

BOK FINANCIAL CORP ET AL  
Form 10-K  
February 28, 2011

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As filed with the Securities and Exchange Commission on February 28, 2011

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

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 73-1373454  
(State or other jurisdiction of incorporation (IRS Employer Identification No.)  
or organization)

Bank of Oklahoma Tower  
P.O. Box 2300  
Tulsa, Oklahoma 74192  
(Address of principal executive offices) (Zip code)

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

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

Securities registered pursuant to Section 12 (g) of the Act:  
Common stock, \$0.00006 par value

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

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

Indicate by check mark whether the registrant (1) has filed all reports required 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 Website, 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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately \$1.2 billion (based on the June 30, 2010 closing price of Common Stock of \$47.47 per share). As of January 31, 2011, there were 68,274,150 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders.

BOK FINANCIAL CORPORATION  
ANNUAL REPORT ON FORM 10-K  
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PART I

ITEM 1. BUSINESS

General

Developments relating to individual aspects of the business of BOK Financial Corporation (“BOK Financial” or “the Company”) are described below. Additional discussion of the Company’s activities during the current year appears within Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Description of Business

BOK Financial is a financial holding company incorporated in the state of Oklahoma in 1990 whose activities are limited by the Bank Holding Company Act of 1956 (“BHCA”), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act. BOK Financial offers full service banking in Oklahoma, Texas, New Mexico, Northwest Arkansas, Colorado, Arizona, and Kansas/Missouri.

On October 6, 2010, the Office of the Comptroller of the Currency (“OCC”) approved the affiliated merger of the Company’s wholly-owned subsidiary banks, Bank of Texas, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., and Bank of Kansas City, N.A. into Bank of Oklahoma, N.A. (“the Banks”). The resulting subsidiary bank is named BOKF, NA. The Company effected the merger on January 1, 2011. The Banks will continue to operate as distinct geographical regions using the trade names of the former charters. The merger will allow us to more efficiently utilize capital of the Banks. Other subsidiaries of BOK Financial include BOSCO, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on the Company’s financial statements.

Our overall strategic objective is to emphasize growth in long-term value by building on our leadership position in Oklahoma through expansion into other high-growth markets in contiguous states. We operate primarily in the metropolitan areas of Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona, and Kansas City, Kansas/Missouri. Our acquisition strategy targets quality organizations that have demonstrated solid growth in their business lines. We provide additional growth opportunities by hiring talent to enhance competitiveness, adding locations and broadening product offerings. Our operating philosophy embraces local decision-making in each of our geographic markets while adhering to common Company standards. We also consider acquisitions of distressed financial institutions in our existing markets when attractive opportunities become available.

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Products and services include loans and deposits, cash management services, fiduciary services, mortgage banking and brokerage and trading services to middle-market businesses, financial institutions and consumers. Commercial banking represents a significant part of our business. Our credit culture emphasizes building relationships by making high quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning. Our diversified base of revenue sources is designed to generate returns in a range of economic situations. Historically, fees and commissions provide 40 to 45% of our total revenue. Approximately 42% of our revenue came from fees and commission in 2010.

BOK Financial’s corporate headquarters is located at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192.

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available on the Company's website at [www.bokf.com](http://www.bokf.com) as soon as reasonably practicable after the Company electronically files such material with or furnishes it to the Securities and Exchange Commission.

### Operating Segments

BOK Financial operates 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 for small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund electronic funds 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. Discussion of these principal lines of business appears within the Lines of Business section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and within Note 17 of the Company's Notes to Consolidated Financial Statements, both of which appear elsewhere herein.

## Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of December 31, 2010.

We are the largest financial institution in the state of Oklahoma with 12% of the state's total deposits. The Tulsa and Oklahoma City areas have 28% and 9% of the market share, respectively. We compete with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources and also compete with regional and locally-owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

Bank of Texas competes against numerous financial institutions, including some of the largest in the United States, and has a market share of approximately 2% in the Dallas, Fort Worth area and 1% in the Houston area. Bank of Albuquerque has a number four market share position with 10% of deposits in the Albuquerque area and competes with two large national banks, some regional banks and several locally-owned smaller community banks. Colorado State Bank and Trust has a market share of approximately 2% in the Denver area. Bank of Arizona operates as a community bank with locations in Phoenix, Mesa and Scottsdale. Bank of Arkansas serves Benton and Washington counties in Arkansas, and Bank of Kansas City serves the Kansas City, Kansas/Missouri market. The Company's ability to expand into additional states remains subject to various federal and state laws.

## Employees

As of December 31, 2010, BOK Financial and its subsidiaries employed 4,432 full-time equivalent employees. None of the Company's employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

## Supervision and Regulation

BOK Financial and its subsidiaries are subject to extensive regulations under federal and state laws. These regulations are designed to protect depositors, the Bank Insurance Fund and the banking system as a whole and not necessarily to protect shareholders and creditors. As detailed below, these regulations may restrict the Company's ability to diversify, to acquire other institutions and to pay dividends on its capital stock. They also may require the Company to provide financial support to its subsidiaries and maintain certain capital balances.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act") was signed into law, giving federal banking agencies authority to increase the minimum deposit ratio, increase regulatory capital requirements, impose additional rules and regulations over consumer financial products and services and limit the amount of interchange fee that may be charged in an electronic debit transaction. In addition, the Dodd-Frank Act makes permanent the \$250,000 limit for federal deposit insurance and provides unlimited federal deposit insurance until January 1, 2013 for non-interest bearing demand deposit accounts. It also repeals prohibitions on payment of interest on demand deposits, which could impact how interest is paid on business transaction and other accounts. We continue to assess the potential impact of the complex provisions that the Dodd-Frank Act will have in the coming months or years. The effect of this legislation on fee income and operating expenses could be significant but cannot



be accurately quantified at this time.

The following information summarizes certain existing laws and regulations that affect the Company's operations. It does not discuss all provisions of these laws and regulations and it does not summarize all laws and regulations that affect the Company presently or in the future.

#### General

As a financial holding company, BOK Financial is regulated under the BHCA and is subject to regular inspection, examination and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Under the BHCA, BOK Financial files quarterly reports and other information with the Federal Reserve Board.

The Banks are organized as a national banking association under the National Banking Act, and are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), the Federal Reserve Board and other federal and state regulatory agencies. The OCC has primary supervisory responsibility for national banks and must approve certain corporate or structural changes, including changes in capitalization, payment of dividends, change of place of business, and establishment of a branch or operating subsidiary. The OCC performs its functions through national bank examiners who provide the OCC with information

concerning the soundness of a national bank, the quality of management and directors, and compliance with applicable regulations. The National Banking Act authorizes the OCC to examine every national bank as often as necessary.

A financial holding company, and the companies under its control, are permitted to engage in activities considered “financial in nature” as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations, and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. Activities that are “financial in nature” include securities underwriting and dealing, insurance underwriting, operating a mortgage company, credit card company or factoring company, performing certain data processing operations, servicing loans and other extensions of credit, providing investment and financial advice, owning and operating savings and loan associations, and leasing personal property on a full pay-out, non-operating basis. In order for a financial holding company to commence any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least satisfactory in its most recent examination under the Community Reinvestment Act. A financial holding company is required to notify the Federal Reserve Board within thirty days of engaging in new activities determined to be “financial in nature.” BOK Financial is engaged in some of these activities and has notified the Federal Reserve Board.

The BHCA requires the Federal Reserve Board’s prior approval for the direct or indirect acquisition of more than five percent of any class of voting stock of any non-affiliated bank. Under the Federal Bank Merger Act, the prior approval of the OCC is required for a national bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the applicant’s performance record under the Community Reinvestment Act and fair housing laws and the effectiveness of the subject organizations in combating money laundering activities.

A financial holding company and its subsidiaries are prohibited under the BHCA from engaging in certain tie-in arrangements in connection with the provision of any credit, property or services. Thus, a subsidiary of a financial holding company may not extend credit, lease or sell property, furnish any services or fix or vary the consideration for these activities on the condition that (1) the customer obtain or provide additional credit, property or services from or to the financial holding company or any subsidiary thereof, or (2) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to insure the soundness of credit extended.

The Banks and other non-bank subsidiaries are also subject to other federal and state laws and regulations. For example, BOSCO, Inc., the Company’s broker/dealer subsidiary that engages in retail and institutional securities sales and municipal bond underwriting, is regulated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), the Federal Reserve Board, and state securities regulators. As another example, Bank of Arkansas is subject to certain consumer-protection laws incorporated in the Arkansas Constitution, which, among other restrictions, limit the maximum interest rate on general loans to five percent above the Federal Reserve Discount Rate and limit the rate on consumer loans to the lower of five percent above the discount rate or seventeen percent.

#### Capital Adequacy and Prompt Corrective Action

The Federal Reserve Board, the OCC and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations to ensure capital adequacy based upon the risk levels of assets and off-balance sheet financial instruments. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory

accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators regarding components, risk weighting and other factors.

The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Core capital (Tier 1) includes common shareholders' equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution's Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2010, BOK Financial's Tier 1 and total capital ratios under these guidelines were 12.69% and 16.20%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial's leverage ratio at December 31, 2010 was 8.74%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the “FDICIA”), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2010.

The federal regulatory authorities’ risk-based capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the “BIS”). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country’s supervisors in determining the supervisory policies they apply.

On September 12, 2010, the Group of Governors and Heads of Supervision (“GHOS”), the oversight body of the BIS, announced changes to strengthen the existing capital and liquidity requirements of internationally active banking organizations. The GHOS agreement calls for national jurisdictions to implement the new requirements beginning January 1, 2013. Proposed changes include increased minimum ratios for common equity, tier 1 and total capital to risk weighted assets, increased leverage ratio of tier 1 capital to total assets including certain off balance-sheet commitments and derivative positions, and “add-on” capital buffers that become effective under certain conditions. Proposed changes also include required minimum liquidity coverage and net stable funding ratios. The timing and extent to which these changes will be effective for banking organizations that are not internationally active, like BOK Financial Corporation, has not been determined. Our current capital level appears to be well in excess of the proposed standards.

Further discussion of regulatory capital, including regulatory capital amounts and ratios, is set forth under the heading “Liquidity and Capital” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 15 of the Company’s Notes to Consolidated Financial Statements, both of which appear elsewhere herein.

#### Deposit Insurance

Substantially all of the deposits held by the Banks are insured up to applicable limits by the Deposit Insurance Fund (“DIF”) of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank’s capital level and supervisory rating (“CAMELS rating”). The risk matrix includes four risk categories, distinguished by capital levels and supervisory ratings. For large Risk Category 1 institutions (generally those with assets in excess of \$10 billion) that have long-term debt issuer ratings, including Bank of Oklahoma, assessment rates are determined from weighted-average CAMELS component ratings and long-term debt issuer ratings. The minimum annualized assessment rate for large institutions is 12 basis points per \$100 of deposits and the maximum annualized assessment rate for large institutions is 50 basis points per \$100 of deposits. Quarterly assessment rates for large institutions in Risk Category 1 may vary within this range depending upon changes in CAMELS component ratings and long-term debt issuer ratings.

Subsequent to December 31, 2010, the FDIC released a final rule to implement provisions of the Dodd-Frank Act that affect deposit insurance assessments. Among other things, the Dodd-Frank Act raised the minimum designated

reserve ratio from 1.15% to 1.35% of estimated insured deposits, removed the upper limit of the designated reserve ratio, required that the designated reserve ratio reach 1.35% by September 30, 2020, and required that the FDIC offset the effect of increasing the minimum designated reserve ratio on depository institutions with total assets of less than \$10 billion. The Dodd-Frank Act also required that the FDIC redefine the assessment base to average consolidated assets minus average tangible equity. The final rule becomes effective April 1, 2011. We do not expect the change to have a significant effect on our current deposit insurance assessment.

In response to an increase in bank failures, the board of directors of the FDIC approved a special assessment during 2009. This assessment was calculated as 5 basis points times each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. Collectively, the Banks paid \$12 million of special assessment charges.

On November 12, 2009 the board of directors of the FDIC voted to require insured institutions to prepay over three years of estimated insurance assessments on December 30, 2009 in order to strengthen the cash position of the DIF. As of December 31, 2009 and each quarter thereafter, the regular quarterly assessment will be applied against the prepaid assessment until the asset is exhausted. Any prepaid assessment not exhausted as of June 30, 2013 will be returned. Collectively, the Banks prepaid \$78 million of deposit insurance assessments. As of December 31, 2010, \$57 million of prepaid deposit insurance assessments are included in Other assets on the Consolidated Balance Sheet of the Company.

In addition, the Banks are assessed a charge based on deposit balances by the Financing Corporation (“FICO”). The FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987 whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation.

#### Dividends

The primary source of liquidity for BOK Financial is dividends from the Banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. In consideration of our bank charter consolidation, Bank of Oklahoma, N.A. declared and paid a dividend of \$175 million to BOK Financial Corporation for general corporate purposes. Subsequent to the consolidation of the existing bank charters into BOKF, NA, based on the most restrictive limitations as well as management’s internal capital policy, BOKF, NA had excess regulatory capital and could declare up to \$82 million of dividends without regulatory approval as of January 1, 2011. This amount is not necessarily indicative of amounts that may be available to be paid in future periods.

#### Source of Strength Doctrine

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered by the FDIC as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default, the other Banks may be assessed for the FDIC’s loss, subject to certain exceptions.

#### Governmental Policies and Economic Factors

The operations of BOK Financial and its subsidiaries are affected by legislative changes and by the policies of various regulatory authorities and, in particular, the credit policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit to moderate recessions and curb inflation. Among the instruments of monetary policy used by the Federal Reserve Board to implement its objectives are: open-market operations in U.S. Government securities, changes in the discount rate and federal funds rate on bank borrowings, and changes in reserve requirements on bank deposits. The effect of future changes in such policies on the business and earnings of BOK Financial and its subsidiaries is uncertain.

In response to the significant recession in business activity which began in 2007, the U.S. government enacted various programs and continues to enact programs to stimulate the economy. These programs include the Trouble Assets Relief Program (“TARP”), which provided capital to eligible financial institutions and other sectors of the domestic economy, and the Temporary Liquidity Guarantee Program, which expanded insurance coverage to a larger amount of deposit account balances and other qualifying debt issued by eligible financial institutions. In addition, the government recently enacted economic stimulus legislation, which increases government spending and reduces certain taxes. In 2010, the Federal Reserve announced its intention to purchase up to \$600 billion of U.S. government securities to further stimulate the economy. The short-term effectiveness and long-term impact of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

The Company elected not to participate in the TARP Capital Purchase Program as we believed that our capital sources were sufficient to support organic growth, acquisitions within our current market areas, cash dividends on our common stock and periodic stock repurchases.

Foreign Operations

BOK Financial does not engage in operations in foreign countries, nor does it lend to foreign governments.

ITEM 1A. RISK FACTORS

The United States economy experienced a significant recession from 2007 to 2009. Business activity across a wide range of industries and geographic regions decreased and unemployment increased significantly. The financial services industry and capital markets have been adversely affected by significant declines in asset values, rising delinquencies and defaults, and restricted liquidity. Numerous financial institutions failed or required a significant amount of government assistance due to credit losses and liquidity shortages. The rate of economic recovery has been slow, unemployment has been persistently high and the national housing market remains depressed overall. The Federal Reserve Board continues to take steps to promote more robust economic growth including maintaining historically low federal funds rate for an extended period of time. High unemployment levels and protracted economic recovery could adversely affect our credit quality, financial condition and results of operations.

Adverse factors could impact BOK Financial's ability to implement its operating strategy.

Although BOK Financial has developed an operating strategy which it expects to result in continuing improved financial performance, BOK Financial cannot assure that it will be successful in fulfilling this strategy or that this operating strategy will be successful. Achieving success is dependent upon a number of factors, many of which are beyond BOK Financial's direct control. Factors that may adversely affect BOK Financial's ability to implement its operating strategy include:

- deterioration of BOK Financial's asset quality;
- inability to control BOK Financial's noninterest expenses;
  - inability to increase noninterest income;
- deterioration in general economic conditions, especially in BOK Financial's core markets;
  - inability to access capital;
  - decreases in net interest margins;
  - increases in competition;
  - adverse regulatory developments.

Adverse regional economic developments could negatively affect BOK Financial's business.

A substantial majority of BOK Financial loans are generated in Oklahoma and other markets in the southwest region. As a result, poor economic conditions in Oklahoma or other markets in the southwest region may cause BOK Financial to incur losses associated with higher default rates and decreased collateral values in BOK Financial's loan portfolio. A regional economic downturn could also adversely affect revenue from brokerage and trading activities, mortgage loan originations and other sources of fee-based revenue.

Adverse economic factors affecting particular industries could have a negative effect on BOK Financial customers and their ability to make payments to BOK Financial.

Certain industry-specific economic factors also affect BOK Financial. For example, a portion of BOK Financial's total loan portfolio is comprised of loans to borrowers in the energy industry, which is historically a cyclical industry. Low commodity prices may adversely affect that industry and, consequently, may affect BOK Financial's business negatively. The effect of volatility in commodity prices on our customer derivatives portfolio could adversely affect our liquidity and regulatory capital. In addition, BOK Financial's loan portfolio includes commercial real estate loans. A downturn in the real estate industry in general or in certain segments of the commercial real estate industry in Oklahoma and the southwest region could also have an adverse effect on BOK Financial's operations.

Fluctuations in interest rates could adversely affect BOK Financial's business.

BOK Financial's business is highly sensitive to:

- the monetary policies implemented by the Federal Reserve Board, including the discount rate on bank borrowings and changes in reserve requirements, which affect BOK Financial's ability to make loans and the interest rates we



may charge;

- changes in prevailing interest rates, due to the dependency of BOK Financial's banks on interest income;
- open market operations in U.S. Government securities.

A significant increase in market interest rates, or the perception that an increase may occur, could adversely affect both BOK Financial's ability to originate new loans and BOK Financial's ability to grow. Conversely, a decrease in interest rates could result in acceleration in the payment of loans, including loans underlying BOK Financial's holdings of mortgage-backed securities and termination of BOK Financial's mortgage servicing rights. In addition, changes in market interest rates, changes in the relationships between short-term and long-term market interest rates or changes in the relationships between different interest rate indices, could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income. An increase in market interest rates also could adversely affect the ability of BOK Financial's floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and net charge-offs, which could adversely affect BOK Financial's business.

BOK Financial's substantial holdings of mortgage-backed securities and mortgage servicing rights could adversely affect BOK Financial's business.

BOK Financial has invested a substantial amount of its holdings in mortgage-backed securities, which are investment interests in pools of mortgages. Mortgage-backed securities are highly sensitive to changes in interest rates. BOK Financial mitigates this risk somewhat by investing principally in shorter duration mortgage products, which are less sensitive to changes in interest rates. A significant decrease in interest rates could lead mortgage holders to refinance the mortgages constituting the pool backing the securities, subjecting BOK Financial to a risk of prepayment and decreased return on investment due to subsequent reinvestment at lower interest rates. A significant decrease in interest rates could also accelerate premium amortization. Conversely, a significant increase in interest rates could cause mortgage holders to extend the term over which they repay their loans, which delays the Company's opportunity to reinvest funds at higher rates.

In an effort to promote a stronger pace of economic recovery and ensure inflation, over time, is at a level consistent with its mandate, the Federal Reserve Board has announced it will continue its policy of reinvesting principal payments from its security holdings in longer-term Treasury securities which may result in rising interest rates and lower fair values of our residential mortgage-backed securities.

Mortgage-backed securities are also subject to credit risk from delinquency or default of the underlying loans. BOK Financial mitigates this risk somewhat by investing in securities issued by U.S. government agencies. Principal and interest payments on the loans underlying these securities are guaranteed by these agencies. Credit risk on mortgage-backed securities originated by private issuers is mitigated somewhat by investing in senior tranches with additional collateral support.

In addition, as part of BOK Financial's mortgage banking business, BOK Financial has substantial holdings of mortgage servicing rights. The value of these rights is also very sensitive to changes in interest rates. Falling interest rates tend to increase loan prepayments, which may lead to cancellation of the related servicing rights. BOK Financial's investments and dealings in mortgage-related products increase the risk that falling interest rates could adversely affect BOK Financial's business. BOK Financial attempts to manage this risk by maintaining an active hedging program for its mortgage servicing rights. BOK Financial's hedging program has only been partially successful in recent years. The value of mortgage servicing rights may also decrease due to rising delinquency or default of the loans serviced. This risk is mitigated somewhat by adherence to underwriting standards on loans originated for sale.

Market disruptions could impact BOK Financial's funding sources.

BOK Financial's subsidiary banks rely on other financial institutions and the Federal Home Loan Banks of Topeka and Dallas as a significant source of funds. Our ability to fund loans, manage our interest rate risk and meet other obligations depends on funds borrowed from these sources. The inability to borrow funds at market interest rates could have a material adverse effect on our operations.

Substantial competition could adversely affect BOK Financial.

Banking is a competitive business. BOK Financial competes actively for loan, deposit and other financial services business in Oklahoma, as well as in BOK Financial's other markets. BOK Financial's competitors include a large number of small and large local and national banks, savings and loan associations, credit unions, trust companies, broker-dealers and underwriters, as well as many financial and nonfinancial firms that offer services similar to BOK Financial's. Large national financial institutions have entered the Oklahoma market. These institutions have substantial capital, technology and marketing resources. Such large financial institutions may have greater access to capital at a

lower cost than BOK Financial does, which may adversely affect BOK Financial's ability to compete effectively.

BOK Financial has expanded into markets outside of Oklahoma, where it competes with a large number of financial institutions that have an established customer base and greater market share than BOK Financial. BOK Financial may not be able to continue to compete successfully in these markets outside of Oklahoma. With respect to some of its services, BOK Financial competes with non-bank companies that are not subject to regulation. The absence of regulatory requirements may give non-banks a competitive advantage.

Banking regulations could adversely affect BOK Financial.

BOK Financial and its subsidiaries are extensively regulated under both federal and state law. In particular, BOK Financial is subject to the Bank Holding Company Act of 1956, the National Bank Act and the Dodd-Frank Act. These regulations are primarily for the benefit and protection of BOK Financial's customers and not for the benefit of BOK Financial's investors. In the past, BOK Financial's business has been materially affected by these regulations. For example, regulations limit BOK Financial's business to banking and related businesses, and they limit the location of BOK Financial's branches and offices, as well as the amount of deposits that it can hold in a particular state. These regulations may limit BOK Financial's ability to grow and expand into new markets and businesses.

Additionally, under the Community Reinvestment Act, BOK Financial is required to provide services in traditionally underserved areas. BOK Financial's ability to make acquisitions and engage in new business may be limited by these requirements.

The Federal Deposit Insurance Corporation Improvement Act of 1991 and the Bank Holding Company Act of 1956, and various regulations of regulatory authorities, require us to maintain specified capital ratios. Any failure to maintain required capital ratios would limit the growth potential of BOK Financial's business.

Under a long-standing policy of the Board of Governors of the Federal Reserve System, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of that policy, BOK Financial may be required to commit financial and other resources to its subsidiary banks in circumstances where we might not otherwise do so.

The trend toward increasingly extensive regulation is likely to continue and become more costly in the future. Laws, regulations or policies currently affecting BOK Financial and its subsidiaries may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, BOK Financial's business may be adversely affected by any future changes in laws, regulations, policies or interpretations. For example, effective July 1, 2010, the Company recently implemented changes mandated by federal regulations concerning overdraft charges that significantly impacted our fee revenue in the second half of 2010.

The implementation of the Dodd-Frank Act will affect BOK Financial's business including interchange revenue, mortgage banking, consumer products and higher capital standards. Among the rules pending for mortgage banking are uniform lending and servicing standards, consumer protection measures and several reforms affecting loan originators. A cap on interchange revenue has also been proposed. The Bureau of Consumer Financial Protection will have authority over banks greater than \$10 billion in assets and may implement additional consumer protection standards. BOK Financial will be affected by other aspects of the Dodd-Frank Act including new capital rules and revised deposit insurance assessments. Provisions of the Dodd-Frank Act may also make portions of our customer hedging programs uneconomical to continue.

Statutory restrictions on subsidiary dividends and other distributions and debts of BOK Financial's subsidiaries could limit amounts BOK Financial's subsidiaries may pay to BOK Financial.

BOK Financial is a financial holding company, and a substantial portion of BOK Financial's cash flow typically comes from dividends that BOK Financial's bank and nonbank subsidiaries pay to BOK Financial. Various statutory provisions restrict the amount of dividends BOK Financial's subsidiaries can pay to BOK Financial without regulatory approval. Management also developed, and the BOK Financial board of directors approved, an internal capital policy that is more restrictive than the regulatory capital standards. In addition, if any of BOK Financial's subsidiaries liquidates, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before BOK Financial, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary. If, however, BOK Financial is a creditor of the subsidiary with recognized claims against it, BOK Financial will be in the same position as other creditors.

Although publicly traded, BOK Financial's common stock has substantially less liquidity than the average trading market for a stock quoted on the NASDAQ National Market System.

A relatively small fraction of BOK Financial's outstanding common stock is actively traded. The risks of low liquidity include increased volatility of the price of BOK Financial's common stock. Low liquidity may also limit holders of BOK Financial's common stock in their ability to sell or transfer BOK Financial's shares at the price, time and quantity desired.

BOK Financial's principal shareholder controls a majority of BOK Financial's common stock.

Mr. George B. Kaiser owns a majority of the outstanding shares of BOK Financial's common stock. Mr. Kaiser is able to elect all of BOK Financial's directors and effectively control the vote on all matters submitted to a vote of BOK Financial's common shareholders. Mr. Kaiser's ability to prevent an unsolicited bid for BOK Financial or any other change in control could have an adverse effect on the market price for BOK Financial's common stock. A substantial majority of BOK Financial's directors are not officers or employees of BOK Financial or any of its affiliates. However, because of Mr. Kaiser's control over the election of BOK Financial's directors, he could change the composition of BOK Financial's Board of Directors so that it would not have a majority of outside directors.

Possible future sales of shares by BOK Financial's principal shareholder could adversely affect the market price of BOK Financial's common stock.

Mr. Kaiser has the right to sell shares of BOK Financial's common stock in compliance with the federal securities laws at any time, or from time to time. The federal securities laws will be the only restrictions on Mr. Kaiser's ability to sell. Because of his current control of BOK Financial, Mr. Kaiser could sell large amounts of his shares of BOK Financial's common stock by causing BOK Financial to file a registration statement that would allow him to sell shares more easily. In

addition, Mr. Kaiser could sell his shares of BOK Financial's common stock without registration under Rule 144 of the Securities Act. Although BOK Financial can make no predictions as to the effect, if any, that such sales would have on the market price of BOK Financial's common stock, sales of substantial amounts of BOK Financial's common stock, or the perception that such sales could occur, could adversely affect market prices. If Mr. Kaiser sells or transfers his shares of BOK Financial's common stock as a block, another person or entity could become BOK Financial's controlling shareholder.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

BOK Financial and its subsidiaries own and lease improved real estate that is carried at \$265 million, net of depreciation and amortization. The Company's principal offices are located in leased premises in the Bank of Oklahoma Tower in Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Kansas/Missouri. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma; Dallas, Texas and Albuquerque, New Mexico. The Company's facilities are suitable for their respective uses and present needs.

The information set forth in Notes 5 and 14 of the Company's Notes to Consolidated Financial Statements, which appear elsewhere herein, provides further discussion related to properties.

#### ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 14 of the Company's Notes to Consolidated Financial Statements, which appear elsewhere herein, provides discussion related to legal proceedings.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended December 31, 2010.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

BOK Financial's \$0.00006 par value common stock is traded on the NASDAQ Stock Market under the symbol BOKF. As of January 31, 2011, common shareholders of record numbered 901 with 68,274,150 shares outstanding.

The highest and lowest closing bid price for shares and cash dividends per share of BOK Financial common stock follows:

|                | First   | Second  | Third   | Fourth  |
|----------------|---------|---------|---------|---------|
| 2010:          |         |         |         |         |
| Low            | \$45.43 | \$47.45 | \$42.89 | \$44.83 |
| High           | 53.11   | 55.60   | 50.58   | 54.86   |
| Cash dividends | 0.24    | 0.25    | 0.25    | 0.25    |
| 2009:          |         |         |         |         |
| Low            | \$22.95 | \$34.46 | \$34.81 | \$41.87 |
| High           | 40.71   | 43.02   | 48.10   | 47.91   |
| Cash dividends | 0.225   | 0.24    | 0.24    | 0.24    |

## Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2005 and ending December 31, 2010.\*

| Index                     | Period Ending |          |          |          |          |          |
|---------------------------|---------------|----------|----------|----------|----------|----------|
|                           | 12/31/05      | 12/31/06 | 12/31/07 | 12/31/08 | 12/31/09 | 12/31/10 |
| BOK Financial Corporation | 100.00        | 122.36   | 116.72   | 92.86    | 111.79   | 128.17   |
| NASDAQ Composite          | 100.00        | 110.39   | 122.15   | 73.32    | 106.57   | 125.91   |
| NASDAQ Bank Index         | 100.00        | 113.82   | 91.16    | 71.52    | 59.87    | 68.34    |
| KBW 50                    | 100.00        | 119.39   | 93.36    | 48.97    | 48.11    | 59.34    |

\* Graph assumes value of an investment in the Company's Common Stock for each index was \$100 on December 31, 2005. The KBW 50 Bank index is the Keefe, Bruyette & Woods, Inc. index, which is available only for calendar quarter end periods. Cash dividends on Common Stock, which were first paid in 2005, are assumed to have been reinvested in BOK Financial Common Stock.

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 December 31, 2010.

| Period                                | Total<br>Number of<br>Shares<br>Purchased<br>2 | Average<br>Price Paid<br>per Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs 1 | Maximum<br>Number of<br>Shares that<br>May Yet<br>Be<br>Purchased<br>Under the<br>Plans |
|---------------------------------------|--|------------------------------------|--|---|
| October 1, 2010 to October 31, 2010   | 887  | \$45.38                            | –  | 1,215,927   |
| November 1, 2010 to November 30, 2010 | 20,788   | \$50.12                            | –  | 1,215,927   |
| December 1, 2010 to December 31, 2010 | 50,208   | \$53.01                            | –  | 1,215,927   |
| Total                                 | 71,883   |                                    | –  |   |

1 On April 26, 2005, the Company’s board of directors authorized the Company to repurchase up to two million shares of the Company’s common stock. As of December 31, 2010, 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. SELECTED FINANCIAL DATA

The selected financial data is set forth within Table 1 of Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Table 1 Consolidated Selected Financial Data  
(Dollars in thousands except per share data)

|  | December 31, |            |             |             |            |
|--|--------------|------------|-------------|-------------|------------|
|  | 2010         | 2009       | 2008        | 2007        | 2006       |
| <b>Selected Financial Data</b>                           |              |            |             |             |            |
| For the year:  |              |            |             |             |            |
| Interest revenue   | \$851,082    | \$914,569  | \$1,061,645 | \$1,160,737 | \$986,429  |
| Interest expense   | 142,030      | 204,205    | 414,783     | 616,252     | 499,741    |
| Net interest revenue                                     | 709,052      | 710,364    | 646,862     | 544,485     | 486,688    |
| Provision for credit losses                              | 105,139      | 195,900    | 202,593     | 34,721      | 18,402     |
| Fees and commissions revenue                             | 516,394      | 480,512    | 415,194     | 405,622     | 371,696    |
| Net income   | 246,754      | 200,578    | 153,232     | 217,664     | 212,977    |
| Period-end:  |              |            |             |             |            |
| Loans  | 10,643,036   | 11,279,698 | 12,876,006  | 11,940,570  | 10,651,178 |
| Assets   | 23,941,603   | 23,516,831 | 22,734,648  | 20,667,701  | 18,059,624 |
| Deposits   | 17,179,061   | 15,518,228 | 14,982,607  | 13,459,291  | 12,386,705 |
| Subordinated debentures                                  | 398,701      | 398,539    | 398,407     | 398,273     | 297,800    |
| Shareholders' equity                                     | 2,521,726    | 2,205,813  | 1,846,257   | 1,935,384   | 1,721,022  |
| Nonperforming assets <sup>2</sup>                        | 394,469      | 484,295    | 342,291     | 104,159     | 44,343     |
| <b>Profitability Statistics</b>                          |              |            |             |             |            |
| Earnings per share (based on average equivalent shares): |              |            |             |             |            |
| Basic  | \$3.63       | \$2.96     | \$2.27      | \$3.24      | \$3.19     |
| Diluted  | 3.61         | 2.96       | 2.27        | 3.22        | 3.16       |
| Percentages (based on daily averages):                   |              |            |             |             |            |
| Return on average assets                                 | 1.04         | % 0.87     | % 0.71      | % 1.14      | % 1.27     |
| Return on average shareholders' equity                   | 10.18        | 9.66       | 7.87        | 12.01       | 13.23      |
| Average shareholders' equity to average assets           | 10.19        | 8.98       | 9.01        | 9.53        | 9.58       |
| <b>Common Stock Performance</b>                          |              |            |             |             |            |
| Per Share:   |              |            |             |             |            |
| Book value per common share                              | \$36.97      | \$32.53    | \$27.36     | \$28.75     | \$25.66    |
| Market price: December 31 close                          | 53.40        | 47.52      | 40.40       | 51.70       | 54.98      |
| Market range – High close                                | 55.68        | 48.13      | 60.84       | 55.57       | 54.98      |
| Market range – Low close                                 | 42.89        | 22.98      | 38.48       | 47.47       | 44.43      |
| Cash dividends declared                                  | 0.99         | 0.945      | 0.875       | 0.75        | 0.55       |
| Dividend payout ratio                                    | 27.16        | % 31.93    | % 38.55     | % 23.29     | % 17.41    |

## Selected Balance Sheet Statistics

Period-end:

|   |        |   |       |   |       |   |        |   |        |   |
|---|--------|---|-------|---|-------|---|--------|---|--------|---|
| Tier 1 capital ratio  | 12.69  | % | 10.86 | % | 9.40  | % | 9.38   | % | 9.78   | % |
| Total capital ratio   | 16.20  |   | 14.43 |   | 12.81 |   | 12.54  |   | 11.58  |   |
| Leverage ratio  | 8.74   |   | 8.05  |   | 7.89  |   | 8.20   |   | 8.79   |   |
| Tangible common equity ratio <sup>1</sup>                   | 9.21   |   | 7.99  |   | 6.64  |   | 7.72   |   | 8.22   |   |
| Allowance for loan losses to nonperforming loans            | 115.76 |   | 82.22 |   | 74.49 |   | 133.79 |   | 305.37 |   |
| Allowance for loan losses to loans                          | 2.75   |   | 2.59  |   | 1.81  |   | 1.06   |   | 1.03   |   |
| Combined allowances for credit losses to loans <sup>4</sup> | 2.89   |   | 2.72  |   | 1.93  |   | 1.24   |   | 1.22   |   |

## Miscellaneous (at December 31)

|  |              |  |              |  |              |  |              |  |              |  |
|--|--------------|--|--------------|--|--------------|--|--------------|--|--------------|--|
| Number of employees (full-time equivalent)     | 4,432        |  | 4,355        |  | 4,300        |  | 4,110        |  | 3,958        |  |
| Number of banking locations                    | 207          |  | 202          |  | 202          |  | 195          |  | 169          |  |
| Number of TransFund locations                  | 1,943        |  | 1,896        |  | 1,933        |  | 1,822        |  | 1,649        |  |
| Trust assets                                   | \$32,751,501 |  | \$30,385,365 |  | \$30,454,512 |  | \$36,288,592 |  | \$31,704,091 |  |
| Mortgage loan servicing portfolio <sup>3</sup> | 12,059,241   |  | 7,366,780    |  | 5,983,824    |  | 5,481,736    |  | 4,988,611    |  |

<sup>1</sup> Shareholders' equity less preferred equity, intangible assets and equity provided by the TARP Capital Program (none) divided by total assets less intangible assets.

