average market price of the common shares.

	<b>Average</b>	
	<b>Exercise</b>	
	<b>Shares</b>	<b>Price</b>
	<u>          </u>	<u>          </u>
December 31, 2004	5,186	\$ 64.53
December 31, 2003	9,918	\$ 52.59
December 31, 2002	7,500	\$ 44.80

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**Table of Contents****Index to Financial Statements****BANCFIRST CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)****(16) CONDENSED PARENT COMPANY FINANCIAL STATEMENTS****BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
Cash	\$ 41,713	\$ 7,313
Securities	2,202	2,177
Loans		300
Investments in subsidiaries	284,261	274,604
Intangible assets	1,713	1,713
Dividends receivable	3,502	965
Other assets	2,076	1,244
<b>Total assets</b>	<b>\$ 335,467</b>	<b>\$ 288,316</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Other liabilities	\$ 5,366	\$ 3,944
Notes payable	800	4,000
Junior subordinated debentures	51,804	25,000
Stockholders equity	277,497	255,372
<b>Total liabilities and stockholders equity</b>	<b>\$ 335,467</b>	<b>\$ 288,316</b>

**STATEMENTS OF INCOME**

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>OPERATING INCOME</b>			
Dividends from subsidiaries	\$ 12,738	\$ 22,338	\$ 23,521
Interest:			



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Loans	1	226	219
Securities	328	328	318
Interest-bearing deposits	398	31	81
Other	2,874		25
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating income	16,339	22,923	24,164
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OPERATING EXPENSE</b>			
Interest	4,105	2,494	2,469
Amortization		1	1
Other	124	95	178
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating expense	4,229	2,590	2,648
	<u>          </u>	<u>          </u>	<u>          </u>
Income before income taxes and equity in undistributed earnings of subsidiaries	12,110	20,333	21,516
Allocated income tax benefit	129	645	661
	<u>          </u>	<u>          </u>	<u>          </u>
Income before equity in undistributed earnings of subsidiaries	12,239	20,978	22,177
Equity in undistributed earnings of subsidiaries	24,937	10,904	11,385
	<u>          </u>	<u>          </u>	<u>          </u>
Net income	\$ 37,176	\$ 31,882	\$ 33,562
	<u>          </u>	<u>          </u>	<u>          </u>

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	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 37,176	\$ 31,882	\$ 33,562
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization		1	1
Gain on sale of assets	(2,874)		
Equity in undistributed earnings of subsidiaries	(24,937)	(10,904)	(11,385)
(Increase) decrease in dividends receivable	(2,537)	6,203	(4,850)
Other, net	551	646	435
<b>Net cash provided by operating activities</b>	<b>7,379</b>	<b>27,828</b>	<b>17,763</b>
<b>INVESTING ACTIVITIES</b>			
Net cash used for acquisitions	(3,960)	(17,294)	
Proceeds from sale of assets	18,877		
Purchases of securities	(26)	(15)	(12)
Net (increase) decrease in loans	300	3,900	(1,100)
Other, net	(2,608)		15
<b>Net cash provided (used) by investing activities</b>	<b>12,583</b>	<b>(13,409)</b>	<b>(1,097)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of notes payable		4,000	
Principal payments on notes payable	(4,000)		
Issuance of junior subordinated debentures	26,804		
Issuance of common stock	2,295	1,633	1,883
Acquisition of common stock	(2,360)	(16,246)	(7,312)
Cash dividends paid	(8,301)	(7,173)	(6,202)
<b>Net cash provided (used) by financing activities</b>	<b>14,438</b>	<b>(17,786)</b>	<b>(11,631)</b>
Net increase (decrease) in cash	34,400	(3,367)	5,035
Cash at the beginning of the period	7,313	10,680	5,645
<b>Cash at the end of the period</b>	<b>\$ 41,713</b>	<b>\$ 7,313</b>	<b>\$ 10,680</b>

**SUPPLEMENTAL DISCLOSURE**

Cash paid during the period for interest	3,710	\$ 2,470	\$ 2,469
	<u>          </u>	<u>          </u>	<u>          </u>
Cash received during the period for income taxes, net	\$ (1,938)	\$ (1,524)	\$ (1,568)
	<u>          </u>	<u>          </u>	<u>          </u>

**(17) RELATED PARTY TRANSACTIONS**

In January 2004, the Company purchased land for one of its branches from a director of the Company for \$540, pursuant to a purchase option in the lease agreement for the property.

