

BOK FINANCIAL CORP ET AL
Form 10-Q
August 08, 2011

As filed with the Securities and Exchange Commission on August 8, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File No. 0-19341

BOK FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Oklahoma
(State or other jurisdiction
of Incorporation or Organization)

73-1373454
(IRS Employer
Identification No.)

Bank of Oklahoma Tower
P.O. Box 2300
Tulsa, Oklahoma
(Address of Principal Executive Offices)

74192
(Zip Code)

(918) 588-6000
(Registrant's telephone number, including area code)

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 (§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

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

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. (Check one):

Large accelerated filer
filer

Accelerated
Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 68,462,869 shares of common stock (\$.00006 par value) as of June 30, 2011.

BOK Financial Corporation
Form 10-Q
Quarter Ended June 30, 2011

Index

| | |
|---|-----|
| Part I. Financial Information | |
| Management's Discussion and Analysis (Item 2) | 1 |
| Market Risk (Item 3) | 44 |
| Controls and Procedures (Item 4) | 46 |
| Consolidated Financial Statements – Unaudited (Item 1) | 47 |
| Six Month Financial Summary – Unaudited (Item 2) | 97 |
| Quarterly Financial Summary – Unaudited (Item 2) | 98 |
| Quarterly Earnings Trend – Unaudited | 100 |
| Part II. Other Information | |
| Item 1. Legal Proceedings | 101 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 101 |
| Item 6. Exhibits | 101 |
| Signatures | 102 |

Management's Discussion and Analysis of Financial Condition and Results of Operations

Performance Summary

BOK Financial Corporation ("the Company") reported net income of \$69.0 million or \$1.00 per diluted share for the second quarter of 2011, compared to \$63.5 million or \$0.93 per diluted share for the second quarter of 2010 and \$64.8 million or \$0.94 per diluted share for the first quarter of 2011. Net income for the six months ended June 30, 2011 totaled \$133.8 million or \$1.95 per diluted share compared with net income of \$123.7 million or \$1.81 per diluted share for the six months ended June 30, 2010.

Highlights of the second quarter of 2011 included:

- Net interest revenue totaled \$174.0 million for the second quarter of 2011 compared to \$182.1 million for the second quarter of 2010 and \$170.6 million for the first quarter of 2011. Net interest margin was 3.40% for the second quarter of 2011, 3.65% for the second quarter of 2010 and 3.47% for the first quarter of 2011. The decrease in net interest revenue compared with the second quarter of 2010 was due primarily to the reinvestment of cash flows from the securities portfolio at lower rates.
- Fees and commissions revenue totaled \$127.8 million for the second quarter of 2011 compared to \$128.2 million for the second quarter of 2010 and \$123.3 million for the first quarter of 2011. Revenue growth distributed among most fee-generating activities was offset by decreased deposit service charges and fees due primarily to changes in overdraft fee regulations which became effective in the second half of 2010. Revenue growth over the first quarter of 2011 was distributed amongst most of our fee generating businesses, partially offset by a decrease in brokerage and trading revenue.
- Operating expenses, excluding changes in the fair value of mortgage servicing rights, totaled \$189.7 million, up \$3.3 million over the second quarter of 2010 and up \$8.1 million over the previous quarter. Personnel costs were up \$8.5 million over the second quarter of 2010. Non-personnel expenses were down \$5.3 million due primarily to a decrease in net losses of repossessed assets. Operating expenses increased over the first quarter of 2011 primarily due to higher personnel costs and mortgage banking expenses.
 - Provision for credit losses totaled \$2.7 million for the second quarter of 2011 compared to \$36.0 million for the second quarter of 2010 and \$6.3 million for the first quarter of 2011. Net loans charged off decreased to \$8.5 million in the second quarter of 2011 from \$35.6 million in the second quarter of 2010 and \$10.3 million in the first quarter of 2011.
- The combined allowance for credit losses totaled \$297 million or 2.77% of outstanding loans at June 30, 2011, down from \$303 million or 2.86% of outstanding loans at March 31, 2011. Nonperforming assets totaled \$351 million or 3.23% of outstanding loans and repossessed assets at June 30, 2011, down from \$379 million or 3.54% of outstanding loans and repossessed assets at March 31, 2011.
- Outstanding loan balances were \$10.7 billion at June 30, 2011, up \$148 million over March 31, 2011. Commercial loans balances continued to grow in the second quarter of 2011, increasing \$130 million over March 31, 2011. Commercial real estate loans decreased \$39 million. Residential mortgage loans increased \$91 million and consumer loans decreased \$34 million.
- Period-end deposits totaled \$17.6 billion at June 30, 2011 compared to \$17.9 billion at March 31, 2011. Interest-bearing transaction accounts decreased \$516 million and time deposits decreased \$43 million. Demand deposits increased \$269 million.

- Tangible common equity ratio increased to 9.71% at June 30, 2011 from 9.54% at March 31, 2011. The tangible common equity ratio is a non-GAAP measure of capital strength used by the Company and investors based on shareholders' equity as defined by generally accepted accounting principles in the United States of America ("GAAP") minus intangible assets and equity that does not benefit common shareholders.

- 1 -

The Company and its subsidiary bank exceeded the regulatory definition of well capitalized. The Company's Tier 1 capital ratios as defined by banking regulations were 13.30% at June 30, 2011 and 12.97% at March 31, 2011.

- The Company paid a cash dividend of \$19 million or \$0.275 per common share during the second quarter of 2011. On July 26, 2011, the board of directors declared a cash dividend of \$0.275 per common share payable on or about August 26, 2011 to shareholders of record as of August 12, 2011.

Results of Operations

Net Interest Revenue and Net Interest Margin

Net interest revenue is the interest earned on debt securities, loans and other interest-earning assets less interest paid for interest-bearing deposits and other borrowings. The net interest margin is calculated by dividing net interest revenue by average interest-earning assets. Net interest spread is the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities. Net interest margin is typically greater than net interest spread due to interest income earned on assets funded by non-interest bearing liabilities such as demand deposits and equity.

Net interest revenue totaled \$174.0 million for the second quarter of 2011, compared to \$182.1 million for the second quarter of 2010 and \$170.6 million for the first quarter of 2011. The decrease in net interest revenue from the second quarter of 2010 was due primarily to lower yield on our available for sale securities portfolio, partially offset by lower funding costs and an increase in interest earning assets. The increase in net interest revenue over the first quarter of 2011 results from an increase in interest earning assets.

Net interest margin was 3.40% for the second quarter of 2011, 3.65% for the second quarter of 2010 and 3.47% for the first quarter of 2011.

The tax-equivalent yield on earning assets was 4.01% for the second quarter of 2011, down 24 basis points from the second quarter of 2010. The available for sale securities portfolio yield decreased 51 basis points to 3.04%. Cash flows from our available for sale securities portfolio were reinvested at lower current rates. Loan yields decreased 14 basis points to 4.69%. Funding costs were down 4 basis points from the second quarter of 2010. The cost of interest-bearing deposits decreased 16 basis points and the cost of other borrowed funds increased 42 basis points. The increased cost of other borrowed funds was due to a \$115 million increase in our obligation to fund scheduled payments to investors for loans sold into Government National Mortgage Association ("GNMA") mortgage pools as discussed more fully in the Loans section of Management's Analysis & Discussion of Financial Condition following. The weighted average interest rate on this obligation was 5.93%. We expect to reduce our ongoing interest costs by repurchasing a significant portion of these loans.

Net interest margin decreased 7 basis points from the first quarter of 2011. Yield on average earning assets decreased 9 basis points to 4.01%. Yield on the available for sale securities portfolio decreased 13 basis points. Yield on the loan portfolio decreased 6 basis points. The cost of interest-bearing liabilities increased 1 basis point from the previous quarter.

Average earning assets for the second quarter of 2011 increased \$564 thousand or 3% over second quarter of 2010. The average balance of available for sale securities, which consist largely of U.S. government agency issued residential mortgage-backed securities, increased \$769 million. We purchased these securities to supplement earnings, especially in a period of declining loan demand, and to manage interest rate risk. Average loans, net of allowance for loan losses, decreased \$269 million. All major loan categories decreased largely due to reduced

customer demand and normal repayment trends.

Average deposits increased \$1.7 billion over the second quarter of 2010, including an \$897 million increase in average interest-bearing transaction accounts and an \$893 million increase in average demand deposit balances. Average time deposits decreased \$69 million compared to the second quarter of 2010. Average borrowed funds decreased \$1.8 billion compared to the second quarter of 2010.

- 2 -

Average earning assets for the second quarter of 2011 increased \$354 million over the first quarter of 2011. Average available for sale securities increased \$167 million and mortgage trading securities increased \$121 million. Average outstanding loans, net of allowance for loan losses, increased \$31 million. Average commercial and residential mortgage loan balances increased in second quarter of 2011, offset by a decrease in commercial real estate and consumer loans. Average deposits decreased by \$138 million during the second quarter of 2011, including a \$448 million decrease in interest-bearing transaction accounts, partially offset by a \$288 million increase in demand deposits and a \$15 million increase in time deposits. Average balances of borrowed funds increased \$332 million.

Our overall objective is to manage the Company's balance sheet to be relatively neutral to changes in interest rates as is further described in the Market Risk section of this report. Approximately two-thirds of our commercial and commercial real estate loan portfolios are either variable rate or fixed rate that will re-price within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that re-price more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally re-price more quickly than liabilities. Among the strategies that we use to manage toward a relatively rate-neutral position, we purchase fixed-rate residential mortgage-backed securities issued primarily by U.S. government agencies and fund them with market rate sensitive liabilities. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio. To the extent that intermediate and longer term interest rates remain at extremely low levels, mortgage-related security prepayments may accelerate putting additional downward pressure on the securities portfolio yield and on net interest margin as discussed above. We also may use derivative instruments to manage our interest rate risk. Derivative contracts are carried on the balance sheet at fair value. Changes in fair value of these contracts are included in derivatives gains or losses in the Consolidated Statements of Earnings.

The effectiveness of these strategies is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 1 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

Table 1 – Volume / Rate Analysis
(In thousands)

| | Three Months Ended June 30, 2011 / 2010 | | | Six Months Ended June 30, 2011 / 2010 | | |
|-------------------------------------|--|--------|-----------------|--|----------|-----------------|
| | Change | Volume | Yield / Rate | Change | Volume | Yield / Rate |
| Tax-equivalent interest revenue: | | | | | | |
| Funds sold and resell agreements | \$(5) | \$(5) | \$– | \$(9) | \$(7) | \$(2) |
| Trading securities | (77) | 198 | (275) | (294) | 242 | (536) |
| Investment securities: | | | | | | |
| Taxable securities | 1,016 | 1,298 | (282) | 2,359 | 1,883 | 476 |
| Tax-exempt securities | (700) | (641) | (59) | (1,333) | (1,173) | (160) |
| Total investment securities | 316 | 657 | (341) | 1,026 | 710 | 316 |
| Available for sale securities: | | | | | | |
| Taxable securities | (5,250) | 6,158 | (11,408) | (13,811) | 9,298 | (23,109) |
| Tax-exempt securities | 80 | 71 | 9 | (1) | 80 | (81) |
| Total available for sale securities | (5,170) | 6,229 | (11,399) | (13,812) | 9,378 | (23,190) |
| Mortgage trading securities | 795 | 752 | 43 | (10) | 124 | (134) |
| | (672) | (560) | (112) | (1,080) | (1,152) | 72 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Residential mortgage loans
held for sale

| | | | | | | |
|---------------------------------------|------------|----------|-----------|-------------|-----------|-----------|
| Loans | (7,133) | (3,448) | (3,685) | (15,144) | (7,229) | (7,915) |
| Total tax-equivalent interest revenue | (11,946) | 3,823 | (15,769) | (29,323) | 2,066 | (31,389) |
| Interest expense: | | | | | | |
| Transaction deposits | (3,914) | 843 | (4,757) | (6,465) | 2,180 | (8,645) |
| Savings deposits | 18 | 26 | (8) | 27 | 44 | (17) |
| Time deposits | 764 | (310) | 1,074 | (270) | (695) | 425 |
| Funds purchased | (398) | (70) | (328) | (617) | (271) | (346) |
| Repurchase agreements | (1,067) | (121) | (946) | (1,509) | (206) | (1,303) |
| Other borrowings | 823 | (9,125) | 9,948 | (298) | (13,122) | 12,824 |
| Subordinated debentures | 6 | 2 | 4 | 17 | 4 | 13 |
| Total interest expense | (3,768) | (8,755) | 4,987 | (9,115) | (12,066) | 2,951 |
| Tax-equivalent net interest revenue | (8,178) | 12,578 | (20,756) | (20,208) | 14,132 | (34,340) |
| Change in tax-equivalent adjustment | (66) | | | (161) | | |
| Net interest revenue | \$(8,112) | | | \$(20,047) | | |

1 Changes attributable to both volume and yield/rate are allocated to both volume and yield/rate on an equal basis.

Other Operating Revenue

Other operating revenue was \$143.0 million for the second quarter of 2011 compared to \$157.4 million for the second quarter of 2010 and \$117.6 million for the first quarter of 2011. Fees and commissions revenue was flat with the second quarter of 2010. Net gains on securities, derivatives and other assets decreased \$12.0 million. Other-than-temporary impairment charges recognized in earnings in the second quarter of 2011 were \$2.2 million greater than charges recognized in the second quarter of 2010.

Other operating revenue increased \$25.4 million over the first quarter of 2011. Fees and commissions revenue increased \$4.6 million. Net gains on securities, derivatives and other assets increased \$21.1 million. Other-than-temporary impairment charges recognized in earnings were \$225 thousand less than charges recognized in the first quarter of 2011.

Table 2 – Other Operating Revenue
(In thousands)

| | Three Months Ended June 30, | | Increase | % Increase | | Three Months Ended March 31, | | Increase | % Increase |
|---|--------------------------------|----------|------------|---------------|--|---------------------------------------|------------|------------|---------------|
| | 2011 | 2010 | (Decrease) | (Decrease) | | 2011 | (Decrease) | (Decrease) | (Decrease) |
| Brokerage and trading revenue | \$23,725 | \$24,754 | \$(1,029) | (4 %) | | \$25,376 | \$(1,651) | (7 %) | |
| Transaction card revenue | 31,024 | 28,263 | 2,761 | 10 % | | 28,445 | 2,579 | 9 % | |
| Trust fees and commissions | 19,150 | 17,737 | 1,413 | 8 % | | 18,422 | 728 | 4 % | |
| Deposit service charges and fees | 23,857 | 28,797 | (4,940) | (17 %) | | 22,480 | 1,377 | 6 % | |
| Mortgage banking revenue | 19,356 | 18,335 | 1,021 | 6 % | | 17,356 | 2,000 | 12 % | |
| Bank-owned life insurance | 2,872 | 2,908 | (36) | (1 %) | | 2,863 | 9 | – % | |
| Other revenue | 7,842 | 7,374 | 468 | 6 % | | 8,332 | (490) | (6 %) | |
| Total fees and commissions revenue | 127,826 | 128,168 | (342) | – % | | 123,274 | 4,552 | 4 % | |
| Gain (loss) on other assets, net | 3,344 | 1,545 | 1,799 | N/A | | (68) | 3,412 | N/A | |
| Gain (loss) on derivatives, net | 1,225 | 7,272 | (6,047) | N/A | | (2,413) | 3,638 | N/A | |
| Gain on available for sale securities | 5,468 | 8,469 | (3,001) | N/A | | 4,902 | 566 | N/A | |
| Gain (loss) on mortgage trading securities, net | 9,921 | 14,631 | (4,710) | N/A | | (3,518) | 13,439 | N/A | |
| Total other-than-temporary impairment | (74) | (10,959) | 10,885 | N/A | | – | (74) | N/A | |

| | | | | | | | |
|--|-----------|-----------|-------------|-------|-----------|----------|------|
| Portion of loss recognized in (reclassified from) other comprehensive income | (4,750) | 8,313 | (13,063) | N/A | (4,599) | (151) | N/A |
| Net impairment losses recognized in earnings | (4,824) | (2,646) | (2,178) | N/A | (4,599) | (225) | N/A |
| Total other operating revenue | \$142,960 | \$157,439 | \$(14,479) | (9 %) | \$117,578 | \$25,382 | 22 % |

Certain percentage increases (decreases) in non-fees and commissions revenue are not meaningful for comparison purposes based on the nature of the item.

Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 42% of total revenue for the second quarter of 2011, excluding provision for credit losses and gains and losses on asset sales, securities and derivatives. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into markets outside of Oklahoma. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue, which includes revenues from securities trading, retail brokerage, customer derivative and investment banking, decreased \$1.0 million or 4—% compared to the second quarter of 2010. Securities trading revenue totaled \$13.3 million for the second quarter of 2011 compared to \$14.3 million for the second quarter of 2010, down \$1.0 million or 7%. Securities trading revenue represents net realized and unrealized gains

primarily related to U.S. government securities, residential mortgage-backed securities guaranteed by U.S. government agencies and municipal securities sold to institutional customers. The revenue decrease was largely due to lower residential mortgage-backed securities transaction volume.

Revenue earned from retail brokerage transactions increased \$1.8 million or 33% over the second quarter of 2010 to \$7.4 million. Retail brokerage revenue is primarily based on fees and commissions earned on sales of fixed income securities, annuities and mutual funds to retail customers. Revenue growth was primarily due to increased market volatility which increased customer demand.

Customer hedging revenue is based primarily on realized and unrealized changes in the fair value of derivative contracts held for customer risk management programs. As more fully discussed under Customer Derivative Programs in Note 3 of the Consolidated Financial Statements, we offer commodity, interest rate, foreign exchange and equity derivatives to our customers. Customer hedging revenue totaled \$1.1 million for the second quarter of 2011, down \$933 thousand or 46% compared to the second quarter of 2010. Energy derivative volume declined due primarily to relatively stable commodity pricing, partially offset by an increase in interest rate derivative transactions.

Investment banking includes fees earned upon completion of underwriting and financial advisory service which totaled \$1.9 million for the second quarter of 2011, an \$886 thousand decrease compared to the second quarter of 2010 related to the timing and volume of completed transactions.

Brokerage and trading revenue decreased \$1.7 million from the first quarter of 2011 due primarily to a decrease in securities trading revenue. The volume of residential mortgage-backed securities sold to institutional customers decreased, partially offset by increases in municipal securities sales. Decreases in energy derivative revenues were fully offset by increases in interest rate derivatives revenue. Investment banking fees decreased compared to the previous quarter, partially offset by an increase in retail brokerage.

We continue to monitor the on-going development of rules to implement the Volcker Rule of the Dodd-Frank Act which prohibits banking entities from engaging in proprietary trading as defined by the Dodd-Frank Act and restricts sponsorship of or investment in private equity funds and hedge funds, subject to limited exceptions. Regulations implementing the Volcker Rule are scheduled to take effect by the earlier of 12 months after such rules are final or July 21, 2012. The ultimate impact of the implementation of the Volcker Rule remains uncertain and final regulations possibly could impose additional operational or compliance costs or prohibit certain trading activities on behalf of our customers.

Title VII of the Dodd-Frank Act subjects nearly all derivative transaction to Commodity Futures Trading Commission (“CFTC”) or Securities and Exchange Commission (“SEC”) regulations. Title VII, among other things, imposes registration, recordkeeping, reporting, capital and margin, as well as business conduction requirements on major swap dealers and major swap participants. The CFTC and SEC have recently delayed the effectiveness of a large portion of the proposed regulations that would implement Title VII until the earlier of 60 days following the adoption of final rules or December 31, 2011. The Company currently anticipates that one or more of its subsidiaries may be required to register as a “swap dealer” with the CFTC. The ultimate impact of Title VII is uncertain, but may pose higher operational and compliance costs on the Company.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of TransFund automated teller machine (“ATM”) locations and the number of merchants served. Transaction card revenue increased \$2.8 million or 10% over the second quarter of 2010. Revenues from the processing of transactions on behalf of the members of our TransFund ATM network totaled \$12.5 million, an increase of \$359 thousand or 3% over the second quarter of 2010, due primarily to increased ATM transaction volumes. Merchant services fees paid by customers for account management and electronic processing of transactions totaled \$9.2 million, a \$1.4 million or

18% increase over the prior year primarily as a result of cross-selling opportunities throughout our geographical footprint. Check card revenue from interchange fees paid by merchant banks for transactions processed from cards issued by the Company increased \$976 thousand or 12% to \$9.3 million due primarily to an increase in the number of transactions processed.

Transaction card revenue increased \$2.6 million over the first quarter of 2011. Merchant services fees increased by \$1.3 million on increased market penetration and growth in number of transactions processed. Check card and ATM network revenue also increased over the prior quarter.

On June 29, 2011, the Federal Reserve Board issued a final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions as required by the Dodd-Frank Act. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction will be the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. The rule is effective on October 1, 2011. In addition, the Board approved an interim rule that allows for an upward adjustment of no more than 1 cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards outlined in the interim final rule. Issuers meeting these standards must certify as to their eligibility to receive this adjustment. We would expect a decline of \$20 million to \$24 million in our transaction card revenue annually based on the final rule.

Trust fees and commissions increased \$1.4 million or 8% over the second quarter of 2010 primarily due to an increase in the fair value of trust assets, partially offset by lower balances in our proprietary mutual funds. In addition, we continue to voluntarily waive administration fees on the Cavanal Hill money market funds in order to maintain positive yields on these funds in the current low short-term interest rate environment. Waived fees totaled \$1.6 million for the second quarter of 2011, \$1.2 million for the first quarter of 2011 and \$816 thousand for the second quarter of 2010. The fair value of trust assets administered by the Company totaled \$33.1 billion at June 30, 2011 compared to \$32.0 billion at March 31, 2011 and \$29.8 billion at June 30, 2010. Trust fees and commissions also increased \$728 thousand over the first quarter of 2011.

Deposit service charges and fees decreased \$4.9 million or 17% compared to the second quarter of 2010. Overdraft fees decreased \$4.5 million or 24% to \$14.7 million. The decrease in overdraft fees was primarily due to changes in federal regulations concerning certain overdraft charges which were effective July 1, 2010. Commercial account service charge revenue totaled \$7.3 million, down 1% from the prior year. Customers continue to maintain high commercial account balances to maximize the earnings credit, a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balances. Service charges on retail deposit accounts decreased modestly to \$1.4 million for the second quarter of 2011.

Deposit service charges and fees increased \$1.4 million over the prior quarter primarily due a seasonal increase in overdraft charges of \$1.6 million over the first quarter of 2011. Overdraft volumes historically are lower in the first quarter of the year.

Mortgage banking revenue increased \$1.0 million or 6% over the second quarter of 2010. Revenue from originating and marketing mortgage loans increased \$645 thousand or 7% over the second quarter of 2010 primarily due to increased gains on sales of mortgages in the secondary market. Mortgage servicing revenue increased \$376 thousand or 4% over the second quarter of 2010. The outstanding principal balance of mortgage loans serviced for others increased \$226 million to \$11.3 billion. Mortgage banking revenue increased \$2.0 million over the first quarter of 2011 primarily due to a \$1.9 million increase in revenue from originating and marketing residential mortgage loans. Residential mortgage loans funded for sale increased \$77 million over the previous quarter.

Table 3 – Mortgage Banking Revenue
(In thousands)

| | Three Months Ended June 30, | | % | | Three Months Ended March 31, | | % | |
|-----------------------------------|--------------------------------|----------|------------------------|------------------------|------------------------------------|----------|----------|--|
| | 2011 | 2010 | Increase (Decrease) | Increase (Decrease) | 2011 | Increase | Increase | |
| Originating and marketing revenue | \$ 9,409 | \$ 8,764 | \$ 645 | 7 % | \$ 7,529 | \$ 1,880 | 25 % | |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | | | | |
|------------------------|-----------|-----------|----------|---|---|-----------|----------|----|---|
| Servicing revenue | 9,947 | 9,571 | 376 | 4 | % | 9,827 | 120 | 1 | % |
| Total mortgage revenue | \$ 19,356 | \$ 18,335 | \$ 1,021 | 6 | % | \$ 17,356 | \$ 2,000 | 12 | % |

| | | | | | | | | | |
|--------------------------------|------------|------------|--------------|----|----|------------|-----------|----|---|
| Mortgage loans funded for sale | \$ 528,749 | \$ 540,835 | \$ (12,086) | (2 | %) | \$ 451,821 | \$ 76,928 | 17 | % |
|--------------------------------|------------|------------|--------------|----|----|------------|-----------|----|---|

| | | | | | | |
|--|----|---|----|---|----|---|
| Mortgage loan refinances to total funded | 36 | % | 34 | % | 50 | % |
|--|----|---|----|---|----|---|

June 30,

| | 2011 | 2010 | Increase | % Increase | March 31, 2011 | Increase | % Increase | | |
|---|---------------|---------------|------------|------------|----------------|---------------|------------|---|---|
| Outstanding principal balance of mortgage loans serviced for others | \$ 11,283,442 | \$ 11,057,385 | \$ 226,057 | 2 | % | \$ 11,202,626 | \$ 80,816 | 1 | % |

Net gains on securities, derivatives and other assets

We recognized \$5.5 million of net gains on sales of \$654 million of available for sale securities in the second quarter of 2011. Securities were sold either because they had reached their expected maximum potential return or to mitigate exposure from rising interest rates. We recognized \$8.5 million of gains on sales of \$595 million of available for sale securities in the second quarter of 2010 and \$4.9 million of net gains on sales of \$793 million of available for sale securities in the first quarter of 2011.

We also maintain a portfolio of residential mortgage backed securities issued by U.S. government agencies and interest rate derivative contracts designated as an economic hedge of the changes in the fair value of our mortgage servicing rights. The fair value of our mortgage servicing rights fluctuate due to changes in prepayment speeds and other assumptions as more fully described in Note 5 to the Consolidated Financial Statements. As benchmark mortgage rates increase, prepayment speeds slow and the value of our mortgage servicing rights increase. As benchmark mortgage rates fall, prepayment speeds increase and the value of our mortgage servicing rights decrease.

Table 4 – Gain (Loss) on Mortgage Servicing Rights
(In thousands)

| | Three Months Ended | | |
|---|--------------------|-------------------|------------------|
| | June 30, 2011 | March 31, 2011 | June 30, 2010 |
| Gain (loss) on mortgage hedge derivative contracts | \$ 1,224 | \$(2,419) | \$ 7,800 |
| Gain (loss) on mortgage trading securities | 9,921 | (3,518) | 14,631 |
| Gain (loss) on economic hedge of mortgage servicing rights | 11,145 | (5,937) | 22,431 |
| Gain (loss) on change in fair value of mortgage servicing rights | (13,493) | 3,129 | (19,458) |
| Gain (loss) on changes in fair value of mortgage servicing rights, net of economic hedges | (2,348) | \$(2,808) | \$ 2,973 |
| Net interest revenue on mortgage trading securities | \$ 5,121 | \$ 3,058 | \$ 4,880 |

As more fully discussed in Note 2 to the Consolidated Financial Statements, we recognized other-than-temporary impairment losses on certain private-label residential mortgage-backed securities of \$4.3 million in earnings during the second quarter of 2011. These losses primarily related to additional declines in projected cash flows of private-label mortgage backed securities as a result of increased home price depreciation. We also recognized a \$521 thousand other-than-temporary impairment on certain below investment grade municipal securities based on our assessment of the issuer's on-going financial difficulties. We recognized other-than-temporary impairment losses in earnings of \$2.6 million in the second quarter of 2010 and \$4.6 million in the first quarter of 2011.

Other Operating Expense

Other operating expense for the second quarter of 2011 totaled \$203.2 million, down \$2.7 million or 1% compared to the second quarter of 2010. Changes in the fair value of mortgage servicing rights increased operating expense \$13.5 million in the second quarter of 2011 and \$19.5 million in the second quarter of 2010. Excluding changes in the fair value of mortgage servicing rights, operating expenses were up \$3.3 million or 2% over the second quarter of 2010. Personnel expenses increased \$8.5 million or 9%. Non-personnel expenses decreased \$5.3 million or 6%.

Excluding changes in the fair value of mortgage servicing rights, operating expenses were up \$8.1 million over the previous quarter. Personnel expenses increased \$5.6 million and non-personnel expenses increased \$2.5 million.

Table 5 – Other Operating Expense
(In thousands)

| | Three Months Ended June 30, | | Increase | % | | Three Months Ended | Increase | % | |
|---|--------------------------------|----------|------------|------------|---|--------------------------|------------|------------|---|
| | 2011 | 2010 | (Decrease) | (Decrease) | | March 31, 2011 | (Decrease) | (Decrease) | |
| Regular compensation | \$61,380 | \$58,932 | \$2,448 | 4 | % | \$60,804 | \$576 | 1 | % |
| Incentive compensation: | | | | | | | | | |
| Cash-based | 23,530 | 22,148 | 1,382 | 6 | % | 19,555 | 3,975 | 20 | % |
| Stock-based | 3,122 | 390 | 2,732 | 701 | % | 3,431 | (309) | (9) | % |
| Total incentive compensation | 26,652 | 22,538 | 4,114 | 18 | % | 22,986 | 3,666 | 16 | % |
| Employee benefits | 17,571 | 15,584 | 1,987 | 13 | % | 16,204 | 1,367 | 8 | % |
| Total personnel expense | 105,603 | 97,054 | 8,549 | 9 | % | 99,994 | 5,609 | 6 | % |
| Business promotion | 4,777 | 4,945 | (168) | (3) | % | 4,624 | 153 | 3 | % |
| Professional fees and services | 6,258 | 6,668 | (410) | (6) | % | 7,458 | (1,200) | (16) | % |
| Net occupancy and equipment | 15,554 | 15,691 | (137) | (1) | % | 15,604 | (50) | – | % |
| Insurance | 4,771 | 5,596 | (825) | (15) | % | 6,186 | (1,415) | (23) | % |
| Data processing & communications | 24,428 | 21,940 | 2,488 | 11 | % | 22,503 | 1,925 | 9 | % |
| Printing, postage and supplies | 3,586 | 3,525 | 61 | 2 | % | 3,082 | 504 | 16 | % |
| Net losses & operating expenses of repossessed assets | 5,859 | 13,067 | (7,208) | N/A | | 6,015 | (156) | N/A | |
| Amortization of intangible assets | 896 | 1,323 | (427) | (32) | % | 896 | – | – | % |

| | | | | | | | |
|---|-----------|-----------|------------|--------|-----------|----------|------|
| Mortgage banking costs | 8,968 | 10,380 | (1,412) | (14 %) | 6,471 | 2,497 | 39 % |
| Change in fair value of mortgage servicing rights | 13,493 | 19,458 | (5,965) | N/A | (3,129) | 16,622 | N/A |
| Other expense | 9,016 | 6,265 | 2,751 | 44 % | 8,745 | 271 | 3 % |
| Total other operating expense | \$203,209 | \$205,912 | \$(2,703) | (1 %) | \$178,449 | \$24,760 | 14 % |

| | | | | | | | |
|--|-------|-------|-----|-----|-------|------|-----|
| Number of employees (full-time equivalent) | 4,530 | 4,428 | 102 | 2 % | 4,533 | (3) | – % |
|--|-------|-------|-----|-----|-------|------|-----|

Certain percentage increases (decreases) are not meaningful for comparison purposes.

Personnel expense

Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs increased \$2.4 million or 4% over the second quarter of 2010 primarily due to standard annual merit increases which were effective in the second quarter of 2011. The Company generally awards annual merit increases effective April 1st for a majority of its staff.

Incentive compensation increased \$4.1 million over the second quarter of 2010. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities to the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation increased \$1.4 million over the second quarter of 2010. Cash-based incentive compensation related to brokerage and

trading revenue was flat with the prior year. The increase in cash-based incentive compensation was primarily for other business lines.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense related to liability awards increased \$2.4 million over the second quarter of 2010 due to changes in the market value of BOK Financial common stock and other investments. The market value of BOK Financial common stock increased \$3.09 per share in the second quarter of 2011 and decreased \$4.97 per share in the second quarter of 2010. Compensation expense for equity awards increased \$288 thousand compared with the second quarter of 2010. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value.

Employee benefit expense increased \$2.0 million or 13% over the second quarter of 2010 primarily due to increased expenses related to employee medical insurance costs, employee retirement plans and payroll taxes. Medical insurance costs were \$1.0 million or 23% higher than the second quarter of 2010. The Company self-insures a portion of its employee health care coverage and these costs may be volatile.

Personnel expense increased \$5.6 million over the first quarter of 2011 primarily due to higher incentive compensation expense and employee benefits expense. Incentive compensation increased \$3.7 million over the first quarter of 2011, including a \$4.0 million increase in cash-based incentive compensation, partially offset by a \$309 thousand decrease in stock-based compensation. Employee benefit expenses increased \$1.4 million over the first quarter of 2011. Increased expenses related to employee medical insurance costs and retirement plans in the second quarter of 2011 were partially offset by the impact of a seasonal increase in payroll taxes in the first quarter of 2011. Regular compensation expense increased \$576 thousand over the first quarter of 2011.

Non-personnel operating expenses

Non-personnel operating expenses, excluding changes in the fair value of mortgage servicing rights, decreased \$5.3 million or 6% compared to the second quarter of 2010. Net losses and operating expenses on repossessed assets decreased \$7.2 million primarily due to a decrease in net writedowns of repossessed assets. Mortgage banking costs decreased \$1.4 million. Expense related to actual prepayments of mortgage loans serviced for others decreased \$2.4 million. Provisions for foreclosure costs and losses on loan sold with recourse increased \$959 thousand. Data processing and communication expenses increased \$2.5 million due primarily to increased transaction card activity.

Non-personnel operating expenses, excluding changes in the fair value of mortgage servicing rights, increased \$2.5 million over the first quarter of 2011. Mortgage banking costs increased \$2.5 million over the first quarter of 2011. Mortgage banking expenses increased \$2.5 million primarily due to a \$2.7 million increase in the provisions for losses on loans sold with recourse and foreclosure costs on loans serviced for others. Data processing and communications expense increased \$2.0 million primarily due to increased transaction card activity. FDIC insurance expense decreased \$1.5 million based on the estimated impact of a change from an assessment based on deposit balances to an assessment based on consolidated assets minus average tangible equity.

Income Taxes

Income tax expense was \$39.4 million or 36% of book taxable income for the second quarter of 2011 compared to \$32.0 million or 33% of book taxable income for the second quarter of 2010 and \$38.8 million or 37% of book taxable income for the first quarter of 2011. The increase in the effective tax rate over the second quarter of 2010 was due to higher state income taxes and reduced utilization of income tax credits.

BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations. The reserve for uncertain tax positions was \$13 million at June 30, 2011, \$12 million at December 31, 2010 and \$13 million at June 30, 2010.

Lines of Business

We operate three principal lines of business: commercial banking, consumer banking and wealth management. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund network. Consumer banking includes retail lending and deposit services and all mortgage banking activities. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets. Wealth management also originates loans for high net worth clients.

In addition to our lines of business, we have a funds management unit. The primary purpose of this unit is to manage our overall liquidity needs and interest rate risk. Each line of business borrows funds from and provides funds to the funds management unit as needed to support their operations. Operating results for funds management and other include the effect of interest rate risk positions and risk management activities, securities gains and losses including impairment charges, the provision for credit losses in excess of net loans charged off, tax planning strategies and certain executive compensation costs that are not attributed to the lines of business.

We allocate resources and evaluate the performance of our lines of business after allocation of funds, certain indirect expenses, taxes based on statutory rates, actual net credit losses and capital costs. The cost of funds borrowed from the funds management unit by the operating lines of business is transfer priced at rates that approximate market rates for funds with similar duration. Market is generally based on the applicable LIBOR or interest rate swap rates, adjusted for prepayment risk. This method of transfer-pricing funds that support assets of the operating lines of business tends to insulate them from interest rate risk.

The value of funds provided by the operating lines of business to the funds management unit is also based on rates which approximate wholesale market rates for funds with similar duration and re-pricing characteristics. Market rates are generally based on LIBOR or interest rate swap rates. The funds credit formula applied to deposit products with indeterminate maturities is established based on their re-pricing characteristics reflected in a combination of the short-term LIBOR rate and a moving average of an intermediate term swap rate, with an appropriate spread applied to both. Shorter duration products are weighted towards the short term LIBOR rate and longer duration products are weighted towards the intermediate swap rates. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

Economic capital is assigned to the business units by a capital allocation model that reflects management's assessment of risk. This model assigns capital based upon credit, operating, interest rate and market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Average invested capital includes economic capital and amounts we have invested in the lines of business.

As shown in Table 6, net income attributable to our lines of business increased \$16 million over the second quarter of 2010. The increase in net income attributed to our lines of business was due primarily to a decrease in net loans charged off compared to the second quarter of 2010. Net income attributed to funds management and other decreased compared to the second quarter of 2010 primarily due to a decrease in net interest revenue earned by and operating expenses attributed to the funds management unit, partially offset by a decrease in the loan loss provision in excess of charge-offs to the business lines.

Table 6 – Net Income by Line of Business
(In thousands)

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------|--------------------------------|----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Commercial banking | \$32,105 | \$13,583 | \$61,149 | \$25,175 |
| Consumer banking | 6,814 | 8,878 | 12,560 | 26,274 |
| Wealth management | 3,436 | 3,556 | 7,419 | 6,693 |
| Subtotal | 42,355 | 26,017 | 81,128 | 58,142 |
| Funds management and other | 26,652 | 37,505 | 52,653 | 65,513 |
| Total | \$69,007 | \$63,522 | \$133,781 | \$123,655 |

- 10 -

Commercial Banking

Commercial banking contributed \$32 million to consolidated net income in the second quarter of 2011, up \$19 million over the second quarter of 2010. Net loans charged-off decreased \$18 million. In addition, losses on repossessed assets decreased and net interest revenue increased.

The Company has focused on development of banking services for small business. As part of this initiative, small business banking activities were transferred to the Commercial Banking segment from the Consumer Banking segment in the second quarter of 2011. This transfer increased Commercial Banking net income by \$2.5 million. Net interest revenue increased \$4.0 million. Average deposits increased \$672 million and average loans increased \$21 million primarily due to the transfer of these balances from the Consumer Banking segment. Other operating revenue increased \$2.0 million mostly offset by increased operating expenses.

Table 7 – Commercial Banking
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|-------------------------------------|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, | | Increase (Decrease) | June 30, | | Increase (Decrease) | |
| | 2011 | 2010 | | 2011 | 2010 | | |
| NIR (expense) from external sources | \$86,067 | \$85,129 | \$938 | \$170,020 | \$170,027 | \$(7) | |
| NIR (expense) from internal sources | (7,225) | (12,633) | 5,408 | (16,270) | (25,016) | 8,746 | |
| Total net interest revenue | 78,842 | 72,496 | 6,346 | 153,750 | 145,011 | 8,739 | |
| Other operating revenue | 36,104 | 33,531 | 2,573 | 71,610 | 63,213 | 8,397 | |
| Operating expense | 54,594 | 50,578 | 4,016 | 107,112 | 100,401 | 6,711 | |
| Net loans charged off | 4,660 | 22,477 | (17,817) | 11,437 | 50,856 | (39,419) | |
| Loss on repossessed assets, net | (3,147) | (10,741) | 7,594 | (6,731) | (15,764) | 9,033 | |
| Income before taxes | 52,545 | 22,231 | 30,314 | 100,080 | 41,203 | 58,877 | |
| Federal and state income tax | 20,440 | 8,648 | 11,792 | 38,931 | 16,028 | 22,903 | |
| Net income | \$32,105 | \$13,583 | \$18,522 | \$61,149 | \$25,175 | \$35,974 | |
| Average assets | \$9,393,935 | \$8,982,359 | \$411,576 | \$9,283,264 | \$9,078,390 | \$204,874 | |
| Average loans | 8,243,381 | 8,237,283 | 6,098 | 8,192,255 | 8,305,366 | (113,111) | |
| Average deposits | 7,834,294 | 5,941,488 | 1,892,806 | 7,750,931 | 5,816,030 | 1,934,901 | |
| Average invested capital | 867,491 | 909,930 | (42,439) | 865,439 | 920,056 | (54,617) | |
| Return on average assets | 1.37 | % 0.61 | % 76 | bp 1.33 | % 0.56 | % 77 | bp |
| Return on invested capital | 14.84 | % 5.99 | % 886 | bp 14.25 | % 5.52 | % 873 | bp |
| Efficiency ratio | 47.50 | % 47.70 | % (21) | bp 47.53 | % 48.22 | % (69) | bp |
| | 0.23 | % 1.09 | % (87) | bp 0.28 | % 1.23 | % (95) | bp |

Net charge-offs
(annualized) to
average loans

Net interest revenue increased \$6.4 million or 9% over the second quarter of 2010 primarily due to a \$1.9 billion increase in average deposits attributed to commercial banking, including small business banking deposits transferred from the Consumer Banking segment. Additionally, loan yields improved over the second quarter of 2010.

Other operating revenue increased \$2.6 million or 8% over the second quarter of 2010 primarily related to additional service charge revenue from the transfer of the small business banking activities. Transaction card revenue also increased due to increased customer activity. Energy derivative trading revenue and loan syndication fees decreased on lower transaction volume.

