BANCFIRST CORP /OK/
Form 10-Q
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR

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

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

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

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

(405) 270-1086

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 31, 2016 there were 15,708,383 shares of the registrant's Common Stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2016 (unaudited)	December 31, 2015 (see Note 1)
ASSETS		
Cash and due from banks	$174,061	$203,364
Interest-bearing deposits with banks	1,532,095	1,394,813
Federal funds sold	500	—
Securities (fair value: $473,785 and $553,010, respectively)	473,738	552,949
Loans held for sale	9,685	13,725
Loans (net of unearned interest)	4,307,827	4,232,048
Allowance for loan losses	(48,061)	(41,666)
Loans, net of allowance for loan losses	4,259,766	4,190,382
Premises and equipment, net	126,415	126,813
Other real estate owned	4,038	7,984
Intangible assets, net	13,898	15,695
Goodwill	54,042	54,042
Accrued interest receivable and other assets	135,299	133,062
Total assets	$6,783,537	$6,692,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$2,477,107	$2,409,769
Interest-bearing	3,547,842	3,563,589
Total deposits	6,024,949	5,973,358
Short-term borrowings	4,000	500
Accrued interest payable and other liabilities	28,898	31,502
Junior subordinated debentures	31,959	31,959
Total liabilities	6,089,806	6,037,319
Stockholders' equity:		
Senior preferred stock, $1.00 par; 10,000,000 shares authorized; none issued	—	—
Cumulative preferred stock, $5.00 par; 900,000 shares authorized; none issued	—	—
Common stock, $1.00 par, 20,000,000 shares authorized; shares issued and	15,695	15,597

outstanding: 15,695,083 and 15,597,446, respectively		
Capital surplus	111,012	102,865
Retained earnings	565,039	535,521
Accumulated other comprehensive income, net of income tax of $1,252 and $962, respectively	1,985	1,527
Total stockholders' equity	693,731	655,510
Total liabilities and stockholders' equity	$6,783,537	$6,692,829

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
INTEREST INCOME				
Loans, including fees	$51,647	$47,342	$152,888	$139,781
Securities:				
Taxable	1,242	1,291	3,913	4,148
Tax-exempt	248	249	746	730
Federal funds sold	1	—	1	—
Interest-bearing deposits with banks	1,968	1,009	5,622	3,137
Total interest income	55,106	49,891	163,170	147,796
INTEREST EXPENSE				
Deposits	3,149	2,522	9,321	7,602
Short-term borrowings	2	1	5	3
Junior subordinated debentures	524	492	1,569	1,474
Total interest expense	3,675	3,015	10,895	9,079
Net interest income	51,431	46,876	152,275	138,717
Provision for loan losses	2,940	1,424	9,847	4,029
Net interest income after provision for loan losses	48,491	45,452	142,428	134,688
NONINTEREST INCOME				
Trust revenue	2,685	2,295	7,752	6,837
Service charges on deposits	16,033	14,910	46,228	42,574
Securities transactions (includes accumulated other comprehensive income reclassifications of $(85), $0, $15 and $3,912, respectively)	(146)	—	(111)	7,121
Income from sales of loans	863	545	2,120	1,534
Insurance commissions	4,372	4,427	11,762	11,615
Cash management	2,853	1,906	7,903	5,611
Gain on sale of other assets	2	27	61	108
Other	1,265	1,214	3,886	3,935
Total noninterest income	27,927	25,324	79,601	79,335
NONINTEREST EXPENSE				
Salaries and employee benefits	30,591	28,746	89,956	84,145
Occupancy, net	3,217	3,051	9,115	8,586
Depreciation	2,556	2,488	7,653	7,401
Amortization of intangible assets	560	444	1,721	1,333
Data processing services	1,178	1,132	3,567	3,428
Net expense (income) from other real estate owned	162	51	(944)	181
Marketing and business promotion	1,779	1,640	5,258	4,720
Deposit insurance	641	820	2,335	2,482
Other	8,520	7,980	24,554	24,428