In October 2004, the Company issued two promissory notes related to the acquisition of Wilcox & Jones, Inc., an independent insurance agency, totaling \$800. The notes are payable to the prior principals who remain in management with the agency. The notes mature in three equal installments with the first installment of \$267 due in October 2005. The notes have a six month adjustable interest rate equal to the 180 day Treasury Bill. At December 31, 2004, the effective interest rate was 1.95%.

BancFirst sells credit life, credit accident and health, and ordinary life insurance policies for Century Life, which BancFirst Corporation acquired 75% of in 2001, and which is included in the Company's consolidated financial statements beginning in 2001. BancFirst retains 40% of the commissions for such sales, which is the maximum amount permitted by law. The net income of Century Life for the years ended December 31, 2004, 2003, and 2002 was \$386, \$455, and \$400, respectively.

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

**Table of Contents****Index to Financial Statements****BANCFIRST CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)****(18) 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:

	<b>December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Loan commitments	\$ 515,034	\$ 432,722	\$ 396,200
Letters of credit	39,936	31,326	28,964

Loan commitments are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. 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 leases office space in thirteen buildings, three parcels of land on which it owns buildings, and sixteen ATM locations. These leases expire at various dates through 2064.

The future minimum rental payments under these leases are as follows:

<b>Year Ending December 31:</b>	
2005	\$ 710
2006	655
2007	642
2008	625
2009	578
Later years	3,814
<b>Total</b>	<b>\$ 7,024</b>

Rental expense on all property and equipment rented, including those rented on a monthly or temporary basis, totaled \$1,026, \$929 and \$993 during 2004, 2003 and 2002, respectively.

In 2004 the Company submitted a claim to its Fidelity Bond carrier for a loss it incurred and expensed in 2003. The amount of the claim approximated \$2 million. As of the date of this report, the insurance carrier is still reviewing information regarding this claim and has not made a determination as to the extent of coverage, if any. Any recovery under the Fidelity Bond would be reported as income in the period it is received.

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 position, results of operations or cash flows.

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**BANCFIRST CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

**(19) FAIR VALUES OF FINANCIAL INSTRUMENTS**

The fair values reported below for 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.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and Due From Banks; Federal Funds Sold and Interest-Bearing Deposits**

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

**Securities**

For securities, 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.

**Loans**

For certain homogeneous categories of loans, such as some residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. For residential mortgage loans held for sale and guaranteed student loans, the carrying amount is a reasonable estimate of fair value. The fair value of other types of loans is 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 value of transaction and savings accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

#### **Short-term Borrowings**

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

#### **Long-term Borrowings**

The fair value of fixed-rate long-term borrowings is estimated using the rates that would be charged for borrowings of similar remaining maturities.

#### **Junior Subordinated Debentures**

The fair value of fixed-rate junior subordinated debentures is estimated using the rates that would be charged for junior subordinated debentures of similar remaining maturities.