Operating expenses increased \$4.0 million or 8% over the second quarter of 2010 primarily due to increased data processing costs related to higher transaction card volumes, increased personnel costs as a result of annual merit increases and higher corporate expense allocations related to the transfer of small business banking operations.

The average outstanding balance of loans attributed to commercial banking was \$8.2 billion for the second quarter of 2011, largely unchanged from the second quarter of 2010. See the Loans section of Management's Analysis and Discussion of Financial Condition following for additional discussion of changes in commercial and commercial real

estate loans which are primarily attributed to the commercial banking segment. Net commercial banking loans charged off decreased \$17.8 million compared to the second quarter of 2010 to \$4.7 million or 0.23% of average loans attributed to this line of business on an annualized basis. The decrease in net loans charged off was primarily due to a decrease in losses on commercial real estate loans.

Average deposits attributed to commercial banking were \$7.8 billion for the second quarter of 2011, up \$1.9 billion or 32% over the second quarter of 2010, including \$672 million related to the transfer of small business banking activities. Average balances attributed to our commercial & industrial loan customers increased \$657 million or 32%, average treasury services deposit balances increased \$364 million or 23% and average balances attributed to our energy customers increased \$154 million or 23%. We believe that commercial customers continue to retain large cash reserves primarily due to continued economic uncertainty.

Consumer Banking

Consumer banking services are provided through five primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center, internet banking and mobile banking.

Consumer banking contributed \$6.8 million to consolidated net income for the second quarter of 2011, a decrease of \$2.1 million compared to the second quarter of 2010. The change in fair value of our mortgage servicing rights, net of economic hedge decreased net income attributed to consumer banking by \$2.3 million in the second quarter of 2011 and increased net income attributed to consumer banking by \$3.0 million in the second quarter of 2010. Changes in the fair value of mortgage servicing rights and securities held as an economic hedge are due to movements in interest rates, actual and anticipated loan prepayment speeds and related factors. Decreased net charge-offs and lower operating expenses were partially offset by a decrease in other operating revenue and net interest revenue, primarily due to the transfer of small business banking activities to the Commercial Banking segment.

Table 8 – Consumer Banking
(Dollars in thousands)

| | Three Months Ended | | Increase (Decrease) | Six Months Ended | | Increase (Decrease) |
|---|--------------------|------------------|------------------------|------------------|------------------|------------------------|
| | 2011 | June 30, 2010 | | 2011 | June 30, 2010 | |
| NIR (expense) from external sources | \$21,357 | \$21,498 | \$(141) | \$40,022 | \$40,993 | \$(971) |
| NIR (expense) from internal sources | 7,597 | 11,444 | (3,847) | 16,655 | 23,323 | (6,668) |
| Total net interest revenue | 28,954 | 32,942 | (3,988) | 56,677 | 64,316 | (7,639) |
| Other operating revenue | 46,340 | 50,439 | (4,099) | 89,760 | 93,661 | (3,901) |
| Operating expense | 58,130 | 61,613 | (3,483) | 113,269 | 117,782 | (4,513) |
| Net loans charged off | 3,435 | 10,300 | (6,865) | 7,035 | 14,008 | (6,973) |
| Decrease in fair value of mortgage servicing rights | (13,493) | (19,458) | 5,965 | (10,364) | (5,526) | (4,838) |
| Gain on financial instruments, net | 11,145 | 22,431 | (11,286) | 5,208 | 22,220 | (17,012) |
| | (229) | 90 | (319) | (421) | 121 | (542) |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | | | | | | | |
|---|-------------|-------------|--------------|-------------|-------------|--------------|-------|---|-------|---|--------|----|
| Gain (loss) on repossessed assets, net | | | | | | | | | | | | |
| Income before taxes | 11,152 | 14,531 | (3,379) | 20,556 | 43,002 | (22,446) | | | | | | |
| Federal and state income tax | 4,338 | 5,653 | (1,315) | 7,996 | 16,728 | (8,732) | | | | | | |
| Net income | \$6,814 | \$8,878 | \$(2,064) | \$12,560 | \$26,274 | \$(13,714) | | | | | | |
| Average assets | \$5,819,151 | \$6,197,861 | \$(378,710) | \$5,940,101 | \$6,178,632 | \$(238,531) | | | | | | |
| Average loans | 2,038,930 | 2,134,666 | (95,736) | 2,017,161 | 2,134,307 | (117,146) | | | | | | |
| Average deposits | 5,640,794 | 6,094,679 | (453,885) | 5,788,920 | 6,079,766 | (290,846) | | | | | | |
| Average invested capital | 271,353 | 312,192 | (40,839) | 272,301 | 290,796 | (18,495) | | | | | | |
| Return on average assets | 0.47 | % | 0.57 | % | (10) | bp | 0.43 | % | 0.86 | % | (43) | bp |
| Return on invested capital | 10.07 | % | 11.41 | % | (134) | bp | 9.30 | % | 18.22 | % | (892) | bp |
| Efficiency ratio | 77.20 | % | 73.89 | % | 331 | bp | 77.35 | % | 74.56 | % | 279 | bp |
| Net charge-offs (annualized) to average loans | 0.68 | % | 1.94 | % | (126) | bp | 0.70 | % | 1.32 | % | (62) | bp |
| Mortgage loans funded for resale | \$528,749 | \$540,835 | \$(12,086) | \$980,570 | \$924,128 | \$56,442 | | | | | | |

| | June 30, 2011 | June 30, 2010 | Increase (Decrease) |
|---|---------------|---------------|------------------------|
| Banking locations | 207 | 198 | 9 |
| Mortgage loans servicing portfolio ¹ | \$ 12,177,661 | \$ 11,863,233 | \$ 314,428 |

¹ Includes outstanding principal for loans serviced for affiliates

Net interest revenue from consumer banking activities decreased \$4.0 million or 12% compared to the second quarter of 2010 primarily due to the transfer of certain small business demand deposit balances to the Commercial Banking segment. Average loans balances also decreased \$96 million primarily due to the continued paydown of indirect automobile loans. The Company previously disclosed its decision to exit the indirect automobile loan business in the first quarter of 2009.

Other operating revenue was down \$4.1 million compared to the second quarter of 2010. Deposit service charges decreased \$6.8 million primarily due to lower overdraft fees as a result of changes in banking regulations that became effective in the third quarter of 2010. Transaction card revenues increased \$1.0 million on higher transaction volume. Mortgage banking revenue increased \$1.0 million on increased gains on mortgage loans sold in the secondary market.

Operating expenses decreased \$3.5 million or 6% compared to the second quarter of 2010. Mortgage banking expenses decreased due to lower provision for foreclosure costs on loans serviced for others. Decreased corporate expense allocations related to the transfer of small business banking operations to the commercial banking segment were partially offset by increased personnel costs related to increased mortgage activity.

Net loans charged off by the consumer banking unit decreased \$6.9 million compared to the second quarter of 2010. Net consumer banking charge-offs include residential mortgage loans, indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Average consumer deposits decreased \$454 million or 7% compared to the second quarter of 2010 primarily due to the transfer of small business banking to the Commercial Banking segment. Average demand deposits decreased \$276 million or 32%, average time deposits decreased \$149 million or 6% and average interest-bearing transaction accounts decreased \$52 million or 4%.

Our Consumer Banking division originates, markets and services conventional and government-sponsored mortgage loans for all of our geographical markets. We funded \$533 million of mortgage loans in the second quarter of 2011 and \$541 million in the second quarter of 2010. Approximately 45% of our mortgage loans funded were in the Oklahoma market, 14% in the Colorado market, and 12% in the Texas market. In addition to the \$11.3 billion of mortgage loans serviced for others, the Consumer Banking division also services \$833 million of loans for affiliated entities. Approximately 93% of the mortgage loans serviced were to borrowers in our primary geographical market areas. Mortgage servicing revenue increased \$382 thousand or 4% over the second quarter of 2010 to \$10.0 million.

Wealth Management

Wealth Management contributed consolidated net income of \$3.4 million in second quarter of 2011 compared to \$3.6 million in second quarter of 2010.

Table 9 – Wealth Management
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|-------------|------------|------------------|-------------|------------|
| | June 30, | | Increase | June 30, | | Increase |
| | 2011 | 2010 | (Decrease) | 2011 | 2010 | (Decrease) |
| NIR (expense) from external sources | \$7,184 | \$8,358 | \$(1,174) | \$14,713 | \$16,987 | \$(2,274) |
| NIR (expense) from internal sources | 3,476 | 2,391 | 1,085 | 6,219 | 5,412 | 807 |
| Total net interest revenue | 10,660 | 10,749 | (89) | 20,932 | 22,399 | (1,467) |
| Other operating revenue | 42,699 | 42,020 | 679 | 82,558 | 79,340 | 3,218 |
| Operating expense | 46,899 | 43,829 | 3,070 | 90,086 | 84,901 | 5,185 |
| Net loans charged off | 836 | 3,135 | (2,299) | 1,280 | 5,900 | (4,620) |
| Gain on financial instruments, net | – | 15 | (15) | 18 | 16 | 2 |
| Income before taxes | 5,624 | 5,820 | (196) | 12,142 | 10,954 | 1,188 |
| Federal and state income tax | 2,188 | 2,264 | (76) | 4,723 | 4,261 | 462 |
| Net income | \$3,436 | \$3,556 | \$(120) | \$7,419 | \$6,693 | \$726 |
| Average assets | \$3,659,617 | \$3,355,079 | \$304,538 | \$3,643,497 | \$3,321,811 | \$321,686 |
| Average loans | 945,825 | 1,084,581 | (138,756) | 965,662 | 1,084,835 | (119,173) |
| Average deposits | 3,570,378 | 3,273,332 | 297,046 | 3,554,206 | 3,241,774 | 312,432 |
| Average invested capital | 176,069 | 167,903 | 8,166 | 175,505 | 167,495 | 8,010 |
| Return on assets | 0.38 % | 0.43 % | (5) bp | 0.41 % | 0.41 % | – |
| Return on invested capital | 7.83 % | 8.49 % | (66) bp | 8.52 % | 8.06 % | 46 bp |
| Efficiency ratio | 87.89 % | 83.06 % | 484 bp | 87.05 % | 83.45 % | 360 bp |
| Net charge-offs (annualized) to average loans | 0.35 % | 1.16 % | (81) bp | 0.27 % | 1.10 % | (83) bp |

| | June 30, 2011 | June 30, 2010 | Increase (Decrease) |
|---|---------------|---------------|---------------------|
| Trust assets | \$ 33,075,456 | \$ 29,825,608 | \$ 3,249,848 |
| Trust assets for which BOKF has sole or joint discretionary authority | 9,687,621 | 8,020,284 | 1,667,337 |
| Non-managed trust assets | 12,450,949 | 12,056,343 | 394,606 |
| Assets held in safekeeping | 10,936,886 | 9,748,982 | 1,187,904 |

Net interest revenue for the second quarter of 2011 was flat with the second quarter of 2010. Average loan balances were down \$139 million. Average deposit balances were up \$297 million. Loan yield decreased largely offset by decreased funding costs related to deposits.

Other operating revenue was up \$679 thousand or 2% over the second quarter of 2010, primarily due to a \$1.4 million or 8% increase in trust fees primarily due to increases in the fair value of trust assets. This increase was partially offset by a decrease in brokerage and trading revenues.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In the second quarter of 2011, the Wealth Management division participated in 60 underwritings that totaled \$2.4 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately \$1.8 billion of these underwritings. In the second quarter of 2010, the Wealth Management division participated in 27 underwritings that totaled approximately \$1.4 billion. Our interest in these underwritings totaled approximately \$363 million.

Operating expenses increased \$3.0 million or 7% over the second quarter of 2010. Personnel expenses increased \$2.0 million primarily due to increased headcount and annual merit increases. Non-personnel expenses increased \$1.1 million over the second quarter of 2010 primarily due to expansion of the Wealth Management business line. Growth in average assets was largely due to funds sold to the funds management unit. Average deposits attributed to the Wealth Management division increased \$297 million or 9% over the second quarter of 2010 including a \$163 million increase in interest-bearing transaction accounts, \$124 million increase in average demand deposit accounts, and a \$10 million increase in average time deposit balances.

Geographical Market Distribution

The Company secondarily evaluates performance by primary geographical market. Loans are generally attributed to geographical markets based on the location of the customer and may not reflect the location of the underlying collateral. Brokered deposits and other wholesale funds are not attributed to a geographical market. Funds management and other also includes insignificant results of operations in locations outside our primary geographic regions.

Table 10 – Net Income by Geographic Region
(In thousands)

| | Three Months Ended | | Six Months Ended | |
|----------------------------|--------------------|----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Oklahoma | \$28,251 | \$24,479 | \$53,808 | \$57,178 |
| Texas | 10,089 | 6,863 | 20,065 | 12,633 |
| New Mexico | 2,727 | 2,830 | 5,446 | 3,087 |
| Arkansas | (34) | 128 | 785 | 447 |
| Colorado | 1,411 | (171) | 3,765 | 880 |
| Arizona | (898) | (8,881) | (3,963) | (17,231) |
| Kansas / Missouri | 965 | 1,152 | 1,515 | 1,869 |
| Subtotal | 42,511 | 26,400 | 81,421 | 58,863 |
| Funds management and other | 26,496 | 37,122 | 52,360 | 64,792 |
| Total | \$69,007 | \$63,522 | \$133,781 | \$123,655 |

Oklahoma Market

Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Oklahoma is a significant market to the Company, representing 48% of our average loans, 55% of our average deposits and 41% of our consolidated net income in the second quarter of 2011. In addition, all of our mortgage servicing activity, TransFund network and 73% of our trust assets are attributed to the Oklahoma market.

Table 11 – Oklahoma
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-------------|-------------|------------------|-------------|-------------|----|
| | June 30, | | Increase | June 30, | | Increase | |
| | 2011 | 2010 | (Decrease) | 2011 | 2010 | (Decrease) | |
| Net interest revenue | \$59,357 | \$59,809 | \$(452) | \$114,209 | \$118,570 | \$(4,361) | |
| Other operating revenue | 81,263 | 85,574 | (4,311) | 156,852 | 156,317 | 535 | |
| Operating expense | 89,023 | 87,751 | 1,272 | 168,082 | 167,259 | 823 | |
| Net loans charged off | 1,929 | 20,126 | (18,197) | 8,055 | 30,904 | (22,849) | |
| Decrease in fair value of mortgage service rights | (13,493) | (19,458) | 5,965 | (10,364) | (5,526) | (4,838) | |
| Gain on financial instruments, net | 11,145 | 22,447 | (11,302) | 5,226 | 22,236 | (17,010) | |
| Gain (loss) on repossessed assets, net | (1,082) | (431) | (651) | (1,721) | 147 | (1,868) | |
| Income before taxes | 46,238 | 40,064 | 6,174 | 88,065 | 93,581 | (5,516) | |
| Federal and state income tax | 17,987 | 15,585 | 2,402 | 34,257 | 36,403 | (2,146) | |
| Net income | \$28,251 | \$24,479 | \$3,772 | \$53,808 | \$57,178 | \$(3,370) | |
| Average assets | \$10,640,942 | \$9,616,460 | \$1,024,482 | \$10,511,086 | \$9,435,468 | \$1,075,618 | |
| Average loans | 5,156,338 | 5,479,397 | (323,059) | 5,172,292 | 5,508,226 | (335,934) | |
| Average deposits | 9,585,364 | 8,596,560 | 988,804 | 9,523,982 | 8,460,857 | 1,063,125 | |
| Average invested capital | 534,579 | 588,252 | (53,673) | 533,747 | 568,650 | (34,903) | |
| Return on average assets | 1.06 | % 1.02 | % 4 | bp 1.03 | % 1.22 | % (19) | bp |
| Return on invested capital | 21.20 | % 16.69 | % 451 | bp 20.33 | % 20.28 | % 5 | bp |
| Efficiency ratio | 63.31 | % 60.36 | % 295 | bp 62.01 | % 60.85 | % 116 | bp |
| Net charge-offs (annualized) to average loans | 0.15 | % 1.47 | % (132) | bp 0.31 | % 1.13 | % (82) | bp |

Net income generated in the Oklahoma market in the second quarter of 2011 increased \$3.8 million or 15% over the second quarter of 2010. Net loans charged off decreased \$18 million compared to the second quarter of 2010 partially offset by a \$4.3 million decrease in other operating revenue. Change in the fair value of the mortgage servicing rights, net of economic hedge, decreased pre-tax net income by \$2.3 million for the second quarter of 2011 and increased pre-tax net income by \$3.0 million in the second quarter of 2010.

Net interest revenue was flat with the second quarter of 2010. Average loan balances decreased \$323 million. The favorable net interest impact of the \$989 million increase in average deposit balances was partially offset by lower yield on funds sold to the funds management unit.

Other operating revenue decreased \$4.3 million or 5% compared to the second quarter of 2010 in almost all revenue categories. Deposit service charges decreased \$3.7 million primarily due to a decline in overdraft fees as a result of changes in banking regulations that became effective in the third quarter of 2010. Mortgage banking revenue decreased \$2.6 million compared to the second quarter of 2010 primarily due to decreased volume of mortgage originations. Brokerage and trading revenue decreased \$934 thousand. These decreases were partially offset by a \$1.9 million increase in transaction card revenue on increased transaction volume.

Other operating expenses increased \$1.3 million or 1% over the prior year. Personnel expenses increased \$2.6 million primarily due to annual merit increases partially offset by a \$1.3 million decrease in non-personnel expenses primarily due to decreased corporate expense allocations. Lower provision for foreclosure costs of loans serviced for others was offset by increased data processing and communications expenses related to increased transaction card activity.

Net loans charged off decreased to \$1.9 million or 0.15% of average loans on an annualized basis for second quarter of 2011 compared with \$20.1 million or 1.47% of average loans on an annualized basis for the second quarter of 2010.

Average deposits in the Oklahoma market for the second quarter of 2011 increased \$989 million over the second quarter of 2010, primarily due to an increase in average commercial deposit balances. Deposits related to commercial and industrial customers, treasury services and energy customers all increased over the prior year. Wealth management deposits increased over the prior year primarily due to increases in the private banking and broker/dealer units, partially offset by a decrease in trust deposits. Consumer banking deposits decreased and commercial deposits increased compared to the prior year primarily due to the transfer of small business banking activities from the Consumer Banking segment to the Commercial banking segment.

Texas Market

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 32% of our average loans, 24% of our average deposits and 15% of our consolidated net income in the second quarter of 2011.

Table 12 – Texas
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, | | Increase (Decrease) | June 30, | | Increase (Decrease) | |
| | 2011 | 2010 | | 2011 | 2010 | | |
| Net interest revenue | \$33,795 | \$33,005 | \$790 | \$66,979 | \$65,998 | \$981 | |
| Other operating revenue | 15,634 | 14,804 | 830 | 31,038 | 29,299 | 1,739 | |
| Operating expense | 32,285 | 31,581 | 704 | 64,573 | 63,092 | 1,481 | |
| Net loans charged off | 850 | 4,858 | (4,008) | 2,095 | 11,393 | (9,298) | |
| Gain (loss) on repossessed assets, net | (530) | (647) | 117 | 2 | (1,073) | 1,075 | |
| Income before taxes | 15,764 | 10,723 | 5,041 | 31,351 | 19,739 | 11,612 | |
| Federal and state income tax | 5,675 | 3,860 | 1,815 | 11,286 | 7,106 | 4,180 | |
| Net income | \$10,089 | \$6,863 | \$3,226 | \$20,065 | \$12,633 | \$7,432 | |
| Average assets | \$4,743,725 | \$4,344,314 | \$399,411 | \$4,842,458 | \$4,335,785 | \$506,673 | |
| Average loans | 3,386,030 | 3,347,158 | 38,872 | 3,324,835 | 3,340,039 | (15,204) | |
| Average deposits | 4,210,294 | 3,786,646 | 423,648 | 4,283,098 | 3,767,265 | 515,833 | |
| Average invested capital | 467,716 | 483,857 | (16,141) | 467,238 | 486,337 | (19,099) | |
| Return on average assets | 0.85 | % 0.63 | % 22 | bp 0.84 | % 0.59 | % 25 | bp |
| | 8.65 | % 5.69 | % 296 | bp 8.66 | % 5.24 | % 342 | bp |

Return on invested
capital

| | | | | | | | | | | | | |
|------------------|-------|---|-------|---|-----|------|-------|---|-------|---|-----|------|
| Efficiency ratio | 65.32 | % | 66.06 | % | (74 |) bp | 65.88 | % | 66.21 | % | (33 |) bp |
|------------------|-------|---|-------|---|-----|------|-------|---|-------|---|-----|------|

Net charge-offs

(annualized) to average

| | | | | | | | | | | | | |
|-------|------|---|------|---|-----|------|------|---|------|---|-----|------|
| loans | 0.10 | % | 0.58 | % | (48 |) bp | 0.13 | % | 0.69 | % | (56 |) bp |
|-------|------|---|------|---|-----|------|------|---|------|---|-----|------|

Net income in the Texas market increased \$3.2 million or 47% over the second quarter of 2010 primarily due to a decrease in net loans charged off.

Net interest revenue increased \$790 thousand or 2% over the second quarter of 2010. Average assets increased due primarily to a \$424 million or 11% increase in deposits which were sold to the funds management unit. Average outstanding loans grew by \$39 million or 1% over the second quarter of 2010.

Other operating revenue increased \$830 thousand or 6% over the second quarter of 2010. Trust fees and commissions, mortgage banking revenue, transaction card revenue and trading and brokerage fees all increased over the prior year. Deposit service charges decreased \$843 million due primarily to lower overdraft fees as a result of changes in banking regulation that became effective in the third quarter of 2010.

Operating expenses increased \$704 thousand or 2% over the second quarter of 2010. Personnel costs increased primarily due to annual merit increases. Non-personnel expenses increased, partially offset by decreased corporate expense allocations.

Net loans charged off totaled \$850 thousand or 0.10% of average loans for the second quarter of 2011 on an annualized basis, down from \$4.9 million or 0.58% of average loans for the second quarter of 2010 on an annualized basis.

Other Markets

Net income attributable to our New Mexico market decreased \$103 thousand compared to the second quarter of 2010 to \$2.7 million or 4% of consolidated net income. Net interest income increased \$341 thousand or 4% over the second quarter of 2010. Increased net interest earned due to a \$35 million increase in average deposits was partially offset by lower yields earned on funds sold to the funds management unit. Operating revenues increased \$730 thousand or 12% over the second quarter of 2010 primarily due to increased mortgage revenue and transaction card revenues, partially offset by lower overdraft fees. Net charge-offs totaled \$706 thousand or 0.40% of average loans on an annualized basis in the second quarter of 2011 compared to \$366 thousand or 0.20% of average loans on an annualized basis in the second quarter of 2010.

We experienced a net loss of \$34 thousand in the second quarter of 2011 in the Arkansas market compared to net income of \$128 thousand for the second quarter of 2010. Net interest revenue decreased \$460 thousand primarily due to a \$65 million decrease in average loans. Loans in the Arkansas market continue to decrease due to the run-off of indirect automobile loans. Average deposits in our Arkansas market were up \$17 million or 10% over the second quarter of 2010 due primarily to increased commercial banking deposits, partially offset by decreases in consumer and wealth management deposits. Other operating revenue decreased \$565 thousand primarily due to decreased securities trading revenue at our Little Rock office. Mortgage banking revenue also increased over the second quarter of 2010. Other operating expenses decreased \$789 thousand. Incentive compensation costs primarily related to trading activity decreased by \$1.0 million partially offset by decreased corporate cost allocations. Net loans charged off totaled \$2.2 million or 3.27% of average loans on an annualized basis compared to \$2.2 million or 2.63% on an annualized basis in the second quarter of 2010.

Net income attributed to our Colorado market increased to \$1.4 million compared to a net loss of \$171 thousand in the second quarter of 2010. Net loans charged off decreased \$1.7 million compared to the second quarter of 2010 to \$1.7 million or 0.89% on an annualized basis. Net loans charged off in the second quarter of 2010 totaled \$3.4 million or 1.76% of loans on an annualized basis. Other operating revenue increased \$208 thousand over the second quarter of 2010, primarily due to increased mortgage banking revenue offset by a decrease in brokerage and trading revenue and decreased overdraft charges. Operating expenses were flat with the prior year. Average deposits attributable to the Colorado market increased \$158 million or 14% over the second quarter of 2010 primarily related to an increase in commercial and wealth management deposits, partially offset by a decrease in consumer deposits.

The net loss attributed to the Arizona market continued to improve, totaling \$898 thousand for the second quarter of 2011 compared to \$8.9 million in the second quarter of 2010. Net interest revenue increased \$1.5 million or 55% over the prior year. Average loans balances grew \$71 million or 14% over the prior year and average deposits increased \$58 million or 28%. Growth was primarily related to commercial loans and deposits. Net loans charged off in the

second quarter of 2011 continued to improve as well, totaling \$1.5 million or 1.04% of average loans on an annualized basis compared to \$4.9 million or 3.88% of average loans on an annualized basis. Net losses on repossessed assets were \$449 thousand compared to net losses on repossessed assets of \$8.0 million in the second quarter of 2010.

We continue to focus on growth in commercial and small business lending in the Arizona market and have significantly scaled back commercial real estate lending activities which were not contemplated in our initial expansion into this market. Loan and repossessed asset losses are largely due to commercial real estate lending. Growth was primarily related to commercial loans and deposits. Assets attributable to the Arizona market included

- 18 -

\$16 million of goodwill that may be impaired in future periods if our commercial and small business lending growth plans are unsuccessful.

Net income attributed to the Kansas / Missouri market decreased by \$187 thousand compared to the second quarter of 2010. Net interest revenue increased \$489 thousand or 22%. Average loan balances increased \$72 million or 25% over the second quarter of 2010 and average deposits balances were up \$55 million or 25% over the prior year. Operating revenue was flat with the prior year and operating expense increased \$805 thousand on increased corporate expense allocations, personnel expenses, and data processing expenses.

Table 13 – New Mexico
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, | | Increase (Decrease) | June 30, | | Increase (Decrease) | |
| | 2011 | 2010 | | 2011 | 2010 | | |
| Net interest revenue | \$8,241 | \$7,900 | \$341 | \$16,448 | \$15,635 | \$813 | |
| Other operating revenue | 6,997 | 6,267 | 730 | 13,743 | 12,086 | 1,657 | |
| Operating expense | 9,160 | 8,560 | 600 | 18,658 | 16,781 | 1,877 | |
| Net loans charged off | 706 | 366 | 340 | 1,314 | 3,197 | (1,883) | |
| Loss on repossessed assets, net | (909) | (610) | (299) | (1,305) | (2,691) | 1,386 | |
| Income before taxes | 4,463 | 4,631 | (168) | 8,914 | 5,052 | 3,862 | |
| Federal and state income tax | 1,736 | 1,801 | (65) | 3,468 | 1,965 | 1,503 | |
| Net income | \$2,727 | \$2,830 | \$(103) | \$5,446 | \$3,087 | \$2,359 | |
| Average assets | \$1,381,021 | \$1,286,577 | \$94,444 | \$1,378,897 | \$1,279,909 | \$98,988 | |
| Average loans | 705,564 | 722,379 | (16,815) | 704,261 | 731,102 | (26,841) | |
| Average deposits | 1,238,514 | 1,203,080 | 35,434 | 1,247,096 | 1,200,678 | 46,418 | |
| Average invested capital | 81,281 | 83,053 | (1,772) | 81,535 | 83,965 | (2,430) | |
| Return on average assets | 0.79 | % 0.88 | % (9) | bp 0.80 | % 0.49 | % 31 | bp |
| Return on invested capital | 13.46 | % 13.67 | % (21) | bp 13.47 | % 7.41 | % 606 | bp |
| Efficiency ratio | 60.11 | % 60.42 | % (31) | bp 61.80 | % 60.54 | % 126 | bp |
| Net charge-offs (annualized) to average loans | 0.40 | % 0.20 | % 20 | bp 0.38 | % 0.88 | % (50) | bp |

Table 14 – Arkansas
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|--|--------------------|------------------|------------------------|------------------|------------------|------------------------|
| | June 30, 2011 | June 30, 2010 | Increase (Decrease) | June 30, 2011 | June 30, 2010 | Increase (Decrease) |
| Net interest revenue | \$1,901 | \$2,361 | \$(460) | \$4,175 | \$5,277 | \$(1,102) |
| Other operating revenue | 8,342 | 8,907 | (565) | 16,640 | 17,520 | (880) |
| Operating expense | 7,730 | 8,519 | (789) | 16,612 | 17,425 | (813) |
| Net loans charged off | 2,211 | 2,207 | 4 | 2,548 | 4,206 | (1,658) |
| Loss on repossessed assets, net | (357) | (333) | (24) | (371) | (435) | 64 |
| Income (loss) before taxes | (55) | 209 | (264) | 1,284 | 731 | 553 |
| Federal and state income tax expense (benefit) | (21) | 81 | (102) | 499 | 284 | 215 |
| Net income (loss) | \$(34) | \$128 | \$(162) | \$785 | \$447 | \$338 |
| Average assets | \$286,998 | \$358,585 | \$(71,587) | \$295,126 | \$370,979 | \$(75,853) |
| Average loans | 270,832 | 336,030 | (65,198) | 279,276 | 350,569 | (71,293) |
| Average deposits | 182,166 | 165,346 | 16,820 | 205,069 | 172,725 | 32,344 |
| Average invested capital | 23,081 | 22,201 | 880 | 23,068 | 23,047 | 21 |
| Return on average assets | (0.05)% | 0.14 % | (19) bp | 0.54 % | 0.24 % | 30 bp |
| Return on invested capital | (0.59)% | 2.31 % | (290) bp | 6.86 % | 3.91 % | 295 bp |
| Efficiency ratio | 75.47 % | 75.60 % | (13) bp | 79.81 % | 76.44 % | 337 bp |
| Net charge-offs (annualized) to average loans | 3.27 % | 2.63 % | 64 bp | 1.84 % | 2.42 % | (58) bp |

Table 15 – Colorado

| | (Dollars in thousands) | | | | | |
|---------------------------------|--|--|------------------------|--------------------------------------|--------------------------------------|------------------------|
| | Three Months Ended June 30, 2011 | Three Months Ended June 30, 2010 | Increase (Decrease) | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 | Increase (Decrease) |
| Net interest revenue | \$8,258 | \$8,158 | \$100 | \$16,241 | \$16,576 | \$(335) |
| Other operating revenue | 4,996 | 4,788 | 208 | 10,212 | 9,926 | 286 |
| Operating expense | 9,179 | 9,214 | (35) | 18,515 | 18,394 | 121 |
| Net loans charged off | 1,717 | 3,413 | (1,696) | 1,672 | 6,068 | (4,396) |
| Loss on repossessed assets, net | (49) | (599) | 550 | (104) | (599) | 495 |
| Income (loss) before taxes | 2,309 | (280) | 2,589 | 6,162 | 1,441 | 4,721 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | |
|--|-------------|-------------|-----------|-------------|-------------|-----------|
| Federal and state income tax expense (benefit) | 898 | (109) | 1,007 | 2,397 | 561 | 1,836 |
| Net income (loss) | \$1,411 | \$(171) | \$1,582 | \$3,765 | \$880 | \$2,885 |
| Average assets | \$1,351,710 | \$1,197,669 | \$154,041 | \$1,325,967 | \$1,201,858 | \$124,109 |
| Average loans | 772,829 | 778,131 | (5,302) | 769,167 | 796,870 | (27,703) |
| Average deposits | 1,284,000 | 1,126,191 | 157,809 | 1,258,578 | 1,131,029 | 127,549 |
| Average invested capital | 116,653 | 125,272 | (8,619) | 116,884 | 127,684 | (10,800) |
| Return on average assets | 0.42 % | (0.06)% | 48 bp | 0.57 % | 0.15 % | 42 bp |
| Return on invested capital | 4.85 % | (0.55)% | 540 bp | 6.50 % | 1.39 % | 511 bp |
| Efficiency ratio | 69.25 % | 71.17 % | (192) bp | 69.99 % | 69.41 % | 59 bp |
| Net charge-offs (annualized) to average loans | 0.89 % | 1.76 % | (87) bp | 0.44 % | 1.54 % | (110) bp |

- 20 -

Table 16 – Arizona
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|------------|------------------------|------------------|-------------|------------------------|
| | June 30, | | Increase (Decrease) | June 30, | | Increase (Decrease) |
| | 2011 | 2010 | | 2011 | 2010 | |
| Net interest revenue | \$4,152 | \$2,681 | \$1,471 | \$7,729 | \$5,304 | \$2,425 |
| Other operating revenue | 1,402 | 664 | 738 | 2,879 | 1,819 | 1,060 |
| Operating expense | 5,076 | 4,946 | 130 | 10,048 | 9,324 | 724 |
| Net loans charged off | 1,498 | 4,925 | (3,427) | 3,393 | 15,029 | (11,636) |
| Loss on repossessed assets, net | (449) | (8,010) | 7,561 | (3,653) | (10,971) | 7,318 |
| Loss before taxes | (1,469) | (14,536) | 13,067 | (6,486) | (28,201) | 21,715 |
| Federal and state income tax benefit | (571) | (5,655) | 5,084 | (2,523) | (10,970) | 8,447 |
| Net loss | \$(898) | \$(8,881) | \$7,983 | \$(3,963) | \$(17,231) | \$13,268 |
| Average assets | \$648,926 | \$596,787 | \$52,139 | \$634,937 | \$595,076 | \$39,861 |
| Average loans | 580,373 | 509,577 | 70,796 | 566,916 | 511,473 | 55,443 |
| Average deposits | 270,926 | 212,438 | 58,488 | 254,833 | 205,929 | 48,904 |
| Average invested capital | 65,579 | 64,929 | 650 | 64,885 | 65,935 | (1,050) |
| Return on average assets | (0.56)% | (5.97)% | 541 bp | (1.26)% | (5.84)% | 458 bp |
| Return on invested capital | (5.49)% | (54.86)% | 4,937 bp | (12.32)% | (52.70)% | 4,038 bp |
| Efficiency ratio | 91.39 % | 147.86 % | (5,647) bp | 94.72 % | 130.90 % | (3,618) bp |
| Net charge-offs (annualized) to average loans | 1.04 % | 3.88 % | (284) bp | 1.21 % | 5.93 % | (472) bp |

Table 17 – Kansas / Missouri
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|-----------------------------------|--------------------|---------|------------------------|------------------|---------|------------------------|
| | June 30, | | Increase (Decrease) | June 30, | | Increase (Decrease) |
| | 2011 | 2010 | | 2011 | 2010 | |
| Net interest revenue | \$2,760 | \$2,271 | \$489 | \$5,603 | \$4,363 | \$1,240 |
| Other operating revenue | 4,678 | 4,677 | 1 | 9,258 | 8,673 | 585 |
| Operating expense | 5,841 | 5,036 | 805 | 11,456 | 10,004 | 1,452 |
| Net loans charged off (recovered) | 18 | 6 | 12 | 926 | (48) | 974 |
| Loss on repossessed assets, net | – | (21) | 21 | – | (21) | 21 |
| Income before taxes | 1,579 | 1,885 | (306) | 2,479 | 3,059 | (580) |
| Federal and state income tax | 614 | 733 | (119) | 964 | 1,190 | (226) |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | | | | | |
|---|-----------|-----------|----------|-----------|-----------|----------|---|----------|---|-----------|
| Net income | \$965 | \$1,152 | \$(187) | \$1,515 | \$1,869 | \$(354) | | | | |
| Average assets | \$366,349 | \$296,267 | \$70,082 | \$367,670 | \$297,144 | \$70,526 | | | | |
| Average loans | 356,160 | 283,857 | 72,303 | 358,327 | 286,227 | 72,100 | | | | |
| Average deposits | 274,202 | 219,169 | 55,033 | 321,401 | 199,053 | 122,348 | | | | |
| Average invested capital | 25,507 | 22,092 | 3,415 | 25,397 | 22,358 | 3,039 | | | | |
| Return on average assets | 1.06 | % | 1.56 | % | (50) bp | 0.83 | % | 1.27 | % | (44) bp |
| Return on invested capital | 15.17 | % | 20.92 | % | (575) bp | 12.03 | % | 16.86 | % | (483) bp |
| Efficiency ratio | 78.53 | % | 72.48 | % | 605 bp | 77.09 | % | 76.74 | % | 35 bp |
| Net charge-offs (annualized) to average loans | 0.02 | % | 0.01 | % | 1 bp | 0.52 | % | (0.03 %) | | 55 bp |

- 21 -

Financial Condition

Securities

We maintain a securities portfolio to enhance profitability, support customer transactions, manage interest rate risk, provide liquidity and comply with regulatory requirements. Securities are classified as trading, held for investment, or available for sale. See Note 2 to the consolidated financial statements for the composition of the securities portfolio as of June 30, 2011.

We intend to sell trading securities to our customers for a profit. Trading securities are carried at fair value. Changes in fair value are recognized in current period income.

Investment (held-to-maturity) securities consist primarily of Oklahoma municipal bonds and Texas school construction bonds. Substantially all of these bonds are general obligations of the issuers. The investment security portfolio is diversified among issuers. The largest obligation of a single issuer is \$32 million. Approximately \$93 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program supervised by the State Board of Education for the State of Texas. At June 30, 2011, investment securities were carried at amortized cost of \$350 million and had a fair value of \$369 million.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, net of deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled \$9.3 billion at June 30, 2011, a decrease of \$161 million from March 31, 2011. At June 30, 2011, residential mortgage-backed securities represented 98% of total available for sale securities.

A primary risk of holding residential mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. Current interest rates are historically low and prices for residential mortgage-backed securities are historically high resulting in very low effective durations. Our best estimate of the duration of the residential mortgage-backed securities portfolio at June 30, 2011 is 2.6 years. Management estimates the duration extends to 3.3 years assuming an immediate 200 basis point upward shock. The estimated duration contracts to 1.7 years assuming a 50 basis point decline in the current low rate environment.

Residential mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. We mitigate this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are fully guaranteed. At June 30, 2011, approximately \$8.6 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled \$8.9 billion at June 30, 2011.

We also hold amortized cost of \$581 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decrease of \$49 million from March 31, 2011. The decline was primarily due to \$32 million of cash received, \$13 million (amortized cost) of securities sold and \$4.3 million of other-than-temporary impairment losses charged against earnings during the second quarter of 2011. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$513 million at June 30, 2010. The net unrealized loss on below investment grade residential mortgage-backed securities increased to \$62 million at June 30, 2011 from \$52 million at March 31, 2011.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$385 million of Jumbo-A residential mortgage loans and \$196 million of Alt-A residential mortgage loans. Jumbo-A residential

mortgage loans generally meet government underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Credit risk on residential mortgage-backed securities originated by private issuers is mitigated by investment in senior tranches with additional collateral support. Approximately 95% of our Alt-A residential mortgage-backed securities was issued with credit support from additional layers of loss-absorbing subordinated tranches, including all Alt-A residential mortgage backed securities held that were originated in 2007 and 2006. The weighted average original credit enhancement of the Alt-A residential mortgage-backed securities

- 22 -

was 10.2% and currently stands at 5.5%. The Jumbo-A residential mortgage-backed securities had original credit enhancement of 8.8% and the current level is 8.4%. Approximately 82% of our Alt-A mortgage-backed securities represents pools of fixed-rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages ("ARMs"). Approximately 25% of our Jumbo-A residential mortgage-backed securities represent pools of fixed rate residential mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

Privately issued residential mortgage-backed securities with a total amortized cost of \$469 million were rated below investment grade at June 30, 2011 by at least one of the nationally-recognized rating agencies. Net unrealized losses on below investment grade residential mortgage-backed securities totaled \$62 million at June 30, 2011. The net unrealized loss, excluding impairment charges recognized in income, on these same securities increased \$9.7 million during the second quarter of 2011.

The aggregate gross amount of unrealized losses on available for sale securities totaled \$71 million at June 30, 2011. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the Consolidated Financial Statements. Other-than-temporary impairment charges of \$4.8 million were recognized in earnings in the second quarter of 2011 related to certain privately issued residential mortgage-backed securities and municipal securities that we do not intend to sell.

Certain government agency issued residential mortgage-backed securities, identified as mortgage trading securities, have been segregated and designated as economic hedges of changes in the fair value of our mortgage servicing rights. We have elected to carry these securities at fair value with changes in fair value recognized in current period income. These securities are held with the intent that gains or losses will offset changes in the fair value of mortgage servicing rights.

Bank-Owned Life Insurance

We have approximately \$261 million of bank-owned life insurance at June 30, 2011. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$226 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of certain life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At June 30, 2011, the cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately \$242 million. As the underlying fair value of the investments held in a separate account at June 30, 2011 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a highly-rated, domestic financial institution. The remaining cash surrender value of \$35 million primarily represents the cash surrender value of policies held in general accounts and other amounts due from various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled \$10.7 billion at June 30, 2011, a \$148 million increase since March 31, 2011.