<sup>2</sup> Includes nonaccrual loans, renegotiated loans and assets acquired in satisfaction of loans. Excludes loans past due 90 days or more and still accruing.

<sup>3</sup> Includes outstanding principal for loans serviced for affiliates.

<sup>4</sup> Includes allowance for loan losses and allowance for off-balance sheet credit losses.

## Management's Assessment of Operations and Financial Condition

### Overview

The following discussion is management's analysis to assist in the understanding and evaluation of the financial condition and results of operations BOK Financial Corporation ("BOK Financial" or "the Company"). This discussion should be read in conjunction with the consolidated financial statements and footnotes and selected financial data presented elsewhere in this report.

From 2007 to 2009 the United States experienced a severe recession, characterized by substantial market volatility and lack of available liquidity. The effects of the recession continued to impact the economy in 2010, primarily characterized by slow economic growth and persistently high national unemployment rates. In response, the U.S. government continued to provide significant liquidity and other intervening measures to support economic recovery based on evidence of subdued inflation. Lending activity remained slow in light of the economic uncertainty and interest rates remained at historic lows throughout the year. Low national mortgage rates during much of the year sustained a high level of mortgage lending activity and increased prepayments of our mortgage-backed securities. Cash flows from these securities were reinvested at current rates.

### Performance Summary

BOK Financial's net income for 2010 totaled \$246.8 million or \$3.61 per diluted share compared to \$200.6 million or \$2.96 per diluted share compared to 2009, up 23% over 2009 on diversified fee income growth and improving credit quality. Net income was up 15% over last year, excluding a \$6.5 million or \$0.10 per diluted share day-one gain from the purchase of the rights to service \$4.2 billion of residential mortgage loans on favorable terms in 2010 and a \$7.7 million or \$0.11 per share special assessment by the Federal Deposits Insurance Corporation ("FDIC") in 2009.

### Highlights of 2010 included:

- Net interest revenue totaled \$709.1 million for 2010 compared to \$710.4 million for 2009. Net interest margin was 3.50% for 2010, compared to 3.57% for 2009. Net interest margin narrowed during the year as increased cash flows from our securities portfolio were reinvested at lower current rates and increased prepayment speeds accelerated premium amortization.
- Fees and commissions revenue increased \$35.9 million or 7% over 2009. Mortgage banking revenue increased \$22.6 million over the prior year on increased loan production and servicing revenue. Deposit service charges and fees decreased \$12.2 million due primarily to changes in overdraft fee regulations which became effective the second half of 2010.
- Operating expenses, excluding changes in the fair value of mortgage servicing rights and the impact of the FDIC special assessment in 2009, totaled \$756.8 million, up \$59.7 million or 9% over the prior year. Net losses and operating expenses on repossessed assets increased \$23.1 million and personnel costs increased \$21.3 million.
- Combined allowances for credit losses totaled \$307 million or 2.89% of outstanding loans at December 31, 2010 compared to \$306 million or 2.72% of outstanding loans at December 31, 2009. Provision for credit losses and net charge-offs were \$105.1 million and \$104.4 million, respectively, for 2010 and \$195.9 million and \$137.8 million, respectively, for 2009.
- Nonperforming assets totaled \$394 million or 3.66% of outstanding loans and repossessed assets at December 31, 2010, down from \$484 million or 4.24% of outstanding loans and repossessed assets at December 31,

2009. Nonaccruing loans decreased \$109 million and repossessed assets increased \$12 million during 2010.

- Outstanding loan balances were \$10.6 billion at December 31, 2010, down \$637 million from the prior year. Unfunded commercial loan commitments increased \$182 million during 2010 to \$4.6 billion.
- Total period-end deposits increased \$1.7 billion during 2010 to \$17.2 billion, due primarily to growth in interest-bearing transaction and demand deposits.
- Tangible common equity and Tier 1 capital ratios were 9.21% and 12.69%, respectively, at December 31, 2010 and 7.99% and 10.86%, respectively, at December 31, 2009. Growth in the tangible common equity ratio was due largely to retained earnings and a \$116 million after-tax increase in the fair value of available for sale securities. The Company and each of its subsidiary banks exceeded the regulatory definition of well capitalized. The Company's Tier 1 capital ratios, as defined by banking regulations, were 12.69% at December 31, 2010 and 10.86% at December 31, 2009.

Net income for the fourth quarter of 2010 totaled \$58.8 million or \$0.86 per diluted share compared with \$42.8 million or \$0.63 per diluted share in 2009.

Highlights of the fourth quarter of 2010 included:

- Net interest revenue totaled \$163.7 million, down \$20.8 million from the fourth quarter of 2009. Net interest margin was 3.19% for the fourth quarter of 2010 and 3.64% for the fourth quarter of 2009. Net interest revenue decreased as cash flows from our securities portfolio were reinvested at lower rates and increased prepayment speeds accelerated premium amortization.
- Net loans charged off and provision for credit losses were \$14.2 million and \$7.0 million, respectively, for the fourth quarter of 2010. Net loans charged off and provision for credit losses were \$34.5 million and \$48.6 million, respectively for the fourth quarter of 2009.
  - Fees and commissions revenue totaled \$136.0 million, up \$20.0 million over the fourth quarter of 2009 due primarily to higher mortgage banking revenue and brokerage and trading revenue. Increased transaction card revenue and trust fees and commission were offset by a decrease in deposit service charges as a result of changes in banking regulations concerning overdraft fees.
- Changes in the fair value of our mortgage servicing rights, net of economic hedge, increased pre-tax net income for the fourth quarter of 2010 by \$6.6 million and increased pre-tax net income by \$845 thousand in the fourth quarter of 2009.
- Other operating expense, excluding changes in the fair value of mortgage servicing rights, increased \$21.8 million over the prior year due primarily to a \$13.1 million increase in personnel costs. Net losses and operating expenses on repossessed assets also increased over the fourth quarter of 2009.
- Other than temporary impairment charges on certain privately-issued residential mortgage-backed and equity securities reduced pre-tax net income by \$6.6 million during the fourth quarter of 2010 and \$14.5 million during the fourth quarter of 2009.

#### Critical Accounting Policies & Estimates

The Consolidated Financial Statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Company’s accounting policies are more fully described in Note 1 of the Consolidated Financial Statements. Management makes significant assumptions and estimates in the preparation of the Consolidated Financial Statements and accompanying notes in conformity with GAAP that may be highly subjective, complex and subject to variability. Actual results could differ significantly from these assumptions and estimates. The following discussion addresses the most critical areas where these assumptions and estimates could affect the financial condition, results of operations and cash flows of the Company. These critical accounting policies and estimates have been discussed with the appropriate committees of the Board of Directors.

#### Allowances for Loan Losses and Off-Balance Sheet Credit Losses

Allowances for loan losses and off-balance sheet credit losses are assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed and is applied by an independent Credit Administration department to assure consistency across the Company. The allowance for

loan losses includes allowances assigned to specific impaired loans and commitments that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans that are based on migration factors and nonspecific allowances that are based on analysis of general economic risk concentration and related factors. Additional details regarding the policies utilized in the development of the allowances for loan losses and off-balance sheet credit losses are included in Notes 1 and 4 to the Consolidated Financial Statements. There have been no material changes in the approach or techniques utilized in developing the allowances for loan losses or off-balance sheet credit losses during 2010.

Loans are considered impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreements. This is substantially the same criteria utilized to determine whether a loan should be placed on nonaccrual status. Generally, all nonaccruing commercial and commercial real estate loans are impaired. 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 determined through a quarterly evaluation of available cash resources and collateral value. Specific allowances for impairment are determined for loans that have not yet been charged down to amounts we expect to recover through evaluation of estimated future cash flows, collateral values and historical statistics. Estimates of future cash flows and collateral values require significant management judgments and are subject to volatility.

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. Appraisals are updated at least annually, or more frequently, if market conditions indicate collateral values may have declined. Collateral value of mineral rights is 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.

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. Risk grades are updated quarterly by management and may be based on significant subjective judgments. 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 judgmentally set by management 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. Management may adjust the resulting general allowance upward or downward so that the allowance for loan losses represents credit losses inherent in the portfolio.

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.

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.

Nonspecific allowances are maintained for risks beyond those factors specific to a particular loan or those identified by the migration models. These factors include trends in the general economy in our primary lending areas, conditions in specific 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. A range of potential losses is determined for each factor identified.

#### Fair Value Measurement

Certain assets and liabilities are recorded at fair value in the Consolidated Financial Statements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in a principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date, using assumptions market participants would use when pricing an asset or liability. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale.

Fair value measurement and disclosure guidance provides a three level hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories: unadjusted quoted prices in active markets for identical assets or liabilities, other observable inputs that can be observed either directly or indirectly and unobservable inputs for assets or liabilities. Fair value may be recorded for certain assets and liabilities every reporting period on a recurring basis or under certain circumstances on a non-recurring basis.

The following represents significant fair value measurements included in the Consolidated Financial Statements based on estimates. See Note 18 of the Consolidated Financial Statements for additional discussion of fair value measurement and disclosure included in the Consolidated Financial Statements.

#### Mortgage Servicing Rights

We have a significant investment in mortgage servicing rights. These rights are primarily retained from sales of loans we have originated. Occasionally mortgage servicing rights may be purchased from other lenders. Originated mortgage servicing rights are initially recognized at fair value. Purchased servicing rights are initially recognized at their purchase price. Subsequent changes in fair value are recognized in earnings as they occur.

There is no active market for trading in mortgage servicing rights. We use a cash flow model to determine fair value. Key assumptions and estimates including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates used by this model are based on current market



sources. Assumptions used to value our mortgage servicing rights are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to value this asset. 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. We adjust the prepayment projections determined by this model to better correlate with actual performance of our servicing portfolio. The discount rate is based on benchmark rates for mortgage loans plus a market spread expected by investors in servicing rights. Significant assumptions used to determine the fair value of our mortgage servicing rights are presented in Note 7 to the Consolidated Financial Statements. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, we would expect a 50 basis point increase in mortgage interest rates to increase the fair value of our servicing rights by \$14 million. We would expect a \$17 million decrease in the fair value of our mortgage servicing rights from a 50 basis point decrease in mortgage interest rates.

#### Valuation of Derivative Instruments

We use interest rate derivative instruments to manage our interest rate risk. We also offer interest rate, commodity, and foreign exchange derivative contracts to our customers. All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices in an active market for identical instruments. Fair values for over-the-counter interest rate contracts used to manage our interest rate risk are provided either by third-party dealers in the contracts or by quotes provided by independent pricing services. Information used by these third-party dealers or independent pricing services to determine fair values are considered significant other observable inputs. Fair values for interest rate, commodity and foreign exchange contracts used in our customer hedging programs are based on valuations generated internally by third-party provided pricing models. These models use significant other observable market inputs to estimate fair values. Changes in assumptions used in these pricing models could significantly affect the reported fair values of derivative assets and liabilities, though the net effect of these changes should not significantly affect earnings.

Credit risk is considered in determining the fair value of derivative instruments. Deterioration in the credit rating of customers or dealers reduces the fair value of asset contracts. The reduction in fair value is recognized in earnings during the current period. Deterioration in our credit rating below investment grade would affect the fair value of our derivative liabilities. In the event of a credit down-grade, the fair value of our derivative liabilities would decrease. The reduction in fair value would be recognized in earnings in the current period.

#### Valuation of Securities

The fair value of our securities portfolio is generally based on a single price for each financial instrument provided to us by a third-party pricing service determined by 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.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. The methodologies employed by the third-party pricing services are evaluated 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.

A portion of our securities portfolio is comprised of debt securities for which third-party services have discontinued providing price information due primarily to a lack of observable inputs and other relevant data. We estimate the fair value of these securities based on significant unobservable inputs, including projected cash flows discounted at rates indicated by comparison to securities with similar credit and liquidity risk. We would expect the fair value to decrease \$671 thousand if credit spreads utilized in valuing these securities widened by 100 basis points.

## Goodwill Impairment

Goodwill for each reporting unit is evaluated for impairment annually as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible goodwill impairment involves significant judgment based upon short-term and long-term projections of future performance.

We identify the geographical market underlying each operating segment as reporting units for the purpose of performing the annual goodwill impairment test. This is consistent with the manner in which management assesses the performance of the Company and allocates resources. See additional discussion of the operating segments in the Assessment of Operations – Lines of Business section following.

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our reporting units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. Critical assumptions in our evaluation were an 11.00% average expected long-term growth rate, a 0.75% volatility factor for BOK Financial common stock, an 11.73% discount rate and a 12.26% market risk premium.

The fair value, carrying value and related goodwill of reporting units for which goodwill was attributed as of our annual impairment test performed on October 1, 2010 is as follows in Table 2.

Table 2  
(In thousands)

Goodwill allocation by reporting unit

|                           | Fair Value | Carrying Value <sup>1</sup> | Goodwill |
|---------------------------|------------|-----------------------------|----------|
| <b>Commercial:</b>        |            |                             |          |
| Oklahoma                  | \$791,113  | \$250,154                   | \$5,140  |
| Texas                     | 506,577    | 384,454                     | 196,183  |
| New Mexico                | 82,136     | 60,778                      | 11,094   |
| Colorado                  | 96,285     | 91,365                      | 39,458   |
| Arizona                   | 82,595     | 56,174                      | 14,853   |
| <b>Consumer:</b>          |            |                             |          |
| Oklahoma                  | 534,246    | 163,012                     | 1,683    |
| Texas                     | 103,846    | 47,353                      | 27,567   |
| New Mexico                | 59,425     | 15,446                      | 2,874    |
| Colorado                  | 35,298     | 11,118                      | 6,899    |
| <b>Wealth Management:</b> |            |                             |          |
| Oklahoma                  | 244,602    | 92,113                      | 1,350    |
| Texas                     | 104,262    | 40,082                      | 16,372   |
| New Mexico                | 24,224     | 5,787                       | 1,305    |
| Colorado                  | 52,878     | 16,663                      | 9,254    |
| Arizona                   | 12,022     | 7,341                       | 1,569    |

<sup>1</sup> Carrying value includes intangible assets attributed to the reporting unit.

Based on the results of the primary discounted cash flow test performed as of October 1, 2010, no goodwill impairment was noted.

The fair value of our reporting units determined by the discounted future earnings method was further corroborated by comparison to the market capitalization of publicly traded banks of similar size and characteristics in our geographical footprint. Considering the results of these two methods, management believes that no goodwill impairment existed as of our annual evaluation date.

As of December 31, 2010, the market value of BOK Financial common stock, a primary input in our goodwill impairment analysis, was approximately 18% above the market value used in our most recent annual evaluation. The market value is influenced by factors affecting the overall economy and the regional banks sector of the market. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock declines or sooner if we incur significant unanticipated operating losses or if other factors indicate a significant decline in the value of our reporting units. The effect of a sustained 10% negative change in the market value of our common stock on September 30, 2010 was simulated. This simulation indicated that an immaterial impairment in our Colorado Commercial reporting unit may be possible. As of October 1, the fair value of our Colorado Commercial reporting unit exceeds the carrying value by 5%.

Numerous other factors could affect future impairment analyses including credit losses that exceed projected amounts or failure to meet growth projections. Additionally, fee income may be adversely affected by increasing residential mortgage interest rates and changes in federal regulations.

#### Other-Than-Temporary Impairment

The Company evaluates impaired debt and equity securities quarterly to determine if impairments are temporary or other-than-temporary.

For impaired debt securities, management first determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. All impaired debt securities we intend to sell or we expect to be required to sell are considered other-than-temporarily impaired and the full impairment loss is recognized as a charge against earnings. All impaired debt securities we do not intend or expect to be required to sell are evaluated further.

Impairment of debt securities consistently rated investment grade by all nationally-recognized rating agencies is considered temporary unless specific contrary information is identified. Impairment of securities rated below investment grade by at least one of the nationally-recognized rating agencies is evaluated to determine if we expect to recover the entire amortized cost basis of the security based on the present value of projected cash flows from individual loans underlying each security. Below investment grade securities we own consist primarily of privately issued residential mortgage-backed securities. The primary assumptions used to project cash flows are disclosed in Note 2 to the Consolidated Financial Statements.

We consider the adjusted loan-to-value ratio and credit enhancement coverage ratio as part of our assessment of cash flows available to recover the amortized cost of our securities. Adjusted loan-to-value ratio is an estimate of the collateral value available to support the realizable value of the security. We calculate the adjusted loan-to-value ratio for each security using loan-level data. The original loan-to-value ratio is adjusted for market-specific home price depreciation and credit enhancement on the specific tranche of each security we own. The credit enhancement coverage ratio is an estimate of currently remaining subordinated tranches available to absorb losses on pools of loans that support the security.

Credit losses, which are defined as the excess of current amortized cost over the present value of projected cash flows, on other-than-temporarily impaired debt securities are recognized as a charge against earnings. Any remaining impairment attributed to factors other than credit losses are recognized in accumulated other comprehensive losses.

Credit losses are based on long-term projections of cash flows which are sensitive to changes in assumptions. Changes in assumptions and differences between assumed and actual results regarding unemployment rates, delinquency rates, default rates, foreclosures costs and home price depreciation can affect estimated and actual credit losses. Deterioration of these factors beyond those described in Note 2 to the Consolidated Financial Statements could result in the recognition of additional credit losses.

We performed a sensitivity analysis of all privately issued mortgage-backed securities rated below AAA. Significant assumptions of this analysis included an increase in the unemployment rate to 12% over the next twelve months, decreasing to 8.5% over 21 months thereafter and an additional 20% house price depreciation. The results of this analysis indicated an additional \$29 million to \$36 million of credit losses are possible.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on our ability and intent to hold the securities until fair value recovers over a period not to exceed three years. The assessment of the ability and intent

to hold these securities considers liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings, and credit spreads for preferred stocks which have debt-like characteristics.

#### Income Taxes

Determination of income tax expense and related assets and liabilities is complex and requires estimates and judgments when applying tax laws, rules, regulations and interpretations. It also requires judgments as to future earnings and the timing of future events. Accrued income taxes represent an estimate of net amounts due to or from taxing jurisdictions based upon these estimates, interpretations and judgments.

Quarterly, management evaluates the Company's effective tax rate based upon its current estimate of net income, tax credits and statutory tax rates expected for the full year. Changes in income tax expense due to changes in the effective tax rate are recognized on a cumulative basis. Annually, we file tax returns with each jurisdiction where we conduct business and settle our return liabilities. We may also provide for estimated liabilities associated with uncertain filing positions.

Deferred tax assets and liabilities are determined based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the

differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

We recognize the benefit of uncertain income tax positions when based upon all relevant evidence it is more-likely-than-not that our position would prevail upon examination, including resolution of related appeals or litigation, based upon the technical merits of the position. An allowance for the uncertain portion of the tax benefit, including estimated interest and penalties, is part of our current accrued income tax liability. Estimated penalties and interest are recognized in income tax expense. This for uncertain tax positions may reduce income tax expense in future periods if the uncertainty is favorably resolved, generally upon completion of an examination by the taxing authorities, expiration of a statute of limitations or changes in facts and circumstances.

#### Assessment of Operations

##### Net Interest Revenue

Tax-equivalent net interest revenue totaled \$718.2 million for 2010, flat with the prior year. The effect of a \$506 million increase in average earning assets was largely offset by a 7 basis point decrease in net interest margin.

The increase in average earning assets was primarily due to a \$1.8 billion increase in securities partially offset by a \$1.2 billion decrease in net loans. During 2009, we purchased U.S. government agency issued residential mortgage-backed securities to supplement earnings during a period of declining loan demand and to manage our interest rate risk. The larger securities portfolio was maintained throughout 2010. Average commercial, commercial real estate and consumer loans decreased compared to the prior year, partially offset by growth in residential mortgage loans.

Growth in average earning assets was funded primarily by a \$1.0 billion increase in average deposits. Average interest-bearing transaction account balances increased \$1.5 billion and average demand deposit account balances increased \$510 million. Average time deposits decreased \$970 million as we decreased higher-costing time deposits. We also decreased average borrowed funds by \$630 million during 2010.

Table 3 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets, was 3.50% for 2010 and 3.57% for 2009. The decrease in net interest margin was due primarily to lower yield on our securities portfolio partially offset by lower funding costs.

The tax-equivalent yield on earning assets was 4.19% for 2010, down 40 basis points from 2009. The securities portfolio yield was 3.35%, down 101 basis points from 2009. Low intermediate and long-term interest rates experienced during the late third quarter and early fourth quarter of 2010 increased actual and projected prepayment speeds which drove higher levels of amortization of purchase premium. In addition to increased premium amortization over the second half of 2010, approximately \$1.4 billion that had been invested to yield 3.40% was reinvested at 2.20%. The recent 100 basis point increase in interest rates should support a partial recovery of the securities portfolio yield as premium amortization slows and reinvestment rates improve. Loan yields increased 17 basis points to 4.82% primarily due to early payoff penalties, non-use fees and other fees. The cost of interest-bearing liabilities was 0.85% for 2010, down 36 basis points from 2009 due largely to market conditions. The cost of interest bearing deposits decreased 53 basis points to 0.85% and the cost of funds purchased and other borrowings increased 3 basis points to 0.84%. In addition, we reduced certain types of higher-costing time deposits and other borrowings

during the year to lower our funding costs. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities was 16 basis points in 2010 compared to 19 basis points in 2009 due to the low rate environment.

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. As shown in Table 27, approximately 62% 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 achieve 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.

We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of \$30 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives is to position our balance sheet to be relatively neutral to changes in interest rates. Net interest revenue increased \$4.0 million in 2010, \$13.1 million in 2009 and \$7.0 million in 2008 from periodic settlements of derivative contracts. This increase in net



interest revenue contributed 2 basis points to net interest margin in 2010, 6 basis points in 2009 and 4 basis points in 2008. Derivative contracts are carried on the balance sheet at fair value. Changes in the fair value of these contracts are reported as derivative gains or losses in the Consolidated Statement 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 3 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

Table 3  
(In thousands)

Volume/Rate Analysis

|   | Year Ended 2010 / 2009 |                            |             | Year Ended 2009 / 2008 |                            |             |
|---|------------------------|----------------------------|-------------|------------------------|----------------------------|-------------|
|   | Change                 | Change Due To <sup>1</sup> |             | Change                 | Change Due To <sup>1</sup> |             |
| Volume  |                        | Yield /<br>Rate            | Volume      |                        | Yield<br>/Rate             |             |
| Tax-equivalent interest revenue:                  |                        |                            |             |                        |                            |             |
| Securities  | \$(22,339 )            | \$65,845                   | \$(88,184 ) | \$14,359               | \$70,709                   | \$(56,350 ) |
| Trading securities                                | (918 )                 | (861 )                     | (57 )       | (1,235 )               | 851                        | (2,086 )    |
| Loans   | (39,096 )              | (57,703 )                  | 18,607      | (158,854 )             | (12,458 )                  | (146,396 )  |
| Funds sold and resell agreements                  | (50 )                  | (30 )                      | (20 )       | (1,500 )               | (314 )                     | (1,186 )    |
| Total   | (62,403 )              | 7,251                      | (69,654 )   | (147,230 )             | 58,788                     | (206,018 )  |
| Interest expense:                                 |                        |                            |             |                        |                            |             |
| Transaction deposits                              | (12,721 )              | 8,736                      | (21,457 )   | (69,796 )              | 9,924                      | (79,720 )   |
| Savings deposits                                  | 105                    | 70                         | 35          | (62 )                  | 30                         | (92 )       |
| Time deposits                                     | (45,481 )              | (20,331 )                  | (25,150 )   | (54,704 )              | 3,924                      | (58,628 )   |
| Federal funds purchased and repurchase agreements | (96 )                  | (62 )                      | (34 )       | (53,016 )              | (8,843 )                   | (44,173 )   |
| Other borrowings                                  | (4,115 )               | (2,375 )                   | (1,740 )    | (33,036 )              | 5,982                      | (39,018 )   |
| Subordinated debentures                           | 133                    | 8                          | 125         | 36                     | 9                          | 27          |
| Total   | (62,175 )              | (13,954 )                  | (48,221 )   | (210,578 )             | 11,026                     | (221,604 )  |
| Tax-equivalent net interest revenue               | (228 )                 | \$21,205                   | \$(21,433 ) | 63,348                 | \$47,762                   | \$15,586    |
| Change in tax-equivalent adjustment               | (1,084 )               |                            |             | 154                    |                            |             |
| Net interest revenue                              | \$(1,312 )             |                            |             | \$63,502               |                            |             |

|                                  | 4th Qtr 2010 / 4th Qtr 2009 |                            |             |
|----------------------------------|-----------------------------|----------------------------|-------------|
|                                  | Change                      | Change Due To <sup>1</sup> |             |
| Volume                           |                             | Yield/Rate                 |             |
| Tax-equivalent interest revenue: |                             |                            |             |
| Securities                       | \$(18,223 )                 | \$8,404                    | \$(26,627 ) |
| Trading securities               | (168 )                      | 72                         | (240 )      |
| Loans                            | (8,796 )                    | (8,806 )                   | 10          |
| Funds sold and resell agreements | (9 )                        | (4 )                       | (5 )        |
| Total                            | (27,196 )                   | (334 )                     | (26,862 )   |
| Interest expense:                |                             |                            |             |
| Transaction deposits             | (2,320 )                    | 1,889                      | (4,209 )    |

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|   |           |          |             |
|---|-----------|----------|-------------|
| Savings deposits                          | (28 )     | 25       | (53 )       |
| Time deposits                             | (3,553 )  | (1,881 ) | (1,672 )    |
| Funds purchased and repurchase agreements | 317       | (173 )   | 490         |
| Other borrowings                          | (975 )    | (1,287 ) | 312         |
| Subordinated debentures                   | 124       | 2        | 122         |
| Total                                     | (6,435 )  | (1,425 ) | (5,010 )    |
| Tax-equivalent net interest revenue       | (20,761 ) | \$1,091  | \$(21,852 ) |
| Change in tax-equivalent adjustment       | (67 )     |          |             |
| Net interest revenue                      |           |          | \$(20,828 ) |

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

Fourth Quarter 2010 Net Interest Revenue

Tax-equivalent net interest revenue for the fourth quarter of 2010 totaled \$165.9 million compared with \$186.7 million for the fourth quarter of 2009. Net interest margin was 3.19% for the fourth quarter of 2010 and 3.64% for the fourth quarter of 2009. The decrease in net interest revenue and net interest margin was due primarily to lower yield on average earning assets, partially offset by lower funding costs. Securities portfolio yield decreased 114 basis points to 2.73%. Premium amortization in the residential mortgage-backed securities portfolio increased in the fourth quarter of 2010 due to extremely low intermediate and long term interest rates which accelerated actual and projected prepayment speeds. In addition, approximately \$800 million that had been yielding 3.15% was reinvested to yield 2.20%. We expect that the 100 basis point increase in mortgage interest rates late in the fourth quarter of 2010 will reduce amortization expense in 2011.

Average earning assets increased \$567 million or 3%, including a \$1.3 billion increase in average securities. Average net loans decreased \$835 million compared to the fourth quarter of 2009. Average balances in all major loan categories, except for residential mortgage, decreased. Growth in average earning assets was funded primarily by a \$505 million increase in average demand deposits. Other borrowing decreased \$1.6 billion compared to the fourth quarter of 2009, partially offset by a \$1.2 billion increase in average interest bearing transaction account balances.

#### 2009 Net Interest Revenue

Tax-equivalent net interest revenue for 2009 was \$718.4 million compared with \$655.1 million for 2008. Average earning assets increased \$1.5 billion or 8%, primarily due to a \$1.8 billion increase in average securities. Growth in the securities portfolio generally consisted of residential mortgage-backed securities issued by U.S. government agencies. As shown in Table 3, net interest revenue increased \$48 million due to changes in earning assets and interest bearing liabilities and increased \$16 million due to changes in interest yields and rates. Net interest margin increased to 3.57% in 2009 compared with 3.45% in 2008 primarily due to lower funding costs. The cost of interest-bearing liabilities was 1.21% for 2009, down 134 basis points from 2008. The tax-equivalent yield on earning assets was 4.59% for 2009, down 105 basis points from 2008. Loan yields decreased 118 basis points to 4.65%. However, loan spreads continued to improve. The securities portfolio yield was 4.36%, down 80 basis points from 2008.

#### Other Operating Revenue

Other operating revenue increased \$27.9 million over 2009 including a \$35.9 million increase in fees and commission revenue partially offset by a \$14.6 million decrease in net gains on securities, derivatives and other assets. Other-than-temporary charges recognized in 2010 earnings were \$6.6 million less than in 2009.

Table 4  
(In thousands)

|  | Year ended December 31, |            |          |          |          |
|--|-------------------------|------------|----------|----------|----------|
|  | 2010                    | 2009       | 2008     | 2007     | 2006     |
| Brokerage and trading revenue                            | \$101,471               | \$91,677   | \$42,804 | \$62,542 | \$53,413 |
| Transaction card revenue                                 | 112,302                 | 105,517    | 100,153  | 90,425   | 78,622   |
| Trust fees and commissions                               | 68,976                  | 66,177     | 78,979   | 78,231   | 71,037   |
| Deposit service charges and fees                         | 103,611                 | 115,791    | 117,528  | 109,218  | 102,436  |
| Mortgage banking revenue                                 | 87,600                  | 64,980     | 30,599   | 22,275   | 26,996   |
| Bank-owned life insurance                                | 12,066                  | 10,239     | 10,681   | 10,058   | 2,558    |
| Other revenue  | 30,368                  | 26,131     | 34,450   | 32,873   | 36,634   |
| Total fees and commissions                               | 516,394                 | 480,512    | 415,194  | 405,622  | 371,696  |
| Gain (loss) on other assets, net                         | (1,161 )                | 4,134      | (9,406 ) | 2,404    | 1,499    |
| Gain (loss) on derivative contracts, net                 | 4,271                   | (3,365 )   | 1,299    | 2,282    | (622 )   |
| Gain (loss) on available for sales securities, net       | 21,882                  | 59,320     | 9,196    | (276 )   | 152      |
| Gains on Mastercard and Visa IPO securities              | –                       | –          | 6,799    | 1,075    | –        |
| Gain (loss) on mortgage trading securities, net          | 7,331                   | (13,198 )  | 10,948   | (486 )   | (1,102 ) |
| Gain (loss) on securities, net                           | 29,213                  | 46,122     | 26,943   | 313      | (950 )   |
| Total other-than-temporary impairment                    | (29,960 )               | (129,154 ) | (5,306 ) | (8,641 ) | –        |
| Portion of loss recognized in other comprehensive income | (2,151 )                | (94,741 )  | –        | –        | –        |

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Net impairment losses recognized in earnings | (27,809 ) | (34,413 ) | (5,306 )  | (8,641 )  | –         |
| Total other operating revenue                | \$520,908 | \$492,990 | \$428,724 | \$401,980 | \$371,623 |

1 Includes net derivative credit losses with two bankrupt counterparties of \$54 million.

#### 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, 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 increased \$9.8 million or 11% over 2009. Customer hedging revenue totaled \$11.7 million, an increase of \$5.0 million over prior year primarily due to energy derivatives. Investment banking revenue totaled \$10.0

million, a \$2.3 million or 30% increase over 2009 due to timing and volume of transactions. Retail brokerage revenue increased \$3.0 million or 14% to \$20.5 million. Securities trading revenue was \$56 million for 2010 compared to \$57 million for 2009. Increased lending activity by our mortgage banking customers increased related securities transaction volume in 2010. This activity was offset by a decline in municipal trading revenue as credit spreads widened on credit concerns in municipal securities and volumes dropped.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of ATM locations and the number of merchants served. Transaction card revenue increased \$6.8 million or 6% over 2009. Check card revenue totaled \$33.1 million, an increase of \$3.7 million or 12% over 2009 due primarily to a 9% increase in the number of check card transactions processed in 2010 compared to 2009. Merchant discount fees increased \$2.8 million or 10% to \$30.4 million on higher transaction volumes. ATM network revenue totaled \$48.8 million, up less than 1% over the prior year. The number of TransFund ATM locations totaled 1,943 at December 31, 2010, up 2% over the prior year. Increased ATM transaction volumes were partially offset by a decrease in the average rate charged per transaction. Interchange fee limits proposed by the Federal Reserve Bank as required by the Dodd-Frank Act would significantly reduce transaction card revenue. Based on the \$0.12 cap proposed in December to be effective as of July 21, 2011, we would expect a decline in our interchange revenue of \$12 million to \$15 million in 2011.