#### **Loan Commitments and Letters of Credit**

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

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

The estimated fair values of the Company's financial instruments are as follows:

	December 31,			
	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>				
Cash and due from banks	\$ 100,564	\$ 100,564	\$ 155,367	\$ 155,367
Federal funds sold and interest-bearing deposits	145,643	145,643	109,570	109,570
Securities	560,234	561,242	564,735	566,461
Loans:				
Loans (net of unearned interest)	2,093,515		1,947,223	
Allowance for loan losses	(25,746)		(26,148)	
Loans, net	2,067,769	2,052,752	1,921,075	1,925,164
<b>FINANCIAL LIABILITIES</b>				
Deposits	2,657,434	2,661,774	2,585,690	2,592,154
Short-term borrowings	27,707	27,707	16,610	16,610
Long-term borrowings	7,815	8,159	11,063	11,686
Junior subordinated debentures	51,804	52,938	25,000	27,278
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS</b>				
Loan commitments		901		757
Letters of credit		300		235



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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 four principal business units were metropolitan banks, community banks, other financial services, and executive, operations and support. Metropolitan and community banks 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. Other financial services are specialty product business units including guaranteed small business lending, guaranteed student 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 four business units are as follows:

	<b>Metropolitan Banks</b>	<b>Community Banks</b>	<b>Other Financial Services</b>	<b>Executive, Operations &amp; Support</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>December 31, 2004</b>						
Net interest income (expense)	\$ 39,023	\$ 76,281	\$ 6,254	\$ (4,264)	\$ (48)	\$ 117,246
Provision for loan losses	974	1,647	97	(19)		2,699
Noninterest income	10,299	23,215	13,161	46,866	(41,686)	51,855
Depreciation and amortization	2,146	3,614	210	1,885	(896)	6,959
Other expenses	26,033	48,422	13,935	12,396	1,000	101,785
Income before taxes	\$ 20,169	\$ 45,812	\$ 5,172	\$ 28,341	(41,836)	\$ 57,658
Total Assets	\$ 1,215,532	\$ 1,901,720	\$ 175,784	\$ 99,017	(345,075)	\$ 3,046,977
Capital expenditures	\$ 2,245	\$ 4,071	\$ 38	\$ 2,730		\$ 9,085
<b>December 31, 2003</b>						
Net interest income (expense)	\$ 31,346	\$ 75,917	\$ 6,753	\$ (4,899)		\$ 109,117
Provision for loan losses	633	3,181	(88)	(4)		3,722
Noninterest income	8,776	22,659	12,364	58,241	(53,220)	48,820
Depreciation and amortization	1,794	3,228	227	1,688	(902)	6,035
Other expenses	22,091	46,479	13,200	16,557	1,020	99,347
Income before taxes	\$ 15,604	\$ 45,688	\$ 5,778	\$ 35,101	(53,338)	\$ 48,833
Total Assets	\$ 1,066,711	\$ 1,842,729	\$ 176,286	\$ 268,355	(432,712)	\$ 2,921,369
Capital expenditures	\$ 1,045	\$ 3,263	\$ 177	\$ 3,112		\$ 7,597

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<b>December 31, 2002</b>						
Net interest income (expense)	\$ 29,540	\$ 75,477	\$ 6,857	\$ (2,544)	\$	\$ 109,330
Provision for loan losses	2,357	2,762	416	(259)		5,276
Noninterest income	8,103	22,189	12,957	62,483	(60,520)	45,212
Depreciation and amortization	1,681	3,202	259	1,575	(694)	6,023
Other expenses	21,176	45,697	14,400	10,280	804	92,357
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income before taxes	\$ 12,429	\$ 46,005	\$ 4,739	\$ 48,343	(60,630)	\$ 50,886
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ 930,226	\$ 1,812,821	\$ 144,892	\$ 556,430	(647,507)	\$ 2,796,862
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital expenditures	\$ 3,280	\$ 3,688	\$ 65	\$ 2,066		\$ 9,099
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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 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.