Table 18 – Loans
(In thousands)

| | June 30, 2011 | March 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Commercial: | | | | | |
| Energy | \$1,682,842 | \$1,759,452 | \$1,711,409 | \$1,761,926 | \$1,844,643 |
| Services | 1,713,057 | 1,586,785 | 1,580,921 | 1,594,215 | 1,669,069 |
| Wholesale/retail | 1,068,186 | 984,273 | 1,010,246 | 1,041,004 | 964,440 |
| Manufacturing | 367,151 | 380,043 | 325,191 | 347,478 | 357,671 |
| Healthcare | 869,308 | 840,809 | 809,625 | 814,456 | 805,619 |
| Integrated food services | 195,774 | 211,637 | 204,283 | 169,956 | 147,700 |
| Other commercial and industrial | 282,278 | 285,258 | 292,321 | 242,973 | 222,386 |
| Total commercial | 6,178,596 | 6,048,257 | 5,933,996 | 5,972,008 | 6,011,528 |
| Commercial real estate: | | | | | |
| Construction and land development | 367,092 | 394,337 | 447,864 | 502,465 | 545,659 |
| Retail | 438,494 | 420,193 | 405,540 | 399,500 | 392,910 |
| Office | 482,505 | 488,515 | 457,450 | 490,429 | 466,939 |
| Multifamily | 335,662 | 355,240 | 369,242 | 352,200 | 346,460 |
| Industrial | 162,167 | 177,807 | 182,093 | 176,594 | 176,535 |
| Other real estate | 397,795 | 386,890 | 415,161 | 401,934 | 412,406 |
| Total commercial real estate | 2,183,715 | 2,222,982 | 2,277,350 | 2,323,122 | 2,340,909 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,151,176 | 1,153,269 | 1,202,559 | 1,283,389 | 1,264,930 |
| Permanent mortgages guaranteed by U.S. government agencies | 134,458 | 63,552 | 72,385 | 72,880 | 55,478 |
| Home equity | 582,363 | 560,500 | 553,304 | 527,639 | 513,838 |
| Total residential mortgage | 1,867,997 | 1,777,321 | 1,828,248 | 1,883,908 | 1,834,246 |
| Consumer: | | | | | |
| Indirect automobile | 162,500 | 198,663 | 239,576 | 284,920 | 338,147 |
| Other consumer | 344,736 | 342,612 | 363,866 | 341,886 | 357,887 |
| Total consumer | 507,236 | 541,275 | 603,442 | 626,806 | 696,034 |
| Total | \$10,737,544 | \$10,589,835 | \$10,643,036 | \$10,805,844 | \$10,882,717 |

Outstanding commercial loan balances continued to grow in most geographic regions, increasing \$130 million over March 31, 2011. Commercial real estate loans continued to decrease, down \$39 million during the second quarter of 2011 due primarily to a \$27 million decrease in construction and land development loans. Residential mortgage loans increased \$91 million over March 31, 2011 primarily due to a \$71 million increase in loans guaranteed by U.S. government agencies. This increase consisted of loans previously sold to GNMA mortgage pools. The Company is deemed to have regained effective control over these loans when certain delinquency criteria were met. Consumer loans decreased \$34 million from March 31, 2011 primarily related to the continued runoff of indirect automobile

loans related to the previously announced decision to curtail that business in favor of a customer-focused direct approach to consumer lending. A breakdown of geographical market follows on Table 19 with discussion of changes in the balance by portfolio and geography.

- 24 -

Table 19 – Loans by Principal Market
(In thousands)

| | June 30, 2011 | March 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|---------------------------|------------------|-------------------|------------------|-------------------|------------------|
| Oklahoma: | | | | | |
| Commercial | \$2,594,502 | \$2,618,045 | \$2,581,082 | \$2,662,347 | \$2,704,460 |
| Commercial real estate | 619,201 | 661,254 | 726,409 | 748,501 | 784,549 |
| Residential mortgage | 1,309,110 | 1,219,237 | 1,253,466 | 1,293,334 | 1,257,497 |
| Consumer | 267,550 | 291,412 | 336,492 | 349,720 | 395,274 |
| Total Oklahoma | 4,790,363 | 4,789,948 | 4,897,449 | 5,053,902 | 5,141,780 |
| Texas: | | | | | |
| Commercial | 2,003,847 | 1,916,270 | 1,888,635 | 1,876,994 | 1,902,934 |
| Commercial real estate | 711,906 | 687,817 | 686,956 | 715,859 | 731,399 |
| Residential mortgage | 282,934 | 283,925 | 297,027 | 309,815 | 308,496 |
| Consumer | 140,044 | 141,199 | 146,986 | 151,434 | 160,377 |
| Total Texas | 3,138,731 | 3,029,211 | 3,019,604 | 3,054,102 | 3,103,206 |
| New Mexico: | | | | | |
| Commercial | 280,306 | 262,597 | 279,432 | 289,368 | 286,555 |
| Commercial real estate | 311,565 | 326,104 | 314,781 | 314,957 | 294,425 |
| Residential mortgage | 95,021 | 90,466 | 88,392 | 87,851 | 87,549 |
| Consumer | 18,536 | 19,242 | 19,583 | 20,153 | 20,542 |
| Total New Mexico | 705,428 | 698,409 | 702,188 | 712,329 | 689,071 |
| Arkansas: | | | | | |
| Commercial | 74,677 | 75,889 | 84,775 | 91,752 | 89,376 |
| Commercial real estate | 121,286 | 124,875 | 116,989 | 117,137 | 114,576 |
| Residential mortgage | 13,939 | 14,114 | 13,155 | 14,937 | 15,823 |
| Consumer | 52,439 | 61,746 | 72,787 | 84,869 | 96,189 |
| Total Arkansas | 262,341 | 276,624 | 287,706 | 308,695 | 315,964 |
| Colorado: | | | | | |
| Commercial | 515,829 | 514,100 | 470,500 | 457,421 | 484,188 |
| Commercial real estate | 167,414 | 172,416 | 197,180 | 203,866 | 225,758 |
| Residential mortgage | 66,985 | 67,975 | 72,310 | 75,152 | 69,325 |
| Consumer | 19,507 | 20,145 | 21,409 | 15,402 | 18,548 |
| Total Colorado | 769,735 | 774,636 | 761,399 | 751,841 | 797,819 |
| Arizona: | | | | | |
| Commercial | 291,515 | 251,390 | 231,117 | 234,739 | 204,326 |
| Commercial real estate | 205,269 | 213,442 | 201,018 | 188,943 | 163,374 |
| Residential mortgage | 86,415 | 89,384 | 89,245 | 85,184 | 78,890 |
| Consumer | 6,772 | 5,266 | 3,445 | 3,061 | 2,971 |
| Total Arizona | 589,971 | 559,482 | 524,825 | 511,927 | 449,561 |
| Kansas / Missouri: | | | | | |
| Commercial | 417,920 | 409,966 | 398,455 | 359,387 | 339,689 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Commercial real estate | 47,074 | 37,074 | 34,017 | 33,859 | 26,828 |
| Residential mortgage | 13,593 | 12,220 | 14,653 | 17,635 | 16,666 |
| Consumer | 2,388 | 2,265 | 2,740 | 2,167 | 2,133 |
| Total Kansas / Missouri | 480,975 | 461,525 | 449,865 | 413,048 | 385,316 |
| Total BOK Financial loans | \$10,737,544 | \$10,589,835 | \$10,643,036 | \$10,805,844 | \$10,882,717 |

Commercial

Commercial loans represent loans for working capital, facilities acquisition or expansion, purchases of equipment and other needs of commercial customers primarily located within our geographical footprint. Commercial loans are underwritten individually and represent on-going relationships based on a thorough knowledge of the customer, the customer's industry and market. While commercial loans are generally secured by the customer's assets including real property, inventory, accounts receivable, operating equipment, interests in mineral rights and other property and may also include personal guarantees of the owners and related parties, the primary source of repayment of the loans is the on-going cash flow from operations of the customer's business. Inherent lending risks are centrally monitored

on a continuous basis from underwriting throughout the life of the loan for compliance with commercial lending policies.

The commercial loan portfolio grew by \$130 million during the second quarter of 2011. Service sector loans increased \$126 million primarily in the Texas, Oklahoma and Kansas/Missouri markets. Wholesale/retail sector loans increased \$83 million primarily in the Texas, Oklahoma and New Mexico markets. Healthcare sector loans increased \$28 million primarily in the Arizona market. Energy sector loans, which are concentrated primarily in the Oklahoma market, decreased \$77 million from March 31, 2011.

The commercial sector of our loan portfolio is distributed as follows in Table 20.

Table 20 – Commercial Loans by Principal Market
(In thousands)

| | Oklahoma | Texas | New Mexico | Arkansas | Colorado | Arizona | Kansas/Missouri | Total |
|---------------------------------|-------------|-------------|------------|----------|-----------|-----------|-----------------|-------------|
| Services | \$491,494 | \$548,995 | \$168,875 | \$14,492 | \$206,141 | \$140,189 | \$142,871 | \$1,713,057 |
| Energy | 868,388 | 594,577 | – | 271 | 219,606 | – | – | 1,682,842 |
| Wholesale/retail | 418,871 | 456,995 | 54,489 | 32,975 | 12,894 | 67,331 | 24,631 | 1,068,186 |
| Manufacturing | 197,839 | 96,348 | 19,260 | 1,275 | 25,974 | 19,594 | 6,861 | 367,151 |
| Healthcare | 517,374 | 222,832 | 8,285 | 5,382 | 45,547 | 46,963 | 22,925 | 869,308 |
| Integrated food services | 14,861 | 8,917 | – | 15 | 375 | – | 171,606 | 195,774 |
| Other commercial and industrial | 85,675 | 75,183 | 29,397 | 20,267 | 5,292 | 17,438 | 49,026 | 282,278 |
| Total commercial loans | \$2,594,502 | \$2,003,847 | \$280,306 | \$74,677 | \$515,829 | \$291,515 | \$417,920 | \$6,178,596 |

The services sector of the loan portfolio totaled \$1.7 billion or 16% of total loans and consists of a large number of loans to a variety of businesses, including communications, educational, gaming and transportation services. Service sector loans increased \$126 million over March 31, 2011. Approximately \$1.0 billion of the services category is made up of loans with individual balances of less than \$10 million. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business. Loans in this sector may also be secured by personal guarantees of the owners or related parties.

Supporting the energy industry with loans to producers and other energy-related entities has been a hallmark of the Company since its founding and represents a large portion of our commercial loan portfolio. In addition, energy production and related industries have a significant impact on the economy in our primary markets. Loans collateralized by oil and gas properties are subject to a semi-annual engineering review by our internal staff of petroleum engineers. This review is utilized as the basis for developing the expected cash flows supporting the loan amount. The projected cash flows are discounted according to risk characteristics of the underlying oil and gas properties. Loans are evaluated to demonstrate with reasonable certainty that crude oil, natural gas and natural gas liquids can be recovered from known oil and gas reservoirs under existing economic and operating conditions at current pricing levels and with existing conventional equipment and operating methods and costs. As part of our evaluation of credit quality, we analyze rigorous stress tests over a range of commodity prices and take proactive steps to mitigate risk when appropriate.

Energy loans totaled \$1.7 billion or 16% of total loans. Outstanding energy loans decreased \$77 million during the second quarter of 2011. However, unfunded energy loan commitments increased by \$159 million to \$2.0 billion at June 30, 2011.

Approximately \$1.4 billion of energy loans were to oil and gas producers, down \$30 million from March 31, 2011. Approximately 51% of the committed production loans are secured by properties primarily producing natural gas and 49% of the committed production loans are secured by properties primarily producing oil. Loans to borrowers engaged in wholesale or retail energy sales decreased \$26 million to \$191 million. Loans to borrowers that provide services to the energy industry decreased \$7.8 million during the second quarter of 2011 to \$54 million and loans to borrowers that manufacture equipment primarily for the energy industry decreased \$8.3 million during the second quarter of 2011 to \$6.9 million.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with

three or more non-affiliated banks as participants. At June 30, 2011, the outstanding principal balance of these loans totaled \$1.6 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 21% of our shared national credits, based on dollars committed. We hold shared credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, grading of shared national credits is provided annually by banking regulators. Risk grading provided by the regulators in the third quarter of 2010 did not differ significantly from management's assessment.

Commercial Real Estate

Commercial real estate represents loans for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes generally within our geographical footprint. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project and a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Commercial real estate loans totaled \$2.2 billion or 20% of the loan portfolio at June 30, 2011. Over the past five years, the percentage of commercial real estate loans to our total loan portfolio ranged from 20% to 23%. The outstanding balance of commercial real estate loans decreased \$39 million from the previous quarter end. The commercial real estate sector of our loan portfolio is distributed as follows in Table 21.

Table 21 – Commercial Real Estate Loans by Principal Market
(In thousands)

| | Oklahoma | Texas | New Mexico | Arkansas | Colorado | Arizona | Kansas/ Missouri | Total |
|------------------------------------|------------|------------|------------|------------|------------|------------|---------------------|--------------|
| Construction and land development | \$ 109,315 | \$ 72,273 | \$ 60,624 | \$ 14,446 | \$ 75,871 | \$ 29,930 | \$ 4,633 | \$ 367,092 |
| Retail | 113,169 | 193,026 | 52,142 | 11,057 | 6,869 | 50,822 | 11,409 | 438,494 |
| Office | 91,146 | 190,734 | 98,042 | 14,612 | 48,874 | 39,031 | 66 | 482,505 |
| Multifamily | 103,045 | 109,349 | 21,213 | 51,655 | 2,828 | 44,175 | 3,397 | 335,662 |
| Industrial | 65,623 | 60,492 | 19,214 | 312 | 1,036 | 7,532 | 7,958 | 162,167 |
| Other real estate | 136,903 | 86,032 | 60,330 | 29,204 | 31,936 | 33,779 | 19,611 | 397,795 |
| Total commercial real estate loans | \$ 619,201 | \$ 711,906 | \$ 311,565 | \$ 121,286 | \$ 167,414 | \$ 205,269 | \$ 47,074 | \$ 2,183,715 |

Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased \$27 million from March 31, 2011 to \$367 million at June 30, 2011 primarily due to payments. In addition, approximately \$3.9 million of construction and land development loans were transferred to other real estate owned in the second quarter of 2011 and \$3.4 million were charged-off. This sector of the loan portfolio is expected to continue to decrease as construction projects currently in process are completed.

Loans secured by retail properties increased \$18 million during the second quarter, primarily due to a \$51 million increase in loans attributed to the Texas market, partially offset by a \$29 million decrease in loans attributed to the Oklahoma market. Loan secured by multifamily residential properties decreased \$20 million, primarily concentrated

in the Oklahoma market. Loan secured by industrial properties decreased \$16 million from March 31, 2011, primarily in the New Mexico and Texas markets.

Residential Mortgage and Consumer

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second-mortgage on the customer's primary residence. Consumer loans include direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as other unsecured loans. Consumer loans also include indirect automobile loans made through primary dealers. Residential mortgage and consumer loans are made in accordance

with underwriting policies we believe to be conservative and are fully documented. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability.

Residential mortgage loans totaled \$1.9 billion, up \$91 million over March 31, 2011. In general, we sell the majority of our conforming fixed-rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market.

The majority of our permanent mortgage loan portfolio is primarily composed of various non-conforming mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals or certain professionals. The aggregate outstanding balance of loans in these programs is \$1.0 billion. Jumbo loans may be fixed or variable rate and are fully amortizing. The size of jumbo loans exceed maximums set under government sponsored entity standards, but otherwise generally conform to those standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ratios ("LTV") are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable rate fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

Approximately \$91 million or 8% of the non-guaranteed portion of the permanent mortgage loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs. The outstanding balance of these loans is down from \$95 million at March 31, 2011. These loans were underwritten to standards approved by various U.S. government agencies under these programs and include full documentation. However, these loans do have a higher risk of delinquency and losses in the event of default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

Certain permanent residential mortgage loans are guaranteed by U.S. government agencies. We have minimal credit exposure on loans guaranteed by the agencies. At June 30, 2011, the reported amount of guaranteed loans includes \$109 million of residential mortgage loans previously sold into GNMA mortgage pools. The Company may repurchase these loans when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet. The remaining amount represents loans that the Company has repurchased from GNMA mortgage pools. The increase in guaranteed residential mortgage loans is due to a growing volume of delinquent loans and time requirements to either modify or foreclose. We do not initiate foreclosure on loans with pending modification requests.

Home equity loans totaled \$582 million at June 30, 2011, a \$22 million increase over March 31, 2011. These loans are generally first or second lien loans with a maximum LTV Of 100%, including consideration of any superior liens. These loans require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand.

Indirect automobile loans decreased \$36 million from March 31, 2011, primarily due to the previously-disclosed decision by the Company to exit the business in the first quarter of 2009 in favor of a customer-focused direct lending approach. Other consumer loans increased \$2.1 million during the second quarter of 2011.

The composition of residential mortgage and consumer loans at June 30, 2011 is as follows in Table 22. All residential loans originated and serviced by our mortgage banking unit are attributed to the Oklahoma market. Other mortgage loans originated by the Bank are attributed to their respective principal market.

Table 22 – Residential Mortgage and Consumer Loans by Principal Market
(In thousands)

| | Oklahoma | Texas | New Mexico | Arkansas | Colorado | Arizona | Kansas/ Missouri | Total |
|--|-------------|-----------|------------|----------|----------|----------|---------------------|-------------|
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | \$823,305 | \$183,287 | \$12,092 | \$9,140 | \$44,190 | \$70,924 | \$8,238 | \$1,151,176 |
| Permanent mortgages guaranteed by U.S. government agencies | 134,458 | – | – | – | – | – | – | 134,458 |
| Home equity | 351,347 | 99,647 | 82,929 | 4,799 | 22,795 | 15,491 | 5,355 | 582,363 |
| Total residential mortgage | \$1,309,110 | \$282,934 | \$95,021 | \$13,939 | \$66,985 | \$86,415 | \$13,593 | \$1,867,997 |
| Consumer: | | | | | | | | |
| Indirect automobile | \$89,978 | \$26,510 | \$– | \$46,012 | \$– | \$– | \$– | \$162,500 |
| Other consumer | 177,572 | 113,534 | 18,536 | 6,427 | 19,507 | 6,772 | 2,388 | 344,736 |
| Total consumer | \$267,550 | \$140,044 | \$18,536 | \$52,439 | \$19,507 | \$6,772 | \$2,388 | \$507,236 |

Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled \$5.5 billion and standby letters of credit which totaled \$510 million at June 30, 2011. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately \$2.3 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at June 30, 2011.

As more fully described in Note 5 to the Consolidated Financial Statements, we have off-balance sheet commitments related to certain residential mortgage loans originated under community development loan programs that were sold to a U.S. government agency with full recourse. We are obligated to repurchase these loans for the life of these loans in the event of foreclosure for the unpaid principal and interest at the time of foreclosure. At June 30, 2011, the principal balance of residential mortgage loans sold subject to recourse obligations totaled \$274 million, down from \$284 million at March 31, 2011. Substantially all of these loans are to borrowers in our primary markets including \$193 million to borrowers in Oklahoma, \$28 million to borrowers in Arkansas, \$16 million to borrowers in New Mexico, \$15 million to borrowers in the Kansas/Missouri area and \$12 million to borrowers in Texas.

Under certain conditions, we also have an off-balance sheet obligation to repurchase residential mortgage loans sold to government sponsored entities through our mortgage banking activities due to standard representations and warranties made under contractual agreements. As of June 30, 2011, less than 10% of purchase requests made in 2010 and 2011 have resulted in actual repurchases or indemnification by the Company. For the six months ended June 30, 2011, we have repurchased two loans for \$361 thousand from the agencies. No losses have been incurred on these loans as of June 30, 2011. At June 30, 2011, we have unresolved deficiency requests from the agencies on 166 loans with an aggregate outstanding balance of \$27 million. During 2010, the Company established an accrual for credit losses related to potential loan repurchases under representations and warranties which is included in Other liabilities in the

Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statement of Earnings. This accrual totals \$2.1 million at June 30, 2011. No amounts have been charged against this allowance as of June 30, 2011.

Customer Derivative Programs

We offer programs that permit our customers to hedge various risks, including fluctuations in energy, cattle and other agricultural product prices, interest rates and foreign exchange rates, or to take positions in derivative contracts. Each of these programs work essentially the same way. Derivative contracts are executed between the customers and

- 29 -

the Company. Offsetting contracts are executed between the Company and selected counterparties to minimize the risk to us of changes in commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to the customer contracts, except for a fixed pricing spread or a fee paid to us as compensation for administrative costs, credit risk and profit.

The customer derivative programs create credit risk for potential amounts due to the Company from our customers and from the counterparties. Customer credit risk is monitored through existing credit policies and procedures. The effects of changes in commodity prices, interest rates or foreign exchange rates are evaluated across a range of possible options to determine the maximum exposure we are willing to have individually to any customer. Customers may also be required to provide margin collateral to further limit our credit risk.

Counterparty credit risk is evaluated through existing policies and procedures. This evaluation considers the total relationship between BOK Financial and each of the counterparties. Individual limits are established by management, approved by Credit Administration and reviewed by the Asset / Liability Committee. Margin collateral is required if the exposure between the Company and any counterparty exceeds established limits. Based on declines in the counterparties' credit ratings, these limits may be reduced and additional margin collateral may be required.

A deterioration of the credit standing of one or more of the customers or counterparties to these contracts may result in BOK Financial recognizing a loss as the fair value of the affected contracts may no longer move in tandem with the offsetting contracts. This occurs if the credit standing of the customer or counterparty deteriorated such that either the fair value of underlying collateral no longer supported the contract or the customer or counterparty's ability to provide margin collateral was impaired.

Derivative contracts are carried at fair value. At June 30, 2011, the net fair values of derivative contracts reported as assets under these programs totaled \$227 million, down from \$244 million at March 31, 2011. At June 30, 2011, derivative contracts carried as assets included interest rate contracts with fair values of \$91 million, foreign exchange contracts with fair values of \$78 million and energy contracts with fair values of \$52 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled \$174 million.

At June 30, 2011, total derivative assets were reduced by \$14 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$65 million of cash collateral paid to counterparties related to instruments executed with the same counterparty under a master netting agreement.

A table showing the notional and fair value of derivative assets and liabilities on both a gross and net basis is presented in Note 3 to the Consolidated Financial Statements.

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at June 30, 2011 follows in Table 23.

Table 23 – Fair Value of Derivative Contracts
(In thousands)

| | |
|--|-----------|
| Customers | \$155,811 |
| Banks and other financial institutions | 51,270 |
| Energy companies | 17,213 |
| Other | 3,381 |
| Fair value of customer hedge asset derivative contracts, net | \$227,675 |

At June 30, 2011, the largest net amount due from a single counterparty, a foreign exchange derivative customer, totaled \$17 million.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceeds established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to \$29 per barrel of oil would increase the fair value of derivative assets by \$50 million. An increase in prices equivalent to \$164 per barrel of oil would increase the fair value of derivative assets by \$293 million as current prices move away from the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by

- 30 -

approximately \$70 million.

Summary of Loan Loss Experience

We maintain separate allowances for loan losses and off-balance sheet credit risk. The combined allowance for loan losses and off-balance sheet credit losses totaled \$297 million or 2.77% of outstanding loans and 148.55% of nonaccruing loans at June 30, 2011. The allowance for loan losses was \$287 million and the allowance for off-balance sheet credit losses was \$10 million. At March 31, 2011, the combined allowance for loans losses and off-balance sheet credit losses totaled \$303 million or 2.86% of outstanding loans and 134.17% of nonaccruing loans at March 31, 2011. At March 31, 2011, the allowance for loan losses was \$290 million and the allowance for off-balance sheet credit losses was \$14 million.

The provision for credit losses is the amount necessary to maintain the allowances for loan losses and off-balance sheet credit risk at an amount determined by management to be appropriate based on its evaluation. The provision includes the combined charge to expense for both the allowance for loan losses and the allowance for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the allowance for loan losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts. The provision for credit losses totaled \$2.7 million for the second quarter of 2011, \$6.3 million for the first quarter of 2011 and \$36.0 million for the second quarter of 2010.

Table 24 – Summary of Loan Loss Experience
(In thousands)

| | Three Months Ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2011 | March 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$289,549 | \$292,971 | \$299,154 | \$299,489 | \$299,717 |
| Loans charged off: | | | | | |
| Commercial | 3,302 | 2,352 | 4,802 | 5,435 | 6,030 |
| Commercial real estate | 3,380 | 6,893 | 9,462 | 8,704 | 19,439 |
| Residential mortgage | 3,381 | 2,948 | 2,030 | 7,380 | 8,804 |
| Consumer | 2,711 | 3,039 | 3,859 | 3,820 | 3,895 |
| Total | 12,774 | 15,232 | 20,153 | 25,339 | 38,168 |
| Recoveries of loans previously charged off: | | | | | |
| Commercial | 2,187 | 1,571 | 2,933 | 2,309 | 958 |
| Commercial real estate | 306 | 343 | 1,327 | 1,086 | 94 |
| Residential mortgage | 254 | 1,082 | 338 | 316 | 127 |
| Consumer | 1,509 | 1,918 | 1,342 | 1,493 | 1,435 |
| Total | 4,256 | 4,914 | 5,940 | 5,204 | 2,614 |
| Net loans charged off | 8,518 | 10,318 | 14,213 | 20,135 | 35,554 |
| Provision for loan losses | 5,580 | 6,896 | 8,030 | 19,800 | 35,326 |
| Ending balance | \$286,611 | \$289,549 | \$292,971 | \$299,154 | \$299,489 |
| Allowance for off-balance sheet credit losses: | | | | | |
| Beginning balance | \$13,625 | \$14,271 | \$15,302 | \$15,102 | \$14,388 |
| Provision for off-balance sheet credit losses | (2,880) | (646) | (1,031) | 200 | 714 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Ending balance | \$10,745 | \$13,625 | \$14,271 | \$15,302 | \$15,102 |
| Total provision for credit losses | \$2,700 | \$6,250 | \$6,999 | \$20,000 | \$36,040 |
| Allowance for loan losses to loans outstanding at period-end | 2.67 | % 2.73 | % 2.75 | % 2.77 | % 2.75 |
| Net charge-offs (annualized) to average loans | 0.32 | 0.39 | 0.53 | 0.74 | 1.30 |
| Total provision for credit losses (annualized) to average loans | 0.10 | 0.23 | 0.26 | 0.74 | 1.31 |
| Recoveries to gross charge-offs | 33.32 | 32.26 | 29.47 | 20.54 | 6.85 |
| Allowance for off-balance sheet credit losses to off-balance sheet credit commitments | 0.18 | 0.24 | 0.25 | 0.28 | 0.28 |
| Combined allowance for credit losses to loans outstanding at period-end | 2.77 | 2.86 | 2.89 | 2.91 | 2.89 |

- 31 -

Allowance for Loan Losses

The appropriateness of the allowance for loan losses is assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio. The allowance consists of specific allowances attributed to certain impaired loans, general allowances based on migration factors and non-specific allowances based on general economic, risk concentration and related factors. An independent Credit Administration department is responsible for performing this evaluation for the entire company to ensure that the methodology is applied consistently. For the six months ended June 30, 2011, there have been no material changes in the approach or techniques utilized in developing the allowance for loan losses.

Specific allowances for impaired loans are measured by an evaluation of estimated future cash flows discounted at the loan's initial effective interest rate or the fair value of collateral for certain collateral-dependent loans. Historical statistics may be used in limited situations to assist in estimating future cash flows or collateral values, such as when a collateral dependent impaired loan is identified at the end of the reporting period. We use historical statistics as a practical way to estimate impairment until an updated appraisal of collateral value is received or a full assessment of future cash flows is completed. Estimates of future cash flows and collateral values require significant judgments and are subject to volatility.

Loans are considered to be impaired when it is probable that we will not be able to collect all amounts due according to the contractual terms of the loan agreement. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. Generally, all nonaccruing commercial and commercial real estate loans are considered impaired. Substantially all impaired loans are collateralized. Collateral includes real property, inventory, accounts receivable, operating equipment, interests in mineral rights, and other property. Collateral may also include personal guaranties by borrowers and related parties.

Delinquency status is not a significant consideration in the evaluation of impairment or risk-grading of commercial or commercial real estate loans. These evaluations are based on an assessment of the borrowers' paying capacity and attempt to identify changes in credit risk before payments become delinquent. Changes in the delinquency trends of residential mortgage loans and consumer loans may indicate increases or decreases in expected losses.

Impaired loans are charged-off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower based on a quarterly evaluation of available cash resources or collateral value. Collateral value of real property is generally based on third party appraisals that conform to Uniform Standards of Professional Appraisal Practice, less estimated selling costs. Appraised values are on an "as is" basis and are not adjusted by us. Collateral value of mineral rights is generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other collateral is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. Updated appraisals are obtained at least annually, or more frequently if market conditions indicate collateral values may have declined. The excess of the outstanding principal balance over the fair value of collateral, less estimated selling costs and available cash resources of the borrower is charged-off against the allowance for loan losses.

No allowances are attributed to the remaining balance of loans that have been charged-down to amounts management expects to recover. However, the remaining balance continues to be classified as nonaccruing until full recovery of principal and interest, including the charged-off portion of the loan, is probable.

Impaired loans totaled \$176 million at June 30, 2011 and \$197 million at March 31, 2011. At June 30, 2011, \$30 million of impaired loans had specific allowances of \$6.7 million and \$146 million of impaired loans had no specific

allowances because the loan balances represent amounts we expect to recover. At March 31, 2011, \$59 million of impaired loans had specific allowances of \$9.8 million and \$138 million had no specific allowances because they represent amounts we expect to recover.

General allowances for unimpaired loans are based on migration models. Separate migration models are used to determine general allowances for commercial and commercial real estate loans, residential mortgage loans, and consumer loans. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk-graded based on an evaluation of the borrowers' ability to repay the loans. Migration factors are determined for each risk grade to determine the inherent loss based on historical trends. We use an eight-quarter

aggregate accumulation of net losses as a basis for the migration factors. Losses incurred in more recent periods are more heavily weighted by a sum-of-periods-digits formula. The higher of current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade.

Migration models fairly measure loss exposure during an economic cycle. However, because they are based on historic trends, their accuracy is limited near the beginning or ending of a cycle. Because of this limitation, the results of the migration models are evaluated by management quarterly. The resulting general allowance may be adjusted upward or downward accordingly so that the allowance for loan losses fairly represents the expected credit losses inherent in the loan portfolio as of the balance sheet date.

The general allowance for residential mortgage loans is based on an eight-quarter average percent of loss. The general allowance for consumer loans is based on an eight-quarter average percent of loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans.

The aggregate amount of general allowances determined by migration factors for all unimpaired loans totaled \$253 million at June 30, 2011 and \$255 million at March 31, 2011.

Nonspecific allowances are maintained for risks beyond factors specific to a particular loan or identified by the migration models. These factors include trends in the economy in our primary lending areas, conditions in certain industries where we have a concentration and overall growth in the loan portfolio. Evaluation of nonspecific factors considers the effect of the duration of the business cycle on migration factors. Nonspecific factors also consider current economic conditions and other relevant factors. Nonspecific allowances totaled \$27 million at June 30, 2011 and \$25 million at March 31, 2011.

An allocation of the allowance for loan losses by loan category is included in Note 4 to the Consolidated Financial Statements.

Our loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loans agreements, and no loss of principal or interest is anticipated, these loans were not included in nonperforming assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. The potential problem loans totaled \$171 million at June 30, 2011 and \$183 million at March 31, 2011. The current composition of potential problem loans by primary industry included wholesale / retail - \$41 million, services - \$33 million, other commercial real estate - \$21 million, construction and land development - \$16 million and commercial real estate secured by office buildings - \$15 million and residential mortgage - \$14 million.

Net Loans Charged Off

Loans are charged off against the allowance for loan losses when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified.

Net loans charged off during the second quarter of 2011 totaled \$8.5 million compared to \$10.3 million in the previous quarter and \$35.6 million in the second quarter of 2010. The ratio of net loans charged off (annualized) to average outstanding loans was 0.32% for the second quarter of 2011 compared with 0.39% for the first quarter of 2011 and 1.30% for the second quarter of 2010. Net loans charged off in the second quarter of 2011 decreased \$1.8 million from the previous quarter.

Net loans charged off by category and principal market area during the second quarter of 2011 follow in Table 25.

- 33 -

Table 25 – Net Loans Charged Off
(In thousands)

| | Oklahoma | Texas | Colorado | Arkansas | New Mexico | Arizona | Kansas/ Missouri | Total |
|-----------------------------|-------------|-------|----------|----------|------------|---------|---------------------|---------|
| Commercial | \$ (1,561) | \$482 | \$(1) | \$2,093 | \$124 | \$(17) | \$(5) | \$1,115 |
| Commercial real estate | 129 | 39 | 1,696 | – | 299 | 911 | – | 3,074 |
| Residential mortgage | 1,679 | (25) | – | 67 | 124 | 1,260 | 22 | 3,127 |
| Consumer | 838 | 228 | 9 | 35 | 97 | (9) | 4 | 1,202 |
| Total net loans charged off | \$ 1,085 | \$724 | \$1,704 | \$2,195 | \$644 | \$2,145 | \$21 | \$8,518 |

Net commercial loans charged off during the second quarter of 2011 increased \$334 thousand over the prior quarter and included \$2.2 million from the Wholesale/Retail sector of the loan portfolio primarily in the Arkansas market, partially offset by a net recovery of \$790 thousand from the Energy sector of the loan portfolio. We had net recoveries of commercial loan charge-offs in four of our seven primary markets in the second quarter of 2011.

Net charge-offs of commercial real estate loans decreased \$3.5 million from the first quarter of 2011 and included \$2.7 million of land and residential construction sector loans primarily in the Arizona and Colorado.

Residential mortgage net charge-offs increased \$1.3 million over the previous quarter and consumer loan net charge-offs, which includes indirect auto loan and deposit account overdraft losses, increased \$81 thousand over the previous quarter. Residential mortgage net charge-offs were primarily in the Arizona and Oklahoma markets.

Nonperforming Assets

Table 26 – Nonperforming Assets
(In thousands)

| | June 30, 2011 | Mar. 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|--|------------------|------------------|------------------|-------------------|------------------|
| Nonaccrual loans: | | | | | |
| Commercial | \$53,365 | \$57,449 | \$38,455 | \$49,361 | \$82,775 |
| Commercial real estate | 110,363 | 125,504 | 150,366 | 177,709 | 193,698 |
| Residential mortgage | 31,693 | 37,824 | 37,426 | 38,898 | 40,033 |
| Consumer | 4,749 | 5,185 | 4,567 | 2,784 | 3,188 |
| Total nonaccrual loans | 200,170 | 225,962 | 230,814 | 268,752 | 319,694 |
| Renegotiated loans ² | 22,261 | 21,705 | 22,261 | 25,252 | 21,327 |
| Total nonperforming loans | 222,431 | 247,667 | 253,075 | 294,004 | 341,021 |
| Other nonperforming assets | 129,026 | 131,420 | 141,394 | 126,859 | 119,908 |
| Total nonperforming assets | \$351,457 | \$379,087 | \$394,469 | \$420,863 | \$460,929 |
| Nonaccrual loans by principal market: | | | | | |
| Oklahoma | \$41,411 | \$49,585 | \$60,805 | \$72,264 | \$93,898 |
| Texas | 32,385 | 34,404 | 33,157 | 36,979 | 49,695 |
| New Mexico | 17,244 | 17,510 | 19,283 | 23,792 | 26,956 |
| Arkansas | 24,842 | 29,769 | 7,914 | 9,990 | 10,933 |
| Colorado | 37,472 | 40,629 | 49,416 | 55,631 | 66,040 |
| Arizona | 43,307 | 54,065 | 60,239 | 70,038 | 72,111 |
| Kansas / Missouri | 3,509 | – | – | 58 | 61 |
| Total nonaccrual loans | \$200,170 | \$225,962 | \$230,814 | \$268,752 | \$319,694 |
| Nonaccrual loans by loan portfolio sector: | | | | | |
| Commercial: | | | | | |
| Energy | \$345 | \$415 | \$465 | \$8,189 | \$26,259 |
| Manufacturing | 4,366 | 4,545 | 2,116 | 2,454 | 3,237 |
| Wholesale / retail | 25,138 | 30,411 | 8,486 | 5,584 | 5,561 |
| Integrated food services | – | 6 | 13 | 58 | 58 |
| Services | 16,254 | 15,720 | 19,262 | 23,925 | 31,062 |
| Healthcare | 5,962 | 2,574 | 3,534 | 2,608 | 8,568 |
| Other | 1,300 | 3,778 | 4,579 | 6,543 | 8,030 |
| Total commercial | 53,365 | 57,449 | 38,455 | 49,361 | 82,775 |
| Commercial real estate: | | | | | |
| Land development and construction | 76,265 | 90,707 | 99,579 | 116,252 | 132,686 |
| Retail | 4,642 | 5,276 | 4,978 | 8,041 | 4,967 |
| Office | 11,473 | 14,628 | 19,654 | 24,942 | 24,764 |
| Multifamily | 4,717 | 1,900 | 6,725 | 6,924 | 7,253 |
| Industrial | – | – | 4,087 | 4,151 | 4,223 |
| Other commercial real estate | 13,266 | 12,993 | 15,343 | 17,399 | 19,805 |
| Total commercial real estate | 110,363 | 125,504 | 150,366 | 177,709 | 193,698 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 27,991 | 33,466 | 32,111 | 36,654 | 37,978 |
| Home equity | 3,702 | 4,358 | 5,315 | 2,244 | 2,055 |
| Total residential mortgage | 31,693 | 37,824 | 37,426 | 38,898 | 40,033 |
| Consumer | 4,749 | 5,185 | 4,567 | 2,784 | 3,188 |
| Total nonaccrual loans | \$200,170 | \$225,962 | \$230,814 | \$268,752 | \$319,694 |

Ratios:

| | | | | | | | | | | |
|--|---------|---|---------|---|---------|---|---------|---|---------|---|
| Allowance for loan losses to nonaccruing loans | 143.18 | % | 128.14 | % | 129.75 | % | 111.31 | % | 93.68 | % |
| Nonaccruing loans to period-end loans | 1.86 | | 2.13 | | 2.17 | | 2.49 | | 2.94 | |
| Accruing loans 90 days or more past due ¹ | \$2,341 | | \$8,043 | | \$7,966 | | \$5,579 | | \$9,264 | |

¹Excludes residential mortgages guaranteed by agencies of the U.S. Government.

²Includes residential mortgages guaranteed by agencies of the U.S. Government. These loans have been modified to extend payment terms and/or reduce interest rates.

| | | | | | | | | | | |
|--|--------|--|--------|--|--------|--|--------|--|--------|--|
| | 18,716 | | 18,304 | | 18,551 | | 21,706 | | 17,598 | |
|--|--------|--|--------|--|--------|--|--------|--|--------|--|

Nonperforming assets decreased \$28 million during the second quarter of 2011 to \$351 million or 3.23% of outstanding loans and repossessed assets at June 30, 2011. Nonaccruing loans totaled \$200 million, renegotiated residential mortgage loans totaled \$22 million (including \$19 million of residential mortgage loans guaranteed by U.S. government agencies) and real estate and other repossessed assets totaled \$129 million. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to increase.

Renegotiated loans represent troubled debt restructurings of residential mortgage loans. Generally, we modify residential mortgage loans by reducing interest rates and extending the number of payments. We do not forgive principal or unpaid interest. Interest accrues based on the modified terms of the loan. If it becomes probable that we will not be able to collect all amounts due according to the modified loan terms, the loan is placed on nonaccrual status and included in nonaccrual loans. At June 30, 2011, approximately \$8.6 million of the renegotiated residential mortgage loans are currently performing in accordance with the modified terms, \$3.7 million are 30 to 89 days past due and \$10 million are past due 90 days or more. Restructured residential mortgage loans guaranteed by agencies of the U.S. government in accordance with agency guidelines represent \$19 million of our \$22 million portfolio of renegotiated loans. All renegotiated loans past due 90 days or more are guaranteed by U.S. government agencies. Renegotiated loans guaranteed by U.S. government agencies may be sold once they become eligible according to agency guidelines.

Commercial and commercial real estate loans are considered distressed when it becomes probable that we will not collect the full contractual principal and interest. All distressed commercial and commercial real estate loans are placed on nonaccrual status. We may modify loans to distressed borrowers generally consisting of extension of payment terms, not to exceed the final contractual maturity date of the original loan. We do not forgive principal or accrued but unpaid interest nor do we grant interest rate concessions. We do not modify consumer loans to troubled borrowers.

A rollforward of nonperforming assets for the second quarter of 2011 follows in Table 27.