Trust fees and commissions increased \$2.8 million or 4%. The revenue increase was due to growth in the fair value of trust assets, partially offset by lower balances in our proprietary mutual funds. In order to maintain positive yields in our Cavanal Hill Funds and our cash management sweep fund in the current low short-term interest rate environment, we voluntarily waived \$3.7 million of administrative fees in 2010 and \$4.7 million of administrative fees in 2009. The fair value of trust assets administered by the Company totaled \$32.8 billion at December 31, 2010 compared with \$30.4 billion at December 31, 2009.

Deposit service charges and fees declined \$12.2 million or 11% compared to 2009. Overdraft fees declined \$12.0 million or 16% to \$61.8 million. The decrease in overdraft fees was primarily due to changes in federal regulations concerning overdraft changes which were effective July 1, 2010. This performance is consistent with our previously disclosed expectation that changes in overdraft regulations would decrease fee income by \$10 million to \$15 million over the second half of 2010. This decrease was partially mitigated by a new service charge imposed in the second quarter of 2010 on accounts that remain overdrawn for more than five days. Commercial account service charge revenue decreased by \$4.8 million or 14% compared to 2009 to \$29.4 million for 2010. Customers kept larger commercial account balances, which increases 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 increased \$585 thousand or 12% to \$5.4 million.

Mortgage banking revenue increased \$22.6 million or 35% over 2009. Revenue from originating and marketing mortgage loans increased \$4.5 million or 10% over the prior year to \$49.4 million. Margins on mortgage loans originated for sale were historically wide during parts of 2010 due to high volume and falling interest rates. Mortgage loans originated for sale in the secondary market totaled \$2.6 billion in 2010 compared to \$2.8 billion in 2009. Mortgage loan servicing revenue totaled \$38.2 million or 0.36% of the average outstanding balance of loans serviced for others in 2010 and \$20.0 million or 0.34% of loans serviced for others in 2009. The average outstanding balance of loans serviced for others was \$10.7 billion for 2010 and \$5.9 billion for 2009. During the first quarter of 2010, the Company purchased the rights to service \$4.2 billion of residential mortgage loans. The loans to be serviced are primarily concentrated in the New Mexico market and predominately held by Fannie Mae, Freddie Mac and Ginnie Mae. The remaining growth in mortgage loans serviced for others was due to retaining mortgage servicing rights from mortgage loans originated. No mortgage loan servicing rights were purchased in 2009.

Net gains on securities, derivatives and other assets

We recognized \$21.9 million of net gains on sales of \$2.0 billion of available for sale securities in 2010 and \$59.3 million of net gains on sales of \$3.1 billion of available for sale securities in 2009. Securities were sold either because they had reached their expected maximum potential return or to mitigate exposure from rising interest rates.

We also maintain a portfolio of securities and derivative contracts designated as an economic hedge of the changes in fair value of mortgage servicing rights that fluctuates due to changes in prepayment speeds and other assumptions as more fully described in Note 7 to the Consolidated Financial Statements. As benchmark mortgage interest rates fall, prepayment speeds increase and the value of our mortgage servicing rights decreases. As benchmark mortgage interest rates increase, prepayment speeds slow and the value of our mortgage servicing rights increase.

Table 5 Gain (Loss) on Mortgage Servicing Rights, Net of Economic Hedge  
(In thousands)

|   | Year ended December 31, |            |             |            |          |
|---|-------------------------|------------|-------------|------------|----------|
|   | 2010                    | 2009       | 2008        | 2007       | 2006     |
| Gain on mortgage hedge derivative contracts   | \$4,425                 | \$-        | \$-         | \$-        | \$-      |
| Gain (loss) on mortgage trading securities, net   | 7,331                   | (13,198 )  | 10,948      | (486 )     | (1,102 ) |
| Gain (loss) on financial instruments held as an economic hedge of mortgage servicing rights, net                                  | 11,756                  | (13,198 )  | 10,948      | (486 )     | (1,102 ) |
| Gain (loss) on change in fair value of mortgage servicing rights  | (8,171 )                | 12,124     | (34,515 )   | (2,893 )   | 3,009    |
| Gain (loss) on changes in fair value of mortgage servicing rights, net of gain on financial instruments held as an economic hedge | \$3,585                 | \$(1,074 ) | \$(23,567 ) | \$(3,379 ) | \$1,907  |
| Net interest revenue on mortgage trading securities 2   | \$19,043                | \$13,366   | \$4,569     | \$595      | \$594    |

1 Excludes \$11.8 million day-one pre-tax gain on the purchase of mortgage servicing rights in the first quarter of 2010.  
2 Actual interest earned on mortgage trading securities less transfer-priced cost of funds.

In addition to the gain on mortgage hedge derivative contracts, gains (losses) on derivative contracts, net includes fair value adjustments of derivatives used to manage interest rate risk and certain liabilities we have elected to carry at fair value. Derivative instruments generally consist of interest rate swaps where we pay a variable rate based on LIBOR and receive a fixed rate. The fair value of these swaps generally decreases as interest rate rise resulting in a loss to the Company and increases in value as interest rates fall resulting in a gain to the Company. Certain certificates of deposit have been designated as reported at fair value. This determination is made when the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. As interest rates fall, the fair value of these fixed-rate certificates of deposit generally increases and we recognize a loss. Conversely, as interest rates rise, the fair value of these fixed-rate certificates of deposit generally decreases and we recognize a gain. We recognized a net loss on derivatives used to manage interest rate risk of \$154 thousand during 2010 compared to a net loss on derivative of \$3.4 million in 2009.

The change in Net gain (loss) on other assets is due primarily to a \$2.7 million decrease in the fair value of our private equity funds; \$2.4 million of the decrease is allocated to limited partners through Net income (loss) attributable to non-controlling interest on the Statement of Earnings.

As more fully described in the Note 2 to the Consolidated Financial Statements, we recognized \$27.8 million of other-than-temporary impairment losses in earnings in 2010 related to certain privately issued residential mortgage-backed securities and other equity securities. We recognized \$34.4 million of other-than-temporary impairment charges against earnings in 2009 related to certain privately issued residential mortgage-backed securities and preferred stocks.

#### Fourth Quarter 2010 Other Operating Revenue

Other operating revenue for the fourth quarter of 2010 totaled \$111.9 million, up \$3.8 million over the prior year. Fees and commission revenue increased \$20.0 million or 17% over the fourth quarter of 2009. Net gains on available for sale securities were down \$10.7 million.

Mortgage banking revenue increased \$11.8 million or 88% over the same period last year. Revenue from originating and marketing mortgage loans increased \$7.1 million and mortgage loan servicing revenue increased \$4.7 million. Mortgage loans funded for sale totaled \$822 million in the fourth quarter of 2010, up from \$517 million in the fourth quarter of 2009. Brokerage and trading revenue increased \$8.4 million or 41% over the prior year due to a \$4.5 million increase in securities trading revenue, a \$1.9 million increase in retail brokerage revenue and a \$1.9 million increase in investment banking revenue. Transaction card revenue increased \$3.2 million or 12% compared to the previous year. ATM fees, debit card processing fees and merchant discount fees all increased over the prior year. Trust revenue increased \$1.7 million or 10% compared with the fourth quarter of 2009. The fair value of trust assets was up 8% compared to the prior year.

Deposit service charges and fees were down \$5.8 million or 20% due primarily to changes in federal regulation concerning overdraft charges that were effective July 1, 2010. Commercial account service charge revenue also decreased \$961 thousand or 11%.

We recognized net gains of \$953 thousand on sales \$536 million of available for sale securities in the fourth quarter of 2010 compared to net gains of \$11.7 million on sales of \$765 million of available for sale securities in the fourth quarter of 2009.

For the fourth quarter of 2010, changes in the fair value of mortgage servicing rights increased pre-tax net income by \$25.1 million, partially offset by a net loss on mortgage trading securities of \$11.1 million and a loss on derivative contracts of \$7.4 million held as an economic hedge. For the fourth quarter of 2009, changes in the fair value of mortgage servicing



rights increased pre-tax net income by \$5.3 million, partially offset by a net loss on mortgage trading securities held as an economic hedge of \$4.4 million. There were no derivative contracts held as an economic hedge of the mortgage servicing rights at December 31, 2009.

### 2009 Other Operating Revenue

Other operating revenue totaled \$493.0 million for 2009, up \$64.3 million over 2008. Fees and commissions revenue increased \$65.3 million and net gains on securities, derivatives and other assets increased \$28.1 million, offset by a \$29.1 million increase in other-than-temporary impairment charges recognized in earnings. Brokerage and trading revenue increased \$48.9 million over 2008. Fees and commissions revenue for 2008 was reduced by \$54 million from net credit losses on derivative contracts with two bankrupt counterparties. Customer hedging revenue decreased by \$15 million or 70% from 2008 due to lower commodity prices, partially offset by a \$7.8 million or 16% increase in securities trading revenue over 2008 on increased activity by our mortgage banking customers. Transaction card revenue increased \$5.4 million or 8% due to increases in ATM fees and check card revenue. Trust fees and commissions decreased \$12.8 million or 16% primarily due to the decrease in the fair value of all trust assets administered by the Company. Service charges on deposit accounts declined \$1.7 million or 1% on lower overdraft fees due to decreased transaction volume. Mortgage banking revenue increased \$34.4 million or 112% over 2008 due to increases in originating and marketing mortgages and mortgage loan servicing revenue.

Net securities gains totaled \$46.1 million for 2009. Other-than-temporary impairment charges of \$34.4 million and \$5.3 million were recognized in 2009 and 2008, respectively, on certain privately issued residential mortgage-backed securities and variable-rate, perpetual preferred stocks. Losses on mortgage trading securities of \$13.2 million were partially offset by changes in the fair value of our mortgage servicing rights of \$12.1 million.

### Other Operating Expense

Other operating expense totaled \$753.2 million for 2010, up \$56.4 million over 2009. Changes in the fair value of mortgage servicing rights decreased other operating expenses by \$3.7 million in 2010 and decreased other operating expenses by \$12.1 million in 2009. In addition, operating expenses for 2009 included \$11.8 million for the FDIC special assessment. Excluding these items, other operating expense totaled \$756.8 million for 2010, up \$59.7 million over 2009. Personnel expenses increased \$21.3 million or 6% over the previous year. Non-personnel operating expenses increased \$38.4 million or 12% over 2009 due largely to a \$23.1 million increase in losses and operating expenses related to repossessed assets.

Table 6  
(In thousands)

### Other Operating Expenses

|   | Year ended December 31, |           |           |           |           |
|---|-------------------------|-----------|-----------|-----------|-----------|
|   | 2010                    | 2009      | 2008      | 2007      | 2006      |
| Personnel expense   | \$401,864               | \$380,517 | \$352,947 | \$328,705 | \$296,260 |
| Business promotion  | 17,726                  | 19,582    | 23,536    | 21,888    | 19,351    |
| Professional fees and services                                  | 30,217                  | 30,243    | 27,045    | 22,795    | 17,744    |
| Net occupancy and equipment                                     | 63,969                  | 65,715    | 60,632    | 57,284    | 52,188    |
| Insurance   | 24,320                  | 24,040    | 11,988    | 3,017     | 4,270     |
| FDIC special assessment   | —                       | 11,773    | —         | —         | —         |
| Data processing and communications                              | 87,752                  | 81,291    | 78,047    | 72,733    | 66,926    |
| Printing, postage and supplies                                  | 13,665                  | 15,960    | 16,433    | 16,570    | 15,862    |
| Net (gains) losses and operating expenses of repossessed assets | 34,483                  | 11,401    | 1,019     | 691       | 474       |

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|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Amortization of intangible assets                 | 5,336     | 6,970     | 7,661     | 7,358     | 5,327     |
| Mortgage banking costs                            | 40,739    | 36,304    | 22,513    | 13,111    | 12,898    |
| Change in fair value of mortgage servicing rights | (3,661 )  | (12,124 ) | 34,515    | 2,893     | (3,009 )  |
| Visa retrospective responsibility obligation      | –         | –         | (2,767 )  | 2,767     | –         |
| Other expense                                     | 36,760    | 25,061    | 28,835    | 25,175    | 24,016    |
| Total   | \$753,170 | \$696,733 | \$662,404 | \$574,987 | \$512,307 |

Personnel Expense

Personnel expense totaled \$401.9 million for 2010 and \$380.5 million for 2009. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, totaled \$238.7 million, up \$6.8 million or 3% over 2009. The increase in regular compensation was primarily due to an increase in the average regular compensation per full time equivalent employee. Average staffing levels were held at a level consistent with 2009.

Table 7 Personnel Expense  
(In thousands)

|  | Year Ended December 31, |           |           |           |           |
|--|-------------------------|-----------|-----------|-----------|-----------|
|  | 2010                    | 2009      | 2008      | 2007      | 2006      |
| Regular compensation                       | \$238,690               | \$231,897 | \$219,629 | \$206,857 | \$185,466 |
| Incentive compensation:                    |                         |           |           |           |           |
| Cash-based                                 | 91,205                  | 80,582    | 79,215    | 62,657    | 54,093    |
| Stock-based                                | 12,778                  | 10,572    | 3,962     | 8,763     | 11,111    |
| Total incentive compensation               | 103,983                 | 91,154    | 83,177    | 71,420    | 65,204    |
| Employee benefits                          | 59,191                  | 57,466    | 50,141    | 47,929    | 45,590    |
| Workforce reduction costs, net             | –                       | –         | –         | 2,499     | –         |
| Total personnel expense                    | \$401,864               | \$380,517 | \$352,947 | \$328,705 | \$296,260 |
| Average staffing<br>(full-time equivalent) | 4,394                   | 4,403     | 4,140     | 4,106     | 3,828     |

Incentive compensation increased \$12.8 million or 14%. Cash-based incentive compensation is 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 for 2010 increased \$10.6 million or 13% over the previous year. The increase in cash-based incentive compensation over 2009 included a \$4.3 million or 13% increase in sales commissions related to brokerage and trading revenue and a \$6.3 million increase in cash-based incentive compensation 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 decreased \$297 thousand compared with 2009. This decrease reflected changes in the market value of BOK Financial common stock and other investments. The year-end closing market price per share of BOK Financial common stock increased \$5.88 during 2010 and \$7.12 during 2009. Compensation expense for equity awards increased \$2.5 million over 2009. 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 \$1.7 million or 3% over 2009. Employee medical insurance costs of \$19.4 million were flat year over year. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. Employee retirement plan costs increased \$1.2 million over the prior year and pension expense increased \$650 thousand over 2009 due to changes in the expected return on plan assets and discount rate.

#### Non-Personnel Operating Expenses

Non-personnel operating expenses, excluding changes in the fair value of mortgage servicing rights and FDIC special assessment, increased \$38.4 million or 12% over 2009. Net losses and operating expenses related to repossessed assets increased \$23.1 million. Net losses from sales and writedowns of repossessed property based on our quarterly reviews of carrying values increased \$17.7 million. Operating expenses on repossessed assets, which consist largely of property taxes, increased \$5.4 million. In addition, Data processing and communications expense increased \$6.5 million due primarily to higher transaction volume and increased software amortization expense. An \$11.7 million increase in other expense included \$6.1 million of depreciation expense on equipment we lease to earn tax credits. The benefit of this leasing activity is largely recognized through reduced federal and state income tax expense.

#### Fourth Quarter 2010 Operating Expenses

Other operating expense totaled \$178.4 million for the fourth quarter of 2010, up \$1.9 million over the fourth quarter of 2009. Changes in the fair value of mortgage servicing rights reduced operating expenses by \$25.1 million in the fourth quarter of 2010 compared with a reduction in operating expenses of \$5.3 million in the fourth quarter of 2009. Excluding the change in fair value of mortgage servicing rights, other operating expenses increased \$21.8 million or 12%. Personnel expense increased \$13.1 million due largely to a \$7.7 million increase in cash-based incentive compensation. Regular compensation increased \$2.5 million and changes in the cost of liability-based stock compensation increased \$1.6 million. Non-personnel expenses increased \$8.7 million over the prior year, including \$4.7 million of increased depreciation expense on equipment we lease to earn tax credits and a \$1.9 million increase in net losses and operating expenses on repossessed assets.

#### 2009 Operating Expenses

Other operating expense for 2009 totaled \$696.7 million, up \$34.3 million or 5% increase over 2008. Changes in the fair value of mortgage servicing rights decreased operating expenses by \$12.1 million in 2009 and increased operating expenses by \$34.5 million in 2008. Personnel expense increased \$27.6 million or 8%. Non-personnel expenses, excluding changes in the fair value of mortgage servicing rights and an \$11.8 million FDIC special assessment, increased \$41.6 million or

15% primarily due to an increase in regular FDIC assessments, mortgage banking costs and net losses and operating expenses related to repossessed assets.

Regular compensation expense totaled \$232.0 million, up \$12.3 million, or 6% over 2008 due to increases in average headcount and compensation rates. Incentive compensation increased \$8.0 million, or 10% to \$91 million. Expense for cash-based incentive compensation plans increased \$1.4 million or 2% including a \$5.2 million or 18% increase in sales commissions related to brokerage and trading revenue, offset by decreased cash-based incentive compensation for other business lines. Stock-based compensation expense increased \$6.6 million. Liability awards increased \$7.7 million due primarily to an increase in the market value of BOK Financial common stock and other investments. The year-end closing market price per share of BOK Financial common stock increased \$7.12 during 2009. Compensation expense for equity awards decreased \$1.0 million compared to 2008. Employee benefit expenses increased \$7.3 million or 15% to \$57 million related to medical insurance costs, employee retirement plans and payroll taxes.

Mortgage banking costs, excluding changes in the fair value of mortgage servicing rights, increased \$13.8 million over 2008. Expense recognized for actual prepayment of mortgage loans serviced totaled \$20.9 million in 2009 and \$12.0 million in 2008. Low mortgage interest rates and other incentive to stimulate the housing market caused an increase in actual loan prepayments in 2009. In addition, the provision for losses on mortgage loans sold with recourse totaled \$12.2 million in 2009 compared to \$8.6 million in 2008.

Deposit insurance expense, excluding the FDIC special assessment, totaled \$23.0 million for 2009 compared to \$11.2 million for 2008. The increase was due to an 8 basis point increase in the average assessment rate and a \$1.5 billion increase in average assessable deposits.

All other operating expenses increased \$16 million or 7% over 2008. Net losses and operating expenses on repossessed asset increased \$10.4 million on higher repossessed asset balances and net occupancy and equipment expense increased \$5.1 million.

#### Income Taxes

Income tax expense was \$123.4 million or 33% of book taxable income for 2010, \$106.7 million or 34% of book taxable income for 2009 and \$64.9 million or 31% of book taxable income for 2008. Tax expense currently payable totaled \$150 million in 2010, \$129 million in 2009 and \$116 million in 2008.

The statute of limitations expired on an uncertain income tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2009 in 2010. Excluding these adjustments, income tax expense for 2010 would have been \$126 million or 34% of book taxable income. In addition, the Company recognized adjustments to its current income tax liability for amounts on filed tax returns for 2007 during 2008 and a tax benefit from certain appreciated securities contributed to the BOKF Charitable Foundation in 2008. Income tax expense for 2008 would have been \$71 million or 34% of book taxable income excluding these items.

Net deferred tax assets totaled \$58 million at December 31, 2010 and \$107 million at December 31, 2009. The decrease was due primarily to the tax effect of unrealized gains on available for sale securities. We have evaluated the recoverability of our net deferred tax asset based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

The allowance for uncertain tax positions totaled \$12 million at December 31, 2010 and December 31, 2009. 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.

Income tax expense for the fourth quarter of 2010 totaled \$31.1 million or 34% of book taxable income compared to \$24.8 million or 37% of book taxable income for the fourth quarter of 2009.

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Table 8 Selected Quarterly Financial Data  
(In thousands, except per share data)

|  | Fourth    | Third     | Second    | First     |
|--|-----------|-----------|-----------|-----------|
|  | 2010      |           |           |           |
| Interest revenue   | \$197,148 | \$216,967 | \$217,597 | \$219,370 |
| Interest expense   | 33,498    | 36,252    | 35,484    | 36,796    |
| Net interest revenue                                       | 163,650   | 180,715   | 182,113   | 182,574   |
| Provision for credit losses                                | 6,999     | 20,000    | 36,040    | 42,100    |
| Net interest revenue after provision for credit losses     | 156,651   | 160,715   | 146,073   | 140,474   |
| Fees and commissions revenue                               | 135,975   | 136,936   | 128,168   | 115,315   |
| Gain (loss) on other assets, net                           | 15        | (1,331 )  | 1,545     | (1,390 )  |
| Gain (loss) on derivative contracts, net                   | (7,286 )  | 4,626     | 7,272     | (341 )    |
| Gain (loss) on securities, net                             | (10,164 ) | 11,753    | 23,100    | 4,524     |
| Total other-than-temporary impairment losses               | (4,768 )  | (4,525 )  | (10,959 ) | (9,708 )  |
| Portion of loss recognized in other comprehensive income   | 1,859     | 9,786     | (8,313 )  | (5,483 )  |
| Net impairment losses recognized in earnings               | (6,627 )  | (14,311 ) | (2,646 )  | (4,225 )  |
| Other operating expense                                    | 203,472   | 189,241   | 186,454   | 177,664   |
| Change in fair value of mortgage servicing rights          | (25,111 ) | 15,924    | 19,458    | (13,932 ) |
| Income before taxes  | 90,203    | 93,223    | 97,600    | 90,625    |
| Income tax expense   | 31,097    | 29,935    | 32,042    | 30,283    |
| Net income before non-controlling interest                 | 59,106    | 63,288    | 65,558    | 60,342    |
| Net income (loss) attributable to non-controlling interest | 274       | (979 )    | 2,036     | 209       |
| Net income attributable to BOK Financial Corp.             | \$58,832  | \$64,267  | \$63,522  | \$60,133  |
| Earnings per share:  |           |           |           |           |
| Basic  | \$0.87    | \$0.94    | \$0.93    | \$0.88    |
| Diluted  | \$0.87    | \$0.94    | \$0.93    | \$0.88    |
| Average shares:  |           |           |           |           |
| Basic  | 67,686    | 67,625    | 67,606    | 67,592    |
| Diluted  | 67,899    | 67,765    | 67,881    | 67,790    |
|  | 2009      |           |           |           |
| Interest revenue   | \$224,411 | \$226,246 | \$230,685 | \$233,227 |
| Interest expense   | 39,933    | 45,785    | 55,105    | 63,382    |
| Net interest revenue                                       | 184,478   | 180,461   | 175,580   | 169,845   |
| Provision for credit losses                                | 48,620    | 55,120    | 47,120    | 45,040    |
| Net interest revenue after provision for credit losses     | 135,858   | 125,341   | 128,460   | 124,805   |
| Fees and commissions revenue                               | 115,949   | 119,956   | 123,100   | 121,507   |
| Gain (loss) on other assets, net                           | (205 )    | 3,223     | 973       | 143       |
| Loss on derivative contracts, net                          | (370 )    | (294 )    | (1,037 )  | (1,664 )  |
| Gain on securities, net                                    | 7,277     | 12,266    | 6,471     | 20,108    |
| Total other-than-temporary impairment losses               | (67,390 ) | (6,133 )  | (1,263 )  | (54,368 ) |
| Portion of loss recognized in other comprehensive income   | (52,902 ) | (2,752 )  | 279       | (39,366 ) |
| Net impairment losses recognized in earnings               | (14,488 ) | (3,381 )  | (1,542 )  | (15,002 ) |
| Other operating expense                                    | 181,722   | 175,751   | 183,635   | 167,749   |
| Change in fair value of mortgage servicing rights          | (5,285 )  | 2,981     | (7,865 )  | (1,955 )  |
| Income before taxes  | 67,584    | 78,379    | 80,655    | 84,103    |
| Income tax expense   | 24,780    | 24,772    | 28,315    | 28,838    |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Net income before non-controlling interest          | 42,804   | 53,607   | 52,340   | 55,265   |
| Net income attributable to non-controlling interest | 33       | 2,947    | 225      | 233      |
| Net income attributable to BOK Financial Corp.      | \$42,771 | \$50,660 | \$52,115 | \$55,032 |
| Earnings per share:                                 |          |          |          |          |
| Basic   | \$0.63   | \$0.75   | \$0.77   | \$0.81   |
| Diluted   | \$0.63   | \$0.75   | \$0.77   | \$0.81   |
| Average shares:                                     |          |          |          |          |
| Basic   | 67,446   | 67,392   | 67,345   | 67,316   |
| Diluted   | 67,600   | 67,514   | 67,448   | 67,387   |

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## 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. Funds management and other also included the FDIC special assessment charge in 2009. Regular FDIC insurance assessments are charged to the business units.

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 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 based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. 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 our 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 9, net income attributed to our lines of business increased \$56.5 million or 63% from the prior year. The increase in net income attributed to our lines of business was due primarily to a \$32.1 million decrease in net loans charged off, a \$36.5 million increase in other operating revenue, and a \$15.1 million decrease in operating expenses attributed to the lines of business. Net interest revenue attributed to our lines of business improved due to continued growth in average deposits generated by those lines of business and sold to our funds management unit. Net income attributed to Funds management and other decreased compared to the prior year. Less operating expenses were allocated to our lines of business due to a decrease in transaction volumes. A decrease in gains on securities sold, net of other-than-temporary impairment charges, was partially offset by a decrease in the provision for credit losses.

Table 9

Net Income by Line of Business

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(In thousands)

|                            | Year ended December 31, |           |           |
|----------------------------|-------------------------|-----------|-----------|
|                            | 2010                    | 2009      | 2008      |
| Commercial banking         | \$81,842                | \$58,019  | \$78,264  |
| Consumer banking           | 52,014                  | 20,987    | 25,795    |
| Wealth management          | 12,642                  | 11,038    | 31,329    |
| Subtotal                   | 146,498                 | 90,044    | 135,388   |
| Funds management and other | 100,256                 | 110,534   | 17,844    |
| Total                      | \$246,754               | \$200,578 | \$153,232 |

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## Commercial Banking

Commercial banking contributed \$81.8 million to consolidated net income for 2010, up from \$58.0 million in 2009. The increase in commercial banking net income was largely due to a \$30.6 million decrease in net loans charged-off. Net interest revenue increased \$4.0 million and other operating revenue increased \$7.0 million. In addition, operating expenses decreased \$9.3 million. Net losses on repossessed assets increased to \$19.4 million compared to \$7.5 million in 2009.

Table 10 Commercial Banking  
(Dollars in thousands)

|                                     | Year ended December 31, |              |              |
|-------------------------------------|-------------------------|--------------|--------------|
|                                     | 2010                    | 2009         | 2008         |
| NIR (expense) from external sources | \$341,770               | \$345,374    | \$451,624    |
| NIR (expense) from internal sources | (44,685 )               | (52,299 )    | (134,009 )   |
| Total net interest revenue          | 297,085                 | 293,075      | 317,615      |
| Other operating revenue             | 140,364                 | 133,359      | 106,923      |
| Operating expense                   | 213,916                 | 223,227      | 216,403      |
| Net loans charged off               | 70,193                  | 100,749      | 84,650       |
| Gains on financial instruments, net | —                       | —            | 4,689        |
| Loss on repossessed assets, net     | (19,392 )               | (7,500 )     | (82 )        |
| Income before taxes                 | 133,948                 | 94,958       | 128,092      |
| Federal and state income tax        | 52,106                  | 36,939       | 49,828       |
| Net income                          | \$81,842                | \$58,019     | \$78,264     |
| Average assets                      | \$8,973,559             | \$10,108,506 | \$11,044,919 |
| Average loans                       | 8,219,290               | 9,184,600    | 9,684,460    |
| Average deposits                    | 6,171,409               | 5,365,181    | 4,559,658    |
| Average invested capital            | 900,233                 | 950,684      | 922,904      |
| Return on assets                    | 0.91                    | % 0.57       | % 0.71       |
| Return on invested capital          | 9.09                    | % 6.10       | % 8.48       |
| Efficiency ratio                    | 48.90                   | % 52.35      | % 50.97      |
| Net charge-offs to average loans    | 0.85                    | % 1.10       | % 0.87       |

1 Includes net derivative credit losses of \$41 million.

Net interest revenue increased \$4.0 million or 1% over 2009, primarily on increased average deposit balances attributed to our commercial banking unit. An \$806 million increase in average deposits increased net interest revenue by \$6 million. The average outstanding balance of loans attributed to commercial banking decreased \$965 million in 2010, which decreased net interest revenue by \$24 million. This decrease in net interest revenue was partially offset by loan spreads which improved 22 basis points, increasing net interest revenue by \$16 million and a \$6 million increase in loan fees earned.

Other operating revenue increased \$7.0 million or 5% over 2009. The pre-tax equivalent of revenue from equipment leased to generate federal and state income tax credits increased \$7.9 million over the prior year. Transaction card revenues were up \$3.3 million or 5% over 2009. Service charges on commercial deposit accounts were down \$5.0 million or 14% compared to the prior year as customers kept greater commercial deposit balances to increase their earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balance.

Operating expenses declined \$9.3 million or 4% compared to the prior year. Personnel expenses were flat with the prior year. Costs allocated to the commercial banking segment decreased \$25.8 million primarily due to decreased lending volume. Depreciation expenses related to assets leased to generate income tax credits increased \$6.1 million. Data processing expense increased \$5.8 million on higher transaction volume. Operating expenses of repossessed properties increased \$4.5 million over the prior year.

Average commercial banking division loans decreased \$965 million or 11% from 2009. See Loans section following for additional discussion of changes in commercial and commercial real estate loans which primarily attributed to the commercial banking segment. Net commercial banking loans charged off decreased \$30.6 million in 2010 to \$70.2 million or 0.85% of average loans attributed to this line of business.

Average deposits attributed to commercial banking were up \$806 million or 15% over 2009. Treasury services account balances increased \$242 million or 17%. Average deposit balances attributed to our energy customers increased \$243 million or 53% and average balances attributed to our commercial and industrial customers increased \$137 million or 7%.

Average balances attributed to our small business customers increased \$104 million or 10% and average deposit balances of our commercial real estate customers increased \$34 million or 14%.

### Consumer Banking

Consumer banking services are provided through four primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and online internet banking. We currently have 207 consumer banking locations, including branch banking locations and mortgage lending offices. Our consumer banking locations are primarily distributed 104 in Oklahoma, 51 in Texas, 24 in New Mexico and 14 in Colorado.

Consumer banking contributed \$52.0 million to consolidated net income in 2010, up \$31.0 million or 148% over 2009. Growth in net income was largely due to mortgage banking performance including a \$6.5 million day-one gain from the purchase of rights to service \$4.2 billion of residential mortgage loans on favorable terms in 2010. Excluding this gain, net income from mortgage banking grew \$20.4 million to \$34.7 million. Net income from mortgage loan servicing activities totaled \$16.6 million, up \$13.8 million. Net income from mortgage loan production activities totaled \$11.6 million, up slightly over 2009. Net income from all other consumer banking activities increased \$10.6 million. Reduced operating expense attributed to consumer banking offset a decrease in deposit service charge income.

Table 11 Consumer Banking  
(Dollars in thousands)

|  | Year ended December 31, |             |             |
|--|-------------------------|-------------|-------------|
|  | 2010                    | 2009        | 2008        |
| NIR (expense) from external sources                            | \$86,594                | \$57,893    | \$32,076    |
| NIR (expense) from internal sources                            | 47,360                  | 73,565      | 118,728     |
| Total net interest revenue                                     | 133,954                 | 131,458     | 150,804     |
| Other operating revenue  | 203,840                 | 182,895     | 148,885     |
| Operating expense  | 244,118                 | 256,337     | 219,024     |
| Net loans charged off  | 23,057                  | 24,366      | 16,650      |
| Increase (decrease) in fair value of mortgage servicing rights | 3,661                   | 12,124      | (34,515 )   |
| Gains (losses) on financial instruments, net                   | 11,756                  | (13,198 )   | 12,525      |
| Gains (losses) on repossessed assets, net                      | (907 )                  | 1,773       | 193         |
| Income before taxes  | 85,129                  | 34,349      | 42,218      |
| Federal and state income tax                                   | 33,115                  | 13,362      | 16,423      |
| Net income   | \$52,014                | \$20,987    | \$25,795    |
| Average assets   | \$6,244,728             | \$6,149,597 | \$5,764,662 |
| Average loans  | 2,115,884               | 2,445,496   | 2,507,161   |
| Average deposits   | 6,130,525               | 6,048,200   | 5,678,162   |
| Average invested capital                                       | 478,796                 | 493,074     | 469,737     |
| Return on assets   | 0.83 %                  | 0.34 %      | 0.45 %      |
| Return on invested capital                                     | 10.86 %                 | 4.26 %      | 5.49 %      |
| Efficiency ratio   | 72.27 %                 | 81.54 %     | 73.08 %     |
| Net charge-offs to average loans                               | 1.09 %                  | 1.00 %      | 0.66 %      |
| Banking locations (period-end)                                 | 207                     | 202         | 202         |
| Mortgage loan servicing portfolio <sup>1</sup>                 | \$12,059,241            | \$7,366,780 | \$5,983,824 |
| Mortgage loans funded for resale                               | 2,502,071               | 2,828,260   | 1,018,246   |

1 Includes outstanding principal for loans serviced for affiliates.

Net interest revenue from consumer banking activities increased \$2.5 million or 2% over 2009 primarily due to an \$82 million increase in average deposit balances sold to the funds management unit, partially offset by a \$330 million decrease in average loan balances. Average loan balances attributed to the consumer banking division decreased due primarily to the continued pay-downs 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 increased \$20.9 million or 11% over 2009 primarily due to increased mortgage banking revenue. Revenue from originating and marketing mortgage loans increased \$4.3 million due to increased gains on loans sold. Mortgage servicing revenue increased \$18.2 million primarily due to the purchase of \$4.2 billion of residential mortgage loan servicing rights in the first quarter of 2010. Transaction card revenue was up \$3.5 million or 11% over the prior year due primarily due higher transaction volumes. Deposit service charges were down \$7.0 million or 9% compared to the prior year primarily due to lower overdraft fees as a result of change in banking regulation that became effective in the third quarter of 2010.