Total noninterest expense	49,204	46,352	143,215	136,704
Income before taxes	27,214	24,424	78,814	77,319
Income tax expense	9,232	8,794	26,760	26,877
Net income	$17,982	$15,630	$52,054	$50,442
NET INCOME PER COMMON SHARE				
Basic	$1.15	$1.01	$3.34	$3.25
Diluted	$1.13	$0.98	$3.28	$3.18
OTHER COMPREHENSIVE INCOME				
Unrealized (losses) gains on securities, net of tax of $423, $(91), $(296) and $(507), respectively	(670)	145	467	803
Reclassification adjustment for losses (gains) included in net income, net of tax of $(33), $0, $6 and $1,513, respectively	52	—	(9)	(2,399)
Other comprehensive (losses) gains, net of tax of $390, $(91), $(290) and $1,006, respectively	(618)	145	458	(1,596)
Comprehensive income	$17,364	$15,775	$52,512	$48,846

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

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BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
COMMON STOCK				
Issued at beginning of period	$15,560	$15,562	$15,597	$15,504
Shares issued	135	29	198	87
Shares acquired and canceled	—	—	(100)	—
Issued at end of period	$15,695	$15,591	$15,695	$15,591
CAPITAL SURPLUS				
Balance at beginning of period	$105,676	$99,202	$102,865	$96,841
Common stock issued	3,767	749	5,634	2,065
Tax effect of stock options	1,204	395	1,247	686
Stock-based compensation arrangements	365	489	1,266	1,243
Balance at end of period	$111,012	$100,835	$111,012	$100,835
RETAINED EARNINGS				
Balance at beginning of period	$552,991	$517,028	$535,521	$492,776
Net income	17,982	15,630	52,054	50,442
Dividends on common stock ($0.38, $0.36, $1.10 and $1.04 per share, respectively)	(5,934)	(5,620)	(17,113)	(16,180)
Common stock acquired and canceled	—	—	(5,423)	—
Balance at end of period	$565,039	$527,038	$565,039	$527,038
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities:				
Balance at beginning of period	$2,603	$2,452	$1,527	$4,193
Net change	(618)	145	458	(1,596)
Balance at end of period	$1,985	$2,597	$1,985	$2,597
Total stockholders' equity	$693,731	$646,061	$693,731	$646,061

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$52,054	$50,442
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	9,847	4,029
Depreciation and amortization	9,374	8,734
Net amortization of securities premiums and discounts	161	747
Realized securities losses (gains)	111	(7,121)
Gain on sales of loans	(2,120)	(1,534)
Cash receipts from the sale of loans originated for sale	143,044	132,957
Cash disbursements for loans originated for sale	(136,903)	(134,396)
Deferred income tax benefit	(3,069)	(1,029)
Gain on other assets	(1,294)	(76)
Increase in interest receivable	73	8
Decrease in interest payable	(22)	(64)
Amortization of stock-based compensation arrangements	1,266	1,243
Other, net	(1,684)	4,797
Net cash provided by operating activities	$70,838	$58,737
INVESTING ACTIVITIES		
Net increase in federal funds sold	(500)	—
Purchases of held for investment securities	(806)	(1,085)
Purchases of available for sale securities	(78,592)	(41,424)
Proceeds from maturities, calls and paydowns of held for investment securities	5,039	1,344
Proceeds from maturities, calls and paydowns of available for sale securities	153,620	53,285
Proceeds from sales of available for sale securities	426	8,576
Net change in loans	(82,782)	(113,740)
Purchases of premises, equipment and computer software	(7,845)	(9,535)
Proceeds from the sale of other assets	8,740	4,324
Net cash used in investing activities	(2,700)	(98,255)
FINANCING ACTIVITIES		
Net change in deposits	51,591	(206,113)
Net increase/(decrease) in short-term borrowings	3,500	(205)
Issuance of common stock, net	7,079	2,838
Common stock acquired	(5,523)	—
Cash dividends paid	(16,806)	(15,836)
Net cash provided by (used in) financing activities	39,841	(219,316)
Net increase/(decrease) in cash, due from banks and interest-bearing deposits	107,979	(258,834)
Cash, due from banks and interest-bearing deposits at the beginning of the period	1,598,177	1,913,895
Cash, due from banks and interest-bearing deposits at the end of the period	$1,706,156	$1,655,061