Table 27 – Rollforward of Nonperforming Assets
(In thousands)

| | For the Three Months Ended June 30, 2011 | | | |
|---------------------------------------|--|-----------------------|---|----------------------------------|
| | Nonaccruing Loans | Renegotiated Loans | Real Estate and Other Repossessed Assets | Total Nonperforming Assets |
| Balance, March 31, 2011 | \$ 225,962 | \$ 21,705 | \$ 131,420 | \$ 379,087 |
| Additions | 26,717 | 7,132 | – | 33,849 |
| Payments | (28,172) | (358) | – | (28,530) |
| Charge-offs | (12,774) | – | – | (12,774) |
| Net writedowns and losses | – | – | (3,398) | (3,398) |
| Foreclosures | (12,884) | – | 12,884 | – |
| Proceeds from sales | – | (5,821) | (11,722) | (17,543) |
| Net transfers to nonaccruing loans | 35 | (35) | – | – |
| Other, net | 1,286 | (362) | (158) | 766 |
| Balance, June 30, 2011 | \$ 200,170 | \$ 22,261 | \$ 129,026 | \$ 351,457 |

For the Six Months Ended June 30, 2011

| | Nonaccruing Loans | Renegotiated Loans | Real Estate and Other Repossessed Assets | Total Nonperforming Assets |
|--|----------------------|-----------------------|---|----------------------------------|
| Balance, December 31, 2010 | \$ 230,814 | \$ 22,261 | \$ 141,394 | \$ 394,469 |
| Additions | 81,485 | 9,915 | – | 91,400 |
| Payments | (51,915) | (597) | – | (52,512) |
| Charge-offs | (28,006) | | – | (28,006) |
| Net writedowns and losses | – | | (7,729) | (7,729) |
| Foreclosures | (33,894) | | 33,894 | – |
| Proceeds from sales | – | (7,915) | (26,954) | (34,869) |
| Net transfers to nonaccruing loans | 383 | (383) | – | – |
| Transfers to available for sale securities ¹ | – | – | (11,723) | (11,723) |
| Other, net | 1,303 | (1,020) | 144 | 427 |
| Balance, June 30, 2011 | \$ 200,170 | \$ 22,261 | \$ 129,026 | \$ 351,457 |

¹ During the first quarter of 2011, \$12 million of cost basis shares of an entity in which we hold an equity interest were transferred to the available for sales portfolio as the shares are listed for trading on a national stock exchange.

Nonaccruing loans totaled \$200 million or 1.86% of outstanding loans at June 30, 2011 and \$226 million or 2.13% of outstanding loans at March 31, 2011. Nonaccruing loans decreased \$26 million from March 31, 2011 including an \$11 million decrease in the Arizona market and an \$8.2 million decrease in the Oklahoma market.

The distribution of nonaccruing loans among our various markets follows in Table 28.

Table 28 – Nonaccruing Loans by Principal Market
(Dollars In thousands)

| | June 30, 2011 | | March 31, 2011 | | Change | |
|-------------------|---------------|------------------------------|----------------|------------------------------|-------------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Oklahoma | \$41,411 | 0.86 | \$49,585 | 1.04 | \$(8,174) | (18) |
| Texas | 32,385 | 1.03 | 34,404 | 1.14 | (2,019) | (11) |
| New Mexico | 17,244 | 2.44 | 17,510 | 2.51 | (266) | (7) |
| Arkansas | 24,842 | 9.47 | 29,769 | 10.76 | (4,927) | (129) |
| Colorado | 37,472 | 4.87 | 40,629 | 5.24 | (3,157) | (37) |
| Arizona | 43,307 | 7.34 | 54,065 | 9.66 | (10,758) | (232) |
| Kansas / Missouri | 3,509 | 0.73 | – | – | 3,509 | 73 |
| Total | \$200,170 | 1.86 | \$225,962 | 2.13 | \$(25,792) | (27) |

The majority of nonaccruing loans are concentrated primarily in Arizona, Oklahoma, Colorado and Texas markets. Nonaccruing loans in the Arizona and Colorado markets consisted primarily of commercial real estate loans. Nonaccruing loans in the Oklahoma market are primarily composed of \$20 million of residential mortgage loans and \$11 million of commercial real estate loans. All residential loans originated and serviced by our mortgage company across our geographical footprint are attributed to the Oklahoma market.

Commercial

Nonaccruing commercial loans totaled \$53 million or 0.86% of total commercial loans at June 30, 2011 and \$57 million or 0.95% of total commercial loans at March 31, 2011. At June 30, 2011, nonaccruing commercial loans were primarily composed of \$25 million or 2.35% of total wholesale/retail sector loans and \$16 million or 0.95% of total services sector loans. Nonaccruing wholesale/retail sector loans are primarily composed of a single customer relationship in the Arkansas market totaling \$18 million at June 30, 2011.

Nonaccruing commercial loans decreased \$4.0 million due primarily to \$7.4 million in payments and \$3.3 million in charge-offs, partially offset by \$6.5 million of newly identified nonaccruing commercial loans.

- 37 -

The distribution of nonaccruing commercial loans among our various markets was as follows in Table 29.

Table 29 – Nonaccruing Commercial Loans by Principal Market
(Dollars in thousands)

| | June 30, 2011 | | March 31, 2011 | | Change | |
|-------------------|---------------|------------------------------|----------------|------------------------------|-----------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Oklahoma | \$7,716 | 0.30 | \$10,776 | 0.41 | \$(3,060) | (11) bp |
| Texas | 12,290 | 0.61 | 9,165 | 0.48 | 3,125 | 13 |
| New Mexico | 3,483 | 1.24 | 3,667 | 1.40 | (184) | (16) |
| Arkansas | 17,778 | 23.81 | 22,651 | 29.85 | (4,873) | (604) |
| Colorado | 4,714 | 0.91 | 5,086 | 0.99 | (372) | (8) |
| Arizona | 7,384 | 2.53 | 6,104 | 2.43 | 1,280 | 10 |
| Kansas / Missouri | – | – | – | – | – | – |
| Total commercial | \$53,365 | 0.86 | \$57,449 | 0.95 | \$(4,084) | (9) bp |

Commercial Real Estate

Nonaccruing commercial real estate loans totaled \$110 million or 5.05% of outstanding commercial real estate loans at June 30, 2011 compared to \$126 million or 5.65% of outstanding commercial real estate loans at March 31, 2011. Nonaccruing commercial real estate loans continue to be largely concentrated in land development and residential construction loans. Nonaccruing commercial real estate loans decreased \$15 million from March 31, 2011. Newly identified nonaccruing commercial real estate loans totaled \$11 million, offset by \$19 million of cash payments received, \$3.4 million of charge-offs and \$3.9 million of foreclosures. The distribution of our nonaccruing commercial real estate loans among our geographic market follows in Table 30.

Table 30 – Nonaccruing Commercial Real Estate Loans by Principal Market
(Dollars in thousands)

| | June 30, 2011 | | March 31, 2011 | | Change | |
|------------------------------|---------------|------------------------------|----------------|------------------------------|------------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Oklahoma | \$11,032 | 1.78 | \$10,907 | 1.65 | \$125 | 13 bp |
| Texas | 13,965 | 1.96 | 18,985 | 2.76 | (5,020) | (80) |
| New Mexico | 12,088 | 3.88 | 11,736 | 3.60 | 352 | 28 |
| Arkansas | 5,840 | 4.82 | 5,830 | 4.67 | 10 | 15 |
| Colorado | 31,251 | 18.67 | 33,963 | 19.70 | (2,712) | (103) |
| Arizona | 32,724 | 15.94 | 44,083 | 20.65 | (11,359) | (471) |
| Kansas / Missouri | 3,463 | 7.36 | – | – | 3,463 | 736 |
| Total commercial real estate | \$110,363 | 5.05 | \$125,504 | 5.65 | \$(15,141) | (60) bp |

Nonaccruing commercial real estate loans are primarily concentrated in the Arizona and Colorado markets. Approximately \$33 million or 15.94% of commercial real estate loans in Arizona are nonaccruing and primarily consist of \$15 million nonaccruing residential construction and land development loans, \$7.3 million of other commercial real estate loans and \$6.2 million of loans secured by office buildings. Approximately \$31 million or 18.67% of commercial real estate loans in the Colorado market are nonaccruing and consist primarily of nonaccruing residential construction and land development loans.

Residential Mortgage and Consumer

Nonaccruing residential mortgage loans totaled \$32 million or 1.70% of outstanding residential mortgage loans at June 30, 2011 compared to \$38 million or 2.13% of outstanding residential mortgage loans at March 31, 2011. The decrease is largely due to \$6.7 million of foreclosures during the quarter. Nonaccruing residential mortgage loans primarily consist of permanent residential mortgage loans which totaled \$28 million or 2.18% of outstanding permanent residential mortgage loans at June 30, 2011. Nonaccruing home equity loans continued to perform well with only \$3.7 million or 0.64% of total home equity loans in nonaccrual status.

- 38 -

In addition to nonaccruing residential mortgage and consumer loans and renegotiated residential mortgage loans, payments of residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage loans, excluding loans guaranteed by U.S. government agencies and past due consumer loans is included in the following Table 31. Principally all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due increased \$7 million to \$21 million at June 30, 2011. Consumer loans past due 30 to 89 days decreased \$1.2 million from March 31, 2011 due to a \$616 thousand decrease in other consumer loans and a \$609 thousand decrease in indirect automobile loans. Consumer loans past due 90 days or more decreased \$112 thousand in the second quarter of 2011.

Table 31 – Residential Mortgage and Consumer Loans Past Due
(In thousands)

| | June 30, 2011 | | March 31, 2011 | |
|-----------------------------------|--------------------|------------------|--------------------|------------------|
| | 90 Days or More | 30 to 89 Days | 90 Days or More | 30 to 89 Days |
| Residential mortgage: | | | | |
| Permanent mortgage ¹ | \$ – | \$ 18,735 | \$ – | \$ 12,673 |
| Home equity | 8 | 2,450 | – | 1,246 |
| Total residential mortgage | 8 | \$ 21,185 | \$ – | \$ 13,919 |
| Consumer: | | | | |
| Indirect automobile | \$ 19 | \$ 7,256 | \$ 73 | \$ 7,865 |
| Other consumer | 2 | 1,031 | 60 | 1,647 |
| Total consumer | \$ 21 | \$ 8,287 | \$ 133 | \$ 9,512 |

¹ Excludes past due residential mortgage loans guaranteed by agencies of the U.S. government.

Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are assets acquired in partial or total forgiveness of loans. The assets are carried at the lower of cost, which is determined by fair value at date of foreclosure, or current fair value less estimated selling costs. The fair value of real property is generally based on third party appraisals that conform to Uniform Standards of Professional Appraisal Practice. Appraisals are ordered at foreclosure and are updated on no less than an annual basis. For certain property types, such as residential building lots, or in certain distressed markets, we may request updated appraisals more frequently. Appraised values are on an “as is” basis and are not adjusted. For uncompleted properties, we may also obtain appraised value for properties on an “as completed” basis to use in determination of whether to develop properties to completion and costs may be capitalized not to exceed the estimated “as completed” fair value as determined by the independent real estate appraisal. Mineral rights are generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other assets is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions.

The carrying value of real estate and other repossessed assets is evaluated by management on a quarterly basis. We consider decreases in listing prices and other relevant information in our quarterly evaluations and reduce the carrying values when necessary.

Real estate and other repossessed assets totaled \$129 million at June 30, 2011, a \$2.4 million decrease from March 31, 2011. The distribution of real estate and other repossessed assets attributed by geographical market is included in Table 32 following.

Table 32 – Real Estate and Other Repossessed Assets by Principal Market
(In thousands)

| | Oklahoma | Texas | Colorado | Arkansas | New Mexico | Arizona | Kansas/ Missouri | Other | Total |
|---|-----------|-----------|-----------|----------|------------|-----------|---------------------|----------|------------|
| 1-4 family residential properties and residential land development properties | \$ 9,757 | \$ 19,063 | \$ 6,075 | \$ 4,854 | \$ 935 | \$ 11,139 | \$ 689 | \$ 2,247 | \$ 54,759 |
| Developed commercial real estate properties | 2,055 | 3,413 | 8,957 | 1,612 | 2,778 | 24,467 | – | 3,332 | 46,614 |
| Undeveloped land | 297 | 6,970 | 3,026 | 64 | 3,324 | 4,998 | 4,802 | – | 23,481 |
| Oil and gas properties | – | 2,127 | – | – | – | – | – | – | 2,127 |
| Construction equipment | – | – | – | – | – | – | 1,060 | – | 1,060 |
| Vehicles | 417 | 180 | – | 218 | – | – | – | – | 815 |
| Other | – | – | 170 | – | – | – | – | – | 170 |
| Total real estate and other repossessed assets | \$ 12,526 | \$ 31,753 | \$ 18,228 | \$ 6,748 | \$ 7,037 | \$ 40,604 | \$ 6,551 | \$ 5,579 | \$ 129,026 |

Undeveloped land is primarily zoned for commercial development. Developed commercial real estate properties are primarily completed with no additional construction necessary for sale.

Liquidity and Capital

Subsidiary Bank

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary bank. Based on the average balances for the second quarter of 2011, approximately 73% of our funding was provided by average deposit accounts, 10% from borrowed funds, 2% from long-term subordinated debt and 11% from equity. Our funding sources, which primarily include deposits and borrowings from the Federal Home Loan Banks and other banks, provide adequate liquidity to meet our operating needs.

Deposit accounts represent our largest funding source. We compete for retail and commercial deposits by offering a broad range of products and services and focusing on customer convenience. Retail deposit growth is supported through our Perfect Banking sales and customer service program, free checking, online bill paying services, mobile banking services, an extensive network of branch locations and ATMs and a 24-hour Express Bank call center. Commercial deposit growth is supported by offering treasury management and lockbox services. We also acquire brokered deposits when the cost of funds is advantageous to other funding sources.

Average deposits for the second quarter of 2011 totaled \$17.6 billion and represented approximately 73% of total liabilities and capital compared with \$17.7 billion and 75% of total average liabilities and capital for the first quarter of 2011. Average deposits decreased \$138 million compared to the first quarter of 2011. During the second quarter of 2011, average interest-bearing transaction deposit accounts decreased \$448 million, including a \$330 million decrease in commercial deposits, a \$76 million decrease in consumer banking deposits and a \$45 million decrease in wealth management deposits. Average demand deposits increased \$288 million over the first quarter of 2011, including \$215 million increase in commercial deposits and a \$76 million increase in wealth management deposits, partially offset by a \$7.7 million decrease in consumer deposits. Average time deposits increased \$15 million over the first quarter of 2011. The decrease in average commercial deposit balances is attributable to our commercial and industrial customers. A decrease in average deposits attributable to our small business customers was fully offset by an increase in average deposits attributable to our energy customers.

Brokered deposits, which are included in time deposits, averaged \$231 million for the second quarter of 2011, a \$5.9 million decrease compared to the first quarter of 2011.

The distribution of our period-end deposit account balances among principal markets follows in Table 33.

Table 33 – Period-end Deposits by Principal Market Area
(In thousands)

| | June 30, 2011 | Mar. 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|--------------------------|------------------|------------------|------------------|-------------------|------------------|
| Oklahoma: | | | | | |
| Demand | \$2,486,671 | \$2,420,210 | \$2,271,375 | \$2,238,303 | \$2,101,994 |
| Interest-bearing: | | | | | |
| Transaction | 5,916,784 | 6,068,304 | 6,061,626 | 5,609,811 | 5,562,287 |
| Savings | 120,278 | 120,020 | 106,411 | 103,524 | 102,590 |
| Time | 1,462,137 | 1,465,506 | 1,373,307 | 1,497,344 | 1,442,525 |
| Total interest-bearing | 7,499,199 | 7,653,830 | 7,541,344 | 7,210,679 | 7,107,402 |
| Total Oklahoma | 9,985,870 | 10,074,040 | 9,812,719 | 9,448,982 | 9,209,396 |
| Texas: | | | | | |
| Demand | 1,528,772 | 1,405,892 | 1,389,876 | 1,238,103 | 1,150,495 |
| Interest-bearing: | | | | | |
| Transaction | 1,741,176 | 1,977,850 | 1,791,810 | 1,786,979 | 1,674,519 |
| Savings | 42,185 | 40,313 | 36,429 | 35,614 | 36,814 |
| Time | 992,366 | 1,015,754 | 966,116 | 1,031,877 | 1,003,936 |
| Total interest-bearing | 2,775,727 | 3,033,917 | 2,794,355 | 2,854,470 | 2,715,269 |
| Total Texas | 4,304,499 | 4,439,809 | 4,184,231 | 4,092,573 | 3,865,764 |
| New Mexico: | | | | | |
| Demand | 299,305 | 282,708 | 270,916 | 262,567 | 223,869 |
| Interest-bearing: | | | | | |
| Transaction | 483,026 | 498,355 | 530,244 | 535,012 | 491,708 |
| Savings | 24,613 | 24,455 | 28,342 | 27,906 | 30,231 |
| Time | 449,618 | 453,580 | 450,177 | 469,493 | 476,155 |
| Total interest-bearing | 957,257 | 976,390 | 1,008,763 | 1,032,411 | 998,094 |
| Total New Mexico | 1,256,562 | 1,259,098 | 1,279,679 | 1,294,978 | 1,221,963 |
| Arkansas: | | | | | |
| Demand | 17,452 | 15,144 | 15,310 | 17,604 | 14,919 |
| Interest-bearing: | | | | | |
| Transaction | 138,954 | 130,613 | 129,580 | 137,797 | 108,104 |
| Savings | 1,673 | 1,514 | 1,266 | 1,522 | 1,288 |
| Time | 82,112 | 94,889 | 100,998 | 116,536 | 119,472 |
| Total interest-bearing | 222,739 | 227,016 | 231,844 | 255,855 | 228,864 |
| Total Arkansas | 240,191 | 242,160 | 247,154 | 273,459 | 243,783 |
| Colorado: | | | | | |
| Demand | 196,915 | 197,579 | 157,742 | 156,685 | 143,783 |
| Interest-bearing: | | | | | |
| Transaction | 509,738 | 528,948 | 522,207 | 501,405 | 441,085 |
| Savings | 21,406 | 21,655 | 20,310 | 19,681 | 18,869 |
| Time | 563,642 | 546,586 | 502,889 | 495,899 | 497,538 |
| Total interest-bearing | 1,094,786 | 1,097,189 | 1,045,406 | 1,016,985 | 957,492 |
| Total Colorado | 1,291,701 | 1,294,768 | 1,203,148 | 1,173,670 | 1,101,275 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Arizona: | | | | | |
| Demand | 150,194 | 106,880 | 74,887 | 97,384 | 71,711 |
| Interest-bearing: | | | | | |
| Transaction | 107,961 | 102,089 | 95,890 | 94,108 | 94,033 |
| Savings | 1,364 | 984 | 809 | 812 | 1,062 |
| Time | 44,619 | 50,060 | 52,227 | 59,678 | 63,643 |
| Total interest-bearing | 153,944 | 153,133 | 148,926 | 154,598 | 158,738 |
| Total Arizona | 304,138 | 260,013 | 223,813 | 251,982 | 230,449 |
| Kansas / Missouri: | | | | | |
| Demand | 46,668 | 28,774 | 40,658 | 35,869 | 28,518 |
| Interest-bearing: | | | | | |
| Transaction | 115,684 | 222,705 | 124,005 | 180,273 | 116,423 |
| Savings | 358 | 323 | 200 | 132 | 110 |
| Time | 40,206 | 51,236 | 63,454 | 70,673 | 69,819 |
| Total interest-bearing | 156,248 | 274,264 | 187,659 | 251,078 | 186,352 |
| Total Kansas / Missouri | 202,916 | 303,038 | 228,317 | 286,947 | 214,870 |
| Total BOK Financial deposits | \$17,585,877 | \$17,872,926 | \$17,179,061 | \$16,822,591 | \$16,087,500 |

- 41 -

In addition to deposits, subsidiary bank liquidity is provided primarily by federal funds purchased, securities repurchase agreements and Federal Home Loan Bank borrowings. Federal funds purchased consist primarily of unsecured, overnight funds acquired from other financial institutions. Funds are primarily purchased from bankers' banks and Federal Home Loan banks from across the country. The largest single source of federal funds purchased totaled \$325 million at June 30, 2011. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities. Federal Home Loan Bank borrowings are generally short term and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family residential mortgage loans, multifamily and other qualifying commercial real estate loans). Amounts borrowed from the Federal Home Loan Banks of Topeka and Dallas averaged \$63 million during the quarter.

At June 30, 2011, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately \$8.2 billion.

Table 34 – Other borrowings
(In thousands)

| | For the three months ended June 30, 2011 | | | | For the three months ended March 31, 2011 | | | |
|---|---|---|--------|--|--|---|--------|--|
| | As of June 30, 2011 | Average Balance During the Quarter | Rate | Maximum Outstanding At Any Month End During the Quarter | As of March 31, 2011 | Average Balance During the Quarter | Rate | Maximum Outstanding At Any Month End During the Quarter |
| Parent Company and Other Non-Bank Subsidiaries: | | | | | | | | |
| Trust preferred debt | \$7,217 | \$7,217 | 5.06 % | \$7,217 | \$7,217 | \$7,217 | 5.06 % | \$7,217 |
| Other | – | 43 | – % | – | 1,300 | 58 | – % | 1,300 |
| Total Parent Company and other Non-Bank Subsidiaries | 7,217 | 7,260 | | | 8,517 | 7,275 | 5.06 % | |
| Subsidiary Bank: | | | | | | | | |
| Funds purchased | 1,706,893 | 1,168,670 | 0.08 % | 1,706,893 | 466,749 | 820,969 | 0.22 % | 965,762 |
| Repurchase agreements | 1,106,163 | 1,004,217 | 0.17 % | 1,106,163 | 1,006,051 | 1,062,359 | 0.25 % | 1,124,060 |
| Federal Home Loan Bank advances | 1,624 | 63,188 | 3.15 % | 201,674 | 1,699 | 111,725 | 3.20 % | 1,749 |
| Subordinated debentures | 398,788 | 398,767 | 5.51 % | 398,788 | 398,744 | 398,723 | 5.51 % | 398,744 |
| Other1 | 140,862 | 116,993 | 5.18 % | 149,054 | 26,648 | 25,987 | 2.52 % | 30,664 |

| | | | | | | |
|------------------|-------------|-------------|--------|-------------|-------------|--------|
| Total Subsidiary | | | | | | |
| Bank | 3,354,330 | 2,751,835 | 0.98 % | 1,899,891 | 2,419,763 | 1.39 % |
| Total Other | | | | | | |
| Borrowings | \$3,361,547 | \$2,759,095 | 1.00 % | \$1,908,408 | \$2,427,038 | 1.44 % |

1 At June 30, 2011, Other includes a \$114 million liability for certain residential mortgage loans that we may repurchase from GNMA mortgage loan pools.

Parent Company

The primary source of liquidity for BOK Financial is dividends from the subsidiary bank, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the two preceding years. Dividends are further restricted by minimum capital requirements. At June 30, 2011, based on the most restrictive limitations as well as management's internal capital policy, the subsidiary bank could declare up to \$140 million of dividends without regulatory approval. Future losses or increases in required regulatory capital at the subsidiary bank could affect its ability to pay dividends to the parent company.

On June 9, 2011, the Company terminated its unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. There were no amounts outstanding under this credit agreement and no penalties or costs were paid by the Company for the termination of the agreement. The credit agreement was replaced with a \$100 million senior unsecured 364 day revolving credit facility with Wells Fargo Bank, National Bank, administrative agent and other commercial banks ("the Credit Facility"). Interest on amounts outstanding under the Credit Facility is to be paid at a defined base rate plus 1.25% or LIBOR plus 1.50% based upon the Company's option. A commitment fee equal to 0.20% shall be paid quarterly on the unused portion of the credit commitment under the Credit Facility and there are no prepayment penalties. Any amounts outstanding at the end of the Credit Facility term shall be converted into a term loan which, except for amounts borrowed for certain acquisitions, shall be payable June 7, 2012. The Credit Agreement contains customary representations and warranties, as well as affirmative and negative covenants including limits on the Company's ability to borrow additional funds, make investments and sell assets. These covenants also require BOKF to maintain minimum capital levels. No amounts were outstanding under the Credit Facility at June 30, 2011.

Our equity capital at June 30, 2011 was \$2.7 billion, up from \$2.6 billion at March 31, 2011. Net income less cash dividend paid increased equity \$50 million during the second quarter of 2011. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

On April 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, regulatory limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. Since this program began, 784,073 shares have been repurchased by the Company for \$38.7 million. No shares were repurchased in the second quarter of 2011.

BOK Financial and subsidiary bank are subject to various capital requirements administered by federal agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that could have a material impact on operations. These capital requirements include quantitative measures of assets, liabilities, and off-balance sheet items. The capital standards are also subject to qualitative judgments by the regulators.

For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. The Company's banking subsidiary exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 35.

Table 35 – Capital Ratios

| | Well Capitalized Minimums | June 30, 2011 | Mar. 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|---|---------------------------------|------------------|------------------|------------------|-------------------|------------------|
| Average total equity to average assets | – | 11.05 | % 10.80 | % 10.44 | % 10.26 | % 10.15 |
| Tangible common equity ratio | – | 9.71 | 9.54 | 9.21 | 8.96 | 8.88 |
| Tier 1 common equity ratio | – | 13.15 | 12.84 | 12.55 | 12.17 | 11.77 |
| Risk-based capital: | | | | | | |
| Tier 1 capital | 6.00 | % 13.30 | 12.97 | 12.69 | 12.30 | 11.90 |
| Total capital | 10.00 | 16.80 | 16.48 | 16.20 | 15.79 | 15.38 |
| Leverage | 5.00 | 9.29 | 9.13 | 8.74 | 8.61 | 8.57 |

Capital resources of financial institutions are also regularly measured by the tangible common shareholders' equity ratio. Tangible common shareholders' equity is shareholders' equity as defined by generally accepted accounting principles in the United States of America ("GAAP") less intangible assets and equity which does not benefit common shareholders. Equity that does not benefit common shareholders includes preferred equity and equity provided by the U.S. Treasury's TARP program. Tier 1 common equity is tier 1 equity as defined by banking regulations, adjusted for other comprehensive income (loss) and equity which does not benefit common shareholders. These non-GAAP measures are valuable indicators of a financial institution's capital strength since it eliminates intangible assets from shareholders' equity and retains the effect of unrealized losses on securities and other components of accumulated other comprehensive income (loss) in shareholders' equity.

Table 36 following provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

- 43 -

Table 36 – Non-GAAP Measures
(Dollars in thousands)

| | June 30, 2011 | Mar. 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
|---|------------------|------------------|------------------|-------------------|------------------|
| Tangible common equity ratio: | | | | | |
| Total shareholders' equity | \$2,667,717 | \$2,576,133 | \$2,521,726 | \$2,503,650 | \$2,428,738 |
| Less: Goodwill and intangible assets, net | 347,611 | 348,507 | 349,404 | 350,769 | 351,592 |
| Tangible common equity | 2,320,106 | 2,227,626 | 2,172,322 | 2,152,881 | 2,077,146 |
| Total assets | 24,238,182 | 23,701,023 | 23,941,603 | 24,385,952 | 23,736,728 |
| Less: Goodwill and intangible assets, net | 347,611 | 348,507 | 349,404 | 350,769 | 351,592 |
| Tangible assets | \$23,890,571 | \$23,352,516 | \$23,592,199 | \$24,035,183 | \$23,385,136 |
| Tangible common equity ratio | 9.71 % | 9.54 % | 9.21 % | 8.96 % | 8.88 % |
| Tier 1 common equity ratio: | | | | | |
| Tier 1 capital | \$2,188,199 | \$2,129,998 | \$2,076,525 | \$2,027,226 | \$1,976,588 |
| Less: Non-controlling interest | 24,457 | 21,555 | 22,152 | 20,338 | 21,289 |
| Tier 1 common equity | 2,163,742 | 2,108,443 | 2,054,373 | 2,006,888 | 1,955,299 |
| Risk weighted assets | \$16,458,048 | \$16,416,387 | \$16,368,976 | \$16,484,702 | \$16,611,662 |
| Tier 1 common equity ratio | 13.15 % | 12.84 % | 12.55 % | 12.17 % | 11.77 % |

Off-Balance Sheet Arrangements

See Note 7 to the Consolidated Financial Statements for a discussion of the Company's significant off-balance sheet commitments.

Market Risk

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange prices, commodity prices or equity prices. Financial instruments that are subject to market risk can be classified either as held for trading or held for purposes other than trading. Market risk excludes changes in fair value due to credit of the individual issuers of financial instruments.

BOK Financial is subject to market risk primarily through the effect of changes in interest rates on both its assets held for purposes other than trading and trading assets. The effects of other changes, such as foreign exchange rates, commodity prices or equity prices do not pose significant market risk to BOK Financial. BOK Financial has no material investments in assets that are affected by changes in foreign exchange rates or equity prices. Energy and agricultural product derivative contracts, which are affected by changes in commodity prices, are matched against offsetting contracts as previously discussed.

The Asset / Liability Committee is responsible for managing market risk in accordance with policy guidelines established by the Board of Directors. The Committee monitors projected variation in net interest revenue and net interest income and economic value of equity due to specified changes in interest rates. The internal policy limit for net interest revenue variation is a maximum decline of 5% to an up or down 200 basis point change over twelve months. These guidelines also set maximum levels for short-term borrowings, short-term assets, public funds and brokered deposits and establish minimum levels for unpledged assets, among other things. Compliance with these

internal guidelines is reviewed monthly.

Interest Rate Risk – Other than Trading

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company's balance sheet to have relatively limited exposure to changes in interest rates over a twelve month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of

- 44 -

equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 months and longer time periods based on multiple interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 50 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful.

The Company's primary interest rate exposures included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, residential mortgage rates directly affect the prepayment speeds for residential mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 37 due to the extreme volatility over such a large rate range and our active risk management approach for that asset. The effects of interest rate changes on the value of mortgage servicing rights and securities identified as economic hedges are presented in Note 5 to the Consolidated Financial Statements.

The simulations used to manage market risk are based on numerous assumptions regarding the effects of changes in interest rates on the timing and extent of re-pricing characteristics, future cash flows and customer behavior. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest revenue, net income or economic value of equity or precisely predict the impact of higher or lower interest rates on net interest revenue, net income or economic value of equity. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes, market conditions and management strategies, among other factors.

Table 37 – Interest Rate Sensitivity
(Dollars in thousands)

| | 200 bp Increase | | 50 bp Decrease | |
|--|-----------------|----------|----------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Anticipated impact over the next twelve months on net interest revenue | \$3,552 | \$27,480 | \$(17,884) | \$(13,795) |
| | 0.5 | % 4.0 | % (2.5 | %) (2.0 %) |

Trading Activities

BOK Financial enters into trading activities both as an intermediary for customers and for its own account. As an intermediary, BOK Financial will take positions in securities, generally residential mortgage-backed securities, government agency securities and municipal bonds. These securities are purchased for resale to customers, which include individuals, corporations, foundations and financial institutions. On a limited basis, BOK Financial may also take trading positions in U.S. Treasury securities, residential mortgage-backed securities, municipal bonds and derivative contracts for its own account. These positions are taken with the objective of generating trading profits. Both of these activities involve interest rate risk.

A variety of methods are used to manage the interest rate risk of trading activities. These methods include daily marking of all positions to market value, independent verification of inventory pricing, and position limits for each trading activity. Hedges in either the futures or cash markets may be used to reduce the risk associated with some

trading programs.

Management uses a Value at Risk (“VAR”) methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to \$7.4 million. At June 30, 2011, the VAR was \$3.3 million. The greatest value at risk during the second quarter of 2011 was \$—5.1 million.

- 45 -

Controls and Procedures

As required by Rule 13a-15(b), BOK Financial's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by their report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), BOK Financial's management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

Forward-Looking Statements

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections about BOK Financial, the financial services industry and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the provision and allowance for loan losses involve judgments as to expected events and are inherently forward-looking statements. Assessments that BOK Financial's acquisitions and other growth endeavors will be profitable are necessary statements of belief as to the outcome of future events, based in part on information provided by others that BOK Financial has not independently verified. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what is expressed, implied, or forecasted in such forward-looking statements. Internal and external factors that might cause such a difference include, but are not limited to: (1) the ability to fully realize expected cost savings from mergers within the expected time frames, (2) the ability of other companies on which BOK Financial relies to provide goods and services in a timely and accurate manner, (3) changes in interest rates and interest rate relationships, (4) demand for products and services, (5) the degree of competition by traditional and nontraditional competitors, (6) changes in banking regulations, tax laws, prices, levies, and assessments, (7) the impact of technological advances and (8) trends in customer behavior as well as their ability to repay loans. BOK Financial and its affiliates undertake no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

Consolidated Statements of Earnings (Unaudited)
(In thousands, except share and per share data)

| | Three Months Ended June | | Six Months Ended June 30, | |
|--|-------------------------|------------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Interest revenue | | | | |
| Loans | \$ 123,830 | \$ 131,102 | \$ 247,570 | \$ 263,046 |
| Residential mortgage loans held for sale | 1,505 | 2,177 | 2,844 | 3,924 |
| Trading securities | 434 | 542 | 848 | 1,152 |
| Taxable securities | 2,800 | 1,784 | 5,145 | 2,786 |
| Tax-exempt securities | 1,324 | 1,766 | 2,720 | 3,561 |
| Total investment securities | 4,124 | 3,550 | 7,865 | 6,347 |
| Taxable securities | 69,978 | 75,228 | 138,992 | 152,803 |
| Tax-exempt securities | 600 | 542 | 1,207 | 1,196 |
| Total available for sale securities | 70,578 | 75,770 | 140,199 | 153,999 |
| Mortgage trading securities | 5,243 | 4,448 | 8,473 | 8,483 |
| Funds sold and resell agreements | 3 | 8 | 7 | 16 |
| Total interest revenue | 205,717 | 217,597 | 407,806 | 436,967 |
| Interest expense | | | | |
| Deposits | 23,160 | 26,292 | 47,202 | 53,909 |
| Borrowed funds | 3,015 | 3,657 | 4,846 | 7,270 |
| Subordinated debentures | 5,541 | 5,535 | 11,118 | 11,101 |
| Total interest expense | 31,716 | 35,484 | 63,166 | 72,280 |
| Net interest revenue | 174,001 | 182,113 | 344,640 | 364,687 |
| Provision for credit losses | 2,700 | 36,040 | 8,950 | 78,140 |
| Net interest revenue after provision for credit losses | 171,301 | 146,073 | 335,690 | 286,547 |
| Other operating revenue | | | | |
| Brokerage and trading revenue | 23,725 | 24,754 | 49,101 | 45,789 |
| Transaction card revenue | 31,024 | 28,263 | 59,469 | 53,950 |
| Trust fees and commissions | 19,150 | 17,737 | 37,572 | 34,057 |
| Deposit service charges and fees | 23,857 | 28,797 | 46,337 | 55,589 |
| Mortgage banking revenue | 19,356 | 18,335 | 36,712 | 33,206 |
| Bank-owned life insurance | 2,872 | 2,908 | 5,735 | 5,880 |
| Other revenue | 7,842 | 7,374 | 16,174 | 15,012 |
| Total fees and commissions | 127,826 | 128,168 | 251,100 | 243,483 |
| Gain on sales of assets, net | 3,344 | 1,545 | 3,276 | 155 |
| Gain (loss) on derivatives, net | 1,225 | 7,272 | (1,188) | 6,931 |
| Gain on mortgage trading securities, net | 9,921 | 14,631 | 6,403 | 15,079 |
| Gain on available for sale securities, net | 5,468 | 8,469 | 10,370 | 12,545 |
| Total other-than-temporary impairment losses | (74) | (10,959) | (74) | (20,667) |
| Portion of loss recognized in (reclassified from) other comprehensive income | (4,750) | 8,313 | (9,349) | 13,796 |
| Net impairment losses recognized in earnings | (4,824) | (2,646) | (9,423) | (6,871) |
| Total other operating revenue | 142,960 | 157,439 | 260,538 | 271,322 |
| Other operating expense | | | | |
| Personnel | 105,603 | 97,054 | 205,597 | 193,878 |
| Business promotion | 4,777 | 4,945 | 9,401 | 8,923 |
| Professional fees and services | 6,258 | 6,668 | 13,716 | 13,069 |
| Net occupancy and equipment | 15,554 | 15,691 | 31,158 | 31,202 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | |
|---|------------|------------|------------|------------|
| Insurance | 4,771 | 5,596 | 10,957 | 12,129 |
| Data processing and communications | 24,428 | 21,940 | 46,931 | 42,249 |
| Printing, postage and supplies | 3,586 | 3,525 | 6,668 | 6,847 |
| Net losses and expenses of repossessed assets | 5,859 | 13,067 | 11,874 | 20,287 |
| Amortization of intangible assets | 896 | 1,323 | 1,792 | 2,647 |
| Mortgage banking costs | 8,968 | 10,380 | 15,439 | 19,647 |
| Change in fair value of mortgage servicing rights | 13,493 | 19,458 | 10,364 | 5,526 |
| Other expense | 9,016 | 6,265 | 17,761 | 13,240 |
| Total other operating expense | 203,209 | 205,912 | 381,658 | 369,644 |
| Income before taxes | 111,052 | 97,600 | 214,570 | 188,225 |
| Federal and state income tax | 39,357 | 32,042 | 78,109 | 62,325 |
| Net income | 71,695 | 65,558 | 136,461 | 125,900 |
| Net income attributable to non-controlling interest | 2,688 | 2,036 | 2,680 | 2,245 |
| Net income attributable to BOK Financial Corp. | \$69,007 | \$63,522 | \$133,781 | \$123,655 |
| Earnings per share: | | | | |
| Basic | \$1.01 | \$0.93 | \$1.96 | \$1.82 |
| Diluted | \$1.00 | \$0.93 | \$1.95 | \$1.81 |
| Average shares used in computation: | | | | |
| Basic | 67,898,483 | 67,605,807 | 67,900,279 | 67,599,349 |
| Diluted | 68,169,485 | 67,880,587 | 68,173,182 | 67,835,606 |
| Dividends declared per share | \$0.275 | \$0.25 | \$0.525 | \$0.49 |

See accompanying notes to consolidated financial statements.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Consolidated Balance Sheets
(In thousands except share data)

| | June 30, 2011 (Unaudited) | Dec. 31, 2010 (Footnote 1) | June 30, 2010 (Unaudited) |
|---|---------------------------------|----------------------------------|---------------------------------|
| Assets | | | |
| Cash and due from banks | \$1,098,721 | \$1,247,946 | \$834,972 |
| Funds sold and resell agreements | 12,040 | 21,458 | 17,554 |
| Trading securities | 99,846 | 55,467 | 62,159 |
| Investment securities (fair value: June 30, 2011 – \$369,247; December 31, 2010 - \$346,105; June 30, 2010 – \$363,886) | 349,583 | 339,553 | 353,277 |
| Available for sale securities | 9,567,008 | 9,096,277 | 8,953,162 |
| Available for sale securities pledged to creditors | – | 139,344 | 152,666 |
| Total available for sale securities | 9,567,008 | 9,235,621 | 9,105,828 |
| Mortgage trading securities | 553,231 | 428,021 | 534,641 |
| Residential mortgage loans held for sale | 169,609 | 263,413 | 227,574 |
| Loans | 10,737,544 | 10,643,036 | 10,882,717 |
| Less allowance for loan losses | (286,611) | (292,971) | (299,489) |
| Loans, net of allowance | 10,450,933 | 10,350,065 | 10,583,228 |
| Premises and equipment, net | 265,057 | 265,465 | 277,225 |
| Receivables | 129,944 | 148,940 | 126,149 |
| Goodwill | 335,601 | 335,601 | 335,601 |
| Intangible assets, net | 12,010 | 13,803 | 15,991 |
| Mortgage servicing rights, net | 109,192 | 115,723 | 98,942 |
| Real estate and other repossessed assets | 129,026 | 141,394 | 119,908 |
| Bankers' acceptances | 1,661 | 1,222 | 2,885 |
| Derivative contracts | 229,887 | 270,445 | 334,576 |
| Cash surrender value of bank-owned life insurance | 261,203 | 255,442 | 251,857 |
| Receivable on unsettled securities trades | 170,600 | 135,059 | – |
| Other assets | 293,030 | 316,965 | 454,361 |
| Total assets | \$24,238,182 | \$23,941,603 | \$23,736,728 |
| Liabilities | | | |
| Noninterest-bearing demand deposits | \$4,725,977 | \$4,220,764 | \$3,735,289 |
| Interest-bearing deposits: | | | |
| Transaction | 9,013,323 | 9,255,362 | 8,488,159 |
| Savings | 211,877 | 193,767 | 190,964 |
| Time (includes fair value: \$0 at June 30, 2011; \$27,414 at December 31, 2010; \$27,957 at June 30, 2010) | 3,634,700 | 3,509,168 | 3,673,088 |
| Total deposits | 17,585,877 | 17,179,061 | 16,087,500 |
| Funds purchased | 1,706,893 | 1,025,019 | 1,157,465 |
| Repurchase agreements | 1,106,163 | 1,258,761 | 1,105,010 |
| Other borrowings | 149,703 | 833,578 | 1,708,295 |
| Subordinated debentures | 398,788 | 398,701 | 398,617 |
| Accrued interest, taxes and expense | 104,493 | 134,107 | 91,471 |
| Bankers' acceptances | 1,661 | 1,222 | 2,885 |
| Derivative contracts | 173,917 | 215,420 | 299,851 |
| Due on unsettled securities trades | 166,607 | 160,425 | 266,470 |
| Other liabilities | 151,906 | 191,431 | 169,137 |
| Total liabilities | 21,546,008 | 21,397,725 | 21,286,701 |