Operating expenses decreased \$12.2 million or 5% compared to 2009 primarily due to a \$19.2 million decrease in corporate expenses allocated to the consumer banking division, offset by increases in other operating expenses.

Net loans charged off by the consumer banking unit decreased \$1.3 million from the prior year to \$23.1 million or 1.09% of average loans attributed to the consumer banking division. Net consumer banking charge-offs include residential mortgage loans that are retained by the Company, indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Average consumer deposits increased \$82 million or 1% over 2009. The average balance of interest-bearing transaction accounts were up \$339 million or 14% and the average balance of demand deposit accounts increased \$83 million or 11%. Higher-costing average time deposit balances decreased \$355 million from the prior year. Movement of funds among the various types of consumer deposits was largely based on interest rates and product features offered.

Our Consumer Banking division originates, markets and services conventional and government-sponsored mortgage loans for all of our geographical markets. During 2010, we funded \$2.8 billion of mortgage loans compared to \$3.0 billion in 2009. Approximately 44% of our mortgage loans funded were in the Oklahoma market, 14% in the Colorado market, 13% in the Texas market and 13% in the New Mexico market. Revenue from mortgage loan origination and marketing activities totaled \$49.4 million in 2010 and \$45.0 million in 2009. As of December 31, 2010, we also service \$12.1 billion of mortgage loans, including \$796 million residential mortgage loans retained by the Company. Approximately 95% of the mortgage loans serviced was to borrowers in our primary geographical market areas. Mortgage loan servicing revenue totaled \$38 million in 2010 compared to \$20 million in 2009. The increase in mortgage servicing revenue was primarily due to the mortgage servicing rights purchased in the first quarter of 2010.

Excluding the \$11.8 million pre-tax day-one gain on the purchase of mortgage servicing rights during 2010, changes in fair value of our mortgage loan servicing rights, net of securities and derivative contracts held as an economic hedge, increased consumer banking pre-tax net income by \$3.6 million in 2010 and decreased pre-tax net income by \$1.1 million in 2009. Changes in the fair value of mortgage servicing rights and securities and derivative contracts held as an economic hedge are due to movements in interest rates, actual and anticipated loan prepayments speeds and related factors. Net interest revenue on mortgage trading securities totaled \$19.0 million for 2010 compared to \$13.4 million for 2009.

## Wealth Management

The Wealth Management division contributed \$12.6 million to net income in 2010, up \$1.6 million or 15% over 2009. The increase in net income was due primarily to an increase in retail brokerage and trust fees, partially offset by higher personnel costs.

Table 12 Wealth Management  
(Dollars in thousands)

|   | Year ended December 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | 2010                    | 2009         | 2008         |
| NIR (expense) from external sources                                   | \$32,634                | \$25,899     | \$12,617     |
| NIR (expense) from internal sources                                   | 11,913                  | 18,746       | 32,853       |
| Total net interest revenue  | 44,547                  | 44,645       | 45,470       |
| Other operating revenue   | 164,942                 | 156,360      | 156,133      |
| Operating expense   | 177,952                 | 171,540      | 149,960      |
| Net loans charged off   | 11,128                  | 11,399       | 361          |
| Gains (losses) on financial instruments, net                          | 282                     | —            | (7 )         |
| Income before taxes   | 20,691                  | 18,066       | 51,275       |
| Federal and state income tax  | 8,049                   | 7,028        | 19,946       |
| Net income  | \$12,642                | \$11,038     | \$31,329     |
| Average assets  | \$3,503,370             | \$3,032,007  | \$2,193,386  |
| Average loans   | 1,066,714               | 1,059,342    | 933,020      |
| Average deposits  | 3,414,407               | 2,958,549    | 2,100,237    |
| Average invested capital  | 170,385                 | 160,276      | 141,555      |
| Return on assets  | 0.36 %                  | 0.36 %       | 1.43 %       |
| Return on invested capital  | 7.42 %                  | 6.89 %       | 22.13 %      |
| Efficiency ratio  | 84.95 %                 | 85.34 %      | 74.38 %      |
| Net charge-offs to average loans                                      | 1.04 %                  | 1.08 %       | 0.04 %       |
| Trust assets  | \$32,751,501            | \$30,385,365 | \$30,454,512 |
| Trust assets for which BOKF has sole or joint discretionary authority | 11,805,418              | 10,847,143   | 11,476,059   |
| Non-managed trust assets  | 13,392,334              | 12,339,059   | 11,258,475   |
| Assets held in safekeeping  | 7,553,749               | 7,199,163    | 7,719,978    |

Net interest revenue was flat with the prior year. The yield on securities and loans declined compared to the prior year, mostly offset by the benefit of an increase in average deposits which were sold to the funds management unit.

Other operating revenue increased \$8.6 million or 5% over the prior year. Retail brokerage fees increased \$5.4 million or 26% and trust fees were up \$2.7 million or 4% primarily due to increases in the fair value of trust assets.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. The wealth management division participated in 215 underwritings that totaled approximately \$5.4 billion during 2010. Our interest in these underwritings totaled approximately \$1.3 billion.

Operating expenses increased \$6.4 million or 4% over 2009. Personnel expense was up \$8.5 million or 8% due primarily to increased incentive compensation costs and increased headcount. Commissions related to brokerage and



trading revenue increased \$3.6 million and regular compensation expense increased \$2.8 million or 5%.

Growth in average assets was largely due an increase in wealth management deposits which are sold to the funds management unit. Average deposits attributed to the wealth management division increased \$456 million over the prior year included a \$536 million increase in the average balance of interest bearing transaction accounts and a \$56 million increase in average demand deposit account balances, offset by a \$135 million decrease in average time deposit balances.

Average loans by the wealth management division grew \$7.4 million or 1% over the prior year to \$1.1 billion at December 31, 2010. Net loans charged off in 2010 decreased by 2% form the prior year to \$11.1 million.

## Geographic Market Distribution

The Company also secondarily evaluates performance by primary geographic market. Loans are generally attributed to geographic 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 geographic market. Funds management and other also include insignificant results of operations in locations outside our primary geographic regions.

Table 13 Net Income by Geographic Region  
(In thousands)

|                            | Year ended December 31, |            |            |
|----------------------------|-------------------------|------------|------------|
|                            | 2010                    | 2009       | 2008       |
| Oklahoma                   | \$ 121,827              | \$ 85,781  | \$ 68,156  |
| Texas                      | 29,295                  | 18,140     | 42,874     |
| New Mexico                 | 8,864                   | 6,142      | 14,554     |
| Arkansas                   | 3,949                   | 10,630     | 9,390      |
| Colorado                   | 3,033                   | (7,811 )   | 7,617      |
| Arizona                    | (22,817 )               | (28,512 )  | (5,844 )   |
| Kansas/Missouri            | 4,111                   | 6,433      | 538        |
| Subtotal                   | 148,262                 | 90,803     | 137,285    |
| Funds management and other | 98,492                  | 109,775    | 15,947     |
| Total                      | \$ 246,754              | \$ 200,578 | \$ 153,232 |

## 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 50% of our average loans, 54% of our average deposits and 49% of our consolidated net income. In addition, all of our mortgage servicing activity and 76% of our trust assets are attributed to the Oklahoma market.

Table 14 Oklahoma  
(Dollars in thousands)

|  | Year ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2010                    | 2009         | 2008         |
| Net interest revenue   | \$ 244,491              | \$ 235,591   | \$ 245,328   |
| Other operating revenue  | 330,260                 | 316,541      | 280,323      |
| Operating expense  | 348,168                 | 374,860      | 348,677      |
| Net loans charged off  | 41,357                  | 35,762       | 48,646       |
| Increase (decrease) in fair value of mortgage servicing rights | 3,661                   | 12,124       | (34,515 )    |
| Gains (losses) on financial instruments, net                   | 12,038                  | (13,198 )    | 17,207       |
| Gains (losses) on repossessed assets, net                      | (1,535 )                | (42 )        | 528          |
| Income before taxes  | 199,390                 | 140,394      | 111,548      |
| Federal and state income tax                                   | 77,563                  | 54,613       | 43,392       |
| Net income   | \$ 121,827              | \$ 85,781    | \$ 68,156    |
| Average assets   | \$ 9,771,256            | \$ 8,841,130 | \$ 8,105,136 |
| Average loans  | 5,441,823               | 6,086,505    | 6,425,918    |

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|                                  |           |   |           |   |           |   |
|----------------------------------|-----------|---|-----------|---|-----------|---|
| Average deposits                 | 8,782,318 |   | 7,888,821 |   | 6,780,539 |   |
| Average invested capital         | 530,688   |   | 538,015   |   | 535,391   |   |
| Return on assets                 | 1.25      | % | 0.97      | % | 0.84      | % |
| Return on invested capital       | 22.96     | % | 15.94     | % | 12.73     | % |
| Efficiency ratio                 | 60.58     | % | 67.89     | % | 66.33     | % |
| Net charge-offs to average loans | 0.76      | % | 0.59      | % | 0.76      | % |

Net income generated in the Oklahoma market in 2010 grew \$36.0 million or 42% over 2009. Net interest revenue increased \$8.9 million and other operating revenue increased \$13.7 million. Other operating expenses were down \$26.7 million compared to the prior year. Net loans charged off increased \$5.6 million to \$41.4 million or 0.76% of average loans attributed to the Oklahoma market. Excluding the \$11.8 million pre-tax day-one gain on the purchase of mortgage servicing rights during 2010, changes in fair value of our mortgage loan servicing rights, net of securities and derivative

contracts held as an economic hedge, increased pre-tax net income by \$3.6 million in 2010 and decreased pre-tax net income by \$1.1 million in 2009.

Net interest revenue increased \$8.9 million or 4% over 2009. Net interest revenue increased from improved loan spreads and an \$893 million increase in average deposit balances attributed to the Oklahoma market. Average loans attributed to the Oklahoma market decreased \$645 million from 2009.

Other operating revenue increased \$13.7 million or 4% over 2009, primarily due to an \$18.2 million increase in mortgage servicing revenue, partially offset by a \$9.0 million decrease in deposit fees due to lower overdraft fees as a result of change in banking regulation that became effective in the third quarter of 2010. The pre-tax equivalent of revenue from equipment leased to generate federal and state income tax credits increased \$8.9 million over the prior year.

Other operating expenses decreased \$26.7 million compared to the prior year, primarily due to a decrease in corporate expenses allocated to the Oklahoma market, partially offset by higher personnel costs and data processing expenses on higher transaction volumes. Depreciation expense related to equipment leasing increased \$4.9 million. Foreclosure expenses and expenses related to repossessed property also increased over the prior year.

Average deposits in the Oklahoma market increased \$893 million or 11% over 2009. Commercial and wealth management units, including trust, broker/dealer and private banking increased over the prior year, partially offset by a slight decrease in consumer banking deposits.

#### Texas Market

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 30% of our average loans, 24% of our average deposits and 8% of our consolidated net income for 2010.

Table 15 Texas  
(Dollars in thousands)

|   | Year ended December 31, |             |             |
|---|-------------------------|-------------|-------------|
|   | 2010                    | 2009        | 2008        |
| Net interest revenue                      | \$134,331               | \$134,951   | \$153,460   |
| Other operating revenue                   | 60,734                  | 50,875      | 45,087      |
| Operating expense                         | 130,679                 | 132,533     | 115,087     |
| Net loans charged off                     | 15,674                  | 23,607      | 16,588      |
| Gains (losses) on repossessed assets, net | (2,939 )                | (1,343 )    | 119         |
| Income before taxes                       | 45,773                  | 28,343      | 66,991      |
| Federal and state income tax              | 16,478                  | 10,203      | 24,117      |
| Net income                                | \$29,295                | \$18,140    | \$42,874    |
| Average assets                            | \$4,479,989             | \$4,167,282 | \$3,906,728 |
| Average loans                             | 3,321,561               | 3,607,661   | 3,625,751   |
| Average deposits                          | 3,901,367               | 3,701,415   | 3,222,986   |
| Average invested capital                  | 478,796                 | 493,074     | 469,737     |
| Return on assets                          | 0.65 %                  | 0.44 %      | 1.10 %      |

|                                  |       |   |       |   |       |   |
|----------------------------------|-------|---|-------|---|-------|---|
| Return on invested capital       | 6.12  | % | 3.68  | % | 9.13  | % |
| Efficiency ratio                 | 66.99 | % | 71.32 | % | 57.96 | % |
| Net charge-offs to average loans | 0.47  | % | 0.65  | % | 0.46  | % |

Net income in the Texas market increased \$11.2 million or 61% over 2009 primarily due to an increase in operating revenue and a decrease in net loans charged off.

Net interest revenue was flat with the prior year. Net interest revenue generated from a \$200 million increase in average deposits balances attributed to the Texas market was offset by a \$286 million decrease in the average balance of outstanding loans attributed to the Texas market.

Other operating revenue increased \$9.9 million or 19% over 2009. Most fee income categories increased over 2009 including a \$2.9 million increase in transaction card revenue, a \$2.4 million increase in retail brokerage fees, a \$2.4 million increase investment banking revenue and a \$2.1 million increase in trust fees. Revenue related to our leasing business and mortgage origination attributed to the Texas market also increased. Deposit service charges decreased \$1.9 million primarily due to lower overdraft fees as a result of changes in banking regulations that became effective in the third quarter.

Operating expenses were down \$1.9 million or 1% compared to the previous year. Corporate expenses allocated to the Texas market decreased on lower loan volumes, partially offset by an increase in incentive compensation expense, expenses on repossessed property and data processing expense on higher transaction volume.

Net loans charged-off totaled \$15.7 million or 0.47% of average loans in 2010 compared to \$23.6 million or 0.65% of average loans in 2009.

#### Other Markets

Net income attributed to our New Mexico market increased \$2.7 million or 44% over 2009 to \$8.9 million or 4% of consolidated net income. Net interest income was flat with the prior year. Net interest revenue earned on increased average deposit balances attributed to the New Mexico market was largely offset by a decrease in the average loan balances attributed to the New Mexico market. Operating revenue increased over the prior year due primarily to higher mortgage revenues as a result of higher funding volumes and increased transaction card revenue, partially offset by lower overdraft fees. Although we attribute all mortgage servicing to the Oklahoma market, the purchase of the rights to service \$4.2 billion of residential mortgage loans in the first quarter of 2010 gives us the ability to further develop relationships with approximately 34 thousand additional customers, primarily located in the New Mexico market. Other operating expenses decreased due to lower corporate cost allocation to the New Mexico market.

Net income for the Arkansas market totaled \$3.9 million compared to \$10.6 million in 2009. Net interest revenue decreased \$1.5 million due to a \$79 million decrease in average loans. The decrease in average loans in the Arkansas market was largely due to our decision to discontinue indirect automobile lending. Average deposits attributed to the Arkansas market were up \$40 million or 26% over 2009, primarily related to increases in commercial banking and wealth management deposit balances. Consumer deposits increased over 2009 levels as well. Other operating revenue increased \$4.1 million or 11% over 2009, primarily on increased securities trading revenue at our Little Rock office. Other operating expenses increased \$10.0 million on higher incentive compensation costs related to securities trading activity and increased corporate cost allocations. Net loans charged off increased to \$6.7 million or 2.04% of average loans.

Net income attributed to our Colorado market improved to \$3.0 million in 2010, compared to a net loss of \$7.8 million in 2009. Net loans charged off decreased \$14.2 million compared to the prior year to \$10.8 million or 1.41% of average loans. Net interest income decreased primarily due to a \$141 million decrease in average loans attributed to the Colorado market. Other operating revenue increased \$3.5 million primarily due to higher mortgage revenue and operating expenses decreased \$2.0 million due primarily to lower corporate overhead allocations on reduced loan volume.

The Arizona market's performance continued to improve during 2010. The net loss attributed to the Arizona market narrowed from \$28.5 million in 2009 to \$22.8 million in 2010. Net loans charged off improved by \$17.3 million to \$22.4 million or 4.29% of average loans attributed to the Arizona market. Losses on repossessed assets increased \$9.4 million over to the prior year. Operating revenue increased \$1.7 million over the prior year on higher mortgage revenue due to increased volume of originations and improved margins and an increase in transaction card revenue. Net interest revenue and operating expenses also increased modestly over the prior year. Average deposits grew steadily by \$37 million or 20% over the prior year in commercial, consumer and wealth management deposits. Average loans decreased \$43 million or 8%. Period-end loan balances in the Arizona market are up \$30 million or 6% since December 31, 2009. Commercial loans increased \$32 million or 16% while commercial real estate loans decreased \$26 million or 12%.

Consistent with plans when we first acquired Valley Commerce Bank in 2005, our objective is to focus on growth in commercial and small business lending in the Phoenix market. We have expanded our commercial lending staff in this market and opened three new banking locations in 2009. We have significantly scaled-back commercial real estate lending activities which were not contemplated in our initial expansion into this market. During 2009, we exited the Tucson market which we first entered in 2006. Losses incurred during 2010 and 2009 are largely due to commercial real estate lending. Assets attributed to the Arizona market include \$16 million of goodwill that may be impaired in future periods if commercial and small business lending growth plans are unsuccessful.

Net income attributed to the Kansas/Missouri market totaled \$4.1 million compared to \$6.4 million in the prior year. Net interest revenue increased \$1.5 million or 19% as a result of an \$81 million increase in average deposit balances and average loans attributed to the Kansas/Missouri market decreased only 1% from the prior year. Net loans charged off improved to 0.26% of average loans attributed to the Kansas/Missouri market. Operating expenses increased \$4.9 million due primarily to increased corporate expense allocations and personnel costs.

Table 16 New Mexico  
(Dollars in thousands)

|                                   | Year ended December 31, |   |             |   |             |   |
|-----------------------------------|-------------------------|---|-------------|---|-------------|---|
|                                   | 2010                    |   | 2009        |   | 2008        |   |
| Net interest revenue              | \$32,639                |   | \$32,775    |   | \$39,673    |   |
| Other operating revenue           | 28,007                  |   | 23,959      |   | 23,788      |   |
| Operating expense                 | 37,233                  |   | 38,632      |   | 35,753      |   |
| Net loans charged off             | 6,152                   |   | 7,125       |   | 3,883       |   |
| Losses on repossessed assets, net | (2,754)                 | ) | (925)       | ) | (5)         | ) |
| Income before taxes               | 14,507                  |   | 10,052      |   | 23,820      |   |
| Federal and state income tax      | 5,643                   |   | 3,910       |   | 9,266       |   |
| Net income                        | \$8,864                 |   | \$6,142     |   | \$14,554    |   |
| Average assets                    | \$1,329,740             |   | \$1,248,607 |   | \$1,141,031 |   |
| Average loans                     | 720,339                 |   | 810,867     |   | 841,353     |   |
| Average deposits                  | 1,231,643               |   | 1,146,942   |   | 1,036,209   |   |
| Average invested capital          | 83,999                  |   | 85,750      |   | 86,401      |   |
| Return on assets                  | 0.67                    | % | 0.49        | % | 1.28        | % |
| Return on invested capital        | 10.55                   | % | 7.16        | % | 16.84       | % |
| Efficiency ratio                  | 61.39                   | % | 68.09       | % | 56.34       | % |
| Net charge-offs to average loans  | 0.85                    | % | 0.88        | % | 0.46        | % |

Table 17 Arkansas  
(Dollars in thousands)

|                                   | Year ended December 31, |   |           |   |           |   |
|-----------------------------------|-------------------------|---|-----------|---|-----------|---|
|                                   | 2010                    |   | 2009      |   | 2008      |   |
| Net interest revenue              | \$10,223                |   | \$11,741  |   | \$11,784  |   |
| Other operating revenue           | 41,258                  |   | 37,119    |   | 29,104    |   |
| Operating expense                 | 37,370                  |   | 27,378    |   | 22,027    |   |
| Net loans charged off             | 6,734                   |   | 3,665     |   | 3,250     |   |
| Losses on repossessed assets, net | (914)                   | ) | (419)     | ) | (242)     | ) |
| Income before taxes               | 6,463                   |   | 17,398    |   | 15,369    |   |
| Federal and state income tax      | 2,514                   |   | 6,768     |   | 5,979     |   |
| Net income                        | \$3,949                 |   | \$10,630  |   | \$9,390   |   |
| Average assets                    | \$357,251               |   | \$425,071 |   | \$446,101 |   |
| Average loans                     | 330,200                 |   | 409,339   |   | 434,339   |   |
| Average deposits                  | 196,372                 |   | 155,981   |   | 73,605    |   |
| Average invested capital          | 23,886                  |   | 24,460    |   | 23,415    |   |
| Return on assets                  | 1.11                    | % | 2.50      | % | 2.10      | % |
| Return on invested capital        | 16.53                   | % | 43.46     | % | 40.10     | % |
| Efficiency ratio                  | 72.59                   | % | 56.03     | % | 53.87     | % |
| Net charge-offs to average loans  | 2.04                    | % | 0.90      | % | 0.75      | % |





Table 18 Colorado  
(Dollars in thousands)

|                                   | Year ended December 31, |   |             |   |             |   |
|-----------------------------------|-------------------------|---|-------------|---|-------------|---|
|                                   | 2010                    |   | 2009        |   | 2008        |   |
| Net interest revenue              | \$32,712                |   | \$34,966    |   | \$37,009    |   |
| Other operating revenue           | 21,769                  |   | 18,237      |   | 16,600      |   |
| Operating expense                 | 37,994                  |   | 40,032      |   | 32,997      |   |
| Net loans charged off             | 10,805                  |   | 25,000      |   | 8,146       |   |
| Losses on repossessed assets, net | (718 )                  |   | (955 )      |   | –           |   |
| Income (loss) before taxes        | 4,964                   |   | (12,784 )   |   | 12,466      |   |
| Federal and state income tax      | 1,931                   |   | (4,973 )    |   | 4,849       |   |
| Net income (loss)                 | \$3,033                 |   | \$(7,811 )  |   | \$7,617     |   |
| Average assets                    | \$1,219,529             |   | \$1,217,498 |   | \$1,138,363 |   |
| Average loans                     | 768,159                 |   | 908,949     |   | 859,490     |   |
| Average deposits                  | 1,146,016               |   | 1,137,893   |   | 1,058,816   |   |
| Average invested capital          | 124,712                 |   | 129,897     |   | 121,270     |   |
| Return on assets                  | 0.25                    | % | (0.64 )     | % | 0.67        | % |
| Return on invested capital        | 2.43                    | % | (6.01 )     | % | 6.28        | % |
| Efficiency ratio                  | 69.74                   | % | 75.24       | % | 61.55       | % |
| Net charge-offs to average loans  | 1.41                    | % | 2.75        | % | 0.95        | % |

Table 19 Arizona  
(Dollars in thousands)

|                                   | Year ended December 31, |   |             |   |            |   |
|-----------------------------------|-------------------------|---|-------------|---|------------|---|
|                                   | 2010                    |   | 2009        |   | 2008       |   |
| Net interest revenue              | \$11,792                |   | \$11,174    |   | \$18,608   |   |
| Other operating revenue           | 5,071                   |   | 3,384       |   | 1,300      |   |
| Operating expense                 | 20,378                  |   | 19,445      |   | 15,143     |   |
| Net loans charged off             | 22,411                  |   | 39,733      |   | 14,043     |   |
| Losses on repossessed assets, net | (11,418 )               |   | (2,044 )    |   | (287 )     |   |
| Loss before taxes                 | (37,344 )               |   | (46,664 )   |   | (9,565 )   |   |
| Federal and state income tax      | (14,527 )               |   | (18,152 )   |   | (3,721 )   |   |
| Net loss                          | \$(22,817 )             |   | \$(28,512 ) |   | \$(5,844 ) |   |
| Average assets                    | \$609,627               |   | \$631,680   |   | \$612,785  |   |
| Average loans                     | 522,200                 |   | 564,730     |   | 589,363    |   |
| Average deposits                  | 218,865                 |   | 182,209     |   | 126,313    |   |
| Average invested capital          | 65,717                  |   | 71,436      |   | 65,468     |   |
| Return on assets                  | (3.74 )                 | % | (4.51 )     | % | (0.95 )    | % |
| Return on invested capital        | (34.72 )                | % | (39.91 )    | % | (8.93 )    | % |
| Efficiency ratio                  | 120.84                  | % | 133.57      | % | 76.06      | % |
| Net charge-offs to average loans  | 4.29                    | % | 7.04        | % | 2.38       | % |



Table 20 Kansas/Missouri  
(Dollars in thousands)

|                                   | Year ended December 31, |           |           |   |
|-----------------------------------|-------------------------|-----------|-----------|---|
|                                   | 2010                    | 2009      | 2008      |   |
| Net interest revenue              | \$9,428                 | \$7,927   | \$7,692   |   |
| Other operating revenue           | 19,386                  | 19,876    | 13,456    |   |
| Operating expense                 | 21,284                  | 16,358    | 13,165    |   |
| Net loans charged off             | 781                     | 917       | 7,103     |   |
| Losses on repossessed assets, net | (21 )                   | –         | –         |   |
| Income before taxes               | 6,728                   | 10,528    | 880       |   |
| Federal and state income tax      | 2,617                   | 4,095     | 342       |   |
| Net income                        | \$4,111                 | \$6,433   | \$538     |   |
| Average assets                    | \$309,238               | \$310,648 | \$341,383 |   |
| Average loans                     | 297,606                 | 299,861   | 338,047   |   |
| Average deposits                  | 239,759                 | 158,665   | 37,964    |   |
| Average invested capital          | 24,026                  | 20,795    | 18,087    |   |
| Return on assets                  | 1.33                    | % 2.07    | % 0.16    | % |
| Return on invested capital        | 17.11                   | % 30.94   | % 2.97    | % |
| Efficiency ratio                  | 73.87                   | % 58.84   | % 62.25   | % |
| Net charge-offs to average loans  | 0.26                    | % 0.31    | % 2.10    | % |

## Assessment of Financial Condition

### Securities

We maintain a securities portfolio to enhance profitability, support interest rate risk management strategies, provide liquidity and comply with regulatory requirements. Securities are classified as held for investment, available for sale or trading. See Note 2 to the consolidated financial statements for additional discussion of the securities portfolio.

Investment (held-to-maturity) securities consist primarily of long-term, fixed-rate Oklahoma municipal bonds and Texas school construction bonds. Substantially all of these bonds are general obligations of the issuer. Approximately \$82 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program. At December 31, 2010, investment securities were carried at \$340 million and had a fair value of \$346 million.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled \$9.1 billion at December 31, 2010, up \$252 million over December 31, 2009. At December 31, 2010, residential mortgage-backed securities represented 97% of total available for sale securities. We hold no securities backed by sub-prime mortgage loans, collateralized debt obligations or collateralized commercial real estate loans. A summary of our securities follows in Table 21. Additional details regarding securities concentrations appears in Note 2 to the Consolidated Financial Statements.



Table 21 Securities  
(Dollars in thousands)

|   | 2010                |                     | December 31,<br>2009 |                     | 2008                |                     |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
|   | Amortized<br>Cost   | Fair<br>Value       | Amortized<br>Cost    | Fair<br>Value       | Amortized<br>Cost   | Fair<br>Value       |
| <b>Investment:</b>                          |                     |                     |                      |                     |                     |                     |
| Municipal and other<br>tax-exempt           | \$ 184,898          | \$ 188,577          | \$ 232,568           | \$ 238,847          | \$ 235,791          | \$ 239,178          |
| Other debt securities                       | 154,655             | 157,528             | 7,837                | 7,857               | 6,553               | 6,591               |
| <b>Total</b>                                | <b>\$ 339,553</b>   | <b>\$ 346,105</b>   | <b>\$ 240,405</b>    | <b>\$ 246,704</b>   | <b>\$ 242,344</b>   | <b>\$ 245,769</b>   |
| <b>Available for sale:</b>                  |                     |                     |                      |                     |                     |                     |
| U.S. Treasury                               | \$—                 | \$—                 | \$ 6,998             | \$ 7,020            | \$ 6,987            | \$ 7,126            |
| Municipal and other<br>tax-exempt           | 72,190              | 72,942              | 61,268               | 62,201              | 19,537              | 20,163              |
| <b>Mortgage-backed securities:</b>          |                     |                     |                      |                     |                     |                     |
| U.S. agencies                               | 8,193,704           | 8,446,908           | 7,645,817            | 7,809,328           | 4,900,895           | 4,972,928           |
| Private issue                               | 714,431             | 644,210             | 961,378              | 792,362             | 1,636,934           | 1,241,238           |
| <b>Total mortgage-backed<br/>securities</b> | <b>8,908,135</b>    | <b>9,091,118</b>    | <b>8,607,195</b>     | <b>8,601,690</b>    | <b>6,537,829</b>    | <b>6,214,166</b>    |
| Other debt securities                       | 6,401               | 6,401               | 17,174               | 17,147              | 37                  | 36                  |
| Federal Reserve Banks                       | 33,424              | 33,424              | 32,526               | 32,526              | 32,380              | 32,380              |
| Federal Home Loan Banks                     | 42,207              | 42,207              | 78,999               | 78,999              | 61,760              | 61,760              |
| Perpetual preferred stocks                  | 19,511              | 22,114              | 19,224               | 22,275              | 32,472              | 21,701              |
| Other equity securities and<br>mutual funds | 29,181              | 43,046              | 35,414               | 50,165              | 31,421              | 34,119              |
| <b>Total</b>                                | <b>\$ 9,111,049</b> | <b>\$ 9,311,252</b> | <b>\$ 8,858,798</b>  | <b>\$ 8,872,023</b> | <b>\$ 6,722,423</b> | <b>\$ 6,391,451</b> |
| <b>Mortgage trading:</b>                    |                     |                     |                      |                     |                     |                     |
| Mortgage-backed U.S. agency<br>securities   | \$ 433,663          | \$ 428,021          | \$ 288,076           | \$ 285,950          | \$ 386,571          | \$ 399,211          |

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 December 31, 2010 is 2.2 years. Management estimates that the duration would extend to approximately 3.5 years assuming an immediate 200 basis point upward rate shock. The estimated duration contracts to 0.8 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 either partially or fully guaranteed. At December 31, 2010, approximately \$8.2 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 \$8.4 billion at December 31, 2010.

We also hold amortized cost of \$714 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decline of \$247 million from December 31, 2009. The decline was primarily

due to \$219 million of cash received and \$28 million of other-than-temporary impairment losses charged against earnings during 2010. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$644 million at December 31, 2010. The net unrealized losses on our portfolio of privately issued residential mortgage-backed securities decreased for the eighth consecutive quarter from \$396 million at December 31, 2008 to \$70 million at December 31, 2010.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$494 million of Jumbo-A mortgage loans and \$220 million of Alt-A mortgage loans. Jumbo-A mortgage loans generally meet government agency 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 securities backed by Alt-A loans is mitigated by investment in senior tranches with additional collateral support. None of these securities are backed by sub-prime mortgage loans, collateralized debt obligations or collateralized loan obligations. Approximately 88% of the Alt-A residential mortgage-backed securities were issued with credit support from additional layers of loss-absorbing subordinated tranches including 100% of our Alt-A residential mortgage-backed securities originated in 2007 and 2006. Approximately 82% of our Alt-A residential mortgage-backed securities represented pools of fixed-rate mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages ("ARMs"). Approximately 27% of our Jumbo-A residential mortgage-backed securities represents pools of fixed rate mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

Privately issued mortgage-backed securities with a total amortized cost of \$522 million were rated below investment grade at December 31, 2010 by at least one of the nationally-recognized rating agencies. The unrealized loss on the below

investment grade residential mortgage-backed securities totaled \$62 million at December 31, 2010, a \$10 million decrease during 2010.

Our portfolio of available for sale securities also included preferred stocks issued by six financial institutions. These preferred stocks have certain debt-like features such as a quarterly dividend based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. At December 31, 2010, these stocks have an aggregate carrying value of \$20 million and an aggregate fair value of \$22 million.

We also have \$42 million of stocks in Federal Home Loan Banks primarily in Topeka, Kansas, and Dallas, Texas at December 31, 2010.

The aggregate gross amount of unrealized losses on available for sale securities totaled \$93 million at December 31, 2010. 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 \$27.8 million were recognized in earnings in 2010 on certain privately issued residential mortgage-backed securities and other equity securities we do not intend to sell.

Certain government agency issued residential mortgage-backed securities, identified as mortgage trading securities, have been designated as economic hedges of mortgage servicing rights. These securities are carried 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 \$255 million invested in bank-owned life insurance at December 31, 2010. These investments are expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$224 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 the life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At December 31, 2010, cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately \$239 million. As the underlying fair value of the investments held in a separate account at December 31, 2010 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 \$31 million primarily represented the cash surrender value of policies held in the general accounts and amounts due from various insurance companies.



## Loans

The aggregate loan portfolio before allowance for loan losses totaled \$10.6 billion at December 31, 2010, a \$637 million or 6% decrease since December 31, 2009.