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$10,919	$9,142
Cash paid during the period for income taxes	$26,200	$26,531
Noncash investing and financing activities:		
Unpaid common stock dividends declared	$5,922	$5,609

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The accounting and reporting policies of BancFirst Corporation and its subsidiaries (the “Company”) conform to accounting principles generally accepted in the United State of America (U.S. GAAP) and general practice within the banking industry. A summary of significant accounting policies can be found in Note (1) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Basis of Presentation

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

The accompanying unaudited interim consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BancFirst Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015, should be referred to in connection with these unaudited interim consolidated financial statements. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

The unaudited interim consolidated financial statements contained herein reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position and results of operations of the Company for the interim periods presented. All such adjustments are of a normal and recurring nature. There have been no significant changes in the accounting policies of the Company since December 31, 2015, the date of the most recent annual report.

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. ASU 2016-15 will be effective on January 1, 2018. Early adoption is permitted with retrospective applications. The Company is currently evaluating the potential impact of ASU 2016-15 on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 requires enhanced disclosures related to the significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective on January 1, 2020. The Company is currently evaluating the potential impact of ASU 2016-13 on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." Under ASU 2016-09 all excess tax benefits and tax deficiencies related to share-based payment awards should be recognized as income tax expense or benefit in the income statement during the period in which they occur. Previously, such amounts were recorded in the pool of excess tax benefits included in additional paid-in capital, if such pool was available. Because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share should exclude the amount of excess tax benefits that would have previously been recognized in additional paid-in capital. Additionally, excess tax benefits should be classified along with other income tax cash flows as an operating activity rather than a financing activity, as was previously the case. ASU 2016-09 also provides that an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. ASU 2016-09 changes the threshold to qualify for equity classification (rather than as a liability) to permit withholding up to the maximum statutory tax rates (rather than the minimum as was previously the case) in the applicable jurisdictions. ASU 2016-09 will be effective on January 1, 2017 and is not expected to have a significant impact on the Company's financial statements.

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

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10)." ASU 2016-01 require all equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in the fair value recognized through net income. In addition, the amendment will require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. Early adoption is not permitted. Adoption of ASU 2016-01 is not expected to have a significant impact on the Company's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)." ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about the Company's ability to continue as a going concern and related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. Adoption of ASU 2014-15 is not expected to have a significant impact on the Company's financial statements.

(2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

On October 8, 2015, the Company completed its acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce, with locations in Yukon, Mustang and El Reno, Oklahoma. Bank of Commerce had approximately $196 million in total assets, $147 million in loans, $175 million in deposits and $22 million in equity capital. The acquisition was accounted for under the acquisition method and the Company acquired 100% of the voting interest. Bank of Commerce operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst on November 13, 2015. As a result of the acquisition, the Company recorded a core deposit intangible of approximately $7.1 million and goodwill of approximately $9.4 million. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company’s consolidated financial statements. The acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce complemented the Company’s community banking strategy by adding two communities to its banking network throughout Oklahoma.

During the quarter ended March 31, 2016, the Company had gains on the sale of other real estate owned totaling $1.2 million that is included in net expense (income) from other real estate owned in the consolidated statements of comprehensive income.