Shareholders' equity:

| | | | |
|---|--------------|--------------|--------------|
| Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: June 30, 2011 – 71,100,444; December 31, 2010 – 70,815,563; June 30, 2010 – 70,616,414) | 4 | 4 | 4 |
| Capital surplus | 794,292 | 782,805 | 769,928 |
| Retained earnings | 1,842,022 | 1,743,880 | 1,654,516 |
| Treasury stock (shares at cost: June 30, 2011 – 2,637,575; December 31, 2010 – 2,607,874; June 30, 2010 – 2,535,617) | (114,856) | (112,802) | (109,481) |
| Accumulated other comprehensive income | 146,255 | 107,839 | 113,771 |
| Total shareholders' equity | 2,667,717 | 2,521,726 | 2,428,738 |
| Non-controlling interest | 24,457 | 22,152 | 21,289 |
| Total equity | 2,692,174 | 2,543,878 | 2,450,027 |
| Total liabilities and equity | \$24,238,182 | \$23,941,603 | \$23,736,728 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity (Unaudited)

(In thousands)

| | Common Stock Shares | Accumulated | | Capital Surplus | Retained Earnings | Treasury Stock | | Total Shareholders Equity | Non- Controlling Interest | Total Equity |
|--|---------------------------|-------------|------------------|--------------------|----------------------|----------------|-------------|---------------------------------|---------------------------------|-----------------|
| | | Amount | Income (Loss) | | | Shares | Amount | | | |
| Balances at December 31, 2009 | 70,312 | \$4 | \$(10,740) | \$758,723 | \$1,563,683 | 2,509 | \$(105,857) | \$2,205,813 | \$19,561 | \$2,225,374 |
| Comprehensive income: | | | | | | | | | | |
| Net income attributable to BOKF | – | – | – | – | 123,655 | – | – | 123,655 | – | 123,655 |
| Net income attributable to non-controlling interest | – | – | – | – | – | – | – | – | 2,245 | 2,245 |
| Other comprehensive income, net of tax | – | – | 124,511 | – | – | – | – | 124,511 | – | 124,511 |
| Comprehensive income | | | | | | | | 248,166 | 2,245 | 250,411 |
| Exercise of stock options | 304 | – | – | 6,511 | – | 27 | (3,624) | 2,887 | – | 2,887 |
| Tax benefit on exercise of stock options | – | – | – | 335 | – | – | – | 335 | – | 335 |
| Stock-based compensation | – | – | – | 4,359 | – | – | – | 4,359 | – | 4,359 |
| Cash dividends on common stock | – | – | – | – | (32,822) | – | – | (32,822) | – | (32,822) |
| Capital calls and distributions, net | – | – | – | – | – | – | – | – | (517) | (517) |
| Balances at June 30, 2010 | 70,616 | \$4 | \$113,771 | \$769,928 | \$1,654,516 | 2,536 | \$(109,481) | \$2,428,738 | \$21,289 | \$2,450,027 |
| Balances at December 31, 2010 | 70,816 | \$4 | \$107,839 | \$782,805 | \$1,743,880 | 2,608 | \$(112,802) | \$2,521,726 | \$22,152 | \$2,543,878 |
| Comprehensive income: | | | | | | | | | | |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | | | | | |
|---|--------|-----|-----------|-----------|-------------|-------|-------------|-------------|----------|-------------|
| Net income attributable to BOKF | - | - | - | - | 133,781 | - | - | 133,781 | - | 133,781 |
| Net income attributable to non-controlling interest | - | - | - | - | - | - | - | - | 2,680 | 2,680 |
| Other comprehensive income, net of tax | - | - | 38,416 | - | - | - | - | 38,416 | - | 38,416 |
| Comprehensive income | | | | | | | | 172,197 | 2,680 | 174,877 |
| Exercise of stock options | 284 | - | - | 6,345 | - | 30 | (2,054) | 4,291 | - | 4,291 |
| Tax benefit on exercise of stock options | - | - | - | 339 | - | - | - | 339 | - | 339 |
| Stock-based compensation | - | - | - | 4,803 | - | - | - | 4,803 | - | 4,803 |
| Cash dividends on common stock | - | - | - | - | (35,639) | - | - | (35,639) | - | (35,639) |
| Capital calls and distributions, net | - | - | - | - | - | - | - | - | (375) | (375) |
| Balances at June 30, 2011 | 71,100 | \$4 | \$146,255 | \$794,292 | \$1,842,022 | 2,638 | \$(114,856) | \$2,667,717 | \$24,457 | \$2,692,174 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

| | Six Months Ended June 30, | |
|---|------------------------------|-------------|
| | 2011 | 2010 |
| Cash Flows From Operating Activities: | | |
| Net income | \$136,461 | \$125,900 |
| Adjustments to reconcile net income before non-controlling interest to net cash provided by operating activities: | | |
| Provision for credit losses | 8,950 | 78,140 |
| Change in fair value of mortgage servicing rights | 10,364 | 5,526 |
| Unrealized (gains) losses from derivatives | 5,834 | (18,542) |
| Tax benefit on exercise of stock options | (339) | (335) |
| Change in bank-owned life insurance | (5,735) | (5,880) |
| Stock-based compensation | 4,803 | 4,359 |
| Depreciation and amortization | 24,529 | 30,843 |
| Net amortization of securities discounts and premiums | 48,751 | 44,240 |
| Net realized (gains) losses on financial instruments and other assets | (16,789) | 4,863 |
| Mortgage loans originated for resale | (902,774) | (818,282) |
| Proceeds from sale of mortgage loans held for resale | 1,013,516 | 817,960 |
| Capitalized mortgage servicing rights | (10,767) | (10,362) |
| Change in trading securities, including mortgage trading securities | (169,581) | (250,268) |
| Change in receivables | 18,996 | (17,327) |
| Change in other assets | 17,073 | 15,199 |
| Change in accrued interest, taxes and expense | (29,614) | (19,978) |
| Change in other liabilities | (35,125) | 29,590 |
| Net cash provided by operating activities | 118,553 | 15,646 |
| Cash Flows From Investing Activities: | | |
| Proceeds from maturities of investment securities | 26,986 | 61,275 |
| Proceeds from maturities of available for sale securities | 1,216,168 | 1,121,309 |
| Purchases of investment securities | (37,085) | (174,255) |
| Purchases of available for sale securities | (2,967,565) | (2,254,088) |
| Proceeds from sales of available for sale securities | 1,447,073 | 956,170 |
| Change in amount receivable on unsettled securities transactions | (35,541) | – |
| Loans originated net of principal collected | (87,541) | 302,180 |
| Purchase of mortgage servicing rights | – | (26,658) |
| Proceeds from derivative asset contracts | 55,877 | 114,312 |
| Proceeds from disposition of assets | 62,060 | 13,154 |
| Purchases of assets | (19,984) | (24,966) |
| Net cash provided by (used in) investing activities | (339,552) | 88,433 |
| Cash Flows From Financing Activities: | | |
| Net change in demand deposits, transaction deposits and savings accounts | 281,284 | 664,177 |
| Net change in time deposits | 125,692 | (94,090) |
| Net change in other borrowings | (214,296) | (634,330) |
| Net payments or proceeds on derivative liability contracts | (58,891) | (105,856) |
| Net change in derivative margin accounts | (46,606) | (26,889) |
| Change in amount due on unsettled security transactions | 6,182 | 54,135 |
| Issuance of common and treasury stock, net | 4,291 | 2,887 |
| Tax benefit on exercise of stock options | 339 | 335 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | |
|--|-------------|------------|
| Dividends paid | (35,639) | (33,138) |
| Net cash provided by (used in) financing activities | 62,356 | (172,769) |
| Net decrease in cash and cash equivalents | (158,643) | (68,690) |
| Cash and cash equivalents at beginning of period | 1,269,404 | 921,216 |
| Cash and cash equivalents at end of period | \$1,110,761 | \$852,526 |
| Cash paid for interest | \$63,563 | \$74,563 |
| Cash paid for taxes | \$87,888 | \$71,262 |
| Net loans transferred to repossessed real estate and other assets | \$33,894 | \$24,769 |
| Increase in U.S. government guaranteed loans eligible for repurchase | \$59,697 | \$- |
| Accrued purchase of mortgage servicing rights | \$- | \$5,234 |

See accompanying notes to consolidated financial statements.

- 50 -

Notes to Consolidated Financial Statements (Unaudited)

(1) Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of BOK Financial Corporation (“BOK Financial” or “the Company”) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The unaudited consolidated financial statements include accounts of BOK Financial and its subsidiaries, principally BOKF, NA (“the Bank”), BOSCO, Inc, Cavanal Hill Investment Management Inc. and Southwest Trust Company, N.A. Operating divisions of the Bank include Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Oklahoma, Bank of Texas, Colorado State Bank and Trust, Bank of Kansas City and the TransFund electronic funds network.

Certain reclassifications have been made to conform to the current period presentation.

The financial information should be read in conjunction with BOK Financial’s 2010 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2010 have been derived from the audited financial statements included in BOK Financial’s 2010 Form 10-K but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the three-month and six-month periods ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011.

Newly Adopted and Pending Accounting Policies

Financial Accounting Standards Board (“FASB”)

FASB Accounting Standards Update No. 2010-06, “Improving Disclosures About Fair Value Measurements” (“ASU 2010-06”)

ASU 2010-06 amended the Accounting Standards Codification (“ASC”) 820 to add new disclosure requirements about transfers into and out of Levels 1 and 2, as defined in ASC 820 and separate disclosures about purchases, sales, issuance and settlements relating to Level 3 measurements, as defined in ASC 820. It also clarified existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 was effective for the Company on January 1, 2010 with exception of the requirement to provide Level 3 activity of purchases, sales, issuances, and settlement on a gross basis, which was effective for the Company on January 1, 2011. ASU 2010-06 did not have a significant impact on the Company’s financial statements.

FASB Accounting Standards Update No. 2010-20 “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses” (“ASU 2010-20”)

On July 21, 2010, the FASB issued ASU 2010-20 which expanded the disclosure requirements concerning the credit quality of an entity’s financing receivables and its allowance for credit losses. ASU 2010-20 was effective for the Company as of December 31, 2010 as it relates to disclosures required as of the end of the reporting

period. Disclosures related to activity during the reporting period were effective for the Company January 1, 2011.

FASB Accounting Standards Update No. 2010-28 “Intangibles – Goodwill and Other (Topic 530): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts” (“ASU 2010-28”)

On December 17, 2010, the FASB issued ASU 2010-28, a consensus of the FASB Emerging Issues Task Force. ASU 2010-28 modified Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The entity is no longer be able to assert that a reporting unit is not required to perform Step 2 because the carrying amount of the reporting unit is zero or negative. The amendment was effective for the Company January 1, 2011 and is

- 51 -

not expected to have a significant impact on the consolidated financial statements.

FASB Accounting Standards Update No. 2011-02 “Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring” (“ASU 2011-02”)

On April 5, 2011, the FASB issued ASU 2011-02 to provide additional guidance or clarification to help creditors in determining whether a credit has granted a concession and whether a debtor is experiencing financial difficulties for the purposes of determining whether a restructuring constitutes a troubled debt restructuring. ASU 2011-02 is effective for the Company on July 1, 2011 and will be applied retrospectively to the beginning of the annual period of adoption. In addition, the disclosures required by ASU 2010-20 that were temporarily deferred by FASB Accounting Standard Update No. 2011-01 “Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructuring in Update No. 2010-20 will be included in Note 4 for the period beginning July 1, 2011 as required. ASU 2011-02 is not expected to have a material impact on the Company’s consolidated financial statements.

FASB Accounting Standards Update No. 2011-03 “Reconsideration of Effective Control for Repurchase Agreements” (ASU 2011-03”)

On April 29, 2011, the FASB issued ASU 2011-03 that eliminates the collateral maintenance requirement under GAAP for entities to consider in determining whether a transfer of financial assets subject to a repurchase agreement is accounted for a sale or as a secured borrowing. ASU 2011-03 is effective for the Company for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. ASU 2011-03 is not expected to have a material impact on the Company’s consolidate financial statements.

FASB Accounting Standards Update No. 2011-04 “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU 2011-04”)

On May 12, 2011, the FASB issued ASU 2011-04 to provide clarified and converged guidance on fair value measurement and expand disclosures concerning fair value measurements. ASU 2011-04 is largely consistent with the existing fair value measurement principles contained in ASC 820, “Fair Value Measurement.” ASU 2011-04 is effective for the company for interim and annual periods beginning after December 15, 2011 and is not expected to have a material impact on the Company’s financial statements. Early application is not permitted.

FASB Accounting Standards Update No. 2011-05 “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (“ASU 2011-05”)

On June 16, 2011 the FASB issued ASU 2011-05 which revises the manner in which entities present comprehensive income in their financial statements by removing the presentation option in ASC 220, “Comprehensive Income,” and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. ASU 2011-05 is effective for the Company for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively for all periods presented in the financial statements. Early adoption is permitted. We have not elected early adoption.

(2) Securities

Trading Securities

The fair value and net unrealized gain (loss) included in trading securities is as follows (in thousands):

| | June 30, 2011 | | December 31, 2010 | | June 30, 2010 | |
|--|---------------|----------------------------|-------------------|----------------------------|---------------|----------------------------|
| | Fair Value | Net Unrealized Gain (Loss) | Fair Value | Net Unrealized Gain (Loss) | Fair Value | Net Unrealized Gain (Loss) |
| Obligations of the U.S. Government | \$11,825 | \$(37) | \$3,873 | \$(17) | \$12,786 | \$(8) |
| U.S. agency residential mortgage-backed securities | 22,739 | 9 | 27,271 | 292 | 26,476 | 151 |
| Municipal and other tax-exempt securities | 62,285 | (249) | 23,396 | (214) | 18,866 | (15) |
| Other trading securities | 2,997 | (13) | 927 | (2) | 4,031 | 3 |
| Total | \$99,846 | \$(290) | \$55,467 | \$59 | \$62,159 | \$131 |

Investment Securities

The amortized cost and fair values of investment securities are as follows (in thousands):

| | 2011 | | | | June 30, 2010 | | | |
|--------------------------------|----------------|------------|------------------------|-----------------|----------------|------------|------------------------|-----------------|
| | Amortized Cost | Fair Value | Not Recognized in OCI1 | | Amortized Cost | Fair Value | Not Recognized in OCI1 | |
| | | | Gross Gain | Unrealized Loss | | | Gross Gain | Unrealized Loss |
| Municipal and other tax-exempt | \$160,870 | \$165,449 | \$4,583 | \$(4) | \$221,702 | \$227,301 | \$5,640 | \$(41) |
| Other debt securities | 188,713 | 203,798 | 15,085 | – | 131,575 | 136,585 | 5,245 | (235) |
| Total | \$349,583 | \$369,247 | \$19,668 | \$(4) | \$353,277 | \$363,886 | \$10,885 | \$(276) |

| | December 31, 2010 | | | |
|--------------------------------|-------------------|------------|------------------------|-----------------|
| | Amortized Cost | Fair Value | Not Recognized in OCI1 | |
| | | | Gross Gain | Unrealized Loss |
| Municipal and other tax-exempt | \$184,898 | \$188,577 | \$3,912 | \$(233) |
| Other debt securities | 154,655 | 157,528 | 4,505 | (1,632) |
| Total | \$339,553 | \$346,105 | \$8,417 | \$(1,865) |

1 Other comprehensive income

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

The amortized cost and fair values of investment securities at June 30, 2011, by contractual maturity, are as shown in the following table (dollars in thousands):

| | Less than One Year | One to Five Years | Six to Ten Years | Over Ten Years | Total | Weighted Average Maturity ² |
|----------------------------------|-----------------------|----------------------|---------------------|-------------------|-----------|--|
| Municipal and other tax-exempt: | | | | | | |
| Amortized cost | \$49,599 | \$81,448 | \$24,506 | \$5,317 | \$160,870 | 2.82 |
| Fair value | 49,937 | 84,499 | 25,547 | 5,466 | 165,449 | |
| Nominal yield ¹ | 4.64 | 4.66 | 5.58 | 6.22 | 4.84 | |
| Other debt securities: | | | | | | |
| Amortized cost | 7,729 | 29,513 | 34,784 | 116,687 | 188,713 | 10.50 |
| Fair value | 7,764 | 30,203 | 36,286 | 129,545 | 203,798 | |
| Nominal yield | 4.52 | 5.44 | 5.58 | 6.20 | 5.90 | |
| Total fixed maturity securities: | | | | | | |
| Amortized cost | \$57,328 | \$110,961 | \$59,290 | \$122,004 | \$349,583 | 6.97 |
| Fair value | 57,701 | 114,702 | 61,833 | 135,011 | 369,247 | |
| Nominal yield | 4.62 | 4.87 | 5.58 | 6.20 | 5.41 | |
| Total investment securities: | | | | | | |
| Amortized cost | | | | | \$349,583 | |
| Fair value | | | | | 369,247 | |
| Nominal yield | | | | | 5.41 | |

¹ Calculated on a taxable equivalent basis using a 39% effective tax rate.

² Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalty.

Available for Sale Securities

The amortized cost and fair value of available for sale securities are as follows (in thousands):

| | June 30, 2011 | | | | |
|---|-------------------|---------------|---------------|--------------------|--|
| | Amortized Cost | Fair Value | Gross Gain | Unrealized Loss | Recognized in OCI OTTI ² |
| U.S. Treasury | \$1,001 | \$1,003 | \$2 | \$- | \$- |
| Municipal and other tax-exempt | 68,502 | 70,210 | 2,375 | (146) | (521) |
| Residential mortgage-backed securities: | | | | | |
| U. S. agencies: | | | | | |
| FNMA | 5,359,939 | 5,524,849 | 166,016 | (1,106) | - |
| FHLMC | 2,447,830 | 2,544,684 | 97,575 | (721) | - |
| GNMA | 704,168 | 742,411 | 38,243 | - | - |
| Other | 76,971 | 81,845 | 4,874 | - | - |
| Total U.S. agencies | 8,588,908 | 8,893,789 | 306,708 | (1,827) | - |
| Private issue: | | | | | |
| Alt-A loans | 195,932 | 166,757 | 46 | (104) | (29,117) |
| Jumbo-A loans | 385,371 | 346,465 | 513 | (11,949) | (27,470) |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|--|-------------|-------------|-----------|-------------|-------------|
| Total private issue | 581,303 | 513,222 | 559 | (12,053) | (56,587) |
| Total residential mortgage-backed securities | 9,170,211 | 9,407,011 | 307,267 | (13,880) | (56,587) |
| Other debt securities | 5,900 | 5,893 | – | (7) | – |
| Perpetual preferred stock | 19,511 | 22,694 | 3,183 | – | – |
| Equity securities and mutual funds | 38,683 | 60,197 | 21,516 | (2) | – |
| Total | \$9,303,808 | \$9,567,008 | \$334,343 | \$(14,035) | \$(57,108) |

¹ Other comprehensive income

² Amounts represent unrealized loss that remains in OCI after an other-than-temporary credit loss has been recognized in income.

- 54 -

| | December 31, 2010 | | | | |
|--|-------------------|-------------|------------|-----------------|--|
| | Amortized Cost | Fair Value | Gross Gain | Unrealized Loss | Recognized in OCI ¹ OTTI ² |
| Municipal and other tax-exempt | \$72,190 | \$72,942 | \$1,172 | \$(315) | \$(105) |
| Residential mortgage-backed securities: | | | | | |
| U. S. agencies: | | | | | |
| FNMA | 4,791,438 | 4,925,693 | 147,024 | (12,769) | – |
| FHLMC | 2,545,208 | 2,620,066 | 83,341 | (8,483) | – |
| GNMA | 765,046 | 801,993 | 37,193 | (246) | – |
| Other | 92,013 | 99,157 | 7,144 | – | – |
| Total U.S. agencies | 8,193,705 | 8,446,909 | 274,702 | (21,498) | – |
| Private issue: | | | | | |
| Alt-A loans | 220,332 | 186,674 | – | (353) | (33,305) |
| Jumbo-A loans | 494,098 | 457,535 | 923 | (14,067) | (23,419) |
| Total private issue | 714,430 | 644,209 | 923 | (14,420) | (56,724) |
| Total residential mortgage-backed securities | 8,908,135 | 9,091,118 | 275,625 | (35,918) | (56,724) |
| Other debt securities | 6,401 | 6,401 | – | – | – |
| Perpetual preferred stock | 19,511 | 22,114 | 2,603 | – | – |
| Equity securities and mutual funds | 29,181 | 43,046 | 14,192 | (327) | – |
| Total | \$9,035,418 | \$9,235,621 | \$293,592 | \$(36,560) | \$(56,829) |

¹ Other comprehensive income

² Amounts represent unrealized loss that remains in OCI after an other-than-temporary credit loss has been recognized in income.

| | June 30, 2010 | | | | |
|--|----------------|------------|------------|-----------------|--|
| | Amortized Cost | Fair Value | Gross Gain | Unrealized Loss | Recognized in OCI ¹ OTTI ² |
| Municipal and other tax-exempt | | | | | |
| Residential mortgage-backed securities: | | | | | |
| U. S. agencies: | | | | | |
| FNMA | 4,148,758 | 4,319,324 | 174,183 | (3,617) | – |
| FHLMC | 2,680,437 | 2,776,620 | 96,183 | – | – |
| GNMA | 972,348 | 1,011,522 | 40,707 | (1,533) | – |
| Other | 107,564 | 116,253 | 8,689 | – | – |
| Total U.S. agencies | 7,909,107 | 8,223,719 | 319,762 | (5,150) | – |
| Private issue: | | | | | |
| Alt-A loans | 230,058 | 176,489 | – | (1,350) | (52,219) |
| Jumbo-A loans | 619,415 | 559,027 | 1,536 | (27,665) | (34,259) |
| Total private issue | 849,473 | 735,516 | 1,536 | (29,015) | (86,478) |
| Total residential mortgage-backed securities | 8,758,580 | 8,959,235 | 321,298 | (34,165) | (86,478) |
| Other debt securities | 12,971 | 13,064 | 120 | (27) | – |
| Perpetual preferred stock | 19,224 | 19,881 | 790 | (133) | – |
| Equity securities and mutual funds | 33,561 | 47,209 | 14,170 | (522) | – |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|--------------|----------------------------|-------------|-----------|-------------|-------------|
| Total | \$8,890,389 | \$9,105,828 | \$337,838 | \$(35,921) | \$(86,478) |
| ¹ | Other comprehensive income | | | | |

²Amounts represent unrealized loss that remains in OCI after an other-than-temporary credit loss has been recognized in income.

- 55 -

The amortized cost and fair values of available for sale securities at June 30, 2011, by contractual maturity, are as shown in the following table (dollars in thousands):

| | Less than One Year | One to Five Years | Six to Ten Years | Over Ten Years ⁶ | Total | Weighted Average Maturity ⁵ |
|---|-----------------------|----------------------|---------------------|--------------------------------|-------------|--|
| U.S. Treasuries: | | | | | | |
| Amortized cost | \$1,001 | \$– | \$– | \$– | \$1,001 | 1.84 |
| Fair value | 1,003 | – | – | – | 1,003 | |
| Nominal yield ¹ | 0.55 | – | – | – | 0.55 | |
| Municipal and other tax-exempt: | | | | | | |
| Amortized cost | 744 | 6,941 | 12,575 | 48,242 | 68,502 | 19.75 |
| Fair value | 752 | 8,077 | 13,678 | 47,703 | 70,210 | |
| Nominal yield ¹ | 3.30 | 4.12 | 4.08 | 0.95 | 1.87 | |
| Other debt securities: | | | | | | |
| Amortized cost | – | – | – | 5,900 | 5,900 | 32.46 |
| Fair value | – | – | – | 5,893 | 5,893 | |
| Nominal yield ¹ | – | – | – | 1.71 | 1.71 | |
| Total fixed maturity securities: | | | | | | |
| Amortized cost | \$1,745 | \$6,941 | \$12,575 | \$54,142 | \$75,403 | 20.51 |
| Fair value | 1,755 | 8,077 | 13,678 | 53,596 | 77,106 | |
| Nominal yield | 3.30 | 3.67 | 4.08 | 1.03 | 1.84 | |
| Mortgage-backed securities: | | | | | | |
| Amortized cost | | | | | 9,170,211 | ² |
| Fair value | | | | | 9,407,011 | |
| Nominal yield ⁴ | | | | | 3.79 | |
| Equity securities and mutual funds: | | | | | | |
| Amortized cost | | | | | 58,194 | ³ |
| Fair value | | | | | 82,891 | |
| Nominal yield | | | | | 0.69 | |
| Total available-for-sale securities: | | | | | | |
| Amortized cost | | | | | \$9,303,808 | |
| Fair value | | | | | 9,567,008 | |
| Nominal yield | | | | | 3.76 | |

¹ Calculated on a taxable equivalent basis using a 39% effective tax rate.

² The average expected lives of mortgage-backed securities were 2.92 years based upon current prepayment assumptions.

³ Primarily restricted common stock of U.S. government agencies and preferred stock of corporate issuers with no stated maturity.

⁴ The nominal yield on mortgage-backed securities is based upon prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

⁵ Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalty.

⁶ Nominal yield on municipal and other tax-exempt securities and other debt securities with contractual maturity dates over ten years are based on variable rates which generally are reset within 35 days.

Sales of available for sale securities resulted in gains and losses as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Proceeds | \$771,536 | \$594,990 | \$1,411,220 | \$915,138 |
| Gross realized gains | 6,205 | 8,469 | 17,172 | 13,826 |
| Gross realized losses | 3,654 | – | 7,809 | – |
| Related federal and state income tax expense | 904 | 2,778 | 3,454 | 4,576 |

Gains and losses on sales of available for sale securities are recognized in the Consolidated Statement of Earnings on trade date and presented as realized in the previous table on settlement date.

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of \$3.6 billion at June 30, 2011, \$5.3 billion at December 31, 2010 and \$4.8 billion at June 30, 2010 have been pledged as collateral for repurchase agreements, public and trust funds on deposit and for other purposes, as required by law. The secured parties do not have the right to sell or re-pledge these securities.

Temporarily Impaired Securities as of June 30, 2011

(In thousands)

| | Number of Securities | Less Than 12 Months Fair Value | Unrealized Loss | 12 Months or Longer Fair Value | Unrealized Loss | Fair Value | Total Unrealized Loss |
|--|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---------------|-----------------------------|
| Investment: | | | | | | | |
| Municipal and other tax exempt | 2 | \$619 | \$4 | \$- | \$- | \$619 | \$4 |
| Available for sale: | | | | | | | |
| Municipal and other tax-exempt ¹ | 51 | 24,065 | 301 | 19,593 | 366 | 43,658 | 667 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 7 | 230,949 | 1,106 | - | - | 230,949 | 1,106 |
| FHLMC | 2 | 98,169 | 721 | - | - | 98,169 | 721 |
| Total U.S. agencies | 9 | 329,118 | 1,827 | - | - | 329,118 | 1,827 |
| Private issue ¹ : | | | | | | | |
| Alt-A loans | 20 | - | - | 156,796 | 29,221 | 156,796 | 29,221 |
| Jumbo-A loans | 39 | - | - | 301,397 | 39,419 | 301,397 | 39,419 |
| Total private issue | 59 | - | - | 458,193 | 68,640 | 458,193 | 68,640 |
| Total residential mortgage-backed securities | 68 | 329,118 | 1,827 | 458,193 | 68,640 | 787,311 | 70,467 |
| Other debt securities | 2 | - | - | 993 | 7 | 993 | 7 |
| Equity securities and mutual funds | 1 | 213 | 2 | - | - | 213 | 2 |
| Total available for sale | 122 | 353,396 | 2,130 | 478,779 | 69,013 | 832,175 | 71,143 |
| Total | 124 | \$354,015 | \$2,134 | \$478,779 | \$69,013 | \$832,794 | \$71,147 |

¹Includes the following securities for which an unrealized loss remains in OCI after an other-than-temporary credit loss has been recognized in income:

| | | | | | | | |
|-----------------------------------|----|---------|-------|---------|--------|----------|--------|
| Municipal and other tax-exempt | 21 | \$6,948 | \$244 | \$7,115 | \$277 | \$14,063 | \$521 |
| Alt-A loans | 19 | - | - | 153,632 | 29,117 | 153,632 | 29,117 |
| Jumbo-A loans | 21 | - | - | 138,205 | 27,470 | 138,205 | 27,470 |

Temporarily Impaired Securities as of December 31, 2010

(In thousands)

| | Number of Securities | Less Than 12 Months Fair Value | Unrealized Loss | 12 Months or Longer Fair Value | Unrealized Loss | Fair Value | Total Unrealized Loss |
|---|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---------------------|-----------------------------|
| Investment: | | | | | | | |
| Municipal and other tax- exempt | 37 | \$ 12,482 | \$ 211 | \$ 786 | \$ 22 | \$ 13,268 | \$ 233 |
| Other | 15 | 80,698 | 1,632 | – | – | 80,698 | 1,632 |
| Total investment | 52 | 93,180 | 1,843 | 786 | 22 | 93,966 | 1,865 |
| Available for sale: | | | | | | | |
| Municipal and other tax-exempt ¹ | 42 | 22,271 | 171 | 25,235 | 249 | 47,506 | 420 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 26 | 1,099,710 | 12,769 | – | – | 1,099,710 | 12,769 |
| FHLMC | 12 | 491,776 | 8,483 | – | – | 491,776 | 8,483 |
| GNMA | 3 | 5,681 | 246 | – | – | 5,681 | 246 |
| Total U.S. agencies | 41 | 1,597,167 | 21,498 | – | – | 1,597,167 | 21,498 |
| Private issue ¹ : | | | | | | | |
| Alt-A loans | 22 | – | – | 186,675 | 33,658 | 186,675 | 33,658 |
| Jumbo-A loans | 53 | – | – | 417,917 | 37,486 | 417,917 | 37,486 |
| Total private issue | 75 | – | – | 604,592 | 71,144 | 604,592 | 71,144 |
| Total residential mortgage-backed securities | 116 | 1,597,167 | 21,498 | 604,592 | 71,144 | 2,201,759 | 92,642 |
| Equity securities and mutual funds | 2 | – | – | 2,878 | 327 | 2,878 | 327 |
| Total available for sale | 160 | 1,619,438 | 21,669 | 632,705 | 71,720 | 2,252,143 | 93,389 |
| Total | 212 | \$ 1,712,618 | \$ 23,512 | \$ 633,491 | \$ 71,742 | \$ 2,346,109 | \$ 95,254 |
| ¹ Includes the following securities for which an unrealized loss remains in OCI after an other-than-temporary credit loss has been recognized in income: | | | | | | | |
| Municipal and other tax-exempt | 11 | \$ 10,713 | \$ 105 | \$– | \$– | \$ 10,713 | \$ 105 |
| Alt-A loans | 19 | – | – | 172,153 | 33,305 | 172,153 | 33,305 |
| Jumbo-A loans | 25 | – | – | 166,401 | 23,419 | 166,401 | 23,419 |

Temporarily Impaired Securities as of June 30, 2010

(In thousands)

| | Number of Securities | Less Than 12 Months Fair Value | Unrealized Loss | 12 Months or Longer Fair Value | Unrealized Loss | Fair Value | Total Unrealized Loss |
|---|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---------------|-----------------------------|
| Investment: | | | | | | | |
| Municipal and other tax exempt | 13 | \$5,606 | \$31 | \$1,437 | \$10 | \$7,043 | \$41 |
| Other debt securities | 1 | 14,215 | 235 | – | – | 14,215 | 235 |
| Available for sale: | | | | | | | |
| Municipal and other tax-exempt | 23 | 32,325 | 1,074 | – | – | 32,325 | 1,074 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 6 | 166,825 | 3,617 | – | – | 166,825 | 3,617 |
| GNMA | 2 | 45,693 | 1,533 | – | – | 45,693 | 1,533 |
| Total U.S. agencies | 8 | 212,518 | 5,150 | – | – | 212,518 | 5,150 |
| Private issue ¹ : | | | | | | | |
| Alt-A loans | 20 | – | – | 176,489 | 53,569 | 176,489 | 53,569 |
| Jumbo-A loans | 55 | – | – | 480,782 | 61,924 | 480,782 | 61,924 |
| Total private issue | 75 | – | – | 657,271 | 115,493 | 657,271 | 115,493 |
| Total residential mortgage-backed securities | 83 | 212,518 | 5,150 | 657,271 | 115,493 | 869,789 | 120,643 |
| Other debt securities | 7 | 4,965 | 27 | 29 | – | 4,994 | 27 |
| Equity securities and mutual funds | 3 | 2,681 | 523 | 3,606 | 132 | 6,287 | 655 |
| Total available for sale | 116 | 252,489 | 6,774 | 660,906 | 115,625 | 913,395 | 122,399 |
| Total | 130 | \$272,310 | \$7,040 | \$662,343 | \$115,635 | \$934,653 | \$122,675 |
| ¹ Includes the following securities for which an unrealized loss remains in OCI after an other-than-temporary credit loss has been recognized in income: | | | | | | | |
| Alt-A loans | 16 | \$– | \$– | \$153,012 | \$52,219 | \$153,012 | \$52,219 |
| Jumbo-A loans | 25 | – | – | 160,872 | 34,259 | 160,872 | 34,259 |

On a quarterly basis, the Company performs separate evaluations of impaired debt and equity investment and available for sale securities to determine if the unrealized losses are temporary.

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Based on this evaluation as of June 30, 2011, we do not intend to sell any impaired available for sale securities before fair value recovers to our current amortized cost and it is more-likely-than-not that we will not be required to sell impaired securities before fair value

recovers, which may be maturity.

For all impaired debt securities for which there was no intent or expected requirement to sell, the evaluation considers all available evidence to assess whether it is more likely than not that all amounts due would not be collected according to the security's contractual terms.

Impairment of debt securities rated investment grade by all nationally-recognized rating agencies are considered temporary unless specific contrary information is identified. None of the debt securities rated investment grade were considered to be other-than-temporarily impaired at June 30, 2011.

- 59 -

At June 30, 2011, the composition of the Company's investment and available for sale securities portfolios by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

| | U.S. Govt / GSE 1 | | AAA - AA | | A - BBB | | Below Investment Grade | | |
|---|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------------|------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | |
| Investment: | | | | | | | | | |
| Municipal and other tax-exempt | \$- | \$- | \$58,023 | \$59,743 | \$29,898 | \$30,679 | \$- | \$- | \$- |
| Other debt securities | - | - | 180,334 | 195,332 | 1,350 | 1,350 | - | - | - |
| Total | \$- | \$- | \$238,357 | \$255,075 | \$31,248 | \$32,029 | \$- | \$- | \$- |
| Available for Sale: | | | | | | | | | |
| U.S. Treasury | \$1,001 | \$1,003 | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| Municipal and other tax-exempt | - | - | 39,996 | 42,024 | 11,941 | 11,986 | 14,584 | 14,063 | - |
| Residential mortgage-backed securities: | | | | | | | | | |
| U. S. agencies: | | | | | | | | | |
| FNMA | 5,359,939 | 5,524,849 | - | - | - | - | - | - | - |
| FHLMC | 2,447,830 | 2,544,684 | - | - | - | - | - | - | - |
| GNMA | 704,168 | 742,411 | - | - | - | - | - | - | - |
| Other | 76,971 | 81,845 | - | - | - | - | - | - | - |
| Total U.S. agencies | 8,588,908 | 8,893,789 | - | - | - | - | - | - | - |
| Private issue: | | | | | | | | | |
| Alt-A loans | - | - | 3,269 | 3,164 | 9,914 | 9,961 | 182,749 | 153,632 | - |
| Jumbo-A loans | - | - | 32,106 | 31,379 | 66,618 | 61,397 | 286,647 | 253,689 | - |
| Total private issue | - | - | 35,375 | 34,543 | 76,532 | 71,358 | 469,396 | 407,321 | - |
| Total residential mortgage-backed securities | 8,588,908 | 8,893,789 | 35,375 | 34,543 | 76,532 | 71,358 | 469,396 | 407,321 | - |
| Other debt securities | - | - | 5,900 | 5,893 | - | - | - | - | - |
| Perpetual preferred stock | - | - | - | - | 19,511 | 22,694 | - | - | - |
| Equity securities and mutual funds | - | - | - | - | - | - | - | - | - |
| Total | \$8,589,909 | \$8,894,792 | \$81,271 | \$82,460 | \$107,984 | \$106,038 | \$483,980 | \$421,384 | \$- |

1 U.S. government and government sponsored enterprises are not rated by the nationally-recognized rating agencies as these securities are guaranteed by agencies of the U.S. government or government-sponsored enterprises.

At June 30, 2011, approximately \$469 million of the portfolio of privately issued residential mortgage-backed securities (based on amortized cost after impairment charges) was rated below investment grade by at least one of the nationally-recognized rating agencies. The aggregate unrealized loss on these securities totaled \$62 million. Ratings by the nationally recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below

investment grade by at least one of the nationally-recognized rating agencies was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure. The primary assumptions used in this evaluation were:

- Unemployment rates – increasing to 9.5% over the next 12 months, dropping to 8% over the following 21 months, and holding at 8% thereafter.
- Housing price depreciation – starting with current depreciated housing prices based on information derived from the Federal Housing Finance Agency (“FHFA”) data, decreasing by an additional 4% over the next twelve months and holding at that level thereafter.

- Estimated Liquidation Costs – held constant at 25% to 30% for Jumbo-A loans and 35% to 38% for Alt-A loans of the then-current depreciated housing price at estimated foreclosure date.
- Discount rates – estimated cash flows were discounted at rates that range from 2.90% to 6.25% based on our current expected yields.

We also consider the current loan-to-value ratio and remaining credit enhancement as part of the assessment of the cash flows available to recover the amortized cost of the debt securities. Each factor is considered in the evaluation.

The Company calculates the current loan-to-value ratio for each mortgage-backed security using loan-level data. Current loan-to-value ratio is the current outstanding loan amount divided by an estimate of the current home value. The current home value is derived from FHFA data. FHFA provides historical information on home price depreciation at both the Metropolitan Statistical Area and state level. This information is matched to each loan to estimate the home price depreciation. Data is accumulated from the loan level to determine the current loan-to-value ratio for the security as a whole.

A distribution of the amortized cost (after recognition of the other-than-temporary impairment) and fair value by current loan to value ratio for our below investment grade private label residential mortgage-backed securities is as follows (in thousands):

| Current LTV Ratio | Number of Securities | Amortized Cost | Fair Value | Credit Losses Recognized | | | |
|-------------------|----------------------|----------------|------------|--------------------------|---------|----------------------|----------|
| | | | | Three months ended | | Life-to-date | |
| | | | | June 30, 2011 | Amount | Number of Securities | Amount |
| < 70 % | 5 | \$28,550 | \$26,598 | – | \$– | – | \$– |
| 70 < 75 | – | – | – | – | – | – | – |
| 75 < 80 | 3 | 38,159 | 35,453 | – | – | – | – |
| 80 < 85 | 2 | 29,636 | 26,927 | 1 | 255 | 1 | 3,603 |
| >= 85 | 50 | 373,051 | 318,343 | 33 | 4,048 | 43 | 56,904 |
| Total | 60 | \$469,396 | \$407,321 | 34 | \$4,303 | 44 | \$60,507 |

Remaining credit enhancement is the amount of credit enhancement available to absorb current projected losses within the pool of loans that support the security. The Company acquires the benefit of credit enhancement by investing in super-senior tranches for many of our residential mortgage-backed securities. Subordinated tranches held by other investors are specifically designed to absorb losses before the super-senior tranches which effectively doubled the typical credit support for these types of bonds. Current projected losses consider depreciation of home prices based on FHFA data, estimated costs and additional losses to liquidate collateral and delinquency status of the individual loans underlying the security.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities for which the Company had previously recognized other-than-temporary impairment charges in earnings and other comprehensive income, the Company recognized \$4.3 million of additional credit loss impairments in earnings during the second quarter of 2011. The Company also recognized a \$521 thousand other-than-temporary impairment on certain below investment grade municipal securities based on an assessment of the issuer's on-going financial difficulties. See additional discussion regarding the development of the fair value of the bonds in Note 12.