Table 22 Loans  
(In thousands)

|                                   | 2010                | 2009                | December 31,<br>2008 | 2007                | 2006                |
|-----------------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| <b>Commercial:</b>                |                     |                     |                      |                     |                     |
| Energy                            | \$1,711,409         | \$1,911,994         | \$2,311,813          | \$1,954,967         | \$1,763,180         |
| Services                          | 1,580,921           | 1,807,824           | 2,038,451            | 1,733,569           | 1,555,141           |
| Wholesale/retail                  | 1,010,246           | 921,830             | 1,165,099            | 1,084,379           | 932,531             |
| Manufacturing                     | 325,191             | 404,061             | 497,957              | 493,185             | 609,571             |
| Healthcare                        | 809,625             | 792,538             | 777,154              | 685,131             | 602,273             |
| Integrated food services          | 204,283             | 160,549             | 197,629              | 240,469             | 321,380             |
| Other commercial and industrial   | 292,321             | 209,044             | 423,500              | 569,884             | 424,808             |
| Total commercial                  | 5,933,996           | 6,207,840           | 7,411,603            | 6,761,584           | 6,208,884           |
| <b>Commercial real estate:</b>    |                     |                     |                      |                     |                     |
| Construction and land development | 447,864             | 645,295             | 926,226              | 1,007,414           | 889,925             |
| Retail                            | 405,540             | 423,260             | 371,228              | 423,118             | 374,294             |
| Office                            | 457,450             | 463,316             | 459,357              | 421,163             | 420,914             |
| Multifamily                       | 369,242             | 360,436             | 316,596              | 214,388             | 239,000             |
| Industrial                        | 182,093             | 146,707             | 149,367              | 154,255             | 146,406             |
| Other commercial real estate      | 415,161             | 452,420             | 478,474              | 502,746             | 376,001             |
| Total commercial real estate      | 2,277,350           | 2,491,434           | 2,701,248            | 2,723,084           | 2,446,540           |
| <b>Residential mortgage:</b>      |                     |                     |                      |                     |                     |
| Permanent mortgage                | 1,274,944           | 1,303,340           | 1,273,275            | 1,092,382           | 867,748             |
| Home equity                       | 553,304             | 490,282             | 479,299              | 442,223             | 388,511             |
| Total residential mortgage        | 1,828,248           | 1,793,622           | 1,752,574            | 1,534,605           | 1,256,259           |
| <b>Consumer:</b>                  |                     |                     |                      |                     |                     |
| Indirect automobile               | 239,576             | 454,508             | 692,615              | 625,203             | 465,622             |
| Other consumer                    | 363,866             | 332,294             | 317,966              | 296,094             | 273,873             |
| Total consumer                    | 603,442             | 786,802             | 1,010,581            | 921,297             | 739,495             |
| <b>Total</b>                      | <b>\$10,643,036</b> | <b>\$11,279,698</b> | <b>\$12,876,006</b>  | <b>\$11,940,570</b> | <b>\$10,651,178</b> |

The decline in outstanding loan balances was largely centered on energy loans, construction and land development loans and indirect automobile loans. The combined outstanding balances of these three categories of the loan portfolio decreased \$613 million. Generally, outstanding loan commitments have increased since the end of 2009. A breakdown of the loan portfolio by geographical market follows on Table 23 along with discussion of changes in the balances by portfolio and geography.

Table 23 Loans by Principal Market Area  
(In thousands)

|                           | 2010         | 2009         | December 31,<br>2008 | 2007         | 2006         |
|---------------------------|--------------|--------------|----------------------|--------------|--------------|
| Oklahoma:                 |              |              |                      |              |              |
| Commercial                | \$2,581,082  | \$2,649,252  | \$3,356,520          | \$3,224,013  | \$3,186,085  |
| Commercial real estate    | 726,409      | 820,578      | 843,576              | 885,866      | 979,251      |
| Residential mortgage      | 1,253,466    | 1,228,822    | 1,196,924            | 1,080,483    | 896,567      |
| Consumer                  | 336,492      | 451,829      | 579,809              | 576,070      | 512,032      |
| Total Oklahoma            | \$4,897,449  | \$5,150,481  | \$5,976,829          | \$5,766,432  | \$5,573,935  |
| Texas:                    |              |              |                      |              |              |
| Commercial                | \$1,888,635  | \$2,017,081  | \$2,353,860          | \$1,997,659  | \$1,722,627  |
| Commercial real estate    | 686,956      | 735,338      | 825,769              | 830,980      | 670,635      |
| Residential mortgage      | 297,027      | 313,113      | 315,438              | 278,842      | 213,801      |
| Consumer                  | 146,986      | 170,062      | 212,820              | 142,958      | 95,652       |
| Total Texas               | \$3,019,604  | \$3,235,594  | \$3,707,887          | \$3,250,439  | \$2,702,715  |
| New Mexico:               |              |              |                      |              |              |
| Commercial                | \$279,432    | \$341,802    | \$418,732            | \$473,262    | \$411,272    |
| Commercial real estate    | 314,781      | 305,061      | 286,574              | 252,884      | 257,079      |
| Residential mortgage      | 88,392       | 86,415       | 98,018               | 84,336       | 75,159       |
| Consumer                  | 19,583       | 17,473       | 18,616               | 16,105       | 13,256       |
| Total New Mexico          | \$702,188    | \$750,751    | \$821,940            | \$826,587    | \$756,766    |
| Arkansas:                 |              |              |                      |              |              |
| Commercial                | \$84,775     | \$103,443    | \$103,446            | \$106,328    | \$95,483     |
| Commercial real estate    | 116,989      | 132,436      | 134,015              | 124,317      | 94,395       |
| Residential mortgage      | 13,155       | 16,849       | 16,875               | 16,393       | 23,076       |
| Consumer                  | 72,787       | 124,265      | 175,647              | 163,626      | 86,017       |
| Total Arkansas            | \$287,706    | \$376,993    | \$429,983            | \$410,664    | \$298,971    |
| Colorado:                 |              |              |                      |              |              |
| Commercial                | \$470,500    | \$545,724    | \$660,546            | \$490,373    | \$451,046    |
| Commercial real estate    | 197,180      | 239,970      | 261,820              | 252,537      | 193,747      |
| Residential mortgage      | 72,310       | 66,504       | 53,875               | 26,556       | 15,812       |
| Consumer                  | 21,409       | 17,362       | 16,141               | 16,457       | 26,591       |
| Total Colorado            | \$761,399    | \$869,560    | \$992,382            | \$785,923    | \$687,196    |
| Arizona:                  |              |              |                      |              |              |
| Commercial                | \$231,117    | \$199,143    | \$211,356            | \$157,341    | \$96,453     |
| Commercial real estate    | 201,018      | 227,249      | 319,525              | 342,673      | 207,035      |
| Residential mortgage      | 89,245       | 65,047       | 62,123               | 46,269       | 31,280       |
| Consumer                  | 3,445        | 3,461        | 6,075                | 5,522        | 5,947        |
| Total Arizona             | \$524,825    | \$494,900    | \$599,079            | \$551,805    | \$340,715    |
| Kansas/Missouri:          |              |              |                      |              |              |
| Commercial                | \$398,455    | \$351,395    | \$307,143            | \$312,608    | \$245,918    |
| Commercial real estate    | 34,017       | 30,802       | 29,969               | 33,827       | 44,398       |
| Residential mortgage      | 14,653       | 16,872       | 9,321                | 1,726        | 564          |
| Consumer                  | 2,740        | 2,350        | 1,473                | 559          | –            |
| Total Kansas/Missouri     | \$449,865    | \$401,419    | \$347,906            | \$348,720    | \$290,880    |
| Total BOK Financial loans | \$10,643,036 | \$11,279,698 | \$12,876,006         | \$11,940,570 | \$10,651,178 |

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 decreased \$274 million during 2010 to \$5.9 billion at December 31, 2010. Generally, commercial loan origination activity has slowed to less than amounts necessary to offset normal repayment trends in the portfolio. In general, loan demand has softened due to lower working capital needs and less capital project spending by our customers.

The commercial sector of our loan portfolio is distributed as follows in Table 24.

Table 24 Commercial Loans by Principal Market Area  
(In thousands)

|                                 | Oklahoma    | Texas       | New Mexico | Arkansas | Colorado  | Arizona   | Kansas/<br>Missouri | Total       |
|---------------------------------|-------------|-------------|------------|----------|-----------|-----------|---------------------|-------------|
| Energy                          | \$887,354   | \$622,048   | \$157      | \$4,326  | \$197,524 | \$-       | \$-                 | \$1,711,409 |
| Services                        | 484,602     | 487,383     | 171,744    | 20,152   | 188,317   | 113,837   | 114,886             | 1,580,921   |
| Wholesale/retail                | 422,112     | 410,231     | 45,536     | 34,277   | 17,436    | 53,836    | 26,818              | 1,010,246   |
| Manufacturing                   | 191,051     | 71,569      | 17,394     | 1,357    | 16,040    | 20,725    | 7,055               | 325,191     |
| Healthcare                      | 490,401     | 213,437     | 8,319      | 5,661    | 45,645    | 22,565    | 23,597              | 809,625     |
| Integrated food services        | 16,280      | 9,617       | -          | 270      | -         | -         | 178,116             | 204,283     |
| Other commercial and industrial | 89,282      | 74,350      | 36,282     | 18,732   | 5,538     | 20,154    | 47,983              | 292,321     |
| Total commercial loans          | \$2,581,082 | \$1,888,635 | \$279,432  | \$84,775 | \$470,500 | \$231,117 | \$398,455           | \$5,933,996 |

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 the largest 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 \$201 million during 2010 primarily due to lower customer loan demand due primarily to cash flow available to this sector and a slower pace of capital project spending based on generally stable energy prices during 2010. For most of 2010, low commodity prices persisted which led to curtailed exploration and production of oil and gas reserves and reduced borrowing capacity based upon collateral values. Although outstanding balances are down from 2009, unfunded loan commitments to energy customers were up \$100 million to \$2.0 billion at December 31, 2010.

Energy loans to oil and gas producers totaled approximately \$1.5 billion, down \$111 million from the prior year. Approximately 50% of the committed production loans are secured by properties primarily producing oil and 50% are secured by properties primarily producing natural gas. Loans to borrowers that provide services to the energy industry decreased approximately \$44 million from the prior year to \$33 million and loans to borrowers engaged in wholesale or retail energy sales decreased approximately \$53 million to \$187 million at December 31, 2010. Loans to borrowers that manufacture equipment for the energy industry increased 3% over the prior year to \$27 million. We did not experience a significant, direct impact on our energy loan portfolio from the moratorium on offshore drilling activities during 2010.

The services sector of the loan portfolio totaled \$1.6 billion or 15% 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 decreased \$227 million primarily due to soft loan demand as a result of current economic conditions. 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.

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 December 31, 2010, the outstanding principal balance of these loans totaled \$1.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 19% of our shared national credits, based on dollars committed. We hold shared national 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 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 or 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 \$2.3 billion or 21% of the loan portfolio at December 31, 2010. 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 \$214 million from the previous year. The commercial real estate sector of our loan portfolio is distributed as follows in Table 25.

Table 25 Commercial Real Estate Loans by Principal Market Area  
(In thousands)

|                                    | Oklahoma   | Texas      | New Mexico | Arkansas   | Colorado   | Arizona    | Kansas/<br>Missouri | Total        |
|------------------------------------|------------|------------|------------|------------|------------|------------|---------------------|--------------|
| Construction and land development  | \$ 148,458 | \$ 86,563  | \$ 62,847  | \$ 16,852  | \$ 92,918  | \$ 35,280  | \$ 4,946            | \$ 447,864   |
| Retail                             | 145,640    | 122,560    | 49,385     | 18,025     | 7,326      | 50,913     | 11,691              | 405,540      |
| Office                             | 94,101     | 168,582    | 90,661     | 16,035     | 59,919     | 28,075     | 77                  | 457,450      |
| Multifamily                        | 113,147    | 135,236    | 21,148     | 46,195     | 7,213      | 39,831     | 6,472               | 369,242      |
| Industrial                         | 68,889     | 72,896     | 26,967     | 169        | 1,083      | 12,021     | 68                  | 182,093      |
| Other real estate loans            | 156,174    | 101,119    | 63,773     | 19,713     | 28,721     | 34,898     | 10,763              | 415,161      |
| Total commercial real estate loans | \$ 726,409 | \$ 686,956 | \$ 314,781 | \$ 116,989 | \$ 197,180 | \$ 201,018 | \$ 34,017           | \$ 2,277,350 |

Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased \$197 million during the year to \$448 million at December 31, 2010 primarily due to payments. In addition, \$28 million of construction and development loans were transferred to other real estate owned and \$21 million were charged off. This sector of the loan portfolio is expected to continue to decrease as construction projects currently in process are completed.

## 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 \$1.8 billion, up \$35 million or 2% since December 31, 2009. Permanent 1-4 family mortgage loans decreased \$28 million and home equity loans increased \$63 million. 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. Low interest rates increased demand to refinance these mortgage loans into long-term fixed rate loans. Generally, we do not offer this type of loan because of excessive future interest rate risk.

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 permanent mortgage loan portfolio is 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 or certain professionals. The aggregate outstanding balance of loans in these programs at December 31, 2010 is \$1.2 billion. 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 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 health-care professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

Approximately \$96 million or 8% of permanent mortgage loans at December 31, 2010 consist of first lien, fixed rate residential mortgage loans originated under various community development programs, down from \$110 million at December 31, 2009. 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 given default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

Home equity loans totaled \$553 thousand at December 31, 2010. These loans are generally 1st or 2nd lien loans with a maximum LTV of 90%, 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 \$200 thousand.

The composition of residential mortgage and consumer loans at December 31, 2010 is as follows in Table 26.

Table 26 Residential Mortgage and Consumer Loans by Principal Market Area  
(In thousands)

|                                   | Oklahoma           | Texas            | New Mexico      | Arkansas        | Colorado        | Arizona         | Kansas/<br>Missouri | Total              |
|-----------------------------------|--------------------|------------------|-----------------|-----------------|-----------------|-----------------|---------------------|--------------------|
| <b>Residential mortgage:</b>      |                    |                  |                 |                 |                 |                 |                     |                    |
| Permanent mortgage                | \$913,827          | \$205,457        | \$13,400        | \$8,278         | \$50,494        | \$74,057        | \$9,431             | \$1,274,944        |
| Home equity                       | 339,639            | 91,570           | 74,992          | 4,877           | 21,816          | 15,188          | 5,222               | 553,304            |
| <b>Total residential mortgage</b> | <b>\$1,253,466</b> | <b>\$297,027</b> | <b>\$88,392</b> | <b>\$13,155</b> | <b>\$72,310</b> | <b>\$89,245</b> | <b>\$14,653</b>     | <b>\$1,828,248</b> |
| <b>Consumer:</b>                  |                    |                  |                 |                 |                 |                 |                     |                    |
| Indirect automobile               | \$136,772          | \$36,848         | \$-             | \$65,956        | \$-             | \$-             | \$-                 | \$239,576          |
| Other consumer                    | 199,720            | 110,138          | 19,583          | 6,831           | 21,409          | 3,445           | 2,740               | 363,866            |
| <b>Total consumer</b>             | <b>\$336,492</b>   | <b>\$146,986</b> | <b>\$19,583</b> | <b>\$72,787</b> | <b>\$21,409</b> | <b>\$3,445</b>  | <b>\$2,740</b>      | <b>\$603,442</b>   |

Indirect automobile loans decreased \$215 million since December 31, 2009, 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.

Table 27 Loan Maturity and Interest Rate Sensitivity at December 31, 2010  
(In thousands)

|                        | Total              | Remaining Maturities of Selected Loans |                    |                    |
|------------------------|--------------------|--|--------------------|--------------------|
|                        |                    | Within 1 Year                          | 1-5 Years          | After 5 Years      |
| <b>Loan maturity:</b>  |                    |  |                    |                    |
| Commercial             | \$5,933,996        | \$1,613,841                            | \$3,537,874        | \$782,281          |
| Commercial real estate | 2,277,350          | 884,494                                | 1,090,016          | 302,840            |
| <b>Total</b>           | <b>\$8,211,346</b> | <b>\$2,498,335</b>                     | <b>\$4,627,890</b> | <b>\$1,085,121</b> |



Interest rate sensitivity for selected loans with:

|                                       |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Predetermined interest rates          | \$3,768,527 | \$648,636   | \$2,454,197 | \$665,694   |
| Floating or adjustable interest rates | 4,442,819   | 1,849,699   | 2,173,693   | 419,427     |
| Total                                 | \$8,211,346 | \$2,498,335 | \$4,627,890 | \$1,085,121 |

#### Loan Commitments

We enter into off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled \$5.2 billion and standby letters of credit which totaled \$535 million at December 31, 2010. 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 \$3.1 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at December 31, 2010.

Table 28 Off-Balance Sheet Credit Commitments  
(In thousands)

|                                   | As of December 31, |             |             |             |             |
|-----------------------------------|--------------------|-------------|-------------|-------------|-------------|
|                                   | 2010               | 2009        | 2008        | 2007        | 2006        |
| Loan commitments                  | \$5,193,545        | \$5,001,338 | \$5,015,660 | \$5,345,736 | \$5,318,257 |
| Standby letters of credit         | 534,565            | 588,091     | 598,618     | 555,758     | 527,627     |
| Mortgage loans sold with recourse | 289,021            | 330,963     | 391,188     | 392,534     | 329,713     |

We also have off-balance sheet obligations related to certain community development residential mortgage loans sold with full or partial recourse as more fully described in Note 7 to the consolidated financial statements. At December 31, 2010, the principal balance of loans sold subject to recourse obligations totaled \$289 million. Substantially all of these loans are to borrowers in our primary markets including \$204 million to borrowers in Oklahoma, \$30 million to borrowers in Arkansas, \$17 million to borrowers in New Mexico, \$15 million to borrowers in the Kansas/Missouri area and \$13 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. As of December 31, 2010, less than 10% of the repurchase requests in 2010 have resulted in actual repurchases or indemnification by BOK Financial. We have repurchased 11 loans for approximately \$301 thousand from the agencies during 2010. Losses incurred on these loans have been minimal. At December 31, 2010, we have unresolved deficiency requests from the agencies on 140 loans with an aggregate outstanding balance of \$22 million.

#### 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 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 are 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 the Company 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 December 31, 2010, the net fair values of derivative contracts reported as assets under these programs totaled \$270 million, down from \$344 million at December 31, 2009 primarily due to cash settlements and reduced transactions volumes. At December 31, 2010, derivative contracts carried as assets included interest rate contracts with fair values of \$141 million, energy contracts with fair values of \$77 million and foreign exchange contracts with fair values of \$45 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled \$215 million.

At December 31, 2010, total derivative assets were reduced by \$15 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$69 million of cash collateral delivered 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 December 31, 2010 is included in Table 29.

Table 29 Fair Value of Derivative Contracts by Category of Debtor  
(In thousands)

|  |            |
|--|------------|
| Customers  | \$ 139,765 |
| Banks  | 57,377     |
| Exchanges  | 44,056     |
| Energy companies   | 22,419     |
| Other  | 4,878      |
| Fair value of customer hedge asset derivative contracts, net | \$ 268,495 |

At December 31, 2010, the largest net reported amount due from a single counterparty, a domestic subsidiary of a major energy company, was \$13 million. This amount was entirely offset by letters of credit issued by multiple independent financial institutions. The next largest amount due was \$12 million from an energy customer. This amount was fully secured by cash and securities as of December 31, 2010.

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 exceed 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 \$26 per barrel of oil would increase the fair value of derivative assets for energy contracts by \$40 million. An increase in prices equivalent to \$160 per barrel of oil would increase the fair value of derivative assets for energy contracts by \$280 million as current prices move further above the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in our credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$54 million.

#### Summary of Loan Loss Experience

We maintain separate allowances for loan losses and for off-balance sheet credit risk. The combined allowance for loan and off-balance sheet credit losses totaled \$307 million or 2.89% of outstanding loans and 133% of nonaccruing loans at December 31, 2010. The combined allowance for loan and off-balance sheet credit losses totaled \$306 million or 2.72% of outstanding loans and 90% of nonaccruing loans at December 31, 2009. The allowance for loan losses totaled \$293 million or 2.75% of outstanding loans at December 31, 2010 and \$292 million or 2.59% of outstanding loans at December 31, 2009. The allowance for off-balance sheet credit commitments was \$14 million at December 31, 2010 and \$14 million at December 31, 2009.

The provision for credit losses is the amount necessary to maintain the allowance for credit losses at an amount determined by management to be adequate based on its evaluation and 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 \$105 million for 2010 compared to \$196 million for 2009. Factors considered in determining the provision for credit losses for 2010 included improving trends of net charge-offs, nonperforming loans and risk grading.



Table 30 Summary of Loan Loss Experience  
(Dollars in thousands)

|   | Year ended December 31, |   |           |   |           |   |           |   |           |   |
|---|-------------------------|---|-----------|---|-----------|---|-----------|---|-----------|---|
|   | 2010                    |   | 2009      |   | 2008      |   | 2007      |   | 2006      |   |
| Allowance for loan losses:  |                         |   |           |   |           |   |           |   |           |   |
| Beginning balance   | \$292,095               |   | \$233,236 |   | \$126,677 |   | \$109,497 |   | \$103,876 |   |
| Loans charged off:  |                         |   |           |   |           |   |           |   |           |   |
| Commercial  | 27,640                  |   | 49,725    |   | 74,976    |   | 14,380    |   | 10,517    |   |
| Commercial real estate  | 59,962                  |   | 57,313    |   | 19,141    |   | 1,795     |   | 87        |   |
| Residential mortgage  | 20,056                  |   | 16,672    |   | 7,223     |   | 1,709     |   | 1,265     |   |
| Consumer  | 16,330                  |   | 24,789    |   | 20,871    |   | 13,733    |   | 12,127    |   |
| Total   | 123,988                 |   | 148,499   |   | 122,211   |   | 31,617    |   | 23,996    |   |
| Recoveries of loans previously charged off:   |                         |   |           |   |           |   |           |   |           |   |
| Commercial  | 9,263                   |   | 2,546     |   | 13,379    |   | 4,534     |   | 5,405     |   |
| Commercial real estate  | 3,179                   |   | 461       |   | 332       |   | 110       |   | 327       |   |
| Residential mortgage  | 901                     |   | 929       |   | 366       |   | 309       |   | 161       |   |
| Consumer  | 6,265                   |   | 6,744     |   | 6,413     |   | 5,558     |   | 5,638     |   |
| Total   | 19,608                  |   | 10,680    |   | 20,490    |   | 10,511    |   | 11,531    |   |
| Net loans charged off   | 104,380                 |   | 137,819   |   | 101,721   |   | 21,106    |   | 12,465    |   |
| Provision for loan losses   | 105,256                 |   | 196,678   |   | 208,280   |   | 34,758    |   | 18,086    |   |
| Additions due to acquisitions   | —                       |   | —         |   | —         |   | 3,528     |   | —         |   |
| Ending balance  | \$292,971               |   | \$292,095 |   | \$233,236 |   | \$126,677 |   | \$109,497 |   |
| Allowance for off-balance sheet credit losses:  |                         |   |           |   |           |   |           |   |           |   |
| Beginning balance   | \$14,388                |   | \$15,166  |   | \$20,853  |   | \$20,890  |   | \$20,574  |   |
| Provision for off-balance sheet credit losses   | (117)                   | ) | (778)     | ) | (5,687)   | ) | (37)      | ) | 316       |   |
| Ending balance  | \$14,271                |   | \$14,388  |   | \$15,166  |   | \$20,853  |   | \$20,890  |   |
| Total provision for credit losses   | \$105,139               |   | \$195,900 |   | \$202,593 |   | \$34,721  |   | \$18,402  |   |
| Allowance for loan losses to loans outstanding at year-end                            | 2.75                    | % | 2.59      | % | 1.81      | % | 1.06      | % | 1.03      | % |
| Net charge-offs to average loans  | 0.96                    |   | 1.14      |   | 0.81      |   | 0.19      |   | 0.13      |   |
| Total provision for credit losses to average loans                                    | 0.96                    |   | 1.61      |   | 1.62      |   | 0.31      |   | 0.19      |   |
| Recoveries to gross charge-offs   | 15.81                   |   | 7.19      |   | 16.77     |   | 33.24     |   | 48.05     |   |
| Allowance for loan losses as a multiple of net charge-offs                            | 2.81                    | x | 2.12      | x | 2.29      | x | 6.00      | x | 8.78      | x |
| Allowance for off-balance sheet credit losses to off-balance sheet credit commitments | 0.25                    | % | 0.26      | % | 0.27      | % | 0.35      | % | 0.36      | % |
| Combined allowances for credit losses to loans outstanding at year-end                | 2.89                    | % | 2.72      | % | 1.93      | % | 1.24      | % | 1.22      | % |
| Problem Loans:  |                         |   |           |   |           |   |           |   |           |   |
| Loans past due (90 days)  | \$9,961                 |   | \$10,308  |   | \$19,123  |   | \$5,575   |   | \$5,945   |   |
| Nonaccrual <sup>1</sup>   | 230,814                 |   | 339,355   |   | 300,073   |   | 84,290    |   | 26,055    |   |
| Renegotiated <sup>2</sup>   | 22,261                  |   | 15,906    |   | 13,039    |   | 10,394    |   | 9,802     |   |
| Total   | \$263,036               |   | \$365,569 |   | \$332,235 |   | \$100,259 |   | \$41,802  |   |
| Foregone interest on nonaccrual loans <sup>1</sup>                                    | \$16,818                |   | \$17,015  |   | \$8,391   |   | \$3,011   |   | \$2,130   |   |

- 1 Interest collected and recognized on nonaccrual loans was not significant in 2010 and previous years disclosed.
- 2 Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.

#### Allowance for Loan Losses

The adequacy 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 impaired loans that have not yet been charged down to amounts we expect to recover, 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 2010, 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 determined by evaluation of estimated future cash flows, collateral value or historical statistics. 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 an 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 generally 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 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 loans, is probable.

Impaired loans totaled \$203 million at December 31, 2010 and \$317 million at December 31, 2009. At December 31, 2010, \$125 million of impaired loans had specific allowances of \$7.1 million and \$78 million had no specific allowances because the loan balance had been charged down to amounts we expect to recover. Impaired loans had gross outstanding principal balances of \$301 million. Cumulative life-to-date charge-offs of impaired loans at December 31, 2010 totaled \$98 million, including \$54 million charged off during 2010. At December 31, 2009, \$204 million of impaired loans had specific allowances of \$36 million and \$113 million of impaired loans had no specific allowances because they had been charged down to 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 and ending of a cycle. Because of this limitation, the results of the migration model are evaluated by management quarterly. The 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 \$259 million at December 31, 2010 and \$238 million at December 31, 2009.

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 December 31, 2010 and \$18 million at December 31, 2009.

An allocation of the loan loss allowance by loan category follows in Table 31.

Table 31 Allowance for Loan Losses Allocation  
(Dollars in thousands)

| Loan category:         | 2010                   |                         | 2009                   |                         | December 31, 2008      |                         | 2007                   |                         | 2006                   |                         |
|------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|
|                        | Allowance <sup>2</sup> | % of Loans <sup>1</sup> | Allowance <sup>2</sup> | % of Loans <sup>1</sup> | Allowance <sup>2</sup> | % of Loans <sup>1</sup> | Allowance <sup>2</sup> | % of Loans <sup>1</sup> | Allowance <sup>2</sup> | % of Loans <sup>1</sup> |
| Commercial             | \$104,631              | 55.75 %                 | \$121,320              | 55.04 %                 | \$100,743              | 57.56 %                 | \$49,961               | 56.07 %                 | \$44,151               | 58.29 %                 |
| Commercial real estate | 98,709                 | 21.40                   | 104,208                | 22.09                   | 75,555                 | 20.98                   | 40,807                 | 22.89                   | 30,838                 | 22.97                   |
| Residential mortgage   | 50,281                 | 17.18                   | 27,863                 | 15.90                   | 14,017                 | 13.61                   | 6,156                  | 13.38                   | 4,663                  | 11.80                   |
| Consumer               | 12,614                 | 5.67                    | 20,452                 | 6.97                    | 19,819                 | 7.85                    | 9,962                  | 7.66                    | 11,784                 | 6.94                    |
| Nonspecific allowance  | 26,736                 | –                       | 18,252                 | –                       | 23,102                 | –                       | 19,791                 | –                       | 18,061                 | –                       |
| Total                  | \$292,971              | 100.00 %                | \$292,095              | 100.00 %                | \$233,236              | 100.00 %                | \$126,677              | 100.00 %                | \$109,497              | 100.00 %                |

1 Represents ratio of loan category balance to total loans, excluding residential mortgage loans held for sale.

2 Specific allocation for the loan concentration risks is included in the appropriate category.

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. Because the borrowers are still performing in accordance with the original terms of the loan agreements, 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. These potential problem loans totaled \$176 million at December 31, 2010. The current composition of potential problem loans by primary industry included: commercial real estate - \$60 million; wholesale/retail - \$45 million; services - \$30 million and residential mortgage - \$19 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 2010 totaled \$104 million compared to \$138 million in the previous year. The ratio of net loans charged off to average outstanding loans was 0.96% for 2010 and 1.14% for 2009. Net charge-offs for 2010 decreased \$33 million compared to the previous year. Gross loans charged off decreased \$24 million and recoveries increased \$8.9 million.

Net loans charged off by category and principal market area follow in Table 32.

Table 32 Net Loans Charged Off by Category and Principal Market Area  
(Dollars in thousands)

|                        | Oklahoma | Texas   | Colorado | Arkansas | New Mexico | Arizona | Kansas/<br>Missouri | Total    |
|------------------------|----------|---------|----------|----------|------------|---------|---------------------|----------|
| 2010:                  |          |         |          |          |            |         |                     |          |
| Commercial             | \$ 3,192 | \$7,062 | \$1,070  | \$1,393  | \$3,528    | \$2,081 | \$51                | \$18,377 |
| Commercial real estate | 20,328   | 3,673   | 9,180    | 3,605    | 795        | 19,202  | –                   | 56,783   |

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|                       |           |           |           |          |          |           |       |            |
|-----------------------|-----------|-----------|-----------|----------|----------|-----------|-------|------------|
| Residential mortgage  | 13,842    | 1,746     | 164       | 150      | 2,231    | 1,016     | 6     | 19,155     |
| Consumer              | 4,442     | 2,859     | 483       | 1,577    | 665      | 25        | 14    | 10,065     |
| Net loans charged off | \$ 41,804 | \$ 15,340 | \$ 10,897 | \$ 6,725 | \$ 7,219 | \$ 22,324 | \$ 71 | \$ 104,380 |

2009:

|                        |           |           |           |          |          |           |        |            |
|------------------------|-----------|-----------|-----------|----------|----------|-----------|--------|------------|
| Commercial             | \$ 18,861 | \$ 8,851  | \$ 12,214 | \$ 79    | \$ 2,882 | \$ 3,416  | \$ 876 | \$ 47,179  |
| Commercial real estate | 2,435     | 5,155     | 11,884    | 369      | 2,805    | 34,191    | 13     | 56,852     |
| Residential mortgage   | 7,857     | 4,005     | 610       | 190      | 1,112    | 1,969     | –      | 15,743     |
| Consumer               | 8,231     | 5,363     | 287       | 2,998    | 981      | 182       | 3      | 18,045     |
| Net loans charged off  | \$ 37,384 | \$ 23,374 | \$ 24,995 | \$ 3,636 | \$ 7,780 | \$ 39,758 | \$ 892 | \$ 137,819 |

Net commercial loans charged off in 2010 decreased \$29 million from the prior year and included \$7.4 million of loans from the healthcare sector of the loan portfolio, \$3.9 million from the service sector of the loan portfolio, \$2.5 million of loans from the wholesale/retail sector of the loan portfolio and \$2.0 million of loans from the energy sector of the loan portfolio.

Net commercial real estate loans charged off during 2010 were flat with the prior year. Net charge-offs increased \$18 million in the Oklahoma market, primarily offset by a \$15 million decrease in the Arizona market. Net commercial real estate loan charge-offs in 2010 included \$19 million from the land and residential construction sector of the loan portfolio, primarily composed of \$6.7 million in the Arizona market and \$5.4 million in the Colorado market. Net commercial real estate loans charged-off in 2010 also included a \$17 million charge-off of a loan to a single issuer secured by an office building attributed to the Oklahoma market and \$11 million charged off related to loans secured by retail properties primarily in the Arizona market.

Residential mortgage net charge-offs increased \$3.4 million compared the prior year primarily related to loans attributed to Oklahoma market. The timing of residential mortgage loan charge-offs varies based on foreclosure activity and delinquency status. Consumer loan net charge-offs, which include indirect auto loan and deposit account overdraft losses, decreased \$8.0 million compared to the previous year. Net charge-offs of indirect auto loans totaled \$4.5 million for 2010 and \$9.7 million for 2009.