(3) SECURITIES

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Held for investment, at cost (fair value: $4,601 and $8,850, respectively)	$4,554	$8,789
Available for sale, at fair value	469,184	544,160
Total	$473,738	$552,949

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2016	(Dollars in thousands)			
Mortgage backed securities (1)	$273	$ 21	$ —	$ 294
States and political subdivisions	3,781	28	(2)	3,807
Other securities	500	—	—	500
Total	$4,554	$ 49	$ (2)	$ 4,601
December 31, 2015				
Mortgage backed securities (1)	$347	$ 25	$ —	$ 372
States and political subdivisions	7,942	36	—	7,978
Other securities	500	—	—	500
Total	$8,789	$ 61	$ —	$ 8,850

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2016	(Dollars in thousands)			
U.S. treasuries	$204,350	$ 1,773	$ —	$206,123
U.S. federal agencies	192,271	494	(117)	192,648
Mortgage backed securities (1)	20,467	379	(561)	20,285
States and political subdivisions	42,412	1,354	(62)	43,704
Other securities (2)	6,447	125	(148)	6,424
Total	$465,947	$ 4,125	$ (888)	$469,184
December 31, 2015				

U.S. treasuries	$328,965	$ 776	$ (45)	$329,696
U.S. federal agencies	131,522	527	(153)	131,896
Mortgage backed securities (1)	21,973	425	(543)	21,855
States and political subdivisions	49,521	1,447	(48)	50,920
Other securities (2)	9,689	249	(145)	9,793
Total	$541,670	$ 3,424	$ (934)	$544,160

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

Realized gains are reported as securities transactions within the noninterest income section of the consolidated statement of comprehensive income. In January 2015, Council Oak Investment Corporation, a wholly-owned subsidiary of BancFirst, recognized a pretax gain of approximately $1.7 million from the sale of one of its equity investments. In June 2015, Council Oak Partners, LLC, a wholly-owned subsidiary of the Company, recognized a pretax gain of approximately $5.3 million from the sale of one of its equity investments.

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

	September 30, 2016		December 31, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	$1,637	$1,646	$5,168	$5,174
After one year but within five years	2,162	2,179	2,800	2,829
After five years but within ten years	736	756	795	319
After ten years	19	20	26	528
Total	$4,554	$4,601	$8,789	$8,850
Available for Sale				
Contractual maturity of debt securities:				
Within one year	$205,834	$206,093	$272,820	$272,779
After one year but within five years	178,939	181,187	178,617	180,145
After five years but within ten years	6,608	7,088	8,483	9,075
After ten years	68,119	68,392	75,522	75,853
Total debt securities	459,500	462,760	535,442	537,852
Other securities	6,447	6,424	6,228	6,308
Total	$465,947	$469,184	$541,670	$544,160

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Book value of pledged securities	$419,481	$493,540

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	September 30, 2016	December 31, 2015

	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	$792,335	18.39 %	$795,803	18.80 %
Oil & gas production and equipment	75,627	1.76	87,304	2.06
Agriculture	136,150	3.16	150,620	3.56
State and political subdivisions:				
Taxable	39,160	0.91	17,605	0.42
Tax-exempt	39,930	0.93	33,575	0.79
Real estate:				
Construction	402,901	9.35	403,664	9.54
Farmland	191,218	4.44	184,707	4.36
One to four family residences	845,360	19.62	821,251	19.41
Multifamily residential properties	59,967	1.39	65,477	1.55
Commercial	1,410,730	32.75	1,356,430	32.05
Consumer	277,671	6.45	283,636	6.70
Other (not classified above)	36,778	0.85	31,976	0.76
Total loans	$4,307,827	100.00%	$4,232,048	100.00%

The Company's commercial and industrial loan category includes a small percentage of loans to companies that provide ancillary services to the oil and gas industry, such as transportation, preparation contractors and equipment manufacturers. The balance of these loans at September 30, 2016 was approximately $54 million.

The Company's loans are mostly to customers within Oklahoma and over 65% of the loans are secured by real estate. Credit risk on loans is managed through limits on amounts loaned to individual borrowers, underwriting standards and loan monitoring procedures. The amounts and types of collateral obtained, if any, to secure loans are based upon the Company's underwriting standards and management's credit evaluation. Collateral varies, but may include real estate, equipment, accounts receivable, inventory, livestock and securities. The Company's interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral.

