

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).

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.

*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)

	<b>At and for the Year Ended December 31,</b>				
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<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



**Table of Contents****Index to Financial Statements****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					
Within One Year		Within Five Years		Within Ten Years		After Ten Years		Total	
Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield

(Dollars in thousands)

**Held for Investment**

U.S. Treasury and other federal agencies	\$ 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	<u>5,099</u>	6.17	<u>15,827</u>	6.24	<u>4,212</u>	7.88	<u>1,726</u>	7.50	<u>26,864</u>	6.56
Total	<u>\$ 5,486</u>	6.15	<u>\$ 20,169</u>	6.27	<u>\$ 4,694</u>	7.73	<u>\$ 1,811</u>	7.45	<u>\$ 32,160</u>	6.53
Percentage of total	<u>17.06%</u>		<u>62.71%</u>		<u>14.60%</u>		<u>5.63%</u>		<u>100.00%</u>	