## Nonperforming Assets

Table 33 Nonperforming Assets  
(Dollars in thousands)

|  | 2010      | 2009        | December 31,<br>2008 | 2007      | 2006     |
|--|-----------|-------------|----------------------|-----------|----------|
| Nonperforming loans                        |           |             |                      |           |          |
| Nonaccrual loans:                          |           |             |                      |           |          |
| Commercial                                 | \$38,455  | \$101,384   | \$134,846            | \$42,981  | \$10,737 |
| Commercial real estate                     | 150,366   | 204,924     | 137,279              | 25,319    | 4,771    |
| Residential mortgage                       | 37,426    | 29,989      | 27,387               | 15,272    | 10,325   |
| Consumer                                   | 4,567     | 3,058       | 561                  | 718       | 222      |
| Total nonaccrual loans                     | 230,814   | 339,355     | 300,073              | 84,290    | 26,055   |
| Renegotiated loans <sup>2</sup>            | 22,261    | 15,906      | 13,039               | 10,394    | 9,802    |
| Total nonperforming loans                  | 253,075   | 355,261     | 313,112              | 94,684    | 35,857   |
| Other nonperforming assets                 | 141,394   | 129,034     | 29,179               | 9,475     | 8,486    |
| Total nonperforming assets                 | \$394,469 | \$484,295   | \$342,291            | \$104,159 | \$44,343 |
| Nonaccrual loans by principal market:      |           |             |                      |           |          |
| Oklahoma                                   | \$60,805  | \$83,176    | \$108,367            | \$47,977  | \$17,683 |
| Texas                                      | 33,157    | 66,892      | 42,934               | 4,983     | 6,096    |
| New Mexico                                 | 19,283    | 26,693      | 16,016               | 11,118    | 871      |
| Arkansas                                   | 7,914     | 13,820      | 3,263                | 1,635     | 267      |
| Colorado <sup>3</sup>                      | 49,416    | 60,082      | 32,415               | 9,222     | 1,138    |
| Arizona                                    | 60,239    | 84,559      | 80,994               | 9,355     | –        |
| Kansas/Missouri                            | –         | 4,133       | 16,084               | –         | –        |
| Total nonaccrual loans                     | \$230,814 | \$339,355   | \$300,073            | \$84,290  | \$26,055 |
| Nonaccrual loans by loan portfolio sector: |           |             |                      |           |          |
| Commercial:                                |           |             |                      |           |          |
| Energy                                     | \$465     | \$52922,692 | \$52949,364          | \$529529  | \$535    |
| Services                                   | 19,262    | 30,926      | 36,873               | 25,468    | 5,759    |
| Wholesale / retail                         | 8,486     | 12,057      | 18,773               | 3,792     | 2,457    |
| Manufacturing                              | 2,116     | 15,765      | 7,343                | 9,915     | 101      |
| Healthcare                                 | 3,534     | 13,103      | 12,118               | 2,301     | 1,600    |
| Integrated food services                   | 13        | 65          | 680                  | 380       | 93       |
| Other commercial and industrial            | 4,579     | 6,776       | 9,695                | 596       | 192      |
| Total commercial                           | 38,455    | 101,384     | 134,846              | 42,981    | 10,737   |
| Commercial real estate:                    |           |             |                      |           |          |
| Construction and land development          | 99,579    | 109,779     | 76,082               | 13,466    | 2,031    |
| Retail                                     | 4,978     | 26,236      | 15,625               | 5,259     | –        |
| Office                                     | 19,654    | 25,861      | 7,637                | 1,013     | 732      |
| Multifamily                                | 6,725     | 26,540      | 24,950               | 3,998     | 320      |
| Industrial                                 | 4,087     | 279         | 6,287                | –         | –        |
| Other commercial real estate               | 15,343    | 16,229      | 6,698                | 1,583     | 1,688    |
| Total commercial real estate               | 150,366   | 204,924     | 137,279              | 25,319    | 4,771    |
| Residential mortgage:                      |           |             |                      |           |          |
| Permanent mortgage                         | 32,111    | 28,314      | 26,233               | 14,541    | 9,923    |
| Home equity                                | 5,315     | 1,675       | 1,154                | 731       | 402      |
| Total residential mortgage                 | 37,426    | 29,989      | 27,387               | 15,272    | 10,325   |
| Consumer                                   | 4,567     | 3,058       | 561                  | 718       | 222      |

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|  |           |           |           |          |          |
|--|-----------|-----------|-----------|----------|----------|
| Total nonaccrual loans   | \$230,814 | \$339,355 | \$300,073 | \$84,290 | \$26,055 |
| Ratios:  |           |           |           |          |          |
| Allowance for loan losses to nonperforming loans   | 115.76    | % 82.22   | % 74.49   | % 133.79 | % 305.37 |
| Nonperforming loans to period-end loans  | 2.38      | 3.15      | 2.43      | 0.79     | 0.34     |
| Loans past due (90 days) <sup>1</sup>  | \$9,961   | \$10,308  | \$19,123  | \$5,575  | \$5,945  |
| 1Includes residential mortgages guaranteed by agencies of the U.S. Government.   |           |           |           |          |          |
|  | \$1,995   | \$1,400   | \$872     | \$1,017  | \$2,233  |
| 2Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates. |           |           |           |          |          |
|  | \$18,551  | \$12,799  | \$10,396  | \$7,550  | \$5,747  |
| 3Includes loans subject to First United Bank sellers escrow.   |           |           |           |          |          |
|  | \$-       | \$4,311   | \$13,181  | \$8,412  | \$-      |

Nonperforming assets decreased \$90 million during 2010 to \$394 million or 3.66% of outstanding loans and repossessed assets at December 31, 2010. Nonaccruing loans totaled \$231 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 \$141 million. The Company generally retains nonperforming assets to maximize potential recovery.

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. At December 31, 2010, approximately \$10 million of the renegotiated residential mortgage loans are currently performing in accordance with the modified terms, \$4.8 million are 30 to 89 days past due and \$7.2 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. Interest continues to accrue on these guaranteed loans based on the modified terms of the loan. Renegotiated loans may be transferred to loans held for sale after a period of satisfactory performance, generally at least nine months. If it becomes probable that we will not be able to collect all amounts due according to the modified loan terms, the loans are placed on nonaccrual status and included in nonaccrual loans.

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 year ended December 31, 2010 follows in Table 34.

Table 34 Rollforward of Nonperforming Assets  
(Dollars in thousands)

|                                       | Nonaccruing<br>Loans | Renegotiated<br>Loans | Real Estate<br>and Other<br>Repossessed<br>Assets | Total<br>Nonperforming<br>Assets |
|---------------------------------------|----------------------|-----------------------|---|----------------------------------|
| Beginning balance                     | \$ 339,355           | \$ 15,906             | \$ 129,034  | \$ 484,295                       |
| Additions                             | 199,274              | 13,435                | 167   | 212,876                          |
| Transfers from premises and equipment | –                    | –                     | 9,786   | 9,786                            |
| Payments                              | (102,422 )           | (50 )                 | –   | (102,472 )                       |
| Charge-offs                           | (123,988 )           | –                     | –   | (123,988 )                       |
| Net writedowns and losses             | –                    | –                     | (23,633 )   | (23,633 )                        |
| Foreclosures                          | (63,059 )            | –                     | 63,059  | –                                |
| Proceeds from sales                   | –                    | (6,217 )              | (37,446 )   | (43,663 )                        |
| Return to accrual                     | (22,596 )            | –                     | –   | (22,596 )                        |
| Transfer to nonaccrual                | 855                  | (855 )                | –   | –                                |
| Other, net                            | 3,395                | 42                    | 427   | 3,864                            |
| Ending balance                        | \$ 230,814           | \$ 22,261             | \$ 141,394  | \$ 394,469                       |

This distribution of nonaccruing loans among our various markets follows in Table 35.

Table 35 Nonaccruing Loans by Principal Market  
(Dollars in thousands)

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|                 | December 31, 2010 |                              | December 31, 2009 |                              | Change         |                              |
|-----------------|-------------------|------------------------------|-------------------|------------------------------|----------------|------------------------------|
|                 | Amount            | % of<br>outstanding<br>loans | Amount            | % of<br>outstanding<br>loans | Amount         | % of<br>outstanding<br>loans |
| Oklahoma        | \$60,805          | 1.24                         | % \$83,176        | 1.61                         | % \$(22,371 )  | (37 ) bp                     |
| Texas           | 33,157            | 1.10                         | 66,892            | 2.07                         | (33,735 )      | (97 )                        |
| New Mexico      | 19,283            | 2.75                         | 26,693            | 3.56                         | (7,410 )       | (81 )                        |
| Arkansas        | 7,914             | 2.75                         | 13,820            | 3.67                         | (5,906 )       | (92 )                        |
| Colorado        | 49,416            | 6.49                         | 60,082            | 6.91                         | (10,666 )      | (42 )                        |
| Arizona         | 60,239            | 11.48                        | 84,559            | 17.09                        | (24,320 )      | (561 )                       |
| Kansas/Missouri | –                 | –                            | 4,133             | 1.03                         | (4,133 )       | (103 )                       |
| Total           | \$230,814         | 2.17                         | % \$339,355       | 3.01                         | % \$(108,541 ) | (84 ) bp                     |

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Nonaccruing loans attributed to the Oklahoma market are primarily composed of \$26 million of residential mortgage loans, \$19 million of commercial real estate loans and \$14 million of commercial loans. Nonaccruing loans attributed to the Arizona, Colorado and Texas markets consisted primarily of commercial real estate loans.

Nonaccruing loans decreased \$109 million from December 31, 2009 primarily due to a \$34 million decrease in nonaccruing loans attributed to the Texas market, a \$24 million decrease in nonaccruing loans attributed to the Arizona market and a \$22 million decrease in nonaccruing loans attributed to the Oklahoma market. Nonaccruing loans attributed to the Colorado, New Mexico, Arkansas and Kansas/Missouri markets also decreased during 2010. During 2010, \$199 million of new nonaccruing loans were identified, offset by \$124 million of charge-offs, \$102 million of payments received and \$63 million of foreclosures and repossessions. In addition, \$23 million of nonaccruing loans were returned to accrual status during 2010 based on our expectation of full repayment. The ratio of nonaccruing loans to period end loans was negatively impacted by a \$637 million decrease in period end loan balances from December 31, 2009.

### Commercial

Nonaccruing commercial loans totaled \$38 million or 0.65% of total commercial loans at December 31, 2010 and \$101 million or 1.63% of total commercial loans at December 31, 2009. At December 31, 2010, nonaccruing commercial loans were primarily composed of \$19 million or 1.22% of total services sector loans and \$8.5 million or 0.84% of wholesale/retail sectors loans. Nonaccruing commercial loans decreased \$63 million during 2010 primarily due to a \$22 million decrease in nonaccruing energy sector loans, a \$14 million decrease in nonaccruing manufacturing sector loans, a \$12 million decrease in service sector loans and a \$10 million decrease in nonaccruing healthcare sector loans.

Newly identified nonaccruing commercial loans in 2010 totaled approximately \$48 million primarily, offset by \$56 million of payments, \$28 million in charge-offs, \$19 million of nonaccruing loans returning to accrual status and \$8 million in foreclosures. The distribution of nonaccruing commercial loans among our various markets was as follows in Table 36.

Table 36 Nonaccruing Commercial Loans by Principal Market  
(Dollars in thousands)

|                 | December 31, 2010 |                              | December 31, 2009 |                              | Change     |                              |
|-----------------|-------------------|------------------------------|-------------------|------------------------------|------------|------------------------------|
|                 | Amount            | % of<br>outstanding<br>loans | Amount            | % of<br>outstanding<br>loans | Amount     | % of<br>outstanding<br>loans |
| Oklahoma        | \$13,978          | 0.54                         | \$36,990          | 1.40                         | \$(23,012) | (86) bp                      |
| Texas           | 5,603             | 0.30                         | 32,591            | 1.62                         | (26,988)   | (132)                        |
| New Mexico      | 5,818             | 2.08                         | 14,365            | 4.20                         | (8,547)    | (212)                        |
| Arkansas        | 212               | 0.25                         | 434               | 0.42                         | (222)      | (17)                         |
| Colorado        | 6,702             | 1.42                         | 8,132             | 1.49                         | (1,430)    | (7)                          |
| Arizona         | 6,142             | 2.66                         | 8,804             | 4.42                         | (2,662)    | (176)                        |
| Kansas/Missouri | —                 | —                            | 68                | 0.02                         | (68)       | (2)                          |
| Total           | \$38,455          | 0.65                         | \$101,384         | 1.63                         | \$(62,929) | (98) bp                      |

### Commercial Real Estate

Nonaccruing commercial real estate loans totaled \$150 million or 6.60% of outstanding commercial real estate loans at December 31, 2010 compared to \$205 million or 8.23% of outstanding commercial real estate loans at December

31, 2009. Nonaccruing commercial real estate loans are largely concentrated in land development and residential construction loans. Nonaccruing commercial real estate loans decreased approximately \$55 million during 2010 primarily composed of a \$21 million decrease in nonaccruing loans secured by retail properties, a \$20 million decrease in loans secured by multifamily residential properties and a \$10 million decrease in nonaccruing construction and land development loans. Newly identified nonaccruing commercial real estate loans totaled \$100 million, offset by \$60 million of charge-offs, \$45 million of foreclosures and \$44 million of cash payments received. Nonaccruing commercial real estate loans attributed to our geographic markets follows in Table 37.

Table 37 Nonaccruing Commercial Real Estate Loans by Principal Market  
(Dollars in thousands)

|                 | December 31, 2010 |                              | December 31, 2009 |                              | Change      |                              |
|-----------------|-------------------|------------------------------|-------------------|------------------------------|-------------|------------------------------|
|                 | Amount            | % of<br>outstanding<br>loans | Amount            | % of<br>outstanding<br>loans | Amount      | % of<br>outstanding<br>loans |
| Oklahoma        | \$19,005          | 2.62 %                       | \$30,524          | 3.72 %                       | \$(11,519 ) | (110 ) bp                    |
| Texas           | 21,228            | 3.09                         | 24,163            | 3.29                         | (2,935 )    | (20 )                        |
| New Mexico      | 11,494            | 3.65                         | 10,101            | 3.31                         | 1,393       | 34                           |
| Arkansas        | 6,346             | 5.42                         | 11,727            | 8.85                         | (5,381 )    | (343 )                       |
| Colorado        | 41,066            | 20.83                        | 51,661            | 21.53                        | (10,595 )   | (70 )                        |
| Arizona         | 51,227            | 25.48                        | 73,106            | 32.17                        | (21,879 )   | (669 )                       |
| Kansas/Missouri | –                 | –                            | 3,641             | 11.82                        | (3,641 )    | (1,182 )                     |
| Total           | \$150,366         | 6.60 %                       | \$204,923         | 8.23 %                       | \$(54,557 ) | (163 ) bp                    |

Nonaccruing commercial real estate loans are primarily concentrated in the Arizona and Colorado markets. Approximately \$51 million or 34% of nonaccruing commercial real estate loans are in Arizona and consist primarily of nonaccruing residential construction and land development loans. Nonaccruing commercial real estate loans in the Colorado market were \$41 million or 27% of total nonaccruing commercial real estate loans, composed primarily nonaccruing residential construction and land development loans.

#### Residential Mortgage and Consumer

Nonaccruing residential mortgage loans increased \$7.4 million over the prior year primarily as a result loans purchased from serviced pools. As discussed previously, most of these loans are fully guaranteed by government agencies. Nonaccruing residential mortgage loans primarily consist of permanent residential mortgage loans which totaled \$32 million or 2.52% of outstanding permanent residential mortgage loans at December 31, 2010 and home equity loans which totaled \$5.3 million or 0.96% of total home equity loans at December 31, 2010.

In addition to nonaccruing residential mortgage and consumer loans, payments of residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage and consumer loans that are past due but still accruing interest is included in the following Table 38. During 2010, residential mortgage loans less than 90 days past due decreased \$2.2 million and residential mortgage loans past due 90 days or more increased \$439 thousand. Consumer loans past due 30 to 89 days decreased \$12 million primarily due to a decrease in indirect automobile loans. Consumer loans past due 90 days or more decreased \$3.5 million, primarily due to a \$3.0 million decrease in other consumer loans.

Table 38 Residential Mortgage and Consumers Loans Past Due  
(Dollars in thousands)

|                            | December 31, 2010  |               | December 31, 2009  |               |
|----------------------------|--------------------|---------------|--------------------|---------------|
|                            | 90 Days or<br>More | 30 to 89 Days | 90 Days or<br>More | 30 to 89 Days |
| Permanent mortgage         | \$1,995            | \$ 21,719     | \$ 1,532           | \$ 23,489     |
| Home equity                | –                  | 1,605         | 24                 | 2,049         |
| Total residential mortgage | \$1,995            | \$ 23,324     | \$ 1,556           | \$ 25,538     |
| <b>Consumer:</b>           |                    |               |                    |               |
| Indirect automobile        | \$67               | \$ 11,382     | \$ 537             | \$ 23,191     |

|                |       |           |          |           |
|----------------|-------|-----------|----------|-----------|
| Other consumer | 295   | 927       | 3,297    | 1,612     |
| Total consumer | \$362 | \$ 12,309 | \$ 3,834 | \$ 24,803 |

#### 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 less estimated disposal costs, or current fair value less estimated disposal 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, including our consideration of marketing activity of our properties and sales of competing properties.

Real estate and other repossessed assets totaled \$141 million at December 31, 2010, a \$12 million increase over December 31, 2009. Undeveloped land increased \$14 million over the prior year, primarily in the Texas and Kansas/Missouri markets. Developed commercial real estate properties increased \$5.7 million over the prior year primarily in the Arizona and Oklahoma markets. 1-4 family residential properties and residential land development properties decreased \$4.4 million compared to the prior year primarily due to an \$11 million decrease in properties attributed to the Arizona market, partially offset by a \$4.3 million increase in properties attributed to the Texas market and a \$1.3 million increase in properties attributed to the Oklahoma market. In addition, equipment attributed to the Kansas/Missouri market decreased \$2.9 million from the prior year. The distribution of real estate and other repossessed assets attributed by geographical market is included in Table 39 following.

Additions to other real estate owned during 2010 included \$10 million of developed commercial real estate and undeveloped land previously held for branch expansion in the Texas, Colorado and Oklahoma markets. These properties were written down by \$2.9 million during 2010.

Table 39 Real Estate and Other Repossessed Assets by Principal Market  
(Dollars in thousands)

|   | Oklahoma | Texas    | Colorado | Arkansas | New Mexico | Arizona  | Kansas/<br>Missouri | Other | Total    |
|---|----------|----------|----------|----------|------------|----------|---------------------|-------|----------|
| 1-4 family residential properties and residential land development properties | \$ 6,316 | \$21,875 | \$3,631  | \$5,034  | \$969      | \$19,475 | \$772               | \$685 | \$58,757 |
| Developed commercial real estate properties                                   | 5,925    | 3,413    | 3,879    | 1,723    | 7,143      | 19,866   | –                   | –     | 41,949   |
| Equity interest in partial satisfaction of debts                              | 11,723   | –        | –        | –        | –          | –        | –                   | –     | 11,723   |
| Undeveloped land  | 297      | 7,789    | 3,076    | 72       | 282        | 6,222    | 4,802               | –     | 22,540   |
| Oil and gas properties  | –        | 3,020    | –        | –        | –          | –        | –                   | –     | 3,020    |
| Construction equipment  | –        | –        | –        | –        | –          | –        | 1,898               | –     | 1,898    |

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|  |           |           |           |          |          |           |          |        |            |
|--|-----------|-----------|-----------|----------|----------|-----------|----------|--------|------------|
| Vehicles                                       | 731       | 143       | –         | 463      | –        | –         | –        | –      | 1,337      |
| Other  | –         | –         | 170       | –        | –        | –         | –        | –      | 170        |
| Total real estate and other repossessed assets | \$ 24,992 | \$ 36,240 | \$ 10,756 | \$ 7,292 | \$ 8,394 | \$ 45,563 | \$ 7,472 | \$ 685 | \$ 141,394 |

Undeveloped land is primarily zoned for commercial development. Developed commercial real estate properties are primarily completed with no additional construction necessary for sale. Shares of the entity in which we hold an equity interest have recently been listed for trading at a price that exceeds our carrying value per share.

## Liquidity and Capital

### Subsidiary Banks

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary banks. Based on the average balances for 2010, approximately 68% of our funding is provided by average deposit accounts, 16% from average borrowed funds, 2% from average long-term subordinated debt and 10% from average equity. Our funding sources, which primarily include deposits, 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 and online bill paying 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.

For 2010, average deposits totaled \$16.3 billion and represent 68% of total average liabilities and capital compared with \$15.2 billion which represented 66% of total average liabilities and capital for 2009. Average interest-bearing transaction deposit accounts continued to grow in 2010, up \$1.5 billion or 21% over 2009. Growth in our average interest-bearing transaction deposit accounts included \$585 million of commercial deposits, \$536 million of wealth management deposits and \$339 million of consumer banking deposits. Average demand deposits also increased, up \$510 million or 16% over last year, including an increase of \$355 million in commercial deposits, \$83 million in consumer deposits and \$56 million in wealth management deposits. Average time deposits decreased \$970 million or 21% compared to 2009.

Table 40 Maturity of Domestic CDs and Public Funds in Amounts of \$100,000 or More  
(In thousands)

|                     | December 31, |              |
|---------------------|--------------|--------------|
|                     | 2010         | 2009         |
| Months to maturity: |              |              |
| 3 or less           | \$ 280,284   | \$ 537,757   |
| Over 3 through 6    | 208,033      | 399,580      |
| Over 6 through 12   | 582,032      | 648,416      |
| Over 12             | 1,106,161    | 525,127      |
| Total               | \$ 2,176,510 | \$ 2,110,880 |

Brokered deposits, which are included in time deposits, averaged \$201 million for 2010, down from \$533 million for 2009. Brokered deposits totaled \$210 million at December 31, 2010 and \$169 million at December 31, 2009.

The distribution of deposit accounts among our principal markets is shown in Table 41.

Table 41 Deposits by Principal Market Area  
(In thousands)

|                        | 2010        | 2009        | December 31,<br>2008 | 2007        | 2006        |
|------------------------|-------------|-------------|----------------------|-------------|-------------|
| Oklahoma:              |             |             |                      |             |             |
| Demand                 | \$2,271,375 | \$2,068,908 | \$1,683,374          | \$1,394,861 | \$1,298,593 |
| Interest-bearing:      |             |             |                      |             |             |
| Transaction            | 6,061,626   | 5,134,902   | 4,117,729            | 3,477,208   | 3,072,830   |
| Savings                | 106,411     | 93,006      | 86,476               | 80,467      | 83,017      |
| Time                   | 1,373,307   | 1,397,240   | 3,104,933            | 2,426,822   | 2,595,890   |
| Total interest-bearing | 7,541,344   | 6,625,148   | 7,309,138            | 5,984,497   | 5,751,737   |
| Total Oklahoma         | \$9,812,719 | \$8,694,056 | \$8,992,512          | \$7,379,358 | \$7,050,330 |
| Texas:                 |             |             |                      |             |             |
| Demand                 | \$1,389,876 | \$1,108,401 | \$1,067,456          | \$1,035,134 | \$848,152   |
| Interest-bearing:      |             |             |                      |             |             |
| Transaction            | 1,791,810   | 1,748,319   | 1,460,576            | 1,753,843   | 1,480,138   |
| Savings                | 36,429      | 35,129      | 32,071               | 34,618      | 24,074      |
| Time                   | 966,116     | 1,100,602   | 857,416              | 800,460     | 829,255     |
| Total interest-bearing | 2,794,355   | 2,884,050   | 2,350,063            | 2,588,921   | 2,333,467   |
| Total Texas            | \$4,184,231 | \$3,992,451 | \$3,417,519          | \$3,624,055 | \$3,181,619 |
| New Mexico:            |             |             |                      |             |             |
| Demand                 | \$270,916   | \$209,090   | \$155,345            | \$151,231   | \$175,980   |
| Interest-bearing:      |             |             |                      |             |             |
| Transaction            | 530,244     | 444,247     | 397,382              | 432,919     | 380,450     |
| Savings                | 28,342      | 17,563      | 16,289               | 15,146      | 16,417      |
| Time                   | 450,177     | 510,202     | 522,894              | 486,868     | 490,460     |
| Total interest-bearing | 1,008,763   | 972,012     | 936,565              | 934,933     | 887,327     |
| Total New Mexico       | \$1,279,679 | \$1,181,102 | \$1,091,910          | \$1,086,164 | \$1,063,307 |
| Arkansas:              |             |             |                      |             |             |
| Demand                 | \$15,310    | \$21,526    | \$16,293             | \$13,247    | \$15,604    |
| Interest-bearing:      |             |             |                      |             |             |
| Transaction            | 129,580     | 50,879      | 38,566               | 19,027      | 14,890      |
| Savings                | 1,266       | 1,346       | 1,083                | 883         | 1,010       |
| Time                   | 100,998     | 101,839     | 75,579               | 40,692      | 57,446      |
| Total interest-bearing | 231,844     | 154,064     | 115,228              | 60,602      | 73,346      |
| Total Arkansas         | \$247,154   | \$175,590   | \$131,521            | \$73,849    | \$88,950    |
| Colorado:              |             |             |                      |             |             |
| Demand                 | \$157,742   | \$146,929   | \$116,637            | \$117,939   | \$80,559    |
| Interest-bearing:      |             |             |                      |             |             |
| Transaction            | 522,207     | 448,846     | 480,113              | 446,427     | 296,451     |
| Savings                | 20,310      | 17,802      | 17,660               | 23,806      | 12,632      |
| Time                   | 502,889     | 525,844     | 532,475              | 539,523     | 485,200     |
| Total interest-bearing | 1,045,406   | 992,492     | 1,030,248            | 1,009,756   | 794,283     |
| Total Colorado         | \$1,203,148 | \$1,139,421 | \$1,146,885          | \$1,127,695 | \$874,842   |
| Arizona:               |             |             |                      |             |             |
| Demand                 | \$74,887    | \$68,651    | \$39,424             | \$46,701    | \$51,542    |
| Interest-bearing:      |             |             |                      |             |             |



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|                              |              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Transaction                  | 95,890       | 81,909       | 56,985       | 65,788       | 61,539       |
| Savings                      | 809          | 958          | 1,014        | 1,435        | 1,978        |
| Time                         | 52,227       | 60,768       | 34,290       | 11,603       | 6,574        |
| Total interest-bearing       | 148,926      | 143,635      | 92,289       | 78,826       | 70,091       |
| Total Arizona                | \$223,813    | \$212,286    | \$131,713    | \$125,527    | \$121,633    |
| Kansas/Missouri:             |              |              |              |              |              |
| Demand                       | \$40,658     | \$30,339     | \$3,850      | \$9,656      | \$57         |
| Interest-bearing:            |              |              |              |              |              |
| Transaction                  | 124,005      | 21,337       | 10,999       | 8,304        | 244          |
| Savings                      | 200          | 148          | 42           | 13           | 2            |
| Time                         | 63,454       | 71,498       | 55,656       | 24,670       | 5,721        |
| Total interest-bearing       | 187,659      | 92,983       | 66,697       | 32,987       | 5,967        |
| Total Kansas/Missouri        | \$228,317    | \$123,322    | \$70,547     | \$42,643     | \$6,024      |
| Total BOK Financial deposits | \$17,179,061 | \$15,518,228 | \$14,982,607 | \$13,459,291 | \$12,386,705 |

Information relating to other borrowings for the year ended December 31, 2010 is summarized in Table 42 (dollars in thousands):

Table 42 Borrowed Funds  
(In thousands)

|                          | As of<br>December<br>31,<br>2010 | Annual<br>Average<br>Balance | Rate   | Maximum<br>Outstanding<br><br>At Any<br>Month End |
|--------------------------|----------------------------------|------------------------------|--------|---|
| Parent Company:          |                                  |                              |        |   |
| Trust preferred debt     | \$ 7,217                         | \$ 7,217                     | 6.42 % | \$ 7,217  |
| Subsidiary Banks:        |                                  |                              |        |   |
| Funds purchased          | 1,025,018                        | 1,185,742                    | 0.11   | 1,465,983   |
| Repurchase agreements    | 1,258,762                        | 1,130,082                    | 0.59   | 1,258,762   |
| Federal Home Loan Bank   |                                  |                              |        |   |
| advances                 | 801,797                          | 1,446,482                    | 0.14   | 2,277,977   |
| Federal Reserve advances | –                                | 60,961                       | –      | 400,000   |
| Subordinated debentures  | 398,701                          | 398,619                      | 5.78   | 398,701   |
| Other                    | 24,564                           | 22,365                       | 0.46   | 25,326  |
| Total subsidiary banks   | 3,508,842                        | 4,244,250                    | 0.95   |   |
| Total other borrowings   | \$ 3,516,059                     | \$ 4,251,467                 | 0.98   |   |

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 \$209 million at December 31, 2010. Securities repurchase agreements are recorded as secured borrowings that generally mature within 90 days and are secured by certain available for sale securities. All of our repurchase agreement transactions are recognized as secured borrowings. Federal Home Loan Bank borrowings generally mature within one year and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and U.S. Agency issued 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 \$1.4 billion. During 2009, the outstanding balance of federal funds purchased averaged \$1.5 billion and securities repurchase agreements averaged \$817 million. Amount borrowed from the Federal home Loan Banks of Topeka and Dallas averaged \$1.2 billion in 2009.

At December 31, 2010, the estimated unused credit available to the subsidiary banks from collateralized sources was approximately \$7.3 billion.

#### Parent Company and Other Non-Bank Subsidiaries

The primary source of liquidity for BOK Financial is dividends from the Banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years. Dividends are further restricted by minimum capital requirements. During the fourth quarter of 2010 and in anticipation of combining the charters of our subsidiary banks into one entity, the Banks paid a \$175 million dividend to BOK Financial Corporation. Based on the most restrictive limitations as well as management's internal capital policy, at

December 31, 2010, BOKF, NA could declare up to \$82 million of dividends without regulatory approval. Future losses or increases in required regulatory capital could affect BOKF, NA ability to pay dividends to the parent company.

The Company has an unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The committed amount under the terms of the credit agreement is \$100 million and matures on December 2, 2012. Interest on outstanding balances due to Mr. Kaiser is based on one-month LIBOR plus 250 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 50 basis points. The credit agreement has no restrictive covenants. No amounts were outstanding under this credit agreement as of December 31, 2010 or 2009.

Our equity capital at December 31, 2010 was \$2.5 billion, up from \$2.2 billion at December 31, 2009. Net income less cash dividend paid increased equity \$180 million. An increase in the fair value of available for sale securities was primarily responsible for a \$119 million increase in accumulated other comprehensive income in 2010. 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.

Based on asset size, we are the largest commercial bank that elected not to participate in the TARP Capital Purchase Program. The decision not to participate in TARP was based on an evaluation of our capital needs at the time and in several capital stress environments. We considered capital requirements for organic growth and potential acquisitions, the

cost of TARP capital and a defined exit strategy when the cost of TARP capital increases substantially at the end of year five.

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, securities law 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 \$39 million. No shares were repurchased by the Company during 2010 and 2009.

BOK Financial and subsidiary banks 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. All of the Company's banking subsidiaries exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis and the Banks are presented in Note 15 to the Consolidated Financial Statements. At December 31, 2010 the pro forma combined Tier 1, Total and Leverage capital ratios for BOKF, NA were 10.72%, 14.23% and 7.38%, respectively.

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 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. At December 31, 2010, BOK Financial's tangible common shareholders' equity ratio was 9.21% and tier 1 common equity ratio was 12.55%. At December 31, 2009, BOK Financial's tangible common shareholders' equity ratio was 7.99% and tier 1 common equity ratio was 10.75%.

Table 43 following provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 43 Non-GAAP Measures  
(In thousands)

|   | December 31, |              |
|---|--------------|--------------|
|   | 2010         | 2009         |
| Tangible common equity ratio:             |              |              |
| Total shareholders' equity                | \$ 2,521,726 | \$ 2,205,813 |
| Less: Goodwill and intangible assets, net | 349,404      | 354,239      |

|   |               |   |               |   |
|---|---------------|---|---------------|---|
| Tangible common equity                    | 2,172,322     |   | 1,851,574     |   |
| Total assets                              | 23,941,603    |   | 23,516,831    |   |
| Less: Goodwill and intangible assets, net | 349,404       |   | 354,239       |   |
| Tangible assets                           | \$ 23,592,199 |   | \$ 23,162,592 |   |
| Tangible common equity ratio              | 9.21          | % | 7.99          | % |

|                             |              |   |              |   |
|-----------------------------|--------------|---|--------------|---|
| Tier 1 common equity ratio: |              |   |              |   |
| Tier 1 capital              | \$ 2,076,525 |   | \$ 1,876,778 |   |
| Less:                       |              |   |              |   |
| Non-controlling interest    | 22,152       |   | 19,561       |   |
| Tier 1 common equity        | 2,054,373    |   | 1,857,217    |   |
| Risk weighted assets        | 16,368,976   |   | 17,275,808   |   |
| Tier 1 common equity ratio  | 12.55        | % | 10.75        | % |

## Off-Balance Sheet Arrangements

Bank of Oklahoma guarantees rents that originally totaled \$28.7 million through September, 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 \$20 million at December 31, 2010. Current leases expire or are subject to lessee termination options at various dates in 2012 through 2014. Our obligation under this agreement would be affected by lessee decisions to exercise these options.

In return for this guarantee, Bank of Oklahoma 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 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 Bank of Oklahoma may receive under this agreement is \$4.5 million.

## Aggregate Contractual Obligations

BOK Financial has numerous contractual obligations in the normal course of business. These obligations included time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers and to purchase securities, derivative contracts and contracts for services such as data processing that are integral to our operations. Table 44 following summarizes payments due per these contractual obligations at December 31, 2010.

Table 44 Contractual Obligations as of December 31, 2010  
(In thousands)

|                                | Less Than<br>1 Year | 1 to 3<br>Years     | 4 to 5<br>Years   | More Than<br>5 Years | Total               |
|--------------------------------|---------------------|---------------------|-------------------|----------------------|---------------------|
| Time deposits                  | \$ 1,203,291        | \$ 853,214          | \$ 345,266        | \$ 660,517           | \$ 3,062,288        |
| Other borrowings               | 159,961             | 1,603               | 1,050             | 6,375                | 168,989             |
| Subordinated<br>debentures     | 21,875              | 43,750              | 189,375           | 270,365              | 525,365             |
| Operating lease<br>obligations | 14,905              | 26,162              | 22,043            | 85,986               | 149,096             |
| Derivative contracts           | 202,141             | 59,976              | 18,164            | 4,126                | 284,407             |
| Data processing<br>contracts   | 17,128              | 29,157              | 8,215             | 5,053                | 59,553              |
| <b>Total</b>                   | <b>\$ 1,619,301</b> | <b>\$ 1,013,862</b> | <b>\$ 584,113</b> | <b>\$ 1,032,422</b>  | <b>\$ 4,249,698</b> |

|  |             |
|--|-------------|
| Loan commitments   | \$5,193,545 |
| Standby letters of credit  | 534,565     |
| Mortgage loans sold with<br>recourse                                 | 289,021     |
| Alternative investment<br>commitments                                | 18,642      |
| Unfunded third-party private<br>equity commitments                   | 13,936      |
| Deferred compensation and<br>stock-based compensation<br>obligations | 31,868      |

Payments on time deposits and other borrowed funds include interest which has been calculated from rates at December 31, 2010. Many of these obligations have variable interest rates and actual payments will differ from the amounts shown on this table. Obligations under derivative contracts used for interest rate risk management purposes are included with projected payments from time deposits and other borrowed funds as appropriate.

Payments on time deposits are based on contractual maturity dates. These funds may be withdrawn prior to maturity. We may charge the customer a penalty for early withdrawal.