The following is a tabular roll forward of the amount of credit-related OTTI recognized on available for sale debt securities in earnings (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Balance of credit-related OTTI recognized on available for sale debt, beginning of period | \$57,223 | \$29,367 | \$52,624 | \$25,142 |
| Additions for credit-related OTTI not previously recognized | 37 | 791 | 37 | 1,789 |
| Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost | 4,787 | 1,855 | 9,386 | 5,082 |
| Balance of credit-related OTTI recognized on available for sale debt securities, end of period | \$62,047 | \$32,013 | \$62,047 | \$32,013 |

Mortgage Trading Securities

Mortgage trading securities are residential mortgage-backed securities issued by U.S. government agencies that have been designated as an economic hedge of the mortgage servicing rights and are separately identified on the balance sheet. The Company has elected to carry these securities at fair value with changes in fair value being recognized in earnings as they occur. Mortgage trading securities were carried at their fair value of \$553 million at June 30, 2011 with a net unrealized gain of \$5.7 million. Mortgage trading securities were carried at their fair value of \$428 million at December 31, 2010, with a net unrealized loss of \$5.6 million and fair value of \$535 million at June 30, 2010 with a net unrealized gain of \$14 million. The Company recognized a net gain of \$9.9 million and \$6.4 million on mortgage trading securities for the three and six months ended June 30, 2011, respectively. The Company recognized net gains of \$14.6 million and \$15.1 million on mortgage trading securities for the three and six months ended June 30, 2010, respectively.

(3) Derivatives

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at June 30, 2011 (in thousands):

| | Gross Basis | | | | Net Basis ² | |
|--|-----------------------|------------|-----------------------|------------|------------------------|-------------|
| | Assets | | Liabilities | | Assets | Liabilities |
| | Notional ¹ | Fair Value | Notional ¹ | Fair Value | Fair Value | Fair Value |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | \$8,258,239 | \$114,945 | \$8,096,551 | \$113,534 | \$91,439 | \$90,028 |
| Energy contracts | 1,917,521 | 158,922 | 2,094,878 | 157,998 | 51,820 | 50,896 |
| Agricultural contracts | 125,644 | 6,025 | 132,573 | 5,961 | 1,847 | 1,783 |
| Foreign exchange contracts | 78,471 | 78,471 | 78,572 | 78,572 | 78,471 | 78,572 |
| CD options | 181,964 | 18,112 | 181,964 | 18,112 | 18,112 | 18,112 |
| Total customer derivative before cash collateral | 10,561,839 | 376,475 | 10,584,538 | 374,177 | 241,689 | 239,391 |
| Less: cash collateral | – | – | – | – | (14,014) | (65,474) |
| Total customer derivatives | 10,561,839 | 376,475 | 10,584,538 | 374,177 | 227,675 | 173,917 |

| | | | | | | |
|--|--------------|-----------|--------------|-----------|-----------|-----------|
| Interest rate risk management programs | 44,000 | 2,212 | – | – | 2,212 | – |
| Total derivative contracts | \$10,605,839 | \$378,687 | \$10,584,538 | \$374,177 | \$229,887 | \$173,917 |

¹Notional amounts for commodity contracts are converted into dollar-equivalent amounts based on dollar prices at the inception of the contract.

²Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

When bilateral netting agreements exist between the Company and its counterparties that create a single legal claim or obligation to pay or receive the net amount in settlement of the individual derivative contracts, the Company reports derivative assets and liabilities on a net by counterparty basis.

Derivative contracts may also require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. As of June 30, 2011, a decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$70 million.

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2010 (in thousands):

| | Gross Basis | | | | Net Basis ² | |
|--|-----------------------|------------|-----------------------|------------|------------------------|-------------|
| | Assets | | Liabilities | | Assets | Liabilities |
| | Notional ¹ | Fair Value | Notional ¹ | Fair Value | Fair Value | Fair Value |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | \$ 11,664,409 | \$ 235,961 | \$ 11,524,077 | \$ 233,421 | \$ 141,279 | \$ 138,739 |
| Energy contracts | 1,914,519 | 188,655 | 2,103,923 | 191,075 | 76,746 | 79,166 |
| Agricultural contracts | 183,250 | 10,616 | 186,709 | 10,534 | 4,226 | 4,144 |
| Foreign exchange contracts | 45,014 | 45,014 | 45,014 | 45,014 | 45,014 | 45,014 |
| CD options | 160,535 | 16,247 | 160,535 | 16,247 | 16,247 | 16,247 |
| Total customer derivative before cash collateral | 13,967,727 | 496,493 | 14,020,258 | 496,291 | 283,512 | 283,310 |
| Less: cash collateral | – | – | – | – | (15,017) | (68,987) |
| Total customer derivatives | 13,967,727 | 496,493 | 14,020,258 | 496,291 | 268,495 | 214,323 |
| Interest rate risk management programs | 124,000 | 1,950 | 17,977 | 1,097 | 1,950 | 1,097 |
| Total derivative contracts | \$ 14,091,727 | \$ 498,443 | \$ 14,038,235 | \$ 497,388 | \$ 270,445 | \$ 215,420 |

¹Notional amounts for commodity contracts are converted into dollar-equivalent amounts based on dollar prices at the inception of the contract.

²Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at June 30, 2010 (in thousands):

| | Gross Basis | | | | Net Basis ² | |
|--|-----------------------|------------|-----------------------|------------|------------------------|-------------|
| | Assets | | Liabilities | | Assets | Liabilities |
| | Notional ¹ | Fair Value | Notional ¹ | Fair Value | Fair Value | Fair Value |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | \$ 9,128,247 | \$ 199,965 | \$ 8,975,646 | \$ 198,807 | \$ 153,044 | \$ 151,858 |
| Energy contracts | 2,667,481 | 327,577 | 3,007,643 | 332,804 | 119,537 | 124,764 |
| Agricultural contracts | 236,113 | 6,882 | 242,192 | 6,607 | 936 | 657 |
| Foreign exchange contracts | 54,241 | 54,241 | 54,241 | 54,241 | 54,241 | 54,241 |
| CD options | 107,740 | 6,854 | 107,740 | 6,854 | 6,854 | 6,854 |
| Total customer derivative before cash collateral | 12,193,822 | 595,519 | 12,387,462 | 599,313 | 334,612 | 338,374 |
| Less: cash collateral | – | – | – | – | (7,873) | (38,619) |
| Total customer derivatives | 12,193,822 | 595,519 | 12,387,462 | 599,313 | 326,739 | 299,755 |

| | | | | | | |
|--|--------------|-----------|--------------|-----------|-----------|-----------|
| Interest rate risk management programs | 168,000 | 7,837 | 28,357 | 96 | 7,837 | 96 |
| Total derivative contracts | \$12,361,822 | \$603,356 | \$12,415,819 | \$599,409 | \$334,576 | \$299,851 |

¹Notional amounts for commodity contracts are converted into dollar-equivalent amounts based on dollar prices at the inception of the contract.

²Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

The following summarizes the pre-tax net gains (losses) on derivative instruments and where they are recorded in the income statement (in thousands):

| | Three Months Ended June 30, 2011 | | Three Months Ended June 30, 2010 | |
|--|--|---------------------------------------|--|--|
| | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net |
| Customer Risk Management Programs: | | | | |
| Interest rate contracts | \$24 | \$ – | \$(800) | \$ – |
| Energy contracts | 912 | – | 2,549 | – |
| Agricultural contracts | 92 | – | 203 | – |
| Foreign exchange contracts | 75 | – | 84 | – |
| CD options | – | – | – | – |
| Total Customer Derivatives | 1,103 | – | 2,036 | – |
| Interest Rate Risk Management Programs | – | 1,225 | – | 7,552 |
| Total Derivative Contracts | \$1,103 | \$ 1,225 | \$2,036 | \$ 7,552 |

| | Six Months Ended June 30, 2011 | | Six Months Ended June 30, 2010 | |
|--|--|--|--|--|
| | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net |
| Customer Risk Management Programs: | | | | |
| Interest rate contracts | \$(2,512) | \$ – | \$763 | \$ – |
| Energy contracts | 4,399 | – | 3,997 | – |
| Agricultural contracts | 160 | – | 396 | – |
| Foreign exchange contracts | 183 | – | 174 | – |
| CD options | – | – | – | – |
| Total Customer Derivatives | 2,230 | – | 5,330 | – |
| Interest Rate Risk Management Programs | – | (1,348) | – | 6,676 |
| Total Derivative Contracts | \$2,230 | \$ (1,348) | \$5,330 | \$ 6,676 |

Customer Risk Management Programs

BOK Financial offers programs to permit its customers to manage various risks, including fluctuations in energy, cattle and other agricultural products, interest rates and foreign exchange rates, or to take positions in derivative contracts. Derivative contracts are executed between the customers and BOK Financial. Offsetting contracts are executed between BOK Financial and other selected counterparties to minimize its risk of changes in commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to customer contracts, except for a fixed pricing spread or fee paid to BOK Financial as profit and compensation for administrative costs and credit risk which is recognized over the life of the contracts and included in other operating revenue – brokerage and trading

revenue.

Interest Rate Risk Management Programs

BOK Financial may use interest rate swaps in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed rate liabilities to floating rate based on LIBOR. Net interest revenue was not significantly impacted by the settlement of amounts receivable or payable on interest rate swaps for the three and six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, BOK Financial had interest rate swaps with a notional value of \$44 million used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

As discussed in Note 5, certain derivative contracts not designated as hedging instruments related to mortgage loan commitments and forward sales contracts are included in Residential mortgage loans held for sale on the Consolidated Balance Sheets. See Note 5, for additional discussion of notional, fair value and impact on earnings of these contracts.

None of these derivative contracts have been designated as hedging instruments.

(4) Loans

Loans are either secured or unsecured based on the type of loan and the financial condition of the borrower. Repayment is generally expected from cash flow or proceeds from the sale of selected assets of the borrower. BOK Financial is exposed to risk of loss on loans due to the borrower's difficulties, which may arise from any number of factors, including problems within the respective industry or local economic conditions. Access to collateral, in the event of borrower default, is reasonably assured through adherence to applicable lending laws and through sound lending standards and credit review procedures.

Performing loans may be renewed under then current collateral value, debt service ratio and other underwriting standards. Nonperforming loans may be renewed and will remain on nonaccrual status. Nonperforming loans renewed will be evaluated and may be charged off if the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value.

Interest is accrued at the applicable interest rate on the principal amount outstanding. Loans are placed on nonaccrual status when, in the opinion of management, full collection of principal or interest is uncertain. Interest previously accrued but not collected is charged against interest income when the loan is placed on nonaccrual status. Payments on nonaccrual loans are applied to principal or reported as interest income, according to management's judgment as to the collectability of principal. Loans may be returned to accruing status when, in the opinion of management, full collection of principal and interest, including principal previously charged off, is probable based on improvements in the borrower's financial condition or a sustained period of performance.

Loan origination and commitment fees and direct loan acquisition and origination costs are deferred and amortized as an adjustment to yield over the life of the loan or over the commitment period, as applicable.

Certain residential mortgage loans originated by the Company are held for sale. All residential mortgage loans originated for sale are carried at fair value based on sales commitments or market quotes. Changes in fair value are recorded in other operating revenue – mortgage banking revenue.

Significant components of the loan portfolio are as follows (in thousands):

| | June 30, 2011 | | | | December 31, 2010 | | | |
|---|---------------|------------------|------------|--------------|-------------------|------------------|------------|--------------|
| | Fixed Rate | Variable Rate | Nonaccrual | Total | Fixed Rate | Variable Rate | Nonaccrual | Total |
| Commercial | \$2,830,388 | \$3,294,843 | \$53,365 | \$6,178,596 | \$2,883,905 | \$3,011,636 | \$38,455 | \$5,933,996 |
| Commercial real estate | 872,696 | 1,200,656 | 110,363 | 2,183,715 | 829,836 | 1,297,148 | 150,366 | 2,277,350 |
| Residential mortgage | 920,063 | 916,241 | 31,693 | 1,867,997 | 851,048 | 939,774 | 37,426 | 1,828,248 |
| Consumer | 292,385 | 210,102 | 4,749 | 507,236 | 369,364 | 229,511 | 4,567 | 603,442 |
| Total | \$4,915,532 | \$5,621,842 | \$200,170 | \$10,737,544 | \$4,934,153 | \$5,478,069 | \$230,814 | \$10,643,036 |
| Accruing loans past due (90 days) ¹ | | | | \$2,341 | | | | \$7,966 |

¹ Excludes residential mortgage loans guaranteed by agencies of the U.S. government

At June 30, 2011, approximately \$4.8 billion or 45% of the total loan portfolio is to businesses and individuals in Oklahoma and \$3.1 billion or 29% of our total loan portfolio is to businesses and individuals in Texas. This geographic concentration subjects the loan portfolio to the general economic conditions within this area.

Commercial loans represent loans for working capital, facilities acquisition or expansion, purchases of equipment and other needs of commercial customers primarily located within our geographical footprint. Commercial loans are underwritten individually and represent on-going relationships based on a thorough knowledge of the customer, the customer's industry and market. While commercial loans are generally secured by the customer's assets including real property, inventory, accounts receivable, operating equipment, interest in mineral rights and other property and may also include personal guarantees of the owners and related parties, the primary source of repayment of the loans is the on-going cash flow from operations of the customer's business. Inherent lending risk is centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with commercial lending policies.

At June 30, 2011, loans to service-related businesses totaled \$1.7 billion or 16% of total loans. Approximately \$1.0 billion of loans in the services category consists of loans with individual balances of less than \$10 million. Loans to

energy-related businesses within the commercial loan classification totaled \$1.7 billion or 16% of total loans. Other loan classes include wholesale / retail, \$1.1 billion; healthcare, \$869 million; manufacturing, \$367 million; other commercial and industrial, \$282 million and integrated food services, \$196 million. Approximately \$2.6 billion or 42% of the commercial portfolio are to businesses in Oklahoma and \$2.0 billion or 32% of our commercial loan portfolio are to businesses in Texas.

Commercial real estate loans are for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes primarily within our geographical footprint. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project and a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Approximately 28% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 33% of commercial real estate loans are secured by property located in Texas, primarily in the Dallas and Houston areas. The major components of commercial real estate loans are office buildings, \$482 million; retail facilities, \$439 million; other real estate loans, \$398 million; construction and land development, \$367 million; multifamily residences, \$336 million and industrial, \$162 million.

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second-mortgage on the customer's primary residence. Consumer loans include direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as other unsecured loans. Consumer loans also include indirect automobile loans made through primary dealers. Residential mortgage and consumer loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability. Residential mortgage loans retained in the Company's portfolio are primarily composed of various mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals and certain professionals. Jumbo loans may be fixed or variable rate and are fully amortizing. Jumbo loans generally conform to government sponsored entity standards, with exception that the loan size exceeds maximums required under these standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ("LTV") ratios are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

At both June 30, 2011 and December 31, 2010, residential mortgage loans included \$22 million, respectively, of loans with repayment terms that have been modified from the original contracts. Interest accrues based on the modified terms of the loan. If it becomes probable that we will not be able to collect all amounts due according to the modified loan terms, the loan is placed on nonaccrual status and included in nonaccrual loans. At both June 30, 2011, and December 31, 2010, restructured residential mortgage included \$19 million of loans guaranteed by agencies of the U.S. government. At June 30, 2010, \$10 million of renegotiated loans were 90 days or more past due and still accruing interest because they are guaranteed by U.S. government agencies. Renegotiated loans guaranteed by U.S. government agencies may be sold once they become eligible according to U.S. agency guidelines.

At June 30, 2011 and December 31, 2010, residential mortgage loans included \$109 million and \$48 million, respectively, of loans guaranteed by U.S. government agencies previously sold into GNMA mortgage pools. The

Company may repurchase these loans when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At June 30, 2011, outstanding commitments totaled \$5.5 billion. Because some commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily

represent future cash requirements. BOK Financial uses the same credit policies in making commitments as it does loans.

The amount of collateral obtained, if deemed necessary, is based upon management's credit evaluation of the borrower.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At June 30, 2011, outstanding standby letters of credit totaled \$510 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At June 30, 2011, outstanding commercial letters of credit totaled \$7 million.

Allowances for Credit Losses

BOK Financial maintains separate allowances for loan losses and for off-balance sheet credit risk related to commitments to extend credit and standby letters of credit. As discussed in greater detail in Note 5, the Company also has separate allowances related to off-balance sheet credit risk related to residential mortgage loans sold with full or partial recourse and for residential mortgage loans sold to government sponsored agencies under standard representation and warranties.

The allowance for loan losses is assessed by management on a quarterly basis and consists of specific amounts attributed to certain impaired loans, general allowances based on migration factors for unimpaired loans and non-specific allowances based on general economic conditions, risk concentration and related factors. Impairment is individually measured for certain impaired loans and collectively measured for all other loans. There have been no material changes in the approach or techniques utilized in developing the allowances for loan losses and off-balance sheet credit losses.

Internally risk graded loans are evaluated individually for impairment. Non-risk graded loans are collectively evaluated for impairment through past-due status and other relevant factors. Substantially all commercial and commercial real estate loans are risk graded. Certain residential mortgage and consumer loans are also risk graded. Certain commercial loans and most residential mortgage and consumer loans are small balance, homogeneous pools of loans that are not risk graded. Loans are considered to be impaired when it becomes probable that BOK Financial will be unable to collect all amounts due according to the contractual terms of the loan agreements. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. Specific allowances for impaired loans are measured by an evaluation of estimated future cash flows discounted at the loans' initial effective interest rate or the fair value of collateral for certain collateral dependent loans. Historical statistics may be used in limited situation to assist in estimating future cash flows or collateral values, such as when an impaired collateral dependent loan is identified at the end of a reporting period. Historical statistics are a practical way to estimate impairment until an updated appraisal of collateral value is received or a full assessment of future cash flows is completed. Estimates of future cash flows and collateral value require significant judgments and are subject to volatility.

General allowances for unimpaired loans are based on migration models. Separate migration models are used to determine general allowances for commercial and commercial real estate loans, residential mortgage loans and consumer loans. All commercial and commercial real estate loans are risk-graded based on an evaluation of the borrowers' ability to repay. Risk grades are updated quarterly. Migration factors are determined for each risk grade to

determine the inherent loss based on historical trends. An eight-quarter aggregate accumulation of net losses is used as a basis for the migration factors. Losses incurred in more recent periods are more heavily weighted by a sum-of-periods-digits formula. The higher of the current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade. The resulting general allowances may be adjusted upward or downward by management to account for the limitations in migration models which are based entirely on historical data, such as their limited accuracy at the beginning and ending of credit cycles.

- 67 -

The general allowance for residential mortgage loans is based on an eight-quarter average percent of loss. The general allowance for consumer loans is based on an eight-quarter average percent loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans.

Nonspecific allowances are maintained for risks beyond factors specific to a particular loan or identified by the migration models. These factors include trends in the economy in our primary lending areas, conditions in certain industries where we have a concentration and overall growth in the loan portfolio. Evaluation of nonspecific factors considers the effect of the duration of the business cycle on migration factors and also considers current economic conditions and other factors.

A provision for credit losses is charged against earnings in amounts necessary to maintain appropriate allowances for loan and off-balance sheet credit losses. Loans are charged off when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Additionally, all unsecured or under-secured residential mortgage and consumer loans that are past due 180 days are charged off. Recoveries of loans previously charged off are added to the allowance.

Collateral value of real property is generally based on third party appraisals that conform to Uniform Standards of Professional Appraisal Practice, less estimated selling costs. Appraised values are on an "as-is" basis and are not adjusted by the Company. Collateral value of mineral rights is generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other collateral is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values have declined.

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at June 30, 2011 is as follows (in thousands):

| | Collectively Measured for Impairment | | Individually Measured for Impairment | | Total | |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$6,125,434 | \$111,131 | \$53,162 | \$2,440 | \$6,178,596 | \$113,571 |
| Commercial real estate | 2,073,352 | 88,611 | 110,363 | 3,139 | 2,183,715 | 91,750 |
| Residential mortgage | 1,857,112 | 44,254 | 10,885 | 989 | 1,867,997 | 45,243 |
| Consumer | 505,315 | 8,807 | 1,921 | 115 | 507,236 | 8,922 |
| Total | 10,561,213 | 252,803 | 176,331 | 6,683 | 10,737,544 | \$259,486 |
| Nonspecific allowance | — | — | — | — | — | 27,125 |
| Total | \$10,561,213 | \$252,803 | \$176,331 | \$6,683 | \$10,737,544 | \$286,611 |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2010 is as follows (in thousands):

| | Collectively Measured for Impairment | Individually Measured for Impairment | Total |
|--|---|---|-------|
|--|---|---|-------|

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
|------------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| Commercial | \$5,895,674 | \$102,565 | \$38,322 | \$2,066 | \$5,933,996 | \$104,631 |
| Commercial real estate | 2,126,984 | 94,502 | 150,366 | 4,207 | 2,277,350 | 98,709 |
| Residential mortgage | 1,816,184 | 49,500 | 12,064 | 781 | 1,828,248 | 50,281 |
| Consumer | 601,691 | 12,536 | 1,751 | 78 | 603,442 | 12,614 |
| Total | 10,440,533 | 259,103 | 202,503 | 7,132 | 10,643,036 | 266,235 |
| Nonspecific allowance | – | – | – | – | – | 26,736 |
| Total | \$10,440,533 | \$259,103 | \$202,503 | \$7,132 | \$10,643,036 | \$292,971 |

- 68 -

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended June 30, 2011 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|--|-------------|---------------------------|-------------------------|-----------|--------------------------|------------|
| Allowance for loans losses: | | | | | | |
| Beginning balance | \$ 113,706 | \$ 94,535 | \$ 45,649 | \$ 10,410 | \$ 25,249 | \$ 289,549 |
| Provision for loan losses | 980 | 289 | 2,721 | (286) | 1,876 | 5,580 |
| Loans charged off | (3,302) | (3,380) | (3,381) | (2,711) | – | (12,774) |
| Recoveries | 2,187 | 306 | 254 | 1,509 | – | 4,256 |
| Ending balance | \$ 113,571 | \$ 91,750 | \$ 45,243 | \$ 8,922 | \$ 27,125 | \$ 286,611 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$ 12,256 | \$ 875 | \$ 155 | \$ 339 | \$– | \$ 13,625 |
| Provision for off-balance sheet credit losses | (3,020) | 145 | 25 | (30) | – | (2,880) |
| Ending balance | \$ 9,236 | \$ 1,020 | \$ 180 | \$ 309 | \$– | \$ 10,745 |
| Total provision for credit losses | \$ (2,040) | \$ 434 | \$ 2,746 | \$ (316) | \$ 1,876 | \$ 2,700 |

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the six months ended June 30, 2011 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|--|------------|---------------------------|-------------------------|-------------|--------------------------|------------|
| Allowance for loans losses: | | | | | | |
| Beginning balance | \$ 104,631 | \$ 98,709 | \$ 50,281 | \$ 12,614 | \$ 26,736 | \$ 292,971 |
| Provision for loan losses | 10,836 | 2,665 | (45) | (1,369) | 389 | 12,476 |
| Loans charged off | (5,654) | (10,273) | (6,329) | (5,750) | – | (28,006) |
| Recoveries | 3,758 | 649 | 1,336 | 3,427 | – | 9,170 |
| Ending balance | \$ 113,571 | \$ 91,750 | \$ 45,243 | \$ 8,922 | \$ 27,125 | \$ 286,611 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$ 13,456 | \$ 443 | \$ 131 | \$ 241 | \$– | \$ 14,271 |
| Provision for off-balance sheet credit losses | (4,220) | 577 | 49 | 68 | – | (3,526) |
| Ending balance | \$ 9,236 | \$ 1,020 | \$ 180 | \$ 309 | \$– | \$ 10,745 |
| Total provision for credit losses | \$ 6,616 | \$ 3,242 | \$ 4 | \$ (1,301) | \$ 389 | \$ 8,950 |

Credit Quality Indicators

The Company utilizes risk grading as a primary credit quality indicator. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk graded based on a quarterly evaluation of the borrowers' ability to repay the loans. Certain commercial loans and most residential mortgage and consumer loans are small, homogeneous pools that are not risk graded. These loans are collectively evaluated for impairment

primarily through past due status.

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at June 30, 2011 is as follows (in thousands):

| | Internally Risk Graded | | Non-Graded | | Total | |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$6,159,735 | \$111,392 | \$18,861 | \$2,179 | \$6,178,596 | \$113,571 |
| Commercial real estate | 2,183,715 | 91,750 | – | – | 2,183,715 | 91,750 |
| Residential mortgage | 350,986 | 7,911 | 1,517,011 | 37,332 | 1,867,997 | 45,243 |
| Consumer | 220,222 | 1,877 | 287,014 | 7,045 | 507,236 | 8,922 |
| Total | 8,914,658 | 212,930 | 1,822,886 | 46,556 | 10,737,544 | 259,486 |
| Nonspecific allowance | – | – | – | – | – | 27,125 |
| Total | \$8,914,658 | \$212,930 | \$1,822,886 | \$46,556 | \$10,737,544 | \$286,611 |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at December 31, 2010 is as follows (in thousands):

| | Internally Risk Graded | | Non-Graded | | Total | |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$5,914,178 | \$102,259 | \$19,818 | \$2,372 | \$5,933,996 | \$104,631 |
| Commercial real estate | 2,277,350 | 98,709 | – | – | 2,277,350 | 98,709 |
| Residential mortgage | 451,874 | 8,356 | 1,376,374 | 41,925 | 1,828,248 | 50,281 |
| Consumer | 246,350 | 1,881 | 357,092 | 10,733 | 603,442 | 12,614 |
| Total | 8,889,752 | 211,205 | 1,753,284 | 55,030 | 10,643,036 | 266,235 |
| Nonspecific allowance | – | – | – | – | – | 26,736 |
| Total | \$8,889,752 | \$211,205 | \$1,753,284 | \$55,030 | \$10,643,036 | \$292,971 |

Loans are considered to be performing if they are in compliance with the original terms of the agreement which is consistent with the regulatory guideline of “pass.” Performing also includes loans considered to be “other loans especially mentioned” by regulatory guideline. Other loans especially mentioned are in compliance with the original terms of the agreement but may have a weakness that deserves management’s close attention. Performing loans also include past due residential mortgages that are guaranteed by agencies of the U.S. government.

The risk grading process identified certain criticized loans as potential problem loans. These loans have a well-defined weakness (e.g. inadequate debt service coverage or liquidity or marginal capitalization; repayment may depend on collateral or other risk mitigation) that may jeopardize liquidation of the debt and represent a greater risk due to deterioration in the financial condition of the borrower. This is consistent with the regulatory guideline for “substandard.” Because the borrowers are still performing in accordance with the original terms of the loan agreements, these loans were not placed in nonaccrual status. Known information does, however, cause concern as to the borrowers’ continued compliance with current repayment terms. Nonaccrual loans represent loans for which full collection of principal and interest is uncertain. This is substantially the same criteria used to determine whether a loan is impaired and includes certain loans considered “substandard” and all loans considered “doubtful” by regulatory guidelines.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

The following table summarizes the Company's loan portfolio at June 30, 2011 by the risk grade categories (in thousands):

| | Internally Risk Graded | | | Non-Graded | | Total |
|--|------------------------|-------------------|------------------|--------------------|-----------------|---------------------|
| | Performing | Potential Problem | Nonaccrual | Performing | Nonaccrual | |
| Commercial: | | | | | | |
| Energy | \$1,677,809 | \$4,688 | \$345 | \$- | \$- | \$1,682,842 |
| Services | 1,663,313 | 33,490 | 16,254 | - | - | 1,713,057 |
| Wholesale/retail | 1,002,113 | 40,935 | 25,138 | - | - | 1,068,186 |
| Manufacturing | 359,958 | 2,827 | 4,366 | - | - | 367,151 |
| Healthcare | 860,354 | 2,992 | 5,962 | - | - | 869,308 |
| Integrated food services | 194,514 | 1,260 | - | - | - | 195,774 |
| Other commercial and industrial | 258,910 | 3,410 | 1,097 | 18,658 | 203 | 282,278 |
| Total commercial | 6,016,971 | 89,602 | 53,162 | 18,658 | 203 | 6,178,596 |
| Commercial real estate: | | | | | | |
| Construction and land development | 275,077 | 15,750 | 76,265 | - | - | 367,092 |
| Retail | 426,839 | 7,013 | 4,642 | - | - | 438,494 |
| Office | 456,281 | 14,751 | 11,473 | - | - | 482,505 |
| Multifamily | 325,085 | 5,860 | 4,717 | - | - | 335,662 |
| Industrial | 161,879 | 288 | - | - | - | 162,167 |
| Other commercial real estate | 363,491 | 21,038 | 13,266 | - | - | 397,795 |
| Total commercial real estate | 2,008,652 | 64,700 | 110,363 | - | - | 2,183,715 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 326,349 | 13,752 | 10,885 | 783,084 | 17,106 | 1,151,176 |
| Permanent mortgages guaranteed by U.S. government agencies | - | - | - | 134,458 | - | 134,458 |
| Home equity | - | - | - | 578,661 | 3,702 | 582,363 |
| Total residential mortgage | 326,349 | 13,752 | 10,885 | 1,496,203 | 20,808 | 1,867,997 |
| Consumer: | | | | | | |
| Indirect automobile | - | - | - | 159,771 | 2,729 | 162,500 |
| Other consumer | 215,056 | 3,245 | 1,921 | 124,415 | 99 | 344,736 |
| Total consumer | 215,056 | 3,245 | 1,921 | 284,186 | 2,828 | 507,236 |
| Total | \$8,567,028 | \$171,299 | \$176,331 | \$1,799,047 | \$23,839 | \$10,737,544 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

The following table summarizes the Company's loan portfolio at December 31, 2010 by the risk grade categories (in thousands):

| | Internally Risk Graded | | | Non-Graded | | Total |
|--|------------------------|-------------------|-------------------|---------------------|------------------|----------------------|
| | Performing | Potential Problem | Nonaccrual | Performing | Nonaccrual | |
| Commercial: | | | | | | |
| Energy | \$ 1,704,401 | \$ 6,543 | \$ 465 | \$— | \$— | \$ 1,711,409 |
| Services | 1,531,239 | 30,420 | 19,262 | — | — | 1,580,921 |
| Wholesale/retail | 956,397 | 45,363 | 8,486 | — | — | 1,010,246 |
| Manufacturing | 319,075 | 4,000 | 2,116 | — | — | 325,191 |
| Healthcare | 801,525 | 4,566 | 3,534 | — | — | 809,625 |
| Integrated food services | 202,885 | 1,385 | 13 | — | — | 204,283 |
| Other commercial and industrial | 267,949 | 108 | 4,446 | 19,685 | 133 | 292,321 |
| Total commercial | 5,783,471 | 92,385 | 38,322 | 19,685 | 133 | 5,933,996 |
| Commercial real estate: | | | | | | |
| Construction and land development | 326,769 | 21,516 | 99,579 | — | — | 447,864 |
| Retail | 395,094 | 5,468 | 4,978 | — | — | 405,540 |
| Office | 420,899 | 16,897 | 19,654 | — | — | 457,450 |
| Multifamily | 355,733 | 6,784 | 6,725 | — | — | 369,242 |
| Industrial | 177,712 | 294 | 4,087 | — | — | 182,093 |
| Other commercial real estate | 390,969 | 8,849 | 15,343 | — | — | 415,161 |
| Total commercial real estate | 2,067,176 | 59,808 | 150,366 | — | — | 2,277,350 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 420,407 | 19,403 | 12,064 | 730,638 | 20,047 | 1,202,559 |
| Permanent mortgages guaranteed by U.S. government agencies | — | — | — | 72,385 | — | 72,385 |
| Home equity | — | — | — | 547,989 | 5,315 | 553,304 |
| Total residential mortgage | 420,407 | 19,403 | 12,064 | 1,351,012 | 25,362 | 1,828,248 |
| Consumer: | | | | | | |
| Indirect automobile | — | — | — | 237,050 | 2,526 | 239,576 |
| Other consumer | 240,243 | 4,356 | 1,751 | 117,226 | 290 | 363,866 |
| Total consumer | 240,243 | 4,356 | 1,751 | 354,276 | 2,816 | 603,442 |
| Total | \$ 8,511,297 | \$ 175,952 | \$ 202,503 | \$ 1,724,973 | \$ 28,311 | \$ 10,643,036 |

Impaired Loans

Loans are considered to be impaired when it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement.

A summary of risk-graded impaired loans follows (in thousands):

| | As of June 30, 2011 | | | | | For the three months ended June 30, 2011 | For the six months ended June 30, 2011 | | |
|-------------------------------------|--------------------------|----------------|-------------------|----------------|-------------------|--|--|-----------------------------|---------------------|
| | Unpaid Principal Balance | Total | With No Allowance | With Allowance | Related Allowance | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized |
| Commercial: | | | | | | | | | |
| Energy | \$ 345 | \$ 345 | \$ 345 | \$ – | \$ – | \$ 380 | \$ – | \$ 405 | \$ – |
| Services | 26,441 | 16,254 | 15,525 | 729 | 273 | 15,987 | – | 17,758 | – |
| Wholesale/retail | 31,770 | 25,138 | 22,751 | 2,387 | 1,742 | 27,775 | – | 16,812 | – |
| Manufacturing | 9,259 | 4,366 | 2,012 | 2,354 | 259 | 4,456 | – | 3,241 | – |
| Healthcare | 7,659 | 5,962 | 5,103 | 859 | 166 | 4,268 | – | 4,748 | – |
| Integrated food services | – | – | – | – | – | 3 | – | 7 | – |
| Other commercial and industrial | 8,596 | 1,097 | 1,097 | – | – | 2,363 | – | 2,772 | – |
| Total commercial | 84,070 | 53,162 | 46,833 | 6,329 | 2,440 | 55,232 | – | 45,743 | – |
| Commercial real estate: | | | | | | | | | |
| Construction and land development | 115,337 | 76,265 | 65,094 | 11,171 | 1,966 | 83,486 | – | 87,922 | – |
| Retail | 5,652 | 4,642 | 1,855 | 2,787 | 612 | 4,959 | – | 4,810 | – |
| Office | 14,749 | 11,473 | 9,713 | 1,760 | 207 | 13,051 | – | 15,564 | – |
| Multifamily | 5,381 | 4,717 | 4,717 | – | – | 3,309 | – | 5,721 | – |
| Industrial | – | – | – | – | – | – | – | 2,044 | – |
| Other real estate loans | 15,203 | 13,266 | 11,755 | 1,511 | 354 | 13,130 | – | 14,305 | – |
| Total commercial real estate | 156,322 | 110,363 | 93,134 | 17,229 | 3,139 | 117,935 | – | 130,366 | – |
| Residential mortgage: | | | | | | | | | |
| Permanent mortgage | 12,122 | 10,885 | 5,016 | 5,869 | 989 | 11,479 | – | 11,475 | – |
| Home equity | – | – | – | – | – | – | – | – | – |

| | | | | | | | | | |
|----------------------------|------------|------------|------------|-----------|----------|------------|------|------------|------|
| Total residential mortgage | 12,122 | 10,885 | 5,016 | 5,869 | 989 | 11,479 | – | 11,475 | – |
| Consumer: | | | | | | | | | |
| Indirect automobile | – | – | – | – | – | – | – | – | – |
| Other consumer | 2,449 | 1,921 | 1,348 | 573 | 115 | 2,244 | – | 1,836 | – |
| Total consumer | 2,449 | 1,921 | 1,348 | 573 | 115 | 2,244 | – | 1,836 | – |
| Total | \$ 254,963 | \$ 176,331 | \$ 146,331 | \$ 30,000 | \$ 6,683 | \$ 186,890 | \$ – | \$ 189,420 | \$ – |

Generally, no interest income is recognized on impaired loans until all principal balances, including amounts charged-off, have been recovered.

A summary of risk-graded impaired loans at December 31, 2010 follows (in thousands):

| | Unpaid Principal Balance | Recorded Investment | | | Related Allowance |
|-------------------------------------|--------------------------------|---------------------|----------------------|-------------------|----------------------|
| | | Total | With No Allowance | With Allowance | |
| Commercial: | | | | | |
| Energy | \$559 | \$465 | \$404 | \$61 | \$60 |
| Services | 28,579 | 19,262 | 15,985 | 3,277 | 1,227 |
| Wholesale/retail | 14,717 | 8,486 | 7,562 | 924 | 684 |
| Manufacturing | 5,811 | 2,116 | 2,116 | – | – |
| Healthcare | 4,701 | 3,534 | 2,743 | 791 | 95 |
| Integrated food services | 172 | 13 | 13 | – | – |
| Other commercial and industrial | 13,007 | 4,446 | 4,446 | – | – |
| Total commercial | 67,546 | 38,322 | 33,269 | 5,053 | 2,066 |
| Commercial real estate: | | | | | |
| Construction and land development | 138,922 | 99,579 | 84,959 | 14,620 | 2,428 |
| Retail | 6,111 | 4,978 | 1,968 | 3,010 | 514 |
| Office | 25,702 | 19,654 | 18,798 | 856 | 106 |
| Multifamily | 24,368 | 6,725 | 6,129 | 596 | 115 |
| Industrial | 4,087 | 4,087 | – | 4,087 | 723 |
| Other real estate loans | 17,129 | 15,343 | 13,802 | 1,541 | 321 |
| Total commercial real estate | 216,319 | 150,366 | 125,656 | 24,710 | 4,207 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 15,258 | 12,064 | 8,574 | 3,490 | 781 |
| Home equity | – | – | – | – | – |
| Total residential mortgage | 15,258 | 12,064 | 8,574 | 3,490 | 781 |
| Consumer: | | | | | |
| Indirect automobile | – | – | – | – | – |
| Other consumer | 1,909 | 1,751 | 1,506 | 245 | 78 |
| Total consumer | 1,909 | 1,751 | 1,506 | 245 | 78 |
| Total | \$301,032 | \$202,503 | \$169,005 | \$33,498 | \$7,132 |

Investments in impaired loans were as follows (in thousands):

| | June 30, 2011 | Dec. 31, 2010 | June 30, 2010 |
|--|------------------|------------------|------------------|
| Investment in impaired loans | \$176,331 | \$202,503 | \$292,679 |
| Impaired loans with specific allowance for loss | 30,000 | 33,498 | 97,897 |
| Specific allowance balance | 6,683 | 7,132 | 19,578 |
| Impaired loans with no specific allowance for loss | 146,331 | 169,005 | 194,782 |
| Average recorded investment in impaired loans | 186,890 | 262,368 | 319,655 |

Nonaccrual & Past Due Loans

Past due status for all loan classes is based on the actual number of days since the last payment was due according to the contractual terms of the loans.