**(21) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

A summary of the unaudited quarterly results of operations for the years ended December 31, 2004 and 2003 is as follows:

	Quarter			
	Fourth	Third	Second	First
<b>2004</b>				
Net interest income	\$ 31,155	\$ 29,840	\$ 28,331	\$ 27,920
Provision for loan losses	899	879	201	720
Noninterest income	14,958	12,453	12,742	11,702
Noninterest expense	27,762	27,234	27,557	26,192
Net income	11,034	9,313	8,638	8,191
Net income per common share:				
Basic	1.41	1.19	1.10	1.05
Diluted	1.38	1.17	1.08	1.03
<b>2003</b>				
Net interest income	\$ 28,334	\$ 27,006	\$ 27,037	\$ 26,740
Provision for loan losses	1,354	524	1,062	783
Noninterest income	11,601	11,464	13,976	11,779
Noninterest expense	26,401	27,028	27,363	24,588
Net income	7,821	7,391	8,072	8,598
Net income per common share:				
Basic	1.00	0.95	1.04	1.09
Diluted	0.98	0.93	1.02	1.07

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<b>Exhibit Number</b>	<b>Exhibit</b>
3.1	Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 1 to the Company's 8-A/A filed July 23, 1998 and incorporated herein by reference).
3.2	Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2004 and incorporated herein by reference).
3.3	Certificate of Designations of Preferred Stock (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended By-Laws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference).
4.1	Instruments defining the rights of securities holders (see Exhibits 3.1, 3.2, 3.3 and 3.4 above).
4.2	Amended and Restated Declaration of Trust of BFC Capital Trust I dated as of February 4, 1997 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
4.3	Form of 9.65% Series B Cumulative Trust Preferred Security Certificate for BFC Capital Trust I (included as Exhibit D to Exhibit 4.2).
4.4	Indenture dated as of February 4, 1997, relating to the 9.65% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust I (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
4.5	Form of Certificate of 9.65% Series B Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Exhibit A to Exhibit 4.4).
4.6	Form of Series B Guarantee of BancFirst Corporation relating to the 9.65% Series B Cumulative Trust Preferred Securities of BFC Capital Trust I (filed as Exhibit 4.7 to the Company's registration statement on Form S-4, File No. 333-25599, and incorporated herein by reference).
4.7	Rights Agreement, dated as of February 25, 1999, between BancFirst Corporation and BancFirst, as Rights Agent, including as Exhibit A the form of Certificate of Designations of the Company setting forth the terms of the Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights Agreement (filed as Exhibit 1 to the Company's 8-K dated February 25, 1999 and incorporated herein by reference).
4.8	Form of Amended and Restated Trust Agreement relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.5 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
4.9	Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (included as Exhibit D to Exhibit 4.8).
4.10	Form of Indenture relating to the 7.20% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust II (filed as Exhibit 4.1 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).

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- 4.11 Form of Certificate of 7.20% Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Section 2.2 and Section 2.3 of Exhibit 4.10).
- 4.12 Form of Guarantee of BancFirst Corporation relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.7 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
- 10.1 Sixth Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 4.1 to the Company's Form S-8 Registration Statements filed October 8, 2004 and incorporated herein by reference).
- 10.2 Amended and Restated BancFirst Corporation Employee Stock Ownership and Thrift Plan, as amended by amendments dated September 19, 1992, November 21, 2002 and December 18, 2003 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).
- 10.3 1988 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
- 10.4 1993 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
- 10.5 1995 Non-Employee Director Stock Plan of AmQuest Financial Corp. as assumed by BancFirst Corporation (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
- 10.6 BancFirst Corporation Non-Employee Directors' Stock Option Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
- 10.7 BancFirst Corporation Directors' Deferred Stock Compensation Plan (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
- 21.1 Subsidiaries of Registrant (filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).
- 23.1\* Consent of Ernst & Young LLP.
- 31.1\* Rule 13a-14(a) Certification of Chief Executive Officer.
- 31.2\* Rule 13a-14(a) Certification of Chief Financial Officer.
- 32.1\* CEO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* CFO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.3 Stock Repurchase Program (filed as Exhibit 99.1 to the Company's Form 8-K dated November 18, 1999 and incorporated herein by reference).

\* Filed herewith.