Operating lease commitments generally represent real property we rent for branch offices, corporate offices and operations facilities. Payments presented represent the minimum lease payments and exclude related costs such as utilities and property taxes.

Data processing and communications contracts represent the minimum obligations under the contracts. Additional payments that are based on the volume of transactions processed are excluded.

Loan commitments represent legally binding obligations to provide financing to our customers. Some of these commitments are expected to expire before being drawn upon and the total commitment amounts do not necessarily represent future cash requirements. Approximately \$1.0 billion of the loan commitments expire within one year.

Obligations under derivative contracts are used in customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on these obligations. Amounts shown in the table exclude \$69 million of cash margin which secures our obligations under these contracts.

The Company has funded \$39 million and has commitments to fund an additional \$19 million for various alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities that invest in

distressed assets, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments. Legally binding commitments to fund alternative investments are recognized as liabilities in the consolidated financial statements.

An indirect wholly-owned subsidiary of the Company is general partner of two private equity funds and has contingent obligations to make additional investments totaling \$14 million as of December 31, 2010. These commitments, which are included in unfunded third-party private equity commitments, generally reflect customer investment obligations. We do not recognize contingent commitments to fund investments that are primarily customer obligations as liabilities in the consolidated financial statements.

The Company has compensation and employment agreements with our President and Chief Executive Officer. Collectively, these agreements provide, among other things, that all unvested stock-based compensation shall fully vest upon his termination, subject to certain conditions. These agreements provide for settlement in cash or other assets. We currently have recognized a \$24 million liability for these plans. This liability would increase to \$25 million if all awards were fully vested. We also have obligations with respect to employee and executive benefit plans. See Notes 11 and 12 to the Consolidated Financial Statements for additional information about our employee benefit plans.

#### Recently Issued Accounting Standards

See Note 1 of the consolidated financial statements for disclosure of newly adopted and pending accounting standards.



## 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 allowances for loan losses and off-balance sheet credit losses, allowance for uncertain tax positions and accruals for loss contingencies 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.

## Legal Notice

As used in this report, the term "BOK Financial" and such terms as "the Company," "the Corporation," "our," "we" and "us" refer to one or more of the consolidated subsidiaries or all of them taken as a whole. All these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### 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 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 un-pledged assets, among other things. Compliance with these 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 equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 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 include the Federal Funds rate, which affects short-term borrowings, the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for 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 45 due to the extreme volatility over such a large rate range. The effects of interest rate changes on the value of mortgage servicing rights and securities and derivative contracts identified as economic hedges are presented in Note 7 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 45 Interest Rate Sensitivity  
(Dollars in thousands)

|  | 200 bp Increase |           | 50 bp Decrease |           |
|--|-----------------|-----------|----------------|-----------|
|  | 2010            | 2009      | 2010           | 2009      |
| Anticipated impact over the next 12 months on net interest revenue | \$8,235         | \$(4,933) | \$(9,759)      | \$(8,032) |
|  | 1.2 %           | (0.3 )%   | (1.4 )%        | (1.2 )%   |

#### 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 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. BOK Financial will also take trading positions in U.S. Treasury securities, mortgage-backed securities, municipal bonds and financial futures 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 December 31, 2010, the VAR was \$1.8 million. The greatest value at risk during 2010 was \$9.1 million. The value at risk guideline was exceeded with appropriate approvals by management to take advantage of wide yields available on certain securities during the year.



## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Management on Financial Statements

Management of BOK Financial is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include some amounts that are based on our best estimates and judgments.

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, conducted an assessment of internal control over financial reporting as of December 31, 2010. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. In establishing internal control over financial reporting, management assesses risk and designs controls to prevent or detect financial reporting misstatements that may be consequential to a reader. Management also assesses the impact of any internal control deficiencies and oversees efforts to improve internal control over financial reporting. Because of inherent limitations, it is possible that internal controls may not prevent or detect misstatements, and it is possible that internal controls may vary over time based on changing conditions. There have been no material changes in internal controls subsequent to December 31, 2010.

The Risk Oversight and Audit Committee, consisting entirely of independent directors, meets regularly with management, internal auditors and the independent registered public accounting firm, Ernst & Young LLP, regarding management's assessment of internal control over financial reporting.

### Report of Management on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), as amended. Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on that assessment and criteria, management has determined that the Company maintained effective internal control over financial reporting as of December 31, 2010.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. Their report, which expresses unqualified opinions on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, is included in this annual report.

Report of Independent Registered Public Accounting Firm

Report on Consolidated Financial Statements

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation as of December 31, 2010 and 2009, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOK Financial Corporation at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, BOK Financial Corporation changed its method of accounting for non-controlling interests and changed its method of recognition and presentation of other-than-temporary impairments as of January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BOK Financial Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Tulsa, Oklahoma

February 28, 2011

Report of Independent Registered Public Accounting Firm

Report on Effectiveness of Internal Control over Financial Reporting

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited BOK Financial Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BOK Financial Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, BOK Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BOK Financial Corporation as of December 31, 2010 and 2009, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 of BOK Financial Corporation and our report dated February 28, 2011 expressed an unqualified opinion thereon.



/s/ Ernst & Young LLP

Tulsa, Oklahoma

February 28, 2011

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

|  | Year Ended December 31, |            |           |
|--|-------------------------|------------|-----------|
|  | 2010                    | 2009       | 2008      |
| Interest revenue   |                         |            |           |
| Loans  | \$522,559               | \$562,367  | \$726,405 |
| Residential mortgage loans held for sale                 | 9,261                   | 10,102     | 5,805     |
| Taxable securities                                       | 308,215                 | 328,997    | 313,360   |
| Tax-exempt securities                                    | 8,848                   | 10,143     | 10,651    |
| Total securities   | 317,063                 | 339,140    | 324,011   |
| Trading securities                                       | 2,172                   | 2,883      | 3,847     |
| Funds sold and resell agreements                         | 27                      | 77         | 1,577     |
| Total interest revenue                                   | 851,082                 | 914,569    | 1,061,645 |
| Interest expense   |                         |            |           |
| Deposits   | 106,265                 | 164,362    | 288,924   |
| Borrowed funds   | 13,334                  | 17,545     | 103,597   |
| Subordinated debentures                                  | 22,431                  | 22,298     | 22,262    |
| Total interest expense                                   | 142,030                 | 204,205    | 414,783   |
| Net interest revenue                                     | 709,052                 | 710,364    | 646,862   |
| Provision for credit losses                              | 105,139                 | 195,900    | 202,593   |
| Net interest revenue after provision for credit losses   | 603,913                 | 514,464    | 444,269   |
| Other operating revenue                                  |                         |            |           |
| Brokerage and trading revenue                            | 101,471                 | 91,677     | 42,804    |
| Transaction card revenue                                 | 112,302                 | 105,517    | 100,153   |
| Trust fees and commissions                               | 68,976                  | 66,177     | 78,979    |
| Deposit service charges and fees                         | 103,611                 | 115,791    | 117,528   |
| Mortgage banking revenue                                 | 87,600                  | 64,980     | 30,599    |
| Bank-owned life insurance                                | 12,066                  | 10,239     | 10,681    |
| Other revenue  | 30,368                  | 26,131     | 34,450    |
| Total fees and commissions                               | 516,394                 | 480,512    | 415,194   |
| Gain (loss) on other assets, net                         | (1,161 )                | 4,134      | (9,406 )  |
| Gain (loss) on derivatives, net                          | 4,271                   | (3,365 )   | 1,299     |
| Gain on securities, net                                  | 29,213                  | 46,122     | 26,943    |
| Total other-than-temporary impairment losses             | (29,960 )               | (129,154 ) | (5,306 )  |
| Portion of loss recognized in other comprehensive income | (2,151 )                | (94,741 )  | –         |
| Net impairment losses recognized in earnings             | (27,809 )               | (34,413 )  | (5,306 )  |
| Total other operating revenue                            | 520,908                 | 492,990    | 428,724   |
| Other operating expense                                  |                         |            |           |
| Personnel  | 401,864                 | 380,517    | 352,947   |
| Business promotion                                       | 17,726                  | 19,582     | 23,536    |
| Professional fees and services                           | 30,217                  | 30,243     | 27,045    |
| Net occupancy and equipment                              | 63,969                  | 65,715     | 60,632    |
| Insurance  | 24,320                  | 24,040     | 11,988    |
| FDIC special assessment                                  | –                       | 11,773     | –         |
| Data processing and communications                       | 87,752                  | 81,292     | 78,047    |
| Printing, postage and supplies                           | 13,665                  | 15,960     | 16,433    |
| Net losses and operating expenses of repossessed assets  | 34,483                  | 11,400     | 1,019     |

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|  |            |            |            |
|--|------------|------------|------------|
| Amortization of intangible assets                          | 5,336      | 6,970      | 7,661      |
| Mortgage banking costs                                     | 40,739     | 36,304     | 22,513     |
| Change in fair value of mortgage servicing rights          | (3,661 )   | (12,124 )  | 34,515     |
| Visa retrospective responsibility obligation               | —          | —          | (2,767 )   |
| Other expense  | 36,760     | 25,061     | 28,835     |
| Total other operating expense                              | 753,170    | 696,733    | 662,404    |
| Income before taxes  | 371,651    | 310,721    | 210,589    |
| Federal and state income tax                               | 123,357    | 106,705    | 64,909     |
| Net income before non-controlling interest                 | 248,294    | 204,016    | 145,680    |
| Net income (loss) attributable to non-controlling interest | 1,540      | 3,438      | (7,552 )   |
| Net income attributable to BOK Financial Corp.             | \$246,754  | \$200,578  | \$153,232  |
| Earnings per share:  |            |            |            |
| Basic  | \$3.63     | \$2.96     | \$2.27     |
| Diluted  | \$3.61     | \$2.96     | \$2.27     |
| Average shares used in computation:                        |            |            |            |
| Basic  | 67,627,735 | 67,375,387 | 67,302,990 |
| Diluted  | 67,831,734 | 67,487,944 | 67,461,361 |
| Dividends declared per share                               | \$0.99     | \$0.945    | \$0.875    |

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets  
(In thousands, except share data)

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2010          | 2009          |
| Assets   |               |               |
| Cash and due from banks  | \$ 1,247,946  | \$ 875,250    |
| Funds sold and resell agreements   | 21,458        | 45,966        |
| Trading securities   | 55,467        | 65,354        |
| Securities:  |               |               |
| Available for sale   | 9,171,908     | 8,726,135     |
| Available for sale securities pledged to creditors                               | 139,344       | 145,888       |
| Investment (fair value: 2010 – \$346,105; 2009 – \$246,704)                      | 339,553       | 240,405       |
| Mortgage trading securities  | 428,021       | 285,950       |
| Total securities   | 10,078,826    | 9,398,378     |
| Residential mortgage loans held for sale   | 263,413       | 217,826       |
| Loans  | 10,643,036    | 11,279,698    |
| Less allowance for loan losses   | (292,971 )    | (292,095 )    |
| Loans, net of allowance  | 10,350,065    | 10,987,603    |
| Premises and equipment, net  | 265,465       | 280,260       |
| Accrued revenue receivable   | 148,940       | 108,822       |
| Goodwill   | 335,601       | 335,601       |
| Intangible assets, net   | 13,803        | 18,638        |
| Mortgage servicing rights  | 115,723       | 73,824        |
| Real estate and other repossessed assets   | 141,394       | 129,034       |
| Bankers' acceptances   | 1,222         | 3,869         |
| Derivative contracts   | 270,445       | 343,782       |
| Cash surrender value of bank-owned life insurance                                | 255,442       | 247,357       |
| Receivable on unsettled securities trades  | 135,059       | –             |
| Other assets   | 241,334       | 385,267       |
| Total assets   | \$ 23,941,603 | \$ 23,516,831 |
| Liabilities and shareholders' equity   |               |               |
| Noninterest-bearing demand deposits  | \$ 4,220,764  | \$ 3,653,844  |
| Interest-bearing deposits:   |               |               |
| Transaction  | 9,255,362     | 7,930,439     |
| Savings  | 193,767       | 165,952       |
| Time (includes deposits carried at fair value: 2010 – \$27,414; 2009 – \$98,031) | 3,509,168     | 3,767,993     |
| Total deposits   | 17,179,061    | 15,518,228    |
| Funds purchased and repurchase agreements  | 2,283,780     | 2,471,743     |
| Other borrowings   | 833,578       | 2,133,357     |
| Subordinated debentures  | 398,701       | 398,539       |
| Accrued interest, taxes and expense  | 134,107       | 111,880       |
| Bankers' acceptances   | 1,222         | 3,869         |
| Due on unsettled securities trades   | 160,425       | 212,335       |

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|   |               |               |
|---|---------------|---------------|
| Derivative contracts  | 215,420       | 308,360       |
| Other liabilities   | 191,431       | 133,146       |
| Total liabilities   | 21,397,725    | 21,291,457    |
| Shareholders' equity:   |               |               |
| Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: 2010 – 70,815,563; 2009 – 70,312,086) |               |               |
|   | 4             | 4             |
| Capital surplus   | 782,805       | 758,723       |
| Retained earnings   | 1,743,880     | 1,563,683     |
| Treasury stock (shares at cost: 2010 – 2,607,874; 2009 – 2,509,279)   | (112,802 )    | (105,857 )    |
| Accumulated other comprehensive income (loss)   | 107,839       | (10,740 )     |
| Total shareholders' equity  | 2,521,726     | 2,205,813     |
| Non-controlling interest  | 22,152        | 19,561        |
| Total equity  | 2,543,878     | 2,225,374     |
| Total liabilities and equity  | \$ 23,941,603 | \$ 23,516,831 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows  
(In thousands)

|   | Year ended December 31, 2010 |             |             |
|---|------------------------------|-------------|-------------|
|   | 2010                         | 2009        | 2008        |
| <b>Cash Flows From Operating Activities:</b>  |                              |             |             |
| Net income before non-controlling interest  | \$248,294                    | \$204,016   | \$145,680   |
| Adjustments to reconcile net income before non-controlling interest to cash provided by operating activities: |                              |             |             |
| Provision for credit losses   | 105,139                      | 195,900     | 202,593     |
| Change in fair value of mortgage servicing rights   | (3,661 )                     | (12,124 )   | 34,515      |
| Unrealized (gains) losses from derivatives  | (18,882 )                    | 23,000      | 35,408      |
| Depreciation and amortization   | 58,987                       | 87,771      | 51,282      |
| Change in bank-owned life insurance   | (12,066 )                    | (10,351 )   | (7,466 )    |
| Tax expense (benefit) on exercise of stock options  | (425 )                       | 276         | (895 )      |
| Stock-based compensation  | 8,160                        | 5,862       | 4,798       |
| Net (accretion) amortization of securities discounts and premiums   | 105,680                      | 35,636      | (18,106 )   |
| Net realized losses (gains) on financial instruments and other assets   | 1,420                        | (46,318 )   | (30,981 )   |
| Mortgage loans originated for resale  | (2,256,943)                  | (2,676,868) | (1,201,613) |
| Proceeds from sale of mortgage loans held for resale  | 2,246,228                    | 2,619,399   | 1,170,722   |
| Capitalized mortgage servicing rights   | (27,603 )                    | (39,869 )   | (19,220 )   |
| Change in trading securities, including mortgage trading securities   | (139,319 )                   | 102,121     | (297,292 )  |
| Change in accrued revenue receivable  | (40,118 )                    | (12,149 )   | 41,570      |
| Change in other assets  | 9,023                        | (166,375 )  | (82,948 )   |
| Change in accrued interest, taxes and expense   | 22,227                       | (21,340 )   | 28,411      |
| Change in other liabilities   | 59,037                       | (7,571 )    | 25,607      |
| Net cash provided by operating activities   | 365,178                      | 281,016     | 82,065      |
| <b>Cash Flows From Investing Activities:</b>  |                              |             |             |
| Proceeds from sales of available for sale securities  | 2,013,620                    | 3,242,282   | 3,499,128   |
| Proceeds from maturities of investment securities   | 111,976                      | 91,562      | 69,931      |
| Proceeds from maturities of available for sale securities   | 3,185,131                    | 1,600,165   | 1,091,054   |
| Purchases of investment securities  | (211,312 )                   | (89,816 )   | (65,506 )   |
| Purchases of available for sale securities  | (5,565,931)                  | (6,966,218) | (5,576,035) |
| Change in amount receivable on unsettled security transactions  | (135,059 )                   | –           | –           |
| Loans originated or acquired net of principal collected   | 469,223                      | 1,328,731   | (1,043,001) |
| Net payments or proceeds on derivative asset contracts  | 201,289                      | 497,034     | 63,109      |
| Net change in other investment assets   | –                            | –           | 33          |
| Proceeds from disposition of assets   | 38,640                       | 26,640      | 39,522      |
| Purchase of mortgage servicing rights   | (31,321 )                    | –           | –           |
| Purchases of other assets   | (33,595 )                    | (81,142 )   | (85,943 )   |
| Net cash provided by (used in) investing activities   | 42,661                       | (350,762 )  | (2,007,708) |
| <b>Cash Flows From Financing Activities:</b>  |                              |             |             |
| Net change in demand deposits, transaction deposits and savings accounts                                      | 1,919,658                    | 1,950,871   | 670,712     |
| Net change in time deposits   | (257,586 )                   | (1,407,380) | 842,408     |
| Net change in other borrowings, banks   | (1,487,742)                  | 112,797     | 294,758     |
| Change in amount due on unsettled security transactions   | (51,910 )                    | 451,809     | (219,510 )  |
| Issuance of common and treasury stock, net  | 8,552                        | 5,198       | 7,743       |
| Issuance of other borrowings, holding companies   | –                            | –           | 50,000      |
| Pay down of other borrowings, holding companies   | –                            | (55,150 )   | (50,000 )   |

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|  |             |            |            |
|--|-------------|------------|------------|
| Net change in derivative margin accounts                           | 70,340      | (162,138 ) | 244,413    |
| Net payments or proceeds on derivative liability contracts         | (194,831 )  | (535,759 ) | (44,064 )  |
| Tax benefit on exercise of stock options                           | 425         | (276 )     | 895        |
| Repurchase of common stock   | –           | –          | (7,992 )   |
| Dividends paid   | (66,557 )   | (63,952 )  | (59,191 )  |
| Net cash provided by (used in) financing activities                | (59,651 )   | 296,020    | 1,730,172  |
| Net increase (decrease) in cash and cash equivalents               | 348,188     | 226,274    | (195,471 ) |
| Cash and cash equivalents at beginning of period                   | 921,216     | 694,942    | 890,413    |
| Cash and cash equivalents at end of period                         | \$1,269,404 | \$921,216  | \$694,942  |
| Cash paid for interest   | \$144,095   | \$230,841  | \$411,860  |
| Cash paid for taxes  | 133,551     | 124,547    | 114,120    |
| Net loans and bank premises transferred to repossessed real estate | 72,845      | 132,758    | 30,972     |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity and Non-controlling Interest  
(In thousands)

|   | Common Stock |        | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|--------------|--------|--|
|   | Shares       | Amount |  |
| December 31, 2007                                   | 69,465       | 4      | \$ (31,234 )   |
| Effect of implementing FAS 159, net of tax          | —            | —      | —  |
| Comprehensive income (loss):                        |              |        |  |
| Net income attributed to BOK Financial Corp.        | —            | —      | —  |
| Net loss attributable to non-controlling interest   | —            | —      | —  |
| Other comprehensive loss, net of tax                | —            | —      | (191,652 )   |
| Comprehensive loss                                  |              |        |  |
| Treasury stock purchase                             | —            | —      | —  |
| Exercise of stock options                           | 420          | —      | —  |
| Tax benefit on exercise of stock options            | —            | —      | —  |
| Stock-based compensation                            | —            | —      | —  |
| Cash dividends on common stock                      | —            | —      | —  |
| Capital calls, net                                  | —            | —      | —  |
| December 31, 2008                                   | 69,885       | 4      | (222,886 )   |
| Comprehensive income:                               |              |        |  |
| Net income attributed to BOK Financial Corp.        | —            | —      | —  |
| Net income attributable to non-controlling interest | —            | —      | —  |
| Other comprehensive income, net of tax              | —            | —      | 212,146  |
| Comprehensive income                                |              |        |  |
| Exercise of stock options                           | 427          | —      | —  |
| Tax benefit on exercise of stock options            | —            | —      | —  |
| Stock-based compensation                            | —            | —      | —  |
| Cash dividends on common stock                      | —            | —      | —  |
| Capital calls, net                                  | —            | —      | —  |
| December 31, 2009                                   | 70,312       | \$4    | \$ (10,740 )   |
| Comprehensive income:                               |              |        |  |
| Net income attributed to BOK Financial Corp.        | —            | —      | —  |
| Net income attributable to non-controlling interest | —            | —      | —  |
| Other comprehensive income, net of tax              | —            | —      | 118,579  |
| Comprehensive income                                |              |        |  |
| Exercise of stock options                           | 504          | —      | —  |
| Tax benefit on exercise of stock options            | —            | —      | —  |
| Stock-based compensation                            | —            | —      | —  |
| Cash dividends on common stock                      | —            | —      | —  |
| Capital calls, net                                  | —            | —      | —  |
| December 31, 2010                                   | 70,816       | \$4    | \$ 107,839   |

See accompanying notes to consolidated financial statements.





| Capital Surplus | Retained Earnings | Treasury Stock Shares | Treasury Stock Amount | Total Shareholders' Equity | Non-Controlling Interest | Total Equity |
|-----------------|-------------------|-----------------------|-----------------------|----------------------------|--------------------------|--------------|
| \$722,088       | \$1,332,954       | 2,159                 | \$(88,428 )           | \$ 1,935,384               | \$18,849                 | \$1,954,233  |
| –               | 62                | –                     | –                     | 62                         | –                        | 62           |
| –               | 153,232           | –                     | –                     | 153,232                    | –                        | 153,232      |
| –               | –                 | –                     | –                     | –                          | (7,552 )                 | (7,552 )     |
| –               | –                 | –                     | –                     | (191,652 )                 | –                        | (191,652 )   |
| –               | –                 | –                     | –                     | (38,420 )                  | (7,552 )                 | (45,972 )    |
| –               | –                 | 166                   | (7,992 )              | (7,992 )                   | –                        | (7,992 )     |
| 12,652          | –                 | 87                    | (4,909 )              | 7,743                      | –                        | 7,743        |
| 895             | –                 | –                     | –                     | 895                        | –                        | 895          |
| 7,776           | –                 | –                     | –                     | 7,776                      | –                        | 7,776        |
| –               | (59,191 )         | –                     | –                     | (59,191 )                  | –                        | (59,191 )    |
| –               | –                 | –                     | –                     | –                          | 2,558                    | 2,558        |
| 743,411         | 1,427,057         | 2,412                 | (101,329 )            | 1,846,257                  | 13,855                   | 1,860,112    |
| –               | 200,578           | –                     | –                     | 200,578                    | –                        | 200,578      |
| –               | –                 | –                     | –                     | –                          | 3,438                    | 3,438        |
| –               | –                 | –                     | –                     | 212,146                    | –                        | 212,146      |
| –               | –                 | –                     | –                     | 412,724                    | 3,438                    | 416,162      |
| 9,726           | –                 | 97                    | (4,528 )              | 5,198                      | –                        | 5,198        |
| (276 )          | –                 | –                     | –                     | (276 )                     | –                        | (276 )       |
| 5,862           | –                 | –                     | –                     | 5,862                      | –                        | 5,862        |
| –               | (63,952 )         | –                     | –                     | (63,952 )                  | –                        | (63,952 )    |
| –               | –                 | –                     | –                     | –                          | 2,268                    | 2,268        |
| 758,723         | 1,563,683         | 2,509                 | (105,857 )            | 2,205,813                  | 19,561                   | 2,225,374    |
| –               | 246,754           | –                     | –                     | 246,754                    | –                        | 246,754      |
| –               | –                 | –                     | –                     | –                          | 1,540                    | 1,540        |
| –               | –                 | –                     | –                     | 118,579                    | –                        | 118,579      |
| –               | –                 | –                     | –                     | 365,333                    | 1,540                    | 366,873      |
| 15,497          | –                 | 99                    | (6,945 )              | 8,552                      | –                        | 8,552        |
| 425             | –                 | –                     | –                     | 425                        | –                        | 425          |
| 8,160           | –                 | –                     | –                     | 8,160                      | –                        | 8,160        |
| –               | (66,557 )         | –                     | –                     | (66,557 )                  | –                        | (66,557 )    |
| –               | –                 | –                     | –                     | –                          | 1,051                    | 1,051        |
| \$782,805       | \$1,743,880       | 2,608                 | \$(112,802 )          | \$ 2,521,726               | \$22,152                 | \$2,543,878  |

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## Notes to Consolidated Financial Statements

### (1) Significant Accounting Policies

#### Basis of Presentation

The Consolidated Financial Statements of BOK Financial Corporation (“BOK Financial” or “the Company”) have been prepared in conformity with accounting principles generally accepted in the United States, including general practices of the banking industry. The consolidated financial statements include the accounts of BOK Financial and its subsidiaries, principally Bank of Oklahoma, N.A. and its subsidiaries (“BOK”), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., Bank of Kansas City, N.A., and BOSCO, Inc. All significant intercompany transactions are eliminated in consolidation.

The consolidated financial statements would also include the assets, liabilities, non-controlling interests and results of operations of variable interest entities (“VIEs”) when BOK Financial is determined to be the primary beneficiary. Variable interest entities are generally defined as entities that either do not have sufficient equity to finance their activities without support from other parties or whose equity investors lack a controlling financial interest. BOK Financial is not the primary beneficiary in any VIE that would be significant to its operations.

#### Nature of Operations

BOK Financial, through its subsidiaries, provides a wide range of financial services to commercial and industrial customers, other financial institutions and consumers throughout Oklahoma; Northwest Arkansas; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Kansas/Missouri. These services include depository and cash management; lending and lease financing; mortgage banking; securities brokerage, trading and underwriting; and personal and corporate trust.

#### Use of Estimates

Preparation of BOK Financial’s consolidated financial statements requires management to make estimates of future economic activities, including loan collectability, prepayments and cash flows from customer accounts. These estimates are based upon current conditions and information available to management. Actual results may differ significantly from these estimates.

#### Acquisitions

Assets and liabilities acquired, including identifiable intangible assets, are recorded at fair value on the acquisition dates. Goodwill is recognized as the excess of the purchase price over the net fair value of assets acquired and liabilities assumed. The Consolidated Statements of Earnings include the results of operations from the dates of acquisition.

#### Goodwill and Intangible Assets

Goodwill and intangible assets, which generally result from business combinations, are accounted for under the provisions of Accounting Standards Codification Topic 350, “Intangibles - Goodwill and Other.” Goodwill is evaluated for each of BOK Financial’s business units for impairment annually or more frequently if conditions indicate impairment. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of BOK Financial's reporting units is estimated by the discounted future earnings method. Income growth is projected for each unit and a terminal value is computed. This projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to determine the fair value of the reporting units are compared to observable inputs, such as the market value of BOK Financial common stock. However, determination of the fair value of individual reporting units requires the use of significant unobservable inputs. There have been no changes in the techniques used to value goodwill.

Core deposit intangible assets are amortized using accelerated methods over the estimated lives of the acquired deposits. These assets generally have a weighted average life of 5 years. Other intangible assets are amortized using accelerated or straight-line methods, as appropriate, over the estimated benefit periods. These periods range from 5 years to 20 years. The net book values of core deposit intangible assets are evaluated for impairment when economic conditions indicate impairment may exist.

#### Cash Equivalents

Due from banks, funds sold (generally federal funds sold for one-day periods) and resell agreements (which generally mature within one to 30 days) are considered cash equivalents.

## Securities

Securities are identified as trading, investment (held to maturity) or available for sale at the time of purchase based upon the intent of management, liquidity and capital requirements, regulatory limitations and other relevant factors. Trading securities, which are acquired for profit through resale, are carried at market value with unrealized gains and losses included in current period earnings. Investment securities are carried at amortized cost. Amortization is computed by methods that approximate level yield and is adjusted for changes in prepayment estimates. Investment securities may be sold or transferred to trading or available for sale classification in certain limited circumstances specified in generally accepted accounting principles. Securities identified as available for sale are carried at fair value. Unrealized gains and losses are recorded, net of deferred income taxes, as accumulated other comprehensive income (loss) in shareholders' equity.

Unrealized losses on investment and available for sale securities are evaluated to determine if the losses are temporary based on various factors, including the cause of the loss, prospects for recovery, projected cash flows, collateral values, credit enhancements and other relevant factors, and management's intent and ability not to sell the security until the fair value exceeds amortized cost. A charge is recognized against earnings for all or a portion of the impairment if the loss is determined to be other than temporary. Realized gains and losses on sales of securities are based upon the amortized cost of the specific security sold. Available for sale securities are separately identified as pledged to creditors if the creditor has the right to sell or re-pledge the collateral.

Certain mortgage-backed securities, identified as mortgage trading securities, have been designated as economic hedges of 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.

The purchase or sale of securities is recognized on a trade date basis. A receivable or payable is recognized for subsequent transaction settlement. BOK Financial will periodically commit to purchase to-be-announced mortgage-backed securities. These commitments are carried at fair value if they are considered derivative contracts.

## Derivative Instruments

Derivative instruments may be used by the Company as part of its interest rate risk management programs or may be offered to customers. All derivative instruments are carried at fair value. The determination of fair value of derivative instruments considers changes in interest rates, commodity prices and foreign exchange rates. Credit risk is also considered in determining fair value. Deterioration in the credit rating of customers or other counterparties reduces the fair value of asset contracts. Deterioration of our credit rating to below investment grade or the credit ratings of other counterparties could decrease the fair value of our derivative liabilities. Changes in fair value are generally reported in income as they occur.

Derivative instruments used to manage interest rate risk consist primarily of interest rate swaps. These contracts modify the interest income or expense of certain assets or liabilities. Amounts receivable from or payable to counterparties are reported in interest income or expense using the accrual method. Changes in fair value of interest rate swaps are reported in other operating revenue – gain (loss) on derivatives, net.

In certain circumstances, an interest rate swap may be designated as a fair value hedge and may qualify for hedge accounting. In these circumstances, changes in the full fair value of the hedged asset or liability, not only changes in fair value due to changes in the benchmark interest rate, is also recognized in earnings and may partially or completely offset changes in fair value of the interest rate swap. A fair value hedge is considered effective if the cumulative fair

value adjustment of the interest rate swap is within a range of 80% to 120% of the cumulative change in the fair value of the hedged asset or liability. Any ineffectiveness, including ineffectiveness due to credit risk or ineffectiveness created when the fixed rate of the hedged asset or liability does not match the fixed rate of the interest rate swap, is recognized in earnings and reported Gain (loss) on derivatives, net.

Interest rate swaps may be designated as cash flow hedges of variable rate assets or liabilities, or of anticipated transactions. Changes in the fair value of interest rate swaps designated as cash flow hedges are recorded in accumulated other comprehensive income to the extent they are effective. The amount recorded in other comprehensive income is reclassified to earnings in the same periods as the hedged cash flows impact earnings. The ineffective portion of changes in fair value is reported in current earnings.

If a derivative instrument that had been designated as a fair value hedge is terminated or if the hedge designation is removed or deemed to no longer be effective, the difference between the hedged items carrying value and its face amount is recognized into income over the remaining original hedge period. Similarly, if a derivative instrument that had been designated as a cash flow hedge is terminated or if the hedge designation is removed or deemed to no longer be effective, the amount remaining in accumulated other comprehensive income is reclassified to earnings in the same period as the hedged item.

BOK Financial also enters into mortgage loan commitments that are considered derivative instruments. Forward sales contracts are used to hedge these mortgage loan commitments as well as mortgage loans held for sale. Mortgage loan commitments are carried at fair value based upon quoted prices, excluding the value of loan servicing rights or other ancillary values. Changes in fair value of the mortgage loan commitments and forward sales contracts are reported in other operating revenue – mortgage banking revenue.

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 exchanges 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.

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.

#### 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.

Residential mortgage loans are primarily modified in accordance with U.S. government agency guidelines by reducing interest rates and extending the number of payments. No unpaid principal or interest is forgiven. Interest guaranteed by U.S. government agencies under residential mortgage loan programs continues to accrue based on the modified terms of the loan. Renegotiated loans may be transferred to loans held for sale after a period of satisfactory performance. If it becomes probable that all amounts due according to the modified loan terms will not be collect, the



loan is placed on nonaccrual status and included in nonaccrual loans. Commercial and commercial real estate loan are considered distressed when it becomes probable that we will not collect the full amount of contractual principal. All distressed commercial and commercial real estate loans are placed on nonaccrual status. Loans to distressed borrowers generally consist of extension of payment terms, not to exceed the final contractual maturity of the original loan. Principle and interest is not forgiven, nor are interest rate concessions granted. Consumer loans to troubled borrowers are not modified.

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 and 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.

#### Allowance for Loan Losses and Off-Balance Sheet Credit Losses

Allowances for loan losses and off-balance sheet credit losses are assessed by management, based upon an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio, and include probable losses on both outstanding loans and unused commitments to provide financing. 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.

The allowance consists of specific allowances attributed to impaired loans that have not yet been charged down to amounts we expect to recover, general allowances attributed to unimpaired loans that are based upon migration factors and nonspecific allowances based on general economic, risk concentration and related factors.

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, the fair value of collateral for certain collateral dependent loans, or historical statistics.

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.

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 adequate 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 loans that are past due by 180 days or more are charged off within 30 days. 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.

#### Transfers of Financial Assets

BOK Financial transfers financial assets as part of its mortgage banking activities and periodically may transfer other financial assets. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control are met. BOK Financial retains an obligation under underwriting representations and warranties related to residential mortgage loans transferred and may retain the right to service the assets and may incur a recourse obligation. 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, including recourse obligations, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings. Subsequently, servicing rights and residual interests are carried at fair value with changes in fair value recognized in earnings as they occur. A separate allowance is maintained as part of other liabilities for the Company's credit risk on loans transferred subject to a recourse obligation. Other liabilities also include an allowance for obligations related to residential mortgage loans transferred under certain underwriting representations and warranties.