A summary of loans currently performing, loans 30 to 89 days past due and accruing, loans 90 days or more past due and accruing and nonaccrual loans as of June 30, 2011 is as follows (in thousands):

| | Current | Past Due 30 to 89 Days | 90 Days or More | Nonaccrual | Total |
|--|---------------------|------------------------------|--------------------|------------------|---------------------|
| Commercial: | | | | | |
| Energy | \$1,682,344 | \$153 | \$- | \$345 | \$1,682,842 |
| Services | 1,691,451 | 3,759 | 1,593 | 16,254 | 1,713,057 |
| Wholesale/retail | 1,041,864 | 697 | 487 | 25,138 | 1,068,186 |
| Manufacturing | 362,785 | - | - | 4,366 | 367,151 |
| Healthcare | 863,169 | 177 | - | 5,962 | 869,308 |
| Integrated food services | 195,774 | - | - | - | 195,774 |
| Other commercial and industrial | 280,729 | 192 | 57 | 1,300 | 282,278 |
| Total commercial | 6,118,116 | 4,978 | 2,137 | 53,365 | 6,178,596 |
| Commercial real estate: | | | | | |
| Construction and land development | 288,494 | 2,333 | - | 76,265 | 367,092 |
| Retail | 430,941 | 2,911 | - | 4,642 | 438,494 |
| Office | 468,712 | 2,320 | - | 11,473 | 482,505 |
| Multifamily | 330,945 | - | - | 4,717 | 335,662 |
| Industrial | 161,783 | 384 | - | - | 162,167 |
| Other real estate loans | 381,961 | 2,393 | 175 | 13,266 | 397,795 |
| Total commercial real estate | 2,062,836 | 10,341 | 175 | 110,363 | 2,183,715 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,104,450 | 18,735 | - | 27,991 | 1,151,176 |
| Permanent mortgages guaranteed by U.S. government agencies | 8,426 | 3,728 | 122,304 | - | 134,458 |
| Home equity | 576,203 | 2,450 | 8 | 3,702 | 582,363 |
| Total residential mortgage | 1,689,079 | 24,913 | 122,312 | 31,693 | 1,867,997 |
| Consumer: | | | | | |
| Indirect automobile | 152,496 | 7,256 | 19 | 2,729 | 162,500 |
| Other consumer | 341,683 | 1,031 | 2 | 2,020 | 344,736 |
| Total consumer | 494,179 | 8,287 | 21 | 4,749 | 507,236 |
| Total | \$10,364,210 | \$48,519 | \$124,645 | \$200,170 | \$10,737,544 |

A summary of loans currently performing, loans 30 to 89 days past due and accruing, loans 90 days or more past due and accruing and nonaccrual loans as of December 31, 2010 is as follows (in thousands):

| | Current | Past Due | | Nonaccrual | Total |
|--|---------------------|-----------------|-----------------|------------------|---------------------|
| | | 30 to 89 Days | 90 Days or More | | |
| Commercial: | | | | | |
| Energy | \$1,707,466 | \$507 | \$2,971 | \$465 | \$1,711,409 |
| Services | 1,558,120 | 3,196 | 343 | 19,262 | 1,580,921 |
| Wholesale/retail | 1,001,422 | 315 | 23 | 8,486 | 1,010,246 |
| Manufacturing | 321,102 | 168 | 1,805 | 2,116 | 325,191 |
| Healthcare | 805,124 | 75 | 892 | 3,534 | 809,625 |
| Integrated food services | 204,199 | 71 | – | 13 | 204,283 |
| Other commercial and industrial | 287,357 | 111 | 274 | 4,579 | 292,321 |
| Total commercial | 5,884,790 | 4,443 | 6,308 | 38,455 | 5,933,996 |
| Commercial real estate: | | | | | |
| Construction and land development | 344,016 | 3,170 | 1,099 | 99,579 | 447,864 |
| Retail | 394,445 | 6,117 | – | 4,978 | 405,540 |
| Office | 437,496 | 300 | – | 19,654 | 457,450 |
| Multifamily | 362,517 | – | – | 6,725 | 369,242 |
| Industrial | 177,660 | 346 | – | 4,087 | 182,093 |
| Other real estate loans | 395,320 | 4,301 | 197 | 15,343 | 415,161 |
| Total commercial real estate | 2,111,454 | 14,234 | 1,296 | 150,366 | 2,277,350 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,148,271 | 22,177 | – | 32,111 | 1,202,559 |
| Permanent mortgages guaranteed by U.S. government agencies | 10,451 | 4,342 | 57,592 | – | 72,385 |
| Home equity | 546,384 | 1,605 | – | 5,315 | 553,304 |
| Total residential mortgage | 1,705,106 | 28,124 | 57,592 | 37,426 | 1,828,248 |
| Consumer: | | | | | |
| Indirect automobile | 225,601 | 11,382 | 67 | 2,526 | 239,576 |
| Other consumer | 360,603 | 927 | 295 | 2,041 | 363,866 |
| Total consumer | 586,204 | 12,309 | 362 | 4,567 | 603,442 |
| Total | \$10,287,554 | \$59,110 | \$65,558 | \$230,814 | \$10,643,036 |

(5) Mortgage Banking Activities

The Company originates, markets and services conventional and government-sponsored residential mortgage loans. Generally, conforming fixed-rate residential mortgage loans are held for sale in the secondary market and non-conforming and adjustable-rate residential mortgage loans are held for investment. All residential mortgage loans originated for sale by the Company are carried at fair value based on sales commitments and market quotes. Changes in the fair value of mortgage loans held for sale are included in Other operating revenue – Mortgage banking revenue. Residential mortgage loans held for sale also includes the fair value of residential mortgage loan

commitments and forward sale commitments which are considered derivative contracts that have not been designated as hedging instruments. The volume of mortgage loans originated for sale is the primary driver of originating and marketing revenue.

Residential mortgage loan commitments are generally outstanding for 60 to 90 days, which represents the typical period from commitment to originate a residential mortgage loan to when the closed loan is sold to an investor. Residential mortgage loan commitments are subject to both credit and interest rate risk. Credit risk is managed through underwriting policies and procedures, including collateral requirements, which are generally accepted by the secondary loan markets. Exposure to interest rates fluctuations is partially managed through forward sales of residential mortgage-backed securities and forward sales contracts. These latter contracts set the price for loans that will be delivered in the next 60 to 90 days.

The unpaid principal balance of residential mortgage loans held for sale, notional amounts of derivative contracts related to residential mortgage loans commitments and forward contract sales and their related fair values included in Mortgage loans held for sale on the Consolidated Balance Sheets were (in thousands):

| | June 30, 2011 | | December 31, 2010 | | June 30, 2010 | |
|--|-----------------------------------|------------|-----------------------------------|------------|-----------------------------------|------------|
| | Unpaid Principal Balance/Notional | Fair Value | Unpaid Principal Balance/Notional | Fair Value | Unpaid Principal Balance/Notional | Fair Value |
| Residential mortgage loans held for sale | \$ 162,579 | \$ 167,300 | \$ 253,778 | \$ 254,669 | \$ 227,574 | \$ 229,493 |
| Residential mortgage loan commitments | 156,209 | 2,793 | 138,870 | 2,251 | 189,029 | 5,538 |
| Forward sales contracts | 302,526 | (484) | 396,422 | 6,493 | 407,457 | (7,457) |
| | | \$ 169,609 | | \$ 263,413 | | \$ 227,574 |

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of June 30, 2011, December 31, 2010 or June 30, 2010. No credit losses were recognized on residential mortgage loans held for sale for the three and six month periods ended June 30, 2011 and 2010.

BOK Financial transfers financial assets as part of its mortgage banking activities. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control are met. BOK Financial retains certain obligations to residential mortgage loans transferred and may retain the right to service the assets. The Company may also retain a residual interest in excess cash flows generated by the assets. All assets obtained, including cash, servicing rights and residual interests, and all liabilities incurred, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings as they occur.

Mortgage servicing rights may be recognized when mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Mortgage servicing rights may also be purchased. Both originated or purchased mortgage servicing rights are initially recognized at fair value. The Company has elected to carry all mortgage servicing rights at fair value. Changes in the fair value are recognized in earnings as they occur. The unpaid principal balance of loans serviced for others is the primary driver of servicing revenue.

The following represents a summary of mortgage servicing rights (Dollars in thousands):

| | June 30, 2011 | December 31, 2010 | June 30, 2010 |
|---|---------------|-------------------|---------------|
| Number of residential mortgage loans serviced | 96,578 | 96,443 | 96,152 |
| Outstanding principal balance of residential mortgage loans serviced for others | \$ 11,283,442 | \$ 11,194,582 | \$ 10,991,572 |
| Weighted average interest rate | 5.36 % | 5.44 % | 5.63 % |
| Remaining term (in months) | 291 | 292 | 296 |

Servicing fee income and late charges on loans serviced for others is included Mortgage banking revenue along with revenue from originating and marketing residential mortgage loans, including gains (losses) on residential mortgage loans held for sale and changes in fair value of derivative contracts not designated as hedging instruments related to residential mortgage loan commitments and forward sales contracts, as follows (in thousands):

| | Three months ended | | Six months ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| Originating and marketing revenue: | | | | |
| Residential mortgage loan held for sale | \$10,037 | \$13,528 | \$23,373 | \$21,326 |
| Residential mortgage loan commitments | (702) | 3,072 | 542 | 5,043 |
| Forward sales contracts | 74 | (7,836) | (6,977) | (11,083) |
| Total originating and marketing revenue | 9,409 | 8,764 | 16,938 | 15,286 |
| Servicing revenue | 9,947 | 9,571 | 19,774 | 17,920 |
| Total mortgage banking revenue | \$19,356 | \$18,335 | \$36,712 | \$33,206 |

- 77 -

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2011 is as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|-----------|
| Balance at March 31, 2011 | \$38,343 | \$82,002 | \$120,345 |
| Additions, net | – | 5,798 | 5,798 |
| Change in fair value due to loan runoff | (1,218) | (2,240) | (3,458) |
| Change in fair value due to market changes | (4,259) | (9,234) | (13,493) |
| Balance at June 30, 2011 | \$32,866 | \$76,326 | \$109,192 |

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2011 is as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|-----------|
| Balance at December 31, 2010 | \$37,900 | \$77,823 | \$115,723 |
| Additions, net | – | 10,767 | 10,767 |
| Change in fair value due to loan runoff | (2,551) | (4,383) | (6,934) |
| Change in fair value due to market changes | (2,483) | (7,881) | (10,364) |
| Balance at June 30, 2011 | \$32,866 | \$76,326 | \$109,192 |

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2010 is as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|-----------|
| Balance at March 31, 2010 | \$51,919 | \$67,147 | \$119,066 |
| Additions, net | – | 5,161 | 5,161 |
| Change in fair value due to loan runoff | (1,313) | (4,514) | (5,827) |
| Change in fair value due to market changes | (13,160) | (6,298) | (19,458) |
| Balance at June 30, 2010 | \$37,446 | \$61,496 | \$98,942 |

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2010 is as follows (in thousands):

| | Purchased | Originated | Total |
|---|-----------|------------|-----------|
| Balance at December 31, 2009 | \$7,828 | \$65,996 | \$73,824 |
| Additions, net | 31,892 | 10,362 | 42,254 |
| Change in fair value due to loan runoff | (2,641) | (8,969) | (11,610) |
| Gain on purchase of mortgage servicing rights | 11,832 | – | 11,832 |
| Change in fair value due to market changes | (11,465) | (5,893) | (17,358) |
| Balance at June 30, 2010 | \$37,446 | \$61,496 | \$98,942 |

During the first quarter of 2010, the Company purchased the rights to service approximately 34 thousand residential mortgage loans with an outstanding principal balance of \$4.2 billion. The loans to be serviced are primarily concentrated in New Mexico and predominantly held by Fannie Mae, Ginnie Mae and Freddie Mac. The cash purchase price was \$32 million. The acquisition date fair value of the servicing rights was approximately \$43.7 million based upon independent valuation analyses which were further supported by assumptions and models the Company regularly uses to value its existing portfolio of servicing rights. The \$11.8 million difference between the purchase price and acquisition date fair value was directly attributable to the seller's distressed financial condition.

Changes in the fair value of mortgage servicing rights are included in Other operating expense in the Consolidated Statements of Earnings. Changes in fair value due to loan runoff are included in Mortgage banking costs. Changes in fair value due to market changes are reported separately. Changes in fair value due to market changes during the period relate to assets held at the reporting date.

- 78 -

There is no active market for trading in mortgage servicing rights after origination. Fair value is determined by discounting the projected net cash flows. Significant assumptions considered significant unobservable inputs used to determine fair value are:

| | June 30, 2011 | | December 31, 2010 | | June 30, 2010 | |
|---|-------------------|---|----------------------|---|------------------|---|
| Discount rate – risk-free rate plus a market premium | 10.36 | % | 10.36 | % | 10.38 | % |
| Prepayment rate – based upon loan interest rate, original term and loan type | 10.26% - 38.37 | % | 6.53% - 23.03 | % | 8.3% - 34.5 | % |
| Loan servicing costs – annually per loan based upon loan type | \$55 - \$105 | | \$35 - \$60 | | \$35 - \$60 | |
| Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life | 2.02 | % | 2.21 | % | 1.34 | % |

The Company is exposed to interest rate risk as benchmark mortgage interest rates directly affect the prepayment speeds used in valuing our mortgage servicing rights, which is partially managed through forward sales of residential mortgage-backed securities and forward sales contracts. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of BOK Financial's servicing portfolio. At least annually, the Company requests estimates of fair value from outside sources to corroborate the results of the valuation model. There have been no changes in the techniques used to value mortgage servicing rights.

Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at June 30, 2011 follows (in thousands):

| | < 4.50% | 4.50% - 5.49 | 5.50% - 6.49 | > 6.49% | Total |
|--|--------------|-----------------|-----------------|--------------|---------------|
| Fair value | \$ 10,120 | \$62,499 | \$31,015 | \$ 5,558 | \$ 109,192 |
| Outstanding principal of loans serviced ¹ | \$ 1,144,667 | \$5,496,830 | \$3,339,781 | \$ 1,302,164 | \$ 11,283,442 |
| Weighted average prepayment rate ² | 11.16 | % 10.26 | % 17.27 | % 38.37 | % 15.67 |

1 Excludes outstanding principal of \$833 million for loans serviced for affiliates

2 Annual prepayment estimates based upon loan interest rate, original term and loan type

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At June 30, 2011, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by \$0.7 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedge by \$7.1 million. In our model, changes in the value of our servicing rights due to changes in interest rates assume stable relationships between mortgage rates and prepayment speeds. Changes in market conditions can cause variations from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

The aging status of our mortgage loans service for others by investor at June 30, 2011 follows (in thousands):

| | Current | 30 to 59 Days | Past Due 60 to 89 Days | 90 Days or More | Total |
|-------|--------------|------------------|------------------------------|--------------------|--------------|
| FHLMC | \$5,469,151 | \$47,973 | \$15,238 | \$62,673 | \$5,595,035 |
| FNMA | 1,333,645 | 23,490 | 5,728 | 26,039 | 1,388,902 |
| GNMA | 3,541,114 | 127,350 | 33,900 | 120,756 | 3,823,120 |
| Other | 447,872 | 9,991 | 3,077 | 15,445 | 476,385 |
| Total | \$10,791,782 | \$208,804 | \$57,943 | \$224,913 | \$11,283,442 |

- 79 -

The Company has off-balance sheet credit risk related to residential mortgage loans sold with recourse prior to 2008 under various community development programs. These loans consist of first lien, fixed rate residential mortgage loans sold to U.S. government agencies and underwritten to standards approved by the agencies including full documentation and originated under programs available only for owner-occupied properties. However, these loans have a higher risk of delinquency and loss given default than traditional residential mortgage loans. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representation and warranties. The recourse obligation relates to loan performance for the life of the loan and the Company is obligated to repurchase the loan at the time of foreclosure for the unpaid principal balance plus unpaid interest. The principal balance of residential mortgage loans sold subject to recourse obligations totaled \$274 million at June 30, 2011, \$289 million at December 31, 2010 and \$311 million at June 30, 2010. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets totaling \$18 million at June 30, 2011, \$17 million at December 31, 2010 and \$14 million at June 30, 2010. At June 30, 2011, approximately 6% of the loans sold with recourse with an outstanding principal balance of \$16 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 5% with an outstanding balance of \$14 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

The activity in the allowance for losses on loans sold with recourse included in Other liabilities in the Consolidated Balance Sheets is summarized as follows (in thousands):

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Beginning balance | \$16,487 | \$13,781 | \$16,667 | \$13,781 |
| Provision for recourse losses | 2,532 | 1,568 | 3,326 | 2,867 |
| Loans charged off, net | (1,479) | (1,568) | (2,453) | (2,867) |
| Ending balance | \$17,540 | \$13,781 | \$17,540 | \$13,781 |

The Company also has off-balance sheet credit risk for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements. As of June 30, 2011, less than 10% of purchase requests made in 2010 and 2011 have resulted in actual repurchases or indemnification by the Company. For the six months ended June 30, 2011, we have repurchased 2 loans for \$361 thousand from the agencies. No losses have been incurred on these loans as of June 30, 2011. At June 30, 2011, we have unresolved deficiency requests from the agencies on 166 loans with an aggregate outstanding principal balance of \$27 million. During 2010, the Company established an accrual for credit losses related to potential loan repurchases under representations and warranties which is included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statement of Earnings. This accrual totals \$2.1 million at June 30, 2011. No amounts have been charged against this allowance as of June 30, 2011.

(6) Employee Benefits

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. The Company recognized periodic pension expense of \$1.2 million and \$955 thousand for the three months ended June 30, 2011 and 2010, respectively and \$1.9 million and \$1.6 million for the six months ended June 30, 2011 and 2010, respectively. The Company made no Pension Plan contributions during the six months ended June 30, 2011 and 2010.

Management has been advised that the maximum allowable contribution for 2011 is \$28 million. No minimum contribution is required for 2011.

(7) Commitments and Contingent Liabilities

BOSC, Inc. has been joined as a defendant in a putative class action brought on behalf of unit holders of SemGroup Energy Partners, LP in the United States District Court for the Northern District of Oklahoma. The lawsuit is brought pursuant to Sections 11 and 12(a)(2) of the Securities Act of 1933 against all of the underwriters of issuances of partnership units in the Initial Public Offering in July 2007 and in a Secondary Offering in January 2008. BOSC underwrote \$6.25 million of units in the Initial Public Offering. BOSC was not an underwriter in the Secondary Offering. Counsel for BOSC believes BOSC has valid defenses to the claims asserted in the litigation. A

- 80 -

definitive settlement agreement among the issuer, the underwriters, and all parties to the litigation has been reached at no material loss to the Company. The definitive agreement has been preliminarily approved by the Court and is set for hearing for final approval.

In 2010, Bank of Oklahoma, National Association, was named as a defendant in three putative class actions alleging that the manner in which the bank posted charges to its consumer deposit accounts breached an implied obligation of good faith and fair dealing and violates the Oklahoma Consumer Protection Act. The actions also allege that the manner in which the bank posted charges to its consumer demand deposit accounts is unconscionable, constitutes conversion and unjustly enriches the bank. Two of the actions are pending in the District Court of Tulsa County. The third action, originally brought in the United State District Court for the Western District of Oklahoma, has been transferred to Multi-District Litigation in the Southern District of Florida. Each of the three actions seeks to establish a class consisting of all consumer customers of the bank. The amount claimed by the plaintiffs has not been determined, but could be material. Management has been advised by counsel that, in its opinion, the Company's overdraft policies meet all requirements of law and the Bank has substantial defenses to the claims. Based on currently available information, management has established an accrual within a reasonable range of probable losses and anticipates the claims will be resolved without material loss to the Company.

As a member of Visa, BOK Financial is obligated for a proportionate share of certain covered litigation losses incurred by Visa under a retrospective responsibility plan. A contingent liability was recognized for the Company's share of Visa's covered litigation liabilities. The contingent liability totaled \$774 thousand at June 30, 2011. Visa funded an escrow account to cover litigation claims, including covered litigation losses under the retrospective responsibility plan, with proceeds from its initial public offering in 2008 and from available cash. BOK Financial recognized a \$774 thousand receivable for its proportionate share of this escrow account.

BOK Financial currently owns 251,837 Visa Class B shares which are convertible into Visa Class A shares at the later of three years after the date of Visa's initial public offering or the final settlement of all covered litigation. The current exchange rate is approximately 0.4881 Class A shares for each Class B share. However, the Company's Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. Therefore, no value has been currently assigned to the Class B shares and no value may be assigned until the Class B shares are converted into a known number of Class A shares.

At June 30, 2011, Cavanal Hill Funds' assets included \$1.0 billion of U.S. Treasury, \$863 million of cash management and \$337 million of tax-free money market funds. Assets of these funds consist of highly-rated, short-term obligations of the U.S. Treasury, corporate issuers and U.S. states and municipalities. The net asset value of units in these funds was \$1.00 at June 30, 2011. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at \$1.00. No assets were purchased from the funds in 2011 or 2010.

Cottonwood Valley Ventures, Inc. ("CVV, Inc."), an indirectly wholly-owned subsidiary of BOK Financial, is being audited by the Oklahoma Tax Commission ("OTC") for tax years 2007 through 2009. CVV, Inc. is a qualified venture capital company under the applicable Oklahoma statute. As authorized by the statute, CVV, Inc. guarantees transferable Oklahoma state income tax credits by providing direct debt financing to private companies which qualify as statutory business ventures. Due to certain statutory limitations on utilization of such credits, CVV, Inc. must sell the majority of the credits to provide the economic incentives provided for by the statute. In the event that the OTC disallows any of the credits, CVV, Inc. would be required to indemnify purchasers for the tax credits disallowed. Management does not anticipate that this audit will have a material adverse impact to the financial statements.

BOKF Equity, LLC, an indirect wholly-owned subsidiary, is the general partner of two consolidated private equity funds (“the Funds”). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through unaffiliated limited partnerships. These unaffiliated limited partnerships generally invest in distressed assets, asset buy-outs or venture capital companies. At June 30, 2011, the Funds’ assets, included in Other assets on the Consolidated Balance Sheets, totaled \$28 million. The Funds have no debt. The general partner has contingent obligations to make additional investments totaling \$14 million at June 30, 2011, substantially all of which are offset by limited partner commitments. The Company does not accrue its contingent liability to fund investments.

- 81 -

The Company agreed to guarantee rents totaling \$28.7 million through September of 2017 to the City of Tulsa (“City”) as owner of a building immediately adjacent to the Bank’s main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$18.6 million at June 30, 2011. Current leases expire or are subject to lessee termination options at various dates in 2012 and 2014. Our obligation under the agreement would be affected by lessee decisions to exercise these options. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City through September 2017 from rental of space that was vacant at the inception of the agreement. Approximately 42 thousand square feet of this additional space has been rented to outside parties since the date of the agreement. The maximum amount that the Company may receive under this agreement is \$4.5 million.

In the ordinary course of business, BOK Financial and its subsidiaries are subject to legal actions and complaints. Management believes, based upon the opinion of counsel, that the actions and liability or loss, if any, resulting from the final outcomes of the proceedings, will not have a material effect on the Company’s financial condition, results of operations or cash flows.

(8) Shareholders’ Equity

On July 26, 2011, the Board of Directors of BOK Financial approved a \$0.275 per share quarterly common stock dividend. The quarterly dividend will be payable on or about August 26, 2011 to shareholders of record as of August 12, 2011.

Dividends declared during the three and six month periods ended June 30, 2011 were \$0.275 per share and \$0.525 per share, respectively. Dividends declared during the three and six months ended June 30, 2010 were \$0.25 per share and \$0.49 per share, respectively.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) (“AOCI”) includes unrealized gains and losses on available for sale securities and accumulated gains or losses on effective cash flow hedges, including hedges of anticipated transactions. Gains and losses in AOCI are net of deferred income taxes. Accumulated losses on the rate lock hedge of the 2005 subordinated debenture issuance will be reclassified into income over the ten-year life of the debt. Unrealized losses on employee benefit plans will be reclassified into income as pension plan costs are recognized over the remaining service period of plan participants. A rollforward of the components of accumulated other comprehensive income (loss) is includes as follows (in thousands):

| | Unrealized Gain (Loss) On Available For Sale Securities | Non-Credit Related Unrealized Losses on OTTI Securities ¹ | Accumulated (Loss) on Effective Cash Flow Hedges | Unrealized (Loss) On Employee Benefit Plans | Total |
|---|--|---|--|--|-------------|
| Balance at December 31, 2009 | \$59,772 | \$(53,000) | \$(1,039) | \$(16,473) | \$(10,740) |
| Net change in unrealized gains (losses) on securities | 195,882 | 12,006 | – | – | 207,888 |
| Unrealized loss on newly identified other-than-temporary securities | 20,667 | (20,667) | – | – | – |
| Credit losses recognized in earnings | – | 6,871 | – | – | 6,871 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|---|-----------|-------------|----------|-------------|-----------|
| Tax benefit (expense) on unrealized gains (losses) | (83,845) | 945 | – | (145) | (83,045) |
| Reclassification adjustment for (gains) losses realized and included in net income | (12,545) | – | 136 | – | (12,409) |
| Reclassification adjustment for tax expense (benefit) on realized gains (losses) | 4,886 | – | (53) | – | 4,833 |
| Unrealized gains on employee benefit plans | – | – | – | 373 | 373 |
| Balance at June 30, 2010 | \$184,817 | \$(53,845) | \$(956) | \$(16,245) | \$113,771 |
| Balance at December 31, 2010 | \$157,770 | \$(35,276) | \$(878) | \$(13,777) | \$107,839 |
| Net change in unrealized gains (losses) on securities | 73,466 | (9,448) | – | – | 64,018 |
| Credit losses recognized in earnings | – | 9,349 | – | – | 9,349 |
| Transfer from Non-Credit Related Unrealized Losses on OTTI Securities to unrealized gain on available for sale securities | 180 | (180) | – | – | – |
| Tax benefit (expense) on unrealized gains (losses) | (29,372) | 662 | – | – | (28,710) |
| Reclassification adjustment for (gains) losses realized and included in net income | (10,370) | – | 156 | – | (10,214) |
| Reclassification adjustment for tax expense (benefit) on realized gains (losses) | 4,034 | – | (61) | – | 3,973 |
| Unrealized gains on employee benefit plans | – | – | – | – | – |
| Balance at June 30, 2011 | \$195,708 | \$(34,893) | \$(783) | \$(13,777) | \$146,255 |

1 Represents changes in unrealized losses recognized in AOCI on available for sale securities for which an other-than-temporary impairment (“OTTI”) was recorded in earnings.

(9) Earnings Per Share

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income | \$69,007 | \$63,522 | \$133,781 | \$123,655 |
| Earnings allocated to participating securities | (559) | (434) | (1,020) | (767) |
| Numerator for basic earnings per share – income available to common shareholders | 68,448 | 63,088 | 132,761 | 122,888 |
| Effect of reallocating undistributed earnings of participating securities | 2 | 1 | 3 | 2 |
| Numerator for diluted earnings per share – income available to common shareholders | \$68,450 | \$63,089 | \$132,764 | \$122,890 |
| Denominator: | | | | |
| Weighted average shares outstanding | 68,451,428 | 68,069,864 | 68,419,699 | 68,018,225 |
| Less: Participating securities included in weighted average shares outstanding | (552,945) | (464,057) | (519,420) | (418,876) |
| Denominator for basic earnings per common share | 67,898,483 | 67,605,807 | 67,900,279 | 67,599,349 |
| Dilutive effect of employee stock compensation plans ¹ | 271,002 | 274,780 | 272,903 | 236,257 |
| Denominator for diluted earnings per common share | 68,169,485 | 67,880,587 | 68,173,182 | 67,835,606 |
| Basic earnings per share | \$1.01 | \$0.93 | \$1.96 | \$1.82 |
| Diluted earnings per share | \$1.00 | \$0.93 | \$1.95 | \$1.81 |
| ¹ Excludes employee stock options with exercise prices greater than current market price. | 785,686 | 601,361 | 771,343 | 1,018,503 |

(10) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2011 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Tax-Equivalent Adjustment | Funds Management and Other | BOK Financial Consolidated |
|--|------------|-----------|----------------------|------------------------------|----------------------------------|----------------------------------|
| Net interest revenue from external sources | \$86,067 | \$21,357 | \$7,184 | \$2,261 | \$57,132 | \$174,001 |
| Net interest revenue (expense) from internal sources | (7,225) | 7,597 | 3,476 | – | (3,848) | – |
| Total net interest revenue | 78,842 | 28,954 | 10,660 | 2,261 | 53,284 | 174,001 |
| Other operating revenue | 36,104 | 46,340 | 42,699 | – | 6,027 | 131,170 |
| Operating expense | 54,594 | 58,130 | 46,899 | – | 26,695 | 186,318 |
| Provision for credit losses | 4,660 | 3,435 | 836 | – | (6,231) | 2,700 |
| Decrease in fair value of mortgage | – | (13,493) | – | – | – | (13,493) |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | | | |
|--|--------------|--------------|--------------|----------|--------------|---------------|-------|---|
| service rights | | | | | | | | |
| Gain on financial instruments, net | – | 11,145 | – | – | 645 | 11,790 | | |
| Loss on repossessed assets, net | (3,147) | (229) | – | – | (22) | (3,398) | | |
| Income before taxes | 52,545 | 11,152 | 5,624 | 2,261 | 39,470 | 111,052 | | |
| Federal and state income tax | 20,440 | 4,338 | 2,188 | – | 12,391 | 39,357 | | |
| Net income | 32,105 | 6,814 | 3,436 | 2,261 | 27,079 | 71,695 | | |
| Net income attributable to non-controlling interest | – | – | – | – | 2,688 | 2,688 | | |
| Net income attributable to BOK Financial Corporation | \$ 32,105 | \$ 6,814 | \$ 3,436 | \$ 2,261 | \$ 24,391 | \$ 69,007 | | |
| Average assets | \$ 9,393,935 | \$ 5,819,151 | \$ 3,659,617 | \$ – | \$ 5,106,532 | \$ 23,979,235 | | |
| Average invested capital | 867,491 | 271,353 | 176,069 | – | 1,335,976 | 2,650,889 | | |
| Performance measurements: | | | | | | | | |
| Return on average assets | 1.37 | % | 0.47 | % | 0.38 | % | 1.15 | % |
| Return on average invested capital | 14.84 | % | 10.07 | % | 7.83 | % | 10.44 | % |
| Efficiency ratio | 47.50 | % | 77.20 | % | 87.89 | % | 62.23 | % |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2011 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Tax-Equivalent Adjustment | Funds Management and Other | BOK Financial Consolidated | | |
|--|--------------|--------------|----------------------|------------------------------|----------------------------------|----------------------------------|-------|---|
| Net interest revenue from external sources | \$ 170,020 | \$ 40,022 | \$ 14,713 | \$ 4,582 | \$ 115,303 | \$ 344,640 | | |
| Net interest revenue (expense) from internal sources | (16,270) | 16,655 | 6,219 | – | (6,604) | – | | |
| Total net interest revenue | 153,750 | 56,677 | 20,932 | 4,582 | 108,699 | 344,640 | | |
| Other operating revenue | 71,610 | 89,760 | 82,558 | – | 10,448 | 254,376 | | |
| Operating expense | 107,112 | 113,269 | 90,086 | – | 53,098 | 363,565 | | |
| Provision for credit losses | 11,437 | 7,035 | 1,280 | – | (10,802) | 8,950 | | |
| Decrease in fair value of mortgage service rights | – | (10,364) | – | – | – | (10,364) | | |
| Gain on financial instruments, net | – | 5,208 | 18 | – | 936 | 6,162 | | |
| Loss on repossessed assets, net | (6,731) | (421) | – | – | (577) | (7,729) | | |
| Income before taxes | 100,080 | 20,556 | 12,142 | 4,582 | 77,210 | 214,570 | | |
| Federal and state income tax | 38,931 | 7,996 | 4,723 | – | 26,459 | 78,109 | | |
| Net income | 61,149 | 12,560 | 7,419 | 4,582 | 50,751 | 136,461 | | |
| Net income attributable to non-controlling interest | – | – | – | – | 2,680 | 2,680 | | |
| Net income attributable to BOK Financial Corporation | \$ 61,149 | \$ 12,560 | \$ 7,419 | \$ 4,582 | \$ 48,071 | \$ 133,781 | | |
| Average assets | \$ 9,283,264 | \$ 5,940,101 | \$ 3,643,497 | \$ – | \$ 4,982,749 | \$ 23,849,611 | | |
| Average invested capital | 865,439 | 272,301 | 175,505 | – | 1,294,836 | 2,608,081 | | |
| Performance measurements: | | | | | | | | |
| Return on average assets | 1.33 | % | 0.43 | % | 0.41 | % | 1.13 | % |
| Return on average invested capital | 14.25 | % | 9.30 | % | 8.52 | % | 10.34 | % |
| Efficiency ratio | 47.53 | % | 77.35 | % | 87.05 | % | 60.69 | % |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2010 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Tax-Equivalent Adjustment | Funds Management and Other | BOK Financial Consolidated | | |
|--|--------------|--------------|----------------------|------------------------------|----------------------------------|----------------------------------|-------|---|
| Net interest revenue from external sources | \$ 85,129 | \$ 21,498 | \$ 8,358 | \$ 2,327 | \$ 64,801 | \$ 182,113 | | |
| Net interest revenue (expense) from internal sources | (12,633) | 11,444 | 2,391 | — | (1,202) | — | | |
| Total net interest revenue | 72,496 | 32,942 | 10,749 | 2,327 | 63,599 | 182,113 | | |
| Other operating revenue | 33,531 | 50,439 | 42,020 | — | 3,723 | 129,713 | | |
| Operating expense | 50,578 | 61,613 | 43,829 | — | 19,790 | 175,810 | | |
| Provision for credit losses | 22,477 | 10,300 | 3,135 | — | 128 | 36,040 | | |
| Decrease in fair value of mortgage service rights | — | (19,458) | — | — | — | (19,458) | | |
| Gain on financial instruments, net | — | 22,431 | 15 | — | 5,280 | 27,726 | | |
| Gain (loss) on repossessed assets, net | (10,741) | 90 | — | — | 7 | (10,644) | | |
| Income before taxes | 22,231 | 14,531 | 5,820 | 2,327 | 52,691 | 97,600 | | |
| Federal and state income tax | 8,648 | 5,653 | 2,264 | — | 15,477 | 32,042 | | |
| Net income | 13,583 | 8,878 | 3,556 | 2,327 | 37,214 | 65,558 | | |
| Net income attributable to non-controlling interest | — | — | — | — | 2,036 | 2,036 | | |
| Net income attributable to BOK Financial Corporation | \$ 13,583 | \$ 8,878 | \$ 3,556 | \$ 2,327 | \$ 35,178 | \$ 63,522 | | |
| Average assets | \$ 8,982,359 | \$ 6,197,861 | \$ 3,355,079 | \$ — | \$ 4,909,508 | \$ 23,444,807 | | |
| Average invested capital | 909,930 | 312,192 | 167,903 | — | 988,704 | 2,378,729 | | |
| Performance measurements: | | | | | | | | |
| Return on average assets | 0.61 | % | 0.57 | % | 0.43 | % | 1.09 | % |
| | 5.99 | % | 11.41 | % | 8.49 | % | 10.71 | % |

| | | | | | | | | | |
|---------------------------------------|-------|---|-------|---|-------|---|--|-------|---|
| Return on average invested capital | | | | | | | | | |
| Efficiency ratio | 47.70 | % | 73.89 | % | 83.06 | % | | 59.56 | % |

- 85 -

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2010 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Tax-Equivalent Adjustment | Funds Management and Other | BOK Financial Consolidated | | |
|--|--------------|--------------|----------------------|------------------------------|----------------------------------|----------------------------------|-------|---|
| Net interest income from external sources | \$ 170,027 | \$ 40,993 | \$ 16,987 | \$ 4,743 | \$ 131,937 | \$ 364,687 | | |
| Net interest income (expense) from internal sources | (25,016) | 23,323 | 5,412 | – | (3,719) | – | | |
| Total net interest revenue | 145,011 | 64,316 | 22,399 | 4,743 | 128,218 | 364,687 | | |
| Other operating revenue | 63,213 | 93,661 | 79,340 | – | 7,424 | 243,638 | | |
| Operating expense | 100,401 | 117,782 | 84,901 | – | 45,391 | 348,475 | | |
| Provision for credit losses | 50,856 | 14,008 | 5,900 | – | 7,376 | 78,140 | | |
| Decrease in fair value of mortgage service rights | – | (5,526) | – | – | – | (5,526) | | |
| Gain on financial instruments, net | – | 22,220 | 16 | – | 5,448 | 27,684 | | |
| Gain (loss) on repossessed assets, net | (15,764) | 121 | – | – | – | (15,643) | | |
| Income before taxes | 41,203 | 43,002 | 10,954 | 4,743 | 88,323 | 188,225 | | |
| Federal and state income tax | 16,028 | 16,728 | 4,261 | – | 25,308 | 62,325 | | |
| Net income | 25,175 | 26,274 | 6,693 | 4,743 | 63,015 | 125,900 | | |
| Net income attributable to non-controlling interest | – | – | – | – | 2,245 | 2,245 | | |
| Net income attributable to BOK Financial Corporation | \$ 25,175 | \$ 26,274 | \$ 6,693 | \$ 4,743 | \$ 60,770 | \$ 123,655 | | |
| Average assets | \$ 9,078,390 | \$ 6,178,632 | \$ 3,321,811 | \$ – | \$ 4,821,760 | \$ 23,400,593 | | |
| Average invested capital | 920,056 | 290,796 | 167,495 | – | 960,552 | 2,338,899 | | |
| Performance measurements: | | | | | | | | |
| Return on average assets | 0.56 | % | 0.86 | % | 0.41 | % | 1.07 | % |
| Return on average invested capital | 5.52 | % | 18.22 | % | 8.06 | % | 10.66 | % |
| Efficiency ratio | 48.22 | % | 74.56 | % | 83.45 | % | 57.28 | % |

(11) Fair Value Measurements

Fair value is defined by applicable accounting guidance as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market for the given asset or liability. Certain assets and liabilities are recorded in the Company's financial statements at fair value. Some are recorded on a recurring basis and some on a non-recurring basis.

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of June 30, 2011 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$ 1,110,761 | | | | \$ 1,110,761 |
| Trading securities | 99,846 | | | | 99,846 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 160,870 | | | | 165,449 |
| Other debt securities | 188,713 | | | | 203,798 |
| Total investment securities | 349,583 | | | | 369,247 |
| Available for sale securities: | | | | | |
| U.S. Treasury | 1,003 | | | | 1,003 |
| Municipal and other tax-exempt | 70,210 | | | | 70,210 |
| U.S. agency residential mortgage-backed securities | 8,893,789 | | | | 8,893,789 |
| Private issue residential mortgage-backed securities | 513,222 | | | | 513,222 |
| Other debt securities | 5,893 | | | | 5,893 |
| Perpetual preferred stock | 22,694 | | | | 22,694 |
| Equity securities and mutual funds | 60,197 | | | | 60,197 |
| Total available for sale securities | 9,567,008 | | | | 9,567,008 |
| Mortgage trading securities | 553,231 | | | | 553,231 |
| Residential mortgage loans held for sale | 169,609 | | | | 169,609 |
| Loans: | | | | | |
| Commercial | 6,178,596 | 0.25 – 18.00 % | 0.60 | 0.72 – 4.50 % | 6,085,941 |
| Commercial real estate | 2,183,715 | 0.38 – 18.00 % | 1.18 | 0.28 – 3.66 % | 2,134,950 |
| Residential mortgage | 1,867,997 | 0.38 – 18.00 % | 3.32 | 0.74 – 4.31 % | 1,915,710 |
| Consumer | 507,236 | 0.38 – 21.00 % | 0.53 | 1.96 – 3.74 % | 507,831 |
| Total loans | 10,737,544 | | | | 10,644,432 |
| Allowance for loan losses | (286,611) | | | | – |
| Net loans | 10,450,933 | | | | 10,644,432 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | |
|---|------------|--------|------|--|--------|------------|
| Mortgage servicing rights | 109,192 | | | | | 109,192 |
| Derivative instruments with positive fair value, net of cash margin | 229,887 | | | | | 229,887 |
| Other assets – private equity funds | 28,313 | | | | | 28,313 |
| Deposits with no stated maturity | 13,951,177 | | | | | 13,951,177 |
| | | 0.01 – | | | 0.76 – | |
| Time deposits | 3,634,700 | 9.64 % | 1.91 | | 1.45 % | 3,655,527 |
| | | 0.07 – | | | 0.07 – | |
| Other borrowings | 2,962,759 | 6.58 % | 0.00 | | 2.65 % | 2,962,773 |
| | | 5.19 – | | | | |
| Subordinated debentures | 398,788 | 5.82 % | 1.87 | | 3.50 % | 412,242 |
| Derivative instruments with negative fair value, net of cash margin | 173,917 | | | | | 173,917 |

- 87 -

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of December 31, 2010 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|---|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$1,269,404 | | | | \$1,269,404 |
| Trading securities | 55,467 | | | | 55,467 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 184,898 | | | | 188,577 |
| Other debt securities | 154,655 | | | | 157,528 |
| Total investment securities | 339,553 | | | | 346,105 |
| Available for sale securities: | | | | | |
| Municipal and other tax-exempt | 72,942 | | | | 72,942 |
| U.S. agency residential mortgage-backed securities | 8,446,908 | | | | 8,446,908 |
| Privately issued residential mortgage-backed securities | 644,210 | | | | 644,210 |
| Other debt securities | 6,401 | | | | 6,401 |
| Perpetual preferred stock | 22,114 | | | | 22,114 |
| Equity securities and mutual funds | 43,046 | | | | 43,046 |
| Total available for sale securities | 9,235,621 | | | | 9,235,621 |
| Mortgage trading securities | 428,021 | | | | 428,021 |
| Residential mortgage loans held for sale | 263,413 | – | – | – | 263,413 |
| Loans: | | | | | |
| Commercial | 5,933,996 | 0.25 – 18.00% | 0.57 | 0.72 – 4.67% | 5,849,443 |
| Commercial real estate | 2,277,350 | 0.38 – 18.00% | 1.17 | 0.29 – 3.81% | 2,221,443 |
| Residential mortgage | 1,828,248 | 0.38 – 18.00% | 3.65 | 0.79 – 4.58% | 1,860,913 |
| Consumer | 603,442 | 0.38 – 21.00% | 0.67 | 1.98 – 3.91% | 605,656 |
| Total loans | 10,643,036 | | | | 10,537,455 |
| Allowance for loan losses | (292,971) | | | | – |
| Net loans | 10,350,065 | | | | 10,537,455 |
| Mortgage servicing rights | 115,723 | | | | 115,723 |
| Derivative instruments with positive fair value, net of cash margin | 270,445 | | | | 270,445 |
| Other assets – private equity funds | 25,436 | | | | 25,436 |
| Deposits with no stated maturity | 13,669,893 | | | | 13,669,893 |
| Time deposits | 3,509,168 | 0.01 – 9.64 % | 1.85 | 0.82 – 1.56% | 2,979,505 |
| Other borrowings | 3,117,358 | 0.13 – 6.58 % | 0.02 | 0.13 – 2.7% | 2,982,460 |
| Subordinated debentures | 398,701 | 5.19 – 5.82 % | 2.30 | 3.72 % | 413,328 |
| Derivative instruments with negative fair value, net of cash margin | 215,420 | | | | 215,420 |

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of June 30, 2010 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|---|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$852,526 | | | | \$852,526 |
| Trading securities | 62,159 | | | | 62,159 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 221,702 | | | | 227,301 |
| Other debt securities | 131,575 | | | | 136,585 |
| Total investment securities | 353,277 | | | | 363,886 |
| Available for sale securities: | | | | | |
| Municipal and other tax-exempt | 66,439 | | | | 66,439 |
| U.S. agency residential mortgage-backed securities | 8,223,719 | | | | 8,223,719 |
| Private issue residential mortgage-backed securities | 735,516 | | | | 735,516 |
| Other debt securities | 13,064 | | | | 13,064 |
| Perpetual preferred stock | 19,881 | | | | 19,881 |
| Equity securities and mutual funds | 47,209 | | | | 47,209 |
| Total available for sale securities | 9,105,828 | | | | 9,105,828 |
| Mortgage trading securities | 534,641 | | | | 534,641 |
| Residential mortgage loans held for sale | 227,574 | | | | 227,574 |
| Loans: | | | | | |
| Commercial | 6,011,528 | 0.25 – 18.00 % | 0.54 | 0.72 – 4.61% | 5,915,895 |
| Commercial real estate | 2,340,909 | 0.38 – 18.00 | 1.08 | 0.30 – 3.91 | 2,291,533 |
| Residential mortgage | 1,834,246 | 0.38 – 18.00 | 3.12 | 1.16 – 4.17 | 1,912,579 |
| Consumer | 696,034 | 0.38 – 21.00 | 0.90 | 1.92 – 4.16 | 704,498 |
| Total loans | 10,882,717 | | | | 10,824,505 |
| Allowance for loan losses | (299,489) | | | | – |
| Net loans | 10,583,228 | | | | 10,824,505 |
| Mortgage servicing rights | 98,942 | | | | 98,942 |
| Derivative instruments with positive fair value, net of cash margin | 334,576 | | | | 334,576 |
| Other assets – private equity funds | 23,834 | | | | 23,834 |
| Deposits with no stated maturity | 12,414,412 | | | | 12,414,412 |
| Time deposits | 3,673,088 | 0.01 – 9.64 | 1.54 | 1.05 – 1.54 | 3,158,578 |
| Other borrowings | 3,970,770 | 0.14 – 6.58 | 0.37 | 0.18 – 2.81 | 3,834,960 |
| Subordinated debentures | 398,617 | 5.19 – 5.82 | 2.60 | 3.88 | 415,161 |
| | 299,851 | | | | 299,851 |

Derivative instruments with negative fair value, net of cash margin

Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, the fair values shown in the tables above may not represent values at which the respective financial instruments could be sold individually or in the aggregate at the given reporting date.