Accounting policies related to appraisals, nonaccruals and charge-offs are disclosed in Note (1) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Past due 90 days or more and still accruing	$1,906	$ 1,841
Nonaccrual	31,014	30,096
Restructured	1,842	15,143
Total nonperforming and restructured loans	34,762	47,080
Other real estate owned and repossessed assets	4,339	8,214
Total nonperforming and restructured assets	$39,101	$ 55,294

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $1.5 million for the nine months ended September 30, 2016 and approximately $1.5 million for the nine months ended September 30, 2015.

Restructured loans at December 31, 2015 consisted primarily of one relationship restructured in prior periods to defer certain principal payments. This relationship was re-evaluated and removed from restructured loans in 2016 due to sustained improvement in financial condition, performance and the commercially reasonable nature of its structure. The Company charges interest on principal balances outstanding during deferral periods. As a result, the current and future financial effects of the recorded balance of loans considered to be restructured were not considered to be material.

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

	September 30,	December 31,

	2016	2015
	(Dollars in thousands)	
Real estate:		
Non-residential real estate owner occupied	$274	$ 261
Non-residential real estate other	5,910	3,957
Residential real estate permanent mortgage	829	656
Residential real estate all other	4,694	1,833
Commercial and financial:		
Non-consumer non-real estate	4,849	10,159
Consumer non-real estate	472	312
Other loans	9,008	9,381
Acquired loans	4,978	3,537
Total	$31,014	$ 30,096

The following table presents an age analysis of past due loans, segregated by class of loans:

	Age Analysis of Past Due Loans						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
	(Dollars in thousands)						
As of September 30, 2016							
Real estate:							
Non-residential real estate owner occupied	$3,899	$704	$506	$5,109	$521,548	$526,657	$ 269
Non-residential real estate other	504	86	1,995	2,585	1,126,466	1,129,051	91
Residential real estate permanent mortgage	2,278	895	1,029	4,202	327,619	331,821	468
Residential real estate all other	1,952	526	1,459	3,937	730,581	734,518	469
Commercial and financial:							
Non-consumer non-real estate	5,203	1,522	465	7,190	989,351	996,541	196
Consumer non-real estate	2,020	758	456	3,234	278,381	281,615	270
Other loans	1,208	235	8,199	9,642	138,276	147,918	—
Acquired loans	473	1,023	460	1,956	157,750	159,706	143
Total	$17,537	$5,749	$14,569	$37,855	$4,269,972	$4,307,827	$ 1,906
As of December 31, 2015							
Real estate:							
Non-residential real estate owner occupied	$441	$179	$183	$803	$502,094	$502,897	$ —
Non-residential real estate other	1,149	108	568	1,825	1,108,935	1,110,760	521
Residential real estate permanent mortgage	2,840	636	648	4,124	328,477	332,601	493
Residential real estate all other	2,842	609	824	4,275	672,414	676,689	193
Commercial and financial:							
Non-consumer non-real estate	2,278	161	187	2,626	982,136	984,762	152
Consumer non-real estate	2,237	772	349	3,358	265,511	268,869	278
Other loans	3,565	295	1,761	5,621	156,995	162,616	132
Acquired loans	1,052	71	918	2,041	190,813	192,854	72
Total	$16,404	$2,831	$5,438	$24,673	$4,207,375	$4,232,048	$ 1,841

Impaired Loans

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

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The following table presents impaired loans, segregated by class of loans. No material amount of interest income was recognized on impaired loans subsequent to their classification as impaired.

	Impaired Loans			
	Unpaid Principal Balance	Recorded Investment with Allowance	Related Allowance	Average Recorded Investment
	(Dollars in thousands)			
As of September 30, 2016				
Real estate:				
Non-residential real estate owner occupied	$728	$ 645	$ 48	$ 531
Non-residential real estate other	8,049	6,001	335	5,653
Residential real estate permanent mortgage	1,545	1,353		