The following methods and assumptions were used in estimating the fair value of these financial instruments:

Cash and Cash Equivalents

The book value reported in the consolidated balance sheet for cash and short-term instruments approximates those assets' fair values.

Securities

The fair values of securities are based on quoted prices for identical instruments in active markets, when available. If quoted prices for identical instruments are not available, fair values are based on significant other observable inputs such as quoted prices of comparable instruments or interest rates and credit spreads, yield curves, volatilities prepayment speeds and loss severities. Fair values for a portion of the securities portfolio are based on significant unobservable inputs, including projected cash flows discounted as rates indicated by comparison to securities with

similar credit and liquidity risk.

Derivatives

All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate, commodity and foreign exchange contracts are based on valuations provided either by third-party dealers in the contracts, quotes provided by independent pricing services, or a third-party provided pricing model that use significant other observable market inputs.

Credit risk is considered in determining the fair value of derivative instruments. Management determines fair value adjustments based on various risk factors including but not limited to counterparty credit rating or equivalent loan grading, derivative contract notional size, price volatility of the underlying commodity, duration of the derivative contracts and expected loss severity. Expected loss severity is based on historical losses for similarly risk-graded commercial loan customers. Decreases in counterparty credit rating or grading and increases in price volatility and expected loss severity all tend to increase the credit quality adjustment which reduces the fair value of asset contracts. The reduction in fair value is recognized in earnings during the current period.

We also consider our own credit risk in determining the fair value of derivative contracts. Changes in our credit rating would affect the fair value of our derivative liabilities. In the event of a credit downgrade, the fair value of our derivative liabilities would increase. The change in the fair value would be recognized in earnings in the current period.

Residential Mortgage Loans Held for Sale

Residential mortgage loans held for sale are carried on the balance sheet at fair value. The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments.

Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings. The fair values of loans were estimated to approximate their discounted cash flows less loan loss allowances allocated to these loans of \$259 million at June 30, 2011, \$266 million at December 31, 2010 and \$280 million at June 30, 2010.

Other Assets – Private Equity Funds

The fair value of the portfolio investments of the Company's two private equity funds are based upon net asset value reported by the underlying funds, as adjusted by the general partner when necessary to represent the price that would be received to sell the assets. Private equity fund assets are long-term, illiquid investments. No secondary market exists for these assets. They may only be realized through cash distributions from the underlying funds.

Deposits

The fair values of time deposits are based on discounted cash flow analyses using interest rates currently being offered on similar transactions. Estimated fair value of deposits with no stated maturity, which includes demand deposits, transaction deposits, money market deposits and savings accounts, is equal to the amount payable on demand. Although market premiums paid reflect an additional value for these low cost deposits, adjusting fair value for the

expected benefit of these deposits is prohibited. Accordingly, the positive effect of such deposits is not included in this table.

Other Borrowings and Subordinated Debentures

The fair values of these instruments are based upon discounted cash flow analyses using interest rates currently being offered on similar instruments.

Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at June 30, 2011, December 31, 2010 or June 30, 2010.

- 90 -

Assets and liabilities recorded at fair value in the financial statements on a recurring and non-recurring basis are grouped into three broad levels as follows:

Quoted Prices in active Markets for Identical Instruments – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Significant Other Observable Inputs – Fair value is based on significant other observable inputs are generally determined based on a single price for each financial instrument provided to us by an applicable third-party pricing service and are based on one or more of the following:

- Quoted prices for similar, but not identical, assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable, such as interest rate and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates;
 - Other inputs derived from or corroborated by observable market inputs.

Significant Unobservable Inputs – Fair value is based upon model-based valuation techniques for which at least one significant assumption is not observable in the market.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on this evaluation, we determined that the results represent prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market.

Fair Value of Financial Instruments Measured on a Recurring Basis

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of June 30, 2011 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|--|-----------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities | \$99,846 | \$ 2,327 | \$97,519 | \$ – |
| Available for sale securities: | | | | |
| U.S. Treasury | 1,003 | 1,003 | – | – |
| Municipal and other tax-exempt | 70,210 | – | 26,552 | 43,658 |
| U.S. agency residential mortgage-backed securities | 8,893,789 | – | 8,893,789 | – |
| Private issue residential mortgage-backed securities | 513,222 | – | 513,222 | – |
| Other debt securities | 5,893 | – | – | 5,893 |
| Perpetual preferred stock | 22,694 | – | 22,694 | – |
| Equity securities and mutual funds | 60,197 | 41,557 | 18,640 | – |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | |
|---|-----------|--------|-----------|---------|
| Total available for sale securities | 9,567,008 | 42,560 | 9,474,897 | 49,551 |
| Mortgage trading securities | 553,231 | – | 553,231 | – |
| Residential mortgage loans held for sale | 169,609 | – | 169,609 | – |
| Mortgage servicing rights | 109,192 | – | – | 109,192 |
| Derivative contracts, net of cash margin ² | 229,887 | – | 229,887 | – |
| Other assets – private equity funds | 28,313 | – | – | 28,313 |

Liabilities:

| | | | | |
|---|---------|---|---------|---|
| Derivative contracts, net of cash margin ² | 173,917 | – | 173,917 | – |
|---|---------|---|---------|---|

¹ A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

² See Note 3 for detail of fair value of derivative contracts by contract type.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2010 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|---|-----------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities | \$55,467 | \$ 877 | \$54,590 | \$ – |
| Available for sale securities: | | | | |
| Municipal and other tax-exempt | 72,942 | – | 25,849 | 47,093 |
| U.S. agency residential mortgage-backed securities | 8,446,908 | – | 8,446,908 | – |
| Privately issued residential mortgage-backed securities | 644,210 | – | 644,210 | – |
| Other debt securities | 6,401 | – | 1 | 6,400 |
| Perpetual preferred stock | 22,114 | – | 22,114 | – |
| Equity securities and mutual funds | 43,046 | 22,344 | 20,702 | – |
| Total available for sale securities | 9,235,621 | 22,344 | 9,159,784 | 53,493 |
| Mortgage trading securities | 428,021 | – | 428,021 | – |
| Residential mortgage loans held for sale | 263,413 | – | 263,413 | – |
| Mortgage servicing rights | 115,723 | – | – | 115,723 |
| Derivative contracts, net of cash margin ² | 270,445 | – | 270,445 | – |
| Other assets – private equity funds | 25,436 | – | – | 25,436 |
| Liabilities: | | | | |
| Certificates of deposit | 27,414 | – | 27,414 | – |
| Derivative contracts, net of cash margin ² | 215,420 | – | 215,420 | – |

¹ A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

² See Note 3 for detail of fair value of derivative contracts by contract type.

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of June 30, 2010 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|---------------------------------------|----------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities | \$62,159 | \$ 4,030 | \$58,129 | \$ – |
| Available for sale securities: | | | | |
| Municipal and other tax-exempt | 66,439 | – | 26,613 | 39,826 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | |
|---|-----------|--------|-----------|--------|
| U.S. agency residential mortgage-backed securities | 8,223,719 | – | 8,223,719 | – |
| Privately issued residential mortgage-backed securities | 735,516 | – | 735,516 | – |
| Other debt securities | 13,064 | – | 29 | 13,035 |
| Perpetual preferred stock | 19,881 | – | 19,881 | – |
| Equity securities and mutual funds | 47,209 | 22,728 | 24,481 | – |
| Total available for sale securities | 9,105,828 | 22,728 | 9,030,239 | 52,861 |
| Mortgage trading securities | 534,641 | – | 534,641 | – |
| Residential mortgage loans held for sale | 227,574 | – | 227,574 | – |
| Mortgage servicing rights | 98,942 | – | – | 98,984 |
| Derivative contracts, net of cash margin 2 | 334,576 | 16,991 | 317,585 | – |
| Other assets – private equity funds | 23,834 | – | – | 23,834 |
| Liabilities: | | | | |
| Certificates of deposit | 27,957 | – | 27,957 | – |
| Derivative contracts, net of cash margin 2 | 299,851 | – | 299,851 | – |

1 A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

2 See Note 3 for detail of fair value of derivative contracts by contract type.

The fair value of certain available for sale municipal and other debt securities may be based on significant unobservable inputs. These significant unobservable inputs include limited observed trades, projected cash flows, current credit rating of the issuers and, when applicable, the insurers of the debt and observed trades of similar debt. Discount rates are primarily based on reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally recognized rating agencies adjusted for a lack of trading volume.

These securities may be either investment grade or below investment grade. As of June 30, 2011, taxable securities rated investment grade by all nationally recognized rating agencies are generally valued to yield 1.69% to 1.75%. Average yields on comparable short-term taxable securities are generally less than 1%. Tax-exempt securities rated investment grade by all nationally recognized rating agencies are generally valued to yield a range of 1.05% to 1.35%, which represents a spread of 75 to 80 basis points over average yields of comparable tax-exempt securities as of June 30, 2011. The resulting estimated fair value of securities rated investment grade ranges from 98.89% to 99.34% of par value at June 30, 2011.

After other-than-temporary impairment charges, approximately \$14 million of our municipal and other tax-exempt securities are rated below investment grade by at least one of the three nationally recognized rating agencies. The fair value of these securities was determined based on yields ranging from 6.23% to 10.30%. These yields were determined using a spread of 600 basis points over comparable municipal securities of varying durations. Previously a spread of 525 basis points was used. The resulting estimated fair value of securities rated below investment grade ranges from 82.66% to 82.83% of par value as of June 30, 2011. All of these securities are currently paying contractual interest in accordance with their respective terms.

The following represents the changes for the three months ended June 30, 2011 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | Other assets – private equity funds |
|--|--------------------------------------|--------------------------|---|
| | Municipal and other tax-exempt | Other debt securities | |
| Balance, March 31, 2011 | \$43,767 | \$5,899 | \$25,046 |
| Purchases and capital calls | – | – | 746 |
| Redemptions and distributions | – | – | (783) |
| Gain (loss) recognized in earnings: | | | |
| Gain on other assets, net | – | – | 3,304 |
| Other-than-temporary impairment losses | (521) | – | – |
| Other comprehensive gain (loss) | 412 | (6) | – |
| Balance, June 30, 2011 | \$43,658 | \$5,893 | \$28,313 |

The following represents the changes for the six months ended June 30, 2011 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

Available for Sale
Securities

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | Municipal and other tax-exempt | Other debt securities | Other assets – private equity funds |
|--|--------------------------------------|--------------------------|---|
| Balance, December 31, 2010 | \$47,093 | \$6,400 | \$25,436 |
| Purchases and capital calls | 7,520 | – | 1,652 |
| Redemptions and distributions | (9,975) | (500) | (2,185) |
| Gain (loss) recognized in earnings: | | | |
| Brokerage and trading revenue | (576) | – | – |
| Gain on other assets, net | – | – | 3,410 |
| Gain on securities, net | 18 | – | – |
| Other-than-temporary impairment losses | (521) | – | – |
| Other comprehensive (loss) | 99 | (7) | – |
| Balance, June 30, 2011 | \$43,658 | \$5,893 | \$28,313 |

- 93 -

The following represents the changes for the three months ended June 30, 2010 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | Other assets – private equity funds |
|--|--------------------------------------|--------------------------|---|
| | Municipal and other tax-exempt | Other debt securities | |
| Balance at March 31, 2010 | \$38,004 | \$17,150 | \$22,825 |
| Purchases, sales, issuances and settlements, net | 1,775 | (4,250) | 663 |
| Gain (loss) recognized in earnings | | | |
| Brokerage and trading revenue | (11) | – | – |
| Gain (loss) on other assets, net | – | – | 346 |
| Gain on securities, net | – | – | – |
| Other comprehensive (loss) | 58 | 135 | – |
| Balance June 30, 2010 | \$39,826 | \$13,035 | \$23,834 |

The following represents the changes for the six months ended June 30, 2010 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Trading Securities | Available for Sale Securities | | Other assets – private equity funds |
|--|-----------------------|--------------------------------------|--------------------------|---|
| | | Municipal and other tax-exempt | Other debt securities | |
| Balance, December 31, 2009 | \$9,800 | \$36,598 | \$17,116 | \$22,917 |
| Purchases, sales, issuances and settlements, net | (9,800) | 4,133 | (4,200) | 1 |
| Gain (loss) recognized in earnings | | | | |
| Brokerage and trading revenue | – | (80) | – | – |
| Gain (loss) on other assets, net | – | – | – | 916 |
| Gain on securities, net | – | – | – | – |
| Other comprehensive (loss) | – | (825) | 119 | – |
| Balance, June 30, 2010 | \$– | \$39,826 | \$13,035 | \$23,834 |

There were no transfers from quoted prices in active markets for identical instruments to significant other observable inputs during the six months ended June 30, 2011 or 2010, respectively.

Fair Value of Financial Instruments Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments, collateral for certain impaired loans and real property and other assets acquired to satisfy loans, which are based primarily on comparisons to completed sales of similar assets. In addition, goodwill impairment is evaluated based on the fair value of the Company's reporting units.

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets adjusted to fair value during the three months ended June 30, 2011:

| | Carrying Value at June 30, 2011 | | | Fair Value Adjustments for the Three Months Ended June 30, 2011 Recognized In: | | |
|--|---|-------------------------------------|---------------------------------|--|--|--|
| | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Gross charge-offs against allowance for loan losses | Gross charge-offs against allowance for recourse loans | Net losses and expenses of repossessed assets, net |
| Impaired loans | \$- | \$17,949 | \$ - | \$4,071 | \$146 | \$- |
| Real estate and other repossessed assets | - | 50,885 | - | - | - | 4,127 |

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets adjusted to fair value during the three months ended June 30, 2010:

| | Carrying Value at June 30, 2010 | | | Fair Value Adjustments for the Three Months Ended June 30, 2010 Recognized In: | |
|--|---|--|---------------------------------------|---|--|
| | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Gross charge-offs against allowance for loan losses | Net losses and expenses of repossessed assets, net |
| Impaired loans | \$- | \$55,893 | \$ - | \$28,243 | \$- |
| Real estate and other repossessed assets | - | 28,778 | 6,736 | - | 11,623 |

The fair value of collateral-dependent impaired loans and real estate and other repossessed assets and the related fair value adjustments are generally based on unadjusted third-party appraisals. Our appraisal review policies require appraised values to be supported by observed inputs derived principally from or corroborated by observable market data. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs.

Fair Value Election

Certain certificates of deposit were designated as carried at fair value. This determination is made based on the Company's intent to convert these certificates from fixed interest rates to variable interest rates based on LIBOR with interest rate swaps that have not been designated as hedging instruments. The fair value election for these liabilities better represents the economic effect of these instruments on the Company. At June 30, 2011, there were no certificates of deposit that were designated as carried at fair value. At June 30, 2010, the fair value and contractual principal amount of these certificates was \$28 million and \$27 million, respectively. Change in the fair value of these certificate of deposit resulted in an unrealized gain during the three and six months ended June 30, 2010 of \$201 thousand and \$444 thousand, respectively, which is included in Gain (Loss) on Derivatives, net in the Consolidated Statement of Earnings.

As more fully disclosed in Note 2 and Note 5 to the Consolidated Financial Statements, the Company has elected to carry all mortgage-backed securities which have been designated as economic hedges against changes in the fair value of mortgage servicing rights and all residential mortgage loans originated for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

(12) Federal and State Income Taxes

The reconciliations of income (loss) attributable to continuing operations at the U.S. federal statutory tax rate to income tax expense are as follows (in thousands):

| Three Months Ended June 30, | Six Months Ended June 30, |
|--------------------------------|------------------------------|
|--------------------------------|------------------------------|

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | 2011 | 2010 | 2011 | 2010 |
|--|----------|----------|----------|----------|
| Amount: | | | | |
| Federal statutory tax | \$38,868 | \$34,160 | \$75,100 | \$65,879 |
| Tax exempt revenue | (1,331) | (1,388) | (2,694) | (2,793) |
| Effect of state income taxes, net of federal benefit | 2,738 | 2,003 | 5,376 | 3,718 |
| Utilization of tax credits | (594) | (1,712) | (1,093) | (3,040) |
| Bank-owned life insurance | (979) | (877) | (1,964) | (1,742) |
| Other, net | 655 | (144) | 3,384 | 303 |
| Total | \$39,357 | \$32,042 | \$78,109 | \$62,325 |

- 95 -

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|--------------------------------|---|------|---|------------------------------|---|------|---|
| | 2011 | | 2010 | | 2011 | | 2010 | |
| Percent of pretax income: | | | | | | | | |
| Federal statutory tax | 35 | % | 35 | % | 35 | % | 35 | % |
| Tax exempt revenue | (1 |) | (1 |) | (1 |) | (1 |) |
| Effect of state income taxes, net of federal benefit | 3 | | 2 | | 3 | | 2 | |
| Utilization of tax credits | (1 |) | (2 |) | (1 |) | (2 |) |
| Bank-owned life insurance | (1 |) | (1 |) | (1 |) | (1 |) |
| Other, net | 1 | | – | | 1 | | – | |
| Total | 36 | % | 33 | % | 36 | % | 33 | % |

(13) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on June 30, 2011 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

Six-Month Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

| | June 30, 2011 | | | Six Months Ended | | | June 30, 2010 | | |
|---|--------------------|----------------------------------|----------------|------------------|--------------------|----------------------------------|----------------|---|--|
| | Average Balance | Revenue/ Expense ¹ | Yield/ Rate | | Average Balance | Revenue/ Expense ¹ | Yield/ Rate | | |
| Assets | | | | | | | | | |
| Funds sold and resell agreements | \$ 14,714 | \$ 7 | 0.10 | % | \$ 27,543 | \$ 16 | 0.12 | % | |
| Trading securities | 70,494 | 1,159 | 3.32 | | 64,817 | 1,453 | 4.52 | | |
| Investment securities | | | | | | | | | |
| Taxable ³ | 168,902 | 5,145 | 6.14 | | 63,864 | 2,786 | 8.80 | | |
| Tax-exempt ³ | 179,621 | 4,314 | 4.85 | | 231,915 | 5,647 | 4.99 | | |
| Total investment securities | 348,523 | 9,459 | 5.48 | | 295,779 | 8,433 | 5.82 | | |
| Available for sale securities | | | | | | | | | |
| Taxable ³ | 9,393,136 | 138,992 | 3.08 | | 8,699,466 | 152,804 | 3.70 | | |
| Tax-exempt ³ | 67,402 | 1,801 | 5.39 | | 63,655 | 1,802 | 5.71 | | |
| Total available for sale securities ³ | 9,460,538 | 140,793 | 3.10 | | 8,763,121 | 154,606 | 3.72 | | |
| Mortgage trading securities | 457,917 | 8,473 | 4.14 | | 401,459 | 8,483 | 4.41 | | |
| Residential mortgage loans held for sale | | | | | | | | | |
| Loans ² | 130,211 | 2,844 | 4.40 | | 160,574 | 3,924 | 4.93 | | |
| Less allowance for loan losses | 10,667,329 | 249,653 | 4.72 | | 11,078,796 | 264,795 | 4.82 | | |
| Loans, net of allowance | 293,151 | – | – | | 310,904 | | | | |
| Total earning assets ³ | 10,374,178 | 249,653 | 4.85 | | 10,767,892 | 264,795 | 4.96 | | |
| Cash and other assets | 20,903,052 | 412,388 | 4.05 | | 20,481,185 | 441,710 | 4.44 | | |
| Total assets | 2,993,036 | | | | 3,096,852 | | | | |
| | \$ 23,849,611 | | | | \$ 23,578,037 | | | | |
| Liabilities and equity | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| Transaction | \$ 9,407,130 | \$ 13,714 | 0.29 | % | \$ 8,126,418 | \$ 20,179 | 0.50 | % | |
| Savings | 207,192 | 390 | 0.38 | | 177,720 | 363 | 0.41 | | |
| Time | 3,624,602 | 33,098 | 1.84 | | 3,736,535 | 33,367 | 1.80 | | |
| Total interest-bearing deposits | 13,238,924 | 47,202 | 0.72 | | 12,040,673 | 53,910 | 0.90 | | |
| Funds purchased | 995,780 | 596 | 0.12 | | 1,439,372 | 1,213 | 0.17 | | |
| Repurchase agreements | 1,033,127 | 1,554 | 0.30 | | 1,093,581 | 3,063 | 0.56 | | |
| Other borrowings | 166,331 | 2,696 | 3.27 | | 1,932,868 | 2,994 | 0.31 | | |
| Subordinated debentures | 398,745 | 11,118 | 5.62 | | 398,578 | 11,101 | 5.62 | | |
| Total interest-bearing liabilities | 15,832,907 | 63,166 | 0.80 | | 16,905,072 | 72,280 | 0.86 | | |
| Non-interest bearing demand deposits | | | | | | | | | |
| Other liabilities | 4,410,625 | | | | 3,573,692 | | | | |
| Total equity | 997,998 | | | | 760,374 | | | | |
| | 2,608,081 | | | | 2,338,899 | | | | |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|--|--------------|------|---|--------------|------|
| Total liabilities and equity | \$23,849,611 | | | \$23,578,037 | |
| Tax-equivalent Net Interest Revenue ³ | \$349,222 | 3.25 | % | \$369,430 | 3.57 |
| Tax-equivalent Net Interest Revenue to Earning Assets ³ | | 3.43 | | | 3.71 |
| Less tax-equivalent adjustment ¹ | 4,582 | | | 4,743 | |
| Net Interest Revenue | 344,640 | | | 364,687 | |
| Provision for credit losses | 8,950 | | | 78,140 | |
| Other operating revenue | 260,538 | | | 271,323 | |
| Other operating expense | 381,658 | | | 369,645 | |
| Income before taxes | 214,570 | | | 188,225 | |
| Federal and state income tax | 78,109 | | | 62,325 | |
| Net income before non-controlling interest | 136,461 | | | 125,900 | |
| Net income attributable to non-controlling interest | 2,680 | | | 2,245 | |
| Net income attributable to BOK Financial Corp. | \$133,781 | | | \$123,655 | |

Earnings Per Average Common Share Equivalent:

Net income:

| | | |
|---------|--------|--------|
| Basic | \$1.96 | \$1.82 |
| Diluted | \$1.95 | \$1.81 |

¹ Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.

² The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

³ Yield calculations exclude security trades that have been recorded on trade date with no corresponding interest income.

Quarterly Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

| | June 30, 2011 | | Three Months Ended | | March 31, 2011 | | Yield/ Rate |
|---|--------------------|----------------------------------|--------------------|--------------------|----------------------------------|----------------|----------------|
| | Average Balance | Revenue/ Expense ¹ | Yield/ Rate | Average Balance | Revenue/ Expense ¹ | Yield/ Rate | |
| Assets | | | | | | | |
| Funds sold and resell agreements | \$8,814 | \$3 | 0.14 | % \$20,680 | \$4 | 0.08 | % |
| Trading securities | 80,113 | 584 | 2.92 | 60,768 | 576 | 3.84 | |
| Investment securities | | | | | | | |
| Taxable ³ | 183,084 | 2,800 | 6.13 | 154,562 | 2,345 | 6.15 | |
| Tax-exempt ³ | 174,614 | 2,100 | 4.82 | 184,684 | 2,214 | 4.88 | |
| Total investment securities | 357,698 | 4,900 | 5.49 | 339,246 | 4,559 | 5.46 | |
| Available for sale securities | | | | | | | |
| Taxable ³ | 9,473,401 | 69,978 | 3.02 | 9,311,980 | 69,014 | 3.15 | |
| Tax-exempt ³ | 70,081 | 894 | 5.12 | 64,694 | 906 | 5.68 | |
| Total available for sale securities ³ | 9,543,482 | 70,872 | 3.04 | 9,376,674 | 69,920 | 3.17 | |
| Mortgage trading securities | 518,073 | 5,243 | 4.42 | 397,093 | 3,230 | 3.74 | |
| Residential mortgage loans held for sale | | | | | | | |
| Loans ² | 134,876 | 1,505 | 4.48 | 125,494 | 1,339 | 4.33 | |
| Loans ² | 10,680,755 | 124,871 | 4.69 | 10,653,756 | 124,782 | 4.75 | |
| Less allowance for loan losses | 291,308 | – | – | 295,014 | – | – | |
| Loans, net of allowance | 10,389,447 | 124,871 | 4.82 | 10,358,742 | 124,782 | 4.89 | |
| Total earning assets ³ | 21,032,503 | 207,978 | 4.01 | 20,678,697 | 204,410 | 4.09 | |
| Cash and other assets | 2,946,732 | | | 3,061,077 | | | |
| Total assets | \$23,979,235 | | | \$23,739,774 | | | |
| Liabilities and equity | | | | | | | |
| Interest-bearing deposits: | | | | | | | |
| Transaction | \$9,184,141 | 6,130 | 0.27 | \$9,632,595 | 7,584 | 0.32 | |
| Savings | 210,707 | 203 | 0.39 | 203,638 | 187 | 0.37 | |
| Time | 3,632,130 | 16,827 | 1.86 | 3,616,991 | 16,271 | 1.82 | |
| Total interest-bearing deposits | 13,026,978 | 23,160 | 0.71 | 13,453,224 | 24,042 | 0.72 | |
| Funds purchased | 1,168,670 | 276 | 0.09 | 820,969 | 320 | 0.16 | |
| Repurchase agreements | 1,004,217 | 513 | 0.20 | 1,062,359 | 1,041 | 0.40 | |
| Other borrowings | 187,441 | 2,226 | 4.76 | 144,987 | 470 | 1.31 | |
| Subordinated debentures | 398,767 | 5,541 | 5.57 | 398,723 | 5,577 | 5.67 | |
| Total interest-bearing liabilities | 15,786,073 | 31,716 | 0.81 | 15,880,262 | 31,450 | 0.80 | |
| Non-interest bearing demand deposits | | | | | | | |
| Other liabilities | 4,554,000 | | | 4,265,657 | | | |
| Other liabilities | 988,273 | | | 1,029,058 | | | |
| Total equity | 2,650,889 | | | 2,564,797 | | | |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | | |
|--|--------------|------|---|--------------|------|---|
| Total liabilities and equity | \$23,979,235 | | | \$23,739,774 | | |
| Tax-equivalent Net Interest Revenue ³ | \$176,262 | 3.20 | % | \$172,960 | 3.29 | % |
| Tax-equivalent Net Interest Revenue to Earning Assets ³ | | 3.40 | | | 3.47 | |
| Less tax-equivalent adjustment ¹ | 2,261 | | | 2,321 | | |
| Net Interest Revenue | 174,001 | | | 170,639 | | |
| Provision for credit losses | 2,700 | | | 6,250 | | |
| Other operating revenue | 142,960 | | | 117,578 | | |
| Other operating expense | 203,209 | | | 178,449 | | |
| Income before taxes | 111,052 | | | 103,518 | | |
| Federal and state income tax | 39,357 | | | 38,752 | | |
| Net income before non-controlling interest | 71,695 | | | 64,766 | | |
| Net income (loss) attributable to non-controlling interest | 2,688 | | | (8) | | |
| Net income attributable to BOK Financial Corp. | \$69,007 | | | \$64,774 | | |

Earnings Per Average Common Share Equivalent:

Net income:

| | | |
|---------|--------|--------|
| Basic | \$1.01 | \$0.95 |
| Diluted | \$1.00 | \$0.94 |

¹ Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.

² The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

³ Yield calculations exclude security trades that have been recorded on trade date with no corresponding interest income.

| December 31, 2010 | | | Three Months Ended September 30, 2010 | | | June 30, 2010 | | |
|--------------------|----------------------|----------------|--|----------------------|----------------|--------------------|----------------------|----------------|
| Average Balance | Revenue/ Expense1 | Yield/ Rate | Average Balance | Revenue/ Expense1 | Yield/ Rate | Average Balance | Revenue/ Expense1 | Yield/ Rate |
| \$21,128 | \$7 | 0.13 % | \$18,882 | \$4 | 0.08 % | \$22,776 | \$8 | 0.14 % |
| 74,084 | 759 | 4.06 | 69,315 | 570 | 3.26 | 58,722 | 660 | 4.51 |
| 155,624 | 2,305 | 6.01 | 148,160 | 2,137 | 5.85 | 103,333 | 1,784 | 6.92 |
| 186,317 | 2,240 | 4.88 | 188,295 | 2,268 | 4.89 | 231,784 | 2,800 | 4.94 |
| 341,941 | 4,545 | 5.39 | 336,455 | 4,405 | 5.31 | 335,117 | 4,584 | 5.56 |
| 9,509,657 | 58,678 | 2.61 | 9,084,296 | 72,104 | 3.25 | 8,709,650 | 75,228 | 3.54 |
| 72,051 | 984 | 5.42 | 67,815 | 877 | 5.13 | 64,498 | 814 | 5.06 |
| 9,581,708 | 59,662 | 2.63 | 9,152,111 | 72,981 | 3.27 | 8,774,148 | 76,042 | 3.55 |
| 474,731 | 3,688 | 3.43 | 602,049 | 5,231 | 4.14 | 435,693 | 4,448 | 4.38 |
| 282,734 | 2,745 | 3.85 | 242,559 | 2,592 | 4.24 | 183,489 | 2,177 | 4.76 |
| 10,667,193 | 128,005 | 4.76 | 10,861,515 | 133,336 | 4.87 | 10,971,466 | 132,012 | 4.83 |
| 307,223 | – | – | 308,139 | – | – | 312,595 | – | – |
| 10,359,970 | 128,005 | 4.90 | 10,553,376 | 133,336 | 5.01 | 10,658,871 | 132,012 | 4.97 |
| 21,136,296 | 199,411 | 3.86 | 20,974,747 | 219,119 | 4.22 | 20,468,816 | 219,931 | 4.35 |
| 3,146,655 | | | 3,217,543 | | | 2,975,991 | | |
| \$24,282,951 | | | \$24,192,290 | | | \$23,444,807 | | |
| \$9,325,573 | 8,772 | 0.37 | \$8,699,495 | 9,935 | 0.45 | \$8,287,296 | 10,044 | 0.49 |
| 191,235 | 171 | 0.35 | 189,512 | 185 | 0.39 | 184,376 | 185 | 0.40 |
| 3,602,150 | 16,147 | 1.78 | 3,774,136 | 17,146 | 1.80 | 3,701,167 | 16,063 | 1.74 |
| 13,118,958 | 25,090 | 0.76 | 12,663,143 | 27,266 | 0.85 | 12,172,839 | 26,292 | 0.87 |
| 775,620 | 479 | 0.25 | 1,096,873 | 539 | 0.19 | 1,359,937 | 674 | 0.20 |
| 1,201,760 | 1,496 | 0.49 | 1,130,215 | 1,469 | 0.52 | 1,131,147 | 1,580 | 0.56 |
| 829,756 | 767 | 0.37 | 1,465,516 | 1,314 | 0.36 | 1,619,745 | 1,403 | 0.35 |
| 398,680 | 5,666 | 5.64 | 398,638 | 5,664 | 5.64 | 398,598 | 5,535 | 5.57 |
| 16,324,774 | 33,498 | 0.81 | 16,754,385 | 36,252 | 0.86 | 16,682,266 | 35,484 | 0.85 |
| 4,171,595 | | | 3,831,486 | | | 3,660,910 | | |
| 1,251,025 | | | 1,124,000 | | | 722,902 | | |
| 2,535,557 | | | 2,482,419 | | | 2,378,729 | | |
| \$24,282,951 | | | \$24,192,290 | | | \$23,444,807 | | |
| | \$165,913 | 3.05 % | | \$182,867 | 3.36 % | | \$184,447 | 3.50 % |
| | | 3.21 | | | 3.52 | | | 3.65 |
| | 2,263 | | | 2,152 | | | 2,327 | |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | |
|-----------|-----------|-----------|
| 163,650 | 180,715 | 182,120 |
| 6,999 | 20,000 | 36,040 |
| 111,913 | 137,673 | 157,439 |
| 178,361 | 205,165 | 205,912 |
| 90,203 | 93,223 | 97,607 |
| 31,097 | 29,935 | 32,042 |
| 59,106 | 63,288 | 65,565 |
| 274 | (979) | 2,036 |
| \$ 58,832 | \$ 64,267 | \$ 63,529 |

| | | |
|--------|--------|--------|
| \$0.86 | \$0.94 | \$0.93 |
| \$0.86 | \$0.94 | \$0.93 |

Quarterly Earnings Trends – Unaudited
(In thousands, except share and per share data)

| | Three Months Ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2011 | March 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 |
| Interest revenue | \$205,717 | \$202,089 | \$197,148 | \$216,967 | \$217,597 |
| Interest expense | 31,716 | 31,450 | 33,498 | 36,252 | 35,484 |
| Net interest revenue | 174,001 | 170,639 | 163,650 | 180,715 | 182,113 |
| Provision for credit losses | 2,700 | 6,250 | 6,999 | 20,000 | 36,040 |
| Net interest revenue after provision for credit losses | 171,301 | 164,389 | 156,651 | 160,715 | 146,073 |
| Other operating revenue | | | | | |
| Brokerage and trading revenue | 23,725 | 25,376 | 28,610 | 27,072 | 24,754 |
| Transaction card revenue | 31,024 | 28,445 | 29,500 | 28,852 | 28,263 |
| Trust fees and commissions | 19,150 | 18,422 | 18,145 | 16,774 | 17,737 |
| Deposit service charges and fees | 23,857 | 22,480 | 23,732 | 24,290 | 28,797 |
| Mortgage banking revenue | 19,356 | 17,356 | 25,158 | 29,236 | 18,335 |
| Bank-owned life insurance | 2,872 | 2,863 | 3,182 | 3,004 | 2,908 |
| Other revenue | 7,842 | 8,332 | 7,648 | 7,708 | 7,374 |
| Total fees and commissions | 127,826 | 123,274 | 135,975 | 136,936 | 128,168 |
| Gain (loss) on other assets, net | 3,344 | (68) | 15 | (1,331) | 1,545 |
| Gain (loss) on derivatives, net | 1,225 | (2,413) | (7,286) | 4,626 | 7,272 |
| Gain (loss) on mortgage trading securities | 9,921 | (3,518) | (11,117) | 3,369 | 14,631 |
| Gain on available for sale securities, net | 5,468 | 4,902 | 953 | 8,384 | 8,469 |
| Total other-than-temporary impairment losses | – | – | (4,768) | (4,525) | (10,959) |
| Portion of loss recognized in (reclassified from) other comprehensive income | (4,824) | (4,599) | (1,859) | (9,786) | 8,313 |
| Net impairment losses recognized in earnings | (4,824) | (4,599) | (6,627) | (14,311) | (2,646) |
| Total other operating revenue | 142,960 | 117,578 | 111,913 | 137,673 | 157,439 |
| Other operating expense | | | | | |
| Personnel | 105,603 | 99,994 | 106,770 | 101,216 | 97,054 |
| Business promotion | 4,777 | 4,624 | 4,377 | 4,426 | 4,945 |
| Professional fees and services | 6,258 | 7,458 | 9,527 | 7,621 | 6,668 |
| Net occupancy and equipment | 15,554 | 15,604 | 16,331 | 16,436 | 15,691 |
| Insurance | 4,771 | 6,186 | 6,139 | 6,052 | 5,596 |
| Data processing and communications | 24,428 | 22,503 | 23,902 | 21,601 | 21,940 |
| Printing, postage and supplies | 3,586 | 3,082 | 3,170 | 3,648 | 3,525 |
| Net losses and operating expenses of repossessed assets | 5,859 | 6,015 | 6,966 | 7,230 | 13,067 |
| Amortization of intangible assets | 896 | 896 | 1,365 | 1,324 | 1,323 |
| Mortgage banking costs | 8,968 | 6,471 | 11,999 | 9,093 | 10,380 |
| Change in fair value of mortgage servicing rights | 13,493 | (3,129) | (25,111) | 15,924 | 19,458 |
| Visa retrospective responsibility obligation | – | – | (1,103) | 1,103 | – |
| Other expense | 9,016 | 8,745 | 14,029 | 9,491 | 6,265 |
| Total other operating expense | 203,209 | 178,449 | 178,361 | 205,165 | 205,912 |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Income before taxes | 111,052 | 103,518 | 90,203 | 93,223 | 97,600 |
| Federal and state income tax | 39,357 | 38,752 | 31,097 | 29,935 | 32,042 |
| Net income before non-controlling interest | 71,695 | 64,766 | 59,106 | 63,288 | 65,558 |
| Net income (loss) attributable to non-controlling interest | 2,688 | (8) | 274 | (979) | 2,036 |
| Net income attributable to BOK Financial Corp. | \$69,007 | \$64,774 | \$58,832 | \$64,267 | \$63,522 |
| Earnings per share: | | | | | |
| Basic | \$1.01 | \$0.95 | \$0.86 | \$0.94 | \$0.93 |
| Diluted | \$1.00 | \$0.94 | \$0.86 | \$0.94 | \$0.93 |
| Average shares used in computation: | | | | | |
| Basic | 67,898,483 | 67,901,722 | 67,685,434 | 67,625,378 | 67,605,807 |
| Diluted | 68,169,485 | 68,176,527 | 67,888,950 | 67,765,344 | 67,880,587 |

- 100 -

PART II. Other Information

Item 1. Legal Proceedings

See discussion of legal proceedings at Note 7 to the Consolidated Financial Statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended June 30, 2011.

| Period | Total Number of Shares Purchased ² | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ¹ | Maximum Number of Shares that May Yet Be Purchased Under the Plans |
|---------------------------------|--|------------------------------------|---|---|
| April 1, 2011 to April 30, 2011 | 517 | \$52.92 | – | 1,215,927 |
| May 1, 2011 to May 31, 2010 | 1,700 | \$53.74 | – | 1,215,927 |
| June 1, 2011 to June 30, 2011 | – | – | – | 1,215,927 |
| Total | 2,217 | | | |

1 On April 26, 2005, the Company’s board of directors authorizing the Company to repurchase up to two million shares of the Company’s common stock. As of June 30, 2011, the Company had repurchased 784,073 shares under this plan.

2 The Company routinely repurchases mature shares from employees to cover the exercise price and taxes in connection with employee stock option exercises.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Earnings, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements

Items 1A, 3, 4 and 5 are not applicable and have been omitted.

*To be filed within 30 days after the earlier of the due date or filing date of this Form 10-Q, as permitted by Section II (B) (4) of Securities and Exchange Commission Release No. 34-59324 effective April 13, 2009. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 11 and 12 of the

Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

- 101 -

Signatures

Pursuant to the requirements 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.

BOK FINANCIAL CORPORATION
(Registrant)

Date: August 8, 2011

/s/ Steven E. Nell
Steven E. Nell
Executive Vice President and
Chief Financial Officer

/s/ John C. Morrow
John C. Morrow
Senior Vice President and
Chief Accounting Officer

- 102 -