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### Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are assets acquired in partial or total forgiveness of loans. These assets are carried at the lower of cost, which is determined by fair value at date of foreclosure less estimated disposal costs, or current fair value less estimated disposal costs. Decreases in fair value below cost are recognized as asset-specific valuation allowances which may be reversed when supported by future increases in fair value. Fair values are based on “as is” appraisals which are updated at least annually or more frequently for certain asset types or assets located in certain distressed markets. The Company also considers decreases in listing price and other relevant information in quarterly evaluations and reduces the carrying value of real estate and other repossessed assets when necessary. Additional costs incurred to complete real estate and other repossessed assets may increase the carrying value, up to current fair value based on “as completed” appraisals. Income generated by these assets is recognized as received, and operating expenses are recognized as incurred.

### Premises and Equipment

Premises and equipment are carried at cost including capitalized interest, when appropriate, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the estimated useful lives or remaining lease terms. Useful lives range from 5 years to 40 years for buildings and improvements, 3 years to 7 years for software and 3 years to 10 years for furniture and equipment. Repair and maintenance costs are charged to expense as incurred.

Premises no longer used by the Company is transferred to real estate and other repossessed assets. The transferred amount is the lower of cost less accumulated depreciation or fair value less estimated disposal costs as of the transfer date.

Rent expense for leased premises is recognized as incurred over the lease term. The effects of rent holidays, significant rent escalations and other adjustments to rent payments are recognized on a straight-line basis over the lease term.

### Mortgage Servicing Rights

Mortgage servicing rights may be purchased or 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. Originated mortgage servicing rights are initially recognized at fair value. Purchased servicing rights are initially recognized at purchase price. All mortgage servicing rights are subsequently carried at fair value. Changes in the fair value are recognized in earnings as they occur.

There is no active market for trading in mortgage servicing rights after origination. A cash flow model is used to determine fair value. Key assumptions and estimates, including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. Assumptions used to value mortgage servicing rights are considered significant unobservable inputs. 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, we request 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.

## Federal and State Income Taxes

BOK Financial and its subsidiaries file consolidated tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to BOK Financial amounts determined to be currently payable.

Income tax expense is based on an effective tax rate that considers statutory federal and state income tax rates and permanent differences between income and expense recognition for financial reporting and income tax purposes. The amount of income tax expense recognized in any period may differ from amounts reported to taxing authorities.

BOK Financial has an allowance for uncertain tax positions, which is included in accrued current income taxes payable, for the uncertain portion of recorded tax benefits and related interest. These uncertainties result from the application of complex tax laws, rules, regulations and interpretations, primarily in state taxing jurisdictions. The adequacy of this allowance is assessed quarterly and may be adjusted through current income tax expense in future periods based on changing facts and circumstances, completion of examinations by taxing authorities or expiration of a statute of limitations. Estimated penalties and interest on uncertain tax positions are recognized in income tax expense.

Deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

## Employee Benefit Plans

BOK Financial sponsors a defined benefit cash balance pension plan (“Pension Plan”), qualified profit sharing plan (“Thrift Plan”) and employee healthcare plans. Pension Plan costs, which are based upon actuarial computations of current costs, are expensed annually. Unrecognized prior service cost and net gains or losses are amortized on a straight-line basis over the lesser of the average remaining service periods of the participants or 10 years. Employer contributions to the Pension Plan are in accordance with Federal income tax regulations. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the Pension Plan and no additional service benefits will be accrued.

BOK Financial recognizes the funded status of its employee benefit plans. For a pension plan, the funded status is the difference between the fair value of plan assets and the projected benefit obligation measured as of the fiscal year-end date. Adjustments required to recognize the Pension Plan’s net funded status are made through accumulated other comprehensive income, net of deferred income taxes.

Employer contributions to the Thrift Plan, which matches employee contributions subject to percentage and years of service limits, are expensed when incurred. BOK Financial recognizes the expense of health care benefits on the accrual method.

## Stock Compensation Plans

BOK Financial awards stock options and non-vested common shares as compensation to certain officers. Grant date fair value of stock options is based on the Black-Scholes option pricing model. Stock options generally have graded vesting over 7 years. Each tranche is considered a separate award for valuation and compensation cost recognition. Grant date fair value of non-vested shares is based on the current market value of BOK Financial common stock. Non-vested shares generally cliff vest in 5 years.

Compensation cost is recognized as expense over the service period, which is generally the vesting period. Expense is reduced for estimated forfeitures over the vesting period and adjusted for actual forfeitures as they occur. Stock-based compensation awarded to certain officers has performance conditions that affect the number of awards granted. Compensation cost is adjusted based on the probable outcome of the performance conditions. Excess tax benefits from share-based payments recognized in capital surplus are determined by the excess of tax benefits recognized over the tax effect of compensation cost recognized.

Certain executive officers may defer the recognition of income from stock-based compensation for income tax purposes and to diversify the deferred income into alternative investments. Stock-based compensation granted to these officers is considered liability awards. Changes in the fair value of liability awards are recognized as compensation expense in the period of the change.

## Other Operating Revenue

Fees and commission revenue is recognized at the time the related services are provided or products are sold and may be accrued when necessary. Accrued fees and commissions are reversed against revenue if amounts are subsequently deemed to be uncollectible. Revenue is recognized on a gross basis whenever we have primary responsibility and risk in providing the services or products to our customers and on a net basis whenever we act as a broker for products or services of others.

Brokerage and trading revenue includes changes in the fair value of securities held for trading purposes and derivatives held for customer risk management programs, including credit losses on trading securities and derivatives, commissions earned from the retail sale of securities, mutual funds and other financial instruments, and underwriting

and financial advisory fees.

Trust fees and commissions include revenue from asset management, custody, recordkeeping, investment advisory and administration services. Revenue is recognized on an accrual basis at the time the services are performed and may be based on either the fair value of the account or the service provided.

Deposit service charges and fees are recognized at least quarterly in accordance with our published deposit account agreement and disclosure statement for retail accounts or contractual agreement for commercial accounts. Item charges for overdraft or non-sufficient funds items are recognized as items are presented for payment. Account balance charges and activity fees are accrued monthly and collected in arrears. Commercial account activity fees may be offset by an earnings credit based on account balances.

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## Effect of Recently Issued Statements of Financial Accounting Standards

### Financial Accounting Standards Board

#### FASB Accounting Standards Update No. 2009-16, “Accounting for Transfers of Financial Assets” (“ASU 2009-16”)

ASU 2009-16 codifies Statement of Financial Accounting Standards No. 166, “Accounting for Transfers of Financial Assets – an amendment to Statement No. 140,” which amended Financial Accounting Standards No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The standard eliminates the concept of a “qualifying special-purpose entity” and changes the requirements for derecognizing financial assets. It also requires additional disclosures about all continuing involvement with transferred financial assets including information about gains and losses resulting from transfers during the period. ASU 2009-16 was effective January 1, 2010 and did not have a significant impact on the Company’s financial statements.

#### FASB Accounting Standards Update No. 2009-17, “Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities” (“ASU 2009-17”)

ASU 2009-17 codifies Statement of Financial Accounting Standards No. 167, “Amendments to FASB Interpretation No. 46(R),” (“FAS 167”) which amended Financial Accounting Standards Interpretation No. 46 (Revised December 2003), “Consolidation of Variable Interest Entities,” to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design and a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. The standard requires additional disclosures about the reporting entity’s involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity’s financial statements. ASU 2009-17 was effective January 1, 2010 and did not have a significant impact on the Company’s financial statements.

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

ASU 2010-06 amends Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements,” 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 will be effective for the Company on January 1, 2011 and did not have a significant impact on the Company’s financial statements.

#### FASB Accounting Standards Update No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements” (“ASU 2010-09”)

On February 24, 2010, the FASB issued ASU 2010-09, which amends FASB Accounting Standards Codification 855, “Subsequent Events,” to address certain implementation issues related to an entity’s requirement to perform and disclose



subsequent events procedures. ASU 2010-09 added a definition of the term “SEC filer” and requires SEC filers and certain other entities to evaluate subsequent events through the date the financial statements are issued. It also exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The guidance was effective for the Company on January 1, 2010.

FASB Accounting Standards Update No. 2010-10, “Amendments to Statement 167 for Certain Investment Funds” (“ASU 2010-10”)

On February 25, 2010, the FASB issued ASU 2010-10, which amends certain provisions of Statement 167 (codified in ASC 810-10). The ASU defers the effective date of FAS 167 for reporting enterprise’s interest in certain entities and for certain money market mutual funds. In addition, the ASU amends certain provisions of ASC 810-10 to change how a decision maker or service provider determines whether its fee is a variable interest. ASU 2010-10 affects the Company’s evaluation of its involvement as administrator and investment advisor to Cavanal Hill money market funds and was effective for the Company as of January 1, 2010.

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 is effective for the Company as of December 31, 2010 as it relates to disclosures required as of the end of the reporting period. Disclosure related to activity during the reporting period of the Company will be required on or after 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 will modify 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 a Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists and the entity will no longer be able to assert that a reporting unit is not required to perform a 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 not expected to have a significant impact on the consolidated financial statements.

FASB Accounting Standards Update No. 2011-01 “Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructuring in Update No. 2010-20” (“ASU 2011-01”)

On January 20, 2011, the FASB issued ASU 2011-01, which temporarily defers the effective date in ASU 2010-20 for disclosure about troubled debt restructuring by creditors to coincide with the effective date of the proposed guidance clarifying what constitutes a troubled debt restructuring.

## (2) Securities

## Investment Securities

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

|                                | December 31,     |                  |                   |                   |                  |                  |                   |                |
|--------------------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|----------------|
|                                | 2010             |                  |                   |                   | 2009             |                  |                   |                |
|                                | Amortized        | Fair             | Not Recognized in |                   | Amortized        | Fair             | Not Recognized in |                |
|                                | Cost             | Value            | Gross             | Unrealized        | Cost             | Value            | Gross             | Unrealized     |
|                                |                  |                  | Gain              | Loss              |                  |                  | Gain              | Loss           |
| Municipal and other tax-exempt | \$184,898        | \$188,577        | \$3,912           | \$(233 )          | \$232,568        | \$238,847        | \$6,336           | \$(57 )        |
| Other debt securities          | 154,655          | 157,528          | 4,505             | (1,632 )          | 7,837            | 7,857            | 20                | —              |
| <b>Total</b>                   | <b>\$339,553</b> | <b>\$346,105</b> | <b>\$8,417</b>    | <b>\$(1,865 )</b> | <b>\$240,405</b> | <b>\$246,704</b> | <b>\$6,356</b>    | <b>\$(57 )</b> |

(1) Other comprehensive income

The amortized cost and fair values of investment securities at December 31, 2010, by contractual maturity, are as shown in the following table (dollars in thousands):

|                                  | Less than | One to     | Six to    | Over      | Total     | Weighted              |
|----------------------------------|-----------|------------|-----------|-----------|-----------|-----------------------|
|                                  | One Year  | Five Years | Ten Years | Ten Years |           | Average               |
|                                  |           |            |           |           |           | Maturity <sup>2</sup> |
| Municipal and other tax-exempt:  |           |            |           |           |           |                       |
| Amortized cost                   | \$56,512  | \$93,732   | \$27,950  | \$6,704   | \$184,898 | 2.89                  |
| Fair value                       | 57,026    | 96,409     | 28,516    | 6,626     | 188,577   |                       |
| Nominal yield <sup>1</sup>       | 4.63      | 4.58       | 5.44      | 6.28      | 4.79      |                       |
| Other debt securities:           |           |            |           |           |           |                       |
| Amortized cost                   | \$3,446   | \$25,089   | \$22,522  | \$103,598 | \$154,655 | 11.02                 |
| Fair value                       | 3,446     | 25,093     | 22,171    | 106,818   | 157,528   |                       |
| Nominal yield                    | 2.01      | 5.49       | 5.69      | 6.31      | 5.99      |                       |
| Total fixed maturity securities: |           |            |           |           |           |                       |
| Amortized cost                   | \$59,958  | \$118,821  | \$50,472  | \$110,302 | \$339,553 | 6.59                  |
| Fair value                       | 60,472    | 121,502    | 50,687    | 113,444   | 346,105   |                       |
| Nominal yield                    | 4.48      | 4.77       | 5.55      | 6.31      | 5.34      |                       |
| Total investment securities:     |           |            |           |           |           |                       |
| Amortized cost                   |           |            |           |           | \$339,553 |                       |
| Fair value                       |           |            |           |           | 346,105   |                       |
| Nominal yield                    |           |            |           |           | 5.34      |                       |

<sup>1</sup> Calculated on a taxable equivalent basis using a 39% effective tax rate.

<sup>2</sup>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):

|  | December 30, 2010 |               |                       |            |                                       |
|--|-------------------|---------------|-----------------------|------------|---------------------------------------|
|  | Amortized<br>Cost | Fair<br>Value | Recognized in OCI (1) |            | Other Than<br>Temporary<br>Impairment |
| Gross Unrealized<br>Gain                     |                   |               | Loss                  |            |                                       |
| 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         | –                     | –          | –                                     |
| Federal Reserve Bank stock                   | 33,424            | 33,424        | –                     | –          | –                                     |
| Federal Home Loan Bank stock                 | 42,207            | 42,207        | –                     | –          | –                                     |
| Perpetual preferred stock                    | 19,511            | 22,114        | 2,603                 | –          | –                                     |
| Equity securities and mutual funds           | 29,181            | 43,046        | 14,192                | (327)      | –                                     |
| Total  | \$9,111,049       | \$9,311,252   | \$293,592             | \$(36,560) | \$(56,829)                            |

(1) Other comprehensive income

|   | December 31, 2009 |               |                       |          |                                       |
|---|-------------------|---------------|-----------------------|----------|---------------------------------------|
|   | Amortized<br>Cost | Fair<br>Value | Recognized in OCI (1) |          | Other Than<br>Temporary<br>Impairment |
| Gross Unrealized<br>Gain                |                   |               | Loss                  |          |                                       |
| U.S. Treasury                           | \$6,998           | \$7,020       | \$22                  | \$–      | \$–                                   |
| Municipal and other tax-exempt          | 61,268            | 62,201        | 1,244                 | (311)    | –                                     |
| Residential mortgage-backed securities: |                   |               |                       |          |                                       |
| U. S. agencies:                         |                   |               |                       |          |                                       |
| FNMA                                    | 3,690,280         | 3,782,180     | 98,764                | (6,864)  | –                                     |
| FHLMC                                   | 2,479,522         | 2,547,978     | 70,024                | (1,568)  | –                                     |
| GNMA                                    | 1,221,577         | 1,225,042     | 10,371                | (6,906)  | –                                     |
| Other                                   | 254,438           | 254,128       | 5,080                 | (5,390)  | –                                     |
| Total U.S. agencies                     | 7,645,817         | 7,809,328     | 184,239               | (20,728) | –                                     |
| Private issue:                          |                   |               |                       |          |                                       |
| Alt-A loans                             | 262,106           | 195,808       | –                     | (13,305) | (52,993)                              |
| Jumbo-A loans                           | 699,272           | 596,554       | –                     | (71,023) | (31,695)                              |
| Total private issue                     | 961,378           | 792,362       | –                     | (84,328) | (84,688)                              |

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|  |             |             |           |              |             |
|--|-------------|-------------|-----------|--------------|-------------|
| Total residential mortgage-backed securities | 8,607,195   | 8,601,690   | 184,239   | (105,056 )   | (84,688 )   |
| Other debt securities                        | 17,174      | 17,147      | –         | (27 )        | –           |
| Federal Reserve Bank stock                   | 32,526      | 32,526      | –         | –            | –           |
| Federal Home Loan Bank stock                 | 78,999      | 78,999      | –         | –            | –           |
| Perpetual preferred stock                    | 19,224      | 22,275      | 3,051     | –            | –           |
| Equity securities and mutual funds           | 35,414      | 50,165      | 15,275    | (524 )       | –           |
| Total  | \$8,858,798 | \$8,872,023 | \$203,831 | \$(105,918 ) | \$(84,688 ) |
| (1) Other comprehensive income               |             |             |           |              |             |

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The amortized cost and fair values of available for sale securities at December 31, 2010, by contractual maturity, are as shown in the following table (dollars in thousands):

|                                      | Less than<br>One Year | One to<br>Five Years | Six to<br>Ten Years | Over<br>Ten Years <sup>6</sup> | Total       | Weighted<br>Average<br>Maturity <sup>5</sup> |
|--------------------------------------|-----------------------|----------------------|---------------------|--------------------------------|-------------|--|
| Municipal and other tax-exempt:      |                       |                      |                     |                                |             |  |
| Amortized cost                       | \$655                 | \$6,554              | \$13,749            | \$51,232                       | \$72,190    | 19.73  |
| Fair value                           | 659                   | 6,933                | 14,492              | 50,858                         | 72,942      |  |
| Nominal yield <sup>1</sup>           | 3.66                  | 4.07                 | 4.09                | 1.03                           | 1.91        |  |
| Other debt securities:               |                       |                      |                     |                                |             |  |
| Amortized cost                       | \$1                   | \$-                  | \$-                 | \$6,400                        | \$6,401     | 32.56  |
| Fair value                           | 1                     | -                    | -                   | 6,400                          | 6,401       |  |
| Nominal yield <sup>1</sup>           | 7.61                  | -                    | -                   | 1.89                           | 1.89        |  |
| Total fixed maturity securities:     |                       |                      |                     |                                |             |  |
| Amortized cost                       | \$656                 | \$6,554              | \$13,749            | \$57,632                       | \$78,591    | 20.77  |
| Fair value                           | 660                   | 6,933                | 14,492              | 57,258                         | 79,343      |  |
| Nominal yield                        | 3.67                  | 4.07                 | 4.09                | 1.12                           | 1.91        |  |
| Mortgage-backed securities:          |                       |                      |                     |                                |             |  |
| Amortized cost                       |                       |                      |                     |                                | \$8,908,135 | <sup>2</sup>                                 |
| Fair value                           |                       |                      |                     |                                | 9,091,118   |  |
| Nominal yield <sup>4</sup>           |                       |                      |                     |                                | 3.98        |  |
| Equity securities and mutual funds:  |                       |                      |                     |                                |             |  |
| Amortized cost                       |                       |                      |                     |                                | \$124,323   | <sup>3</sup>                                 |
| Fair value                           |                       |                      |                     |                                | 140,791     |  |
| Nominal yield                        |                       |                      |                     |                                | 2.15        |  |
| Total available-for-sale securities: |                       |                      |                     |                                |             |  |
| Amortized cost                       |                       |                      |                     |                                | \$9,111,049 |  |
| Fair value                           |                       |                      |                     |                                | 9,311,252   |  |
| Nominal yield                        |                       |                      |                     |                                | 3.93        |  |

<sup>1</sup> Calculated on a taxable equivalent basis using a 39% effective tax rate.

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

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

<sup>4</sup>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.

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

<sup>6</sup>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):

|          | 2010         | 2009         | 2008         |
|----------|--------------|--------------|--------------|
| Proceeds | \$ 1,973,005 | \$ 3,242,282 | \$ 3,499,128 |

|  |        |        |        |
|--|--------|--------|--------|
| Gross realized gains                                   | 26,207 | 63,859 | 21,128 |
| Gross realized losses                                  | 3,029  | 1,390  | 11,932 |
| Related federal and state income tax expense (benefit) | 7,693  | 24,300 | 2,736  |

Gains and losses on sales of available for sale securities are realized on settlement date.

Gross realized gains for the year ended December 31, 2008 exclude \$6.8 million gain from the redemption of Visa, Inc. Class B common stock.

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of \$5.3 billion and \$5.1 billion at December 31, 2010 and 2009, respectively, 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.



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Temporarily Impaired Securities as of December 31, 2010

(In thousands)

|   | Number<br>of<br>Securities | Less Than 12 Months<br>Fair<br>Value | Unrealized<br>Loss | 12 Months or Longer<br>Fair<br>Value | Unrealized<br>Loss | Fair<br>Value       | Total<br>Unrealized<br>Loss |
|---|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---------------------|-----------------------------|
| <b>Investment:</b>  |                            |                                      |                    |                                      |                    |                     |                             |
| Municipal and<br>other tax- exempt                          | 37                         | \$ 12,482                            | \$ 211             | \$ 786                               | \$ 22              | \$ 13,268           | \$ 233                      |
| Other   | 15                         | 80,698                               | 1,632              | –                                    | –                  | 80,698              | 1,632                       |
| <b>Total investment</b>                                     | <b>52</b>                  | <b>93,180</b>                        | <b>1,843</b>       | <b>786</b>                           | <b>22</b>          | <b>93,966</b>       | <b>1,865</b>                |
| <b>Available for sale:</b>                                  |                            |                                      |                    |                                      |                    |                     |                             |
| Municipal and<br>other tax-exempt                           | 42                         | 22,271                               | 171                | 25,235                               | 249                | 47,506              | 420                         |
| Residential<br>mortgage-backed<br>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                         |
| <b>Total U.S.<br/>agencies</b>                              | <b>41</b>                  | <b>1,597,167</b>                     | <b>21,498</b>      | <b>–</b>                             | <b>–</b>           | <b>1,597,167</b>    | <b>21,498</b>               |
| Private issue:  |                            |                                      |                    |                                      |                    |                     |                             |
| Alt-A loans   | 22                         | –                                    | –                  | 186,675                              | 33,658             | 186,675             | 33,658                      |
| Jumbo-A loans   | 53                         | –                                    | –                  | 417,917                              | 37,486             | 417,917             | 37,486                      |
| <b>Total private issue</b>                                  | <b>75</b>                  | <b>–</b>                             | <b>–</b>           | <b>604,592</b>                       | <b>71,144</b>      | <b>604,592</b>      | <b>71,144</b>               |
| <b>Total residential<br/>mortgage-backed<br/>securities</b> | <b>116</b>                 | <b>1,597,167</b>                     | <b>21,498</b>      | <b>604,592</b>                       | <b>71,144</b>      | <b>2,201,759</b>    | <b>92,642</b>               |
| Equity securities<br>and mutual<br>funds                    | 2                          | –                                    | –                  | 2,878                                | 327                | 2,878               | 327                         |
| <b>Total available for<br/>sale</b>                         | <b>160</b>                 | <b>1,619,438</b>                     | <b>21,669</b>      | <b>632,705</b>                       | <b>71,720</b>      | <b>2,252,143</b>    | <b>93,389</b>               |
| <b>Total</b>  | <b>212</b>                 | <b>\$ 1,712,618</b>                  | <b>\$ 23,512</b>   | <b>\$ 633,491</b>                    | <b>\$ 71,742</b>   | <b>\$ 2,346,109</b> | <b>\$ 95,254</b>            |

Temporarily Impaired Securities as of December 31, 2009

(In thousands)

|                                   | Number<br>of<br>Securities | Less Than 12 Months<br>Fair<br>Value | Unrealized<br>Loss | 12 Months or Longer<br>Fair<br>Value | Unrealized<br>Loss | Fair<br>Value | Total<br>Unrealized<br>Loss |
|-----------------------------------|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---------------|-----------------------------|
| <b>Investment:</b>                |                            |                                      |                    |                                      |                    |               |                             |
| Municipal and<br>other tax exempt | 15                         | \$ 1,490                             | \$ 14              | \$ 2,991                             | \$ 43              | \$ 4,481      | \$ 57                       |
| <b>Available for sale:</b>        |                            |                                      |                    |                                      |                    |               |                             |
|                                   | 27                         | 34,373                               | 265                | 657                                  | 46                 | 35,030        | 311                         |

|  |     |             |          |           |           |             |           |
|--|-----|-------------|----------|-----------|-----------|-------------|-----------|
| Municipal and<br>other tax-exempt<br>Residential<br>mortgage-backed<br>securities: |     |             |          |           |           |             |           |
| U. S. agencies:  |     |             |          |           |           |             |           |
| FNMA   | 21  | 497,659     | 6,864    | –         | –         | 497,659     | 6,864     |
| FHLMC  | 8   | 212,618     | 1,568    | –         | –         | 212,618     | 1,568     |
| GNMA   | 16  | 460,144     | 6,906    | –         | –         | 460,144     | 6,906     |
| Other  | 4   | 87,434      | 5,390    | –         | –         | 87,434      | 5,390     |
| Total U.S.<br>agencies   | 49  | 1,257,855   | 20,728   | –         | –         | 1,257,855   | 20,728    |
| Private issue:   |     |             |          |           |           |             |           |
| Alt-A loans  | 21  | –           | –        | 195,808   | 66,298    | 195,808     | 66,298    |
| Jumbo-A loans  | 65  | –           | –        | 596,554   | 102,718   | 596,554     | 102,718   |
| Total private issue  | 86  | –           | –        | 792,362   | 169,016   | 792,362     | 169,016   |
| Total residential<br>mortgage-backed<br>securities                                 | 135 | 1,257,855   | 20,728   | 792,362   | 169,016   | 2,050,217   | 189,744   |
| Other debt<br>securities   | 5   | 8,116       | 26       | 31        | 1         | 8,147       | 27        |
| Equity securities<br>and mutual<br>funds   | 4   | 2,790       | 524      | –         | –         | 2,790       | 524       |
| Total available for<br>sale  | 171 | 1,303,134   | 21,543   | 793,050   | 169,063   | 2,096,184   | 190,606   |
| Total  | 186 | \$1,304,624 | \$21,557 | \$796,041 | \$169,106 | \$2,100,665 | \$190,663 |

On a quarterly basis, the Company performs separate evaluations of impaired debt and equity 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. During 2009, the Company recognized a \$1.3 million other-than-temporary charge on \$91 million of impaired debt securities that it intended to sell and that were subsequently sold during that year. At December 31, 2010, the Company does 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 the Company 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 December 31, 2010.

As of December 31, 2010, the composition of the Company's securities portfolio 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 |                | A          |
|--|-------------------|------------------|------------------|------------------|-----------------|-----------------|------------------------|----------------|------------|
|  | Amortized Cost    | Fair Value       | Amortized Cost   | Fair Value       | Amortized Cost  | Fair Value      | Amortized Cost         | Fair Value     |            |
| <b>Investment:</b>                             |                   |                  |                  |                  |                 |                 |                        |                |            |
| Municipal and other tax-exempt                 | \$-               | \$-              | \$61,801         | \$63,067         | \$35,341        | \$36,024        | \$-                    | \$-            | \$-        |
| Other debt securities                          | -                 | -                | 148,331          | 151,200          | 1,350           | 1,350           | -                      | -              | -          |
| <b>Total</b>                                   | <b>\$-</b>        | <b>\$-</b>       | <b>\$210,132</b> | <b>\$214,267</b> | <b>\$36,691</b> | <b>\$37,374</b> | <b>\$-</b>             | <b>\$-</b>     | <b>\$-</b> |
| <b>Available for Sale:</b>                     |                   |                  |                  |                  |                 |                 |                        |                |            |
| Municipal and other tax-exempt                 | \$-               | \$-              | \$50,579         | \$51,279         | \$8,085         | \$8,119         | \$11,553               | \$11,443       | \$-        |
| <b>Residential mortgage-backed securities:</b> |                   |                  |                  |                  |                 |                 |                        |                |            |
| <b>U. S. agencies:</b>                         |                   |                  |                  |                  |                 |                 |                        |                |            |
| FNMA   | 4,791,438         | 4,925,693        | -                | -                | -               | -               | -                      | -              | -          |
| FHLMC  | 2,545,208         | 2,620,066        | -                | -                | -               | -               | -                      | -              | -          |
| GNMA   | 765,046           | 801,993          | -                | -                | -               | -               | -                      | -              | -          |
| Other  | 92,013            | 99,157           | -                | -                | -               | -               | -                      | -              | -          |
| <b>Total U.S. agencies</b>                     | <b>8,193,705</b>  | <b>8,446,909</b> | <b>-</b>         | <b>-</b>         | <b>-</b>        | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>   |
| <b>Private issue:</b>                          |                   |                  |                  |                  |                 |                 |                        |                |            |
| Alt-A loans                                    | -                 | -                | 3,999            | 3,784            | 10,875          | 10,737          | 205,458                | 172,153        | -          |
| Jumbo-A loans                                  | -                 | -                | 56,674           | 56,081           | 120,987         | 113,617         | 316,437                | 287,837        | -          |
| <b>Total private issue</b>                     | <b>-</b>          | <b>-</b>         | <b>60,673</b>    | <b>59,865</b>    | <b>131,862</b>  | <b>124,354</b>  | <b>521,895</b>         | <b>459,990</b> | <b>-</b>   |
|  | 8,193,705         | 8,446,909        | 60,673           | 59,865           | 131,862         | 124,354         | 521,895                | 459,990        | -          |

Total

residential mortgage-backed securities

|                                    |             |             |           |           |           |           |           |           |
|------------------------------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Other debt securities              | –           | –           | 6,400     | 6,400     | –         | –         | –         | –         |
| Federal Reserve Bank stock         | 33,424      | 33,424      | –         | –         | –         | –         | –         | –         |
| Federal Home Loan Bank stock       | 42,207      | 42,207      | –         | –         | –         | –         | –         | –         |
| Perpetual preferred stock          | –           | –           | –         | –         | 19,511    | 22,114    | –         | –         |
| Equity securities and mutual funds | –           | –           | –         | –         | –         | –         | –         | –         |
| Total                              | \$8,269,336 | \$8,522,540 | \$117,652 | \$117,544 | \$159,458 | \$154,587 | \$533,448 | \$471,433 |

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.

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At December 31, 2010, approximately \$522 million of the portfolio of privately issued 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 management expects 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 10% over the next 12 months, dropping to 8% over the following 21 months, and holding at 8% thereafter. At December 31, 2009, we assumed that unemployment rate would increase to 10.5% over the next 12 months, then decreases to 8% over the following 12 months and hold at 8% thereafter.
- Housing price depreciation – starting with current depreciated housing prices based on information derived from the Federal Housing Finance Agency data, decreasing by an additional 5% over the next twelve months and holding at that level thereafter. At December 31, 2009, we assumed that housing prices would decrease an additional 7.5% over the next twelve months and hold 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. At December 31, 2009, we assumed that liquidation costs would be 27% for both Jumbo-A and Alt-A loans.
- Discount rates – estimated cash flows were discounted at rates that range from 2.69% to 6.00% based on our current expected yields.

We also consider the adjusted loan-to-value ratio and credit enhancement coverage ratio 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.

Adjusted loan-to-value ratio is an estimate of the current collateral value available to support the realizable value of the security. The Company calculates the adjusted loan-to-value ratio for each security using loan-level data. The adjusted loan-to-value ratio is the original loan-to-value ratio adjusted for market-specific home price depreciation and the credit enhancement on the specific tranche of the security owned by the Company. The home price depreciation is derived from the Federal Housing Finance Agency (“FHFA”). FHFA provides historical information on home price depreciation at both the Metropolitan Statistical Area (“MSA”) and state level. This information is matched to each loan to calculate the home price depreciation. Data is accumulated from the loan level to determine the adjusted loan-to-value ratio for the security as a whole. The Company believes that an adjusted loan-to-value ratio above 85% provides evidence that the collateral value may not provide sufficient cash flows to support our carrying value. The 85% guideline provides for further home price depreciation in future periods beyond our assumptions of current loss trends for residential real estate loans and is consistent with current underwriting standards used by the Company to originate new residential mortgage loans.

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

|            |  |
|------------|--|
| Year ended | Credit Losses Recognized<br>Life-to-date |
|------------|--|

December 31, 2010

| Adjusted LTV Ratio | Number of Securities | Amortized Cost | Fair Value | Number of Securities | Amount   | Number of Securities | Amount   |
|--------------------|----------------------|----------------|------------|----------------------|----------|----------------------|----------|
| < 70 %             | 4                    | \$21,766       | \$21,214   | –                    | \$–      | –                    | \$–      |
| 70 < 75            | 2                    | 44,075         | 40,908     | –                    | –        | –                    | –        |
| 75 < 80            | 1                    | 11,080         | 11,242     | –                    | –        | –                    | –        |
| 80 < 85            | 8                    | 183,152        | 160,683    | 7                    | 8,513    | 7                    | 10,843   |
| >= 85              | 13                   | 261,822        | 225,943    | 11                   | 17,950   | 12                   | 40,762   |
| Total              | 28                   | \$521,895      | \$459,990  | 18                   | \$26,463 | 19                   | \$51,605 |

Credit enhancement coverage ratio is an estimate 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 these 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. Management believes that a credit enhancement coverage ratio below 1.50 provides evidence that current credit enhancement may not provide sufficient cash flows of the individual loans to support our carrying value at the security level. The credit enhancement coverage ratio guideline of 1.50 times is based on standard underwriting criteria which consider loans with coverage ratios of 1.20 to 1.25 times to be well-secured.

Additional evidence considered by the Company is the adjusted loan-to-value ratio and the FICO score of individual borrowers whose loans are still performing within the collateral pool as forward-looking indicators of possible future losses that could affect our evaluation.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities, the Company recognized \$26.5 million of credit loss impairment in earnings on these securities during 2010. Additional impairment based on the difference between the total unrealized losses and the estimated credit losses on these securities was charged against other comprehensive income, net of deferred taxes. In addition to the other-than-temporary impairment charges on private-label mortgage-backed securities, the Company recognized \$1.0 million in impairment charges on certain below investment grade municipal securities during 2010 based on management's assessment of on-going financial difficulties and recent court developments regarding the municipal authority servicing the bonds. See additional discussion regarding the development of the fair value of the bonds in Note 18.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on management's ability and intent to hold the securities until fair value recovers over periods not to exceed three years. The assessment of the ability and intent to hold these securities focuses on liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings and credit spreads for preferred stocks which have debt-like characteristics. The Company has evaluated the near-term prospects of the investment in relation to the severity and duration of the impairment and based on that evaluation has ability and intent to hold these investments until a recovery fair value. Accordingly, all impairment of equity securities was considered temporary at December 31, 2010.

The following represents the composition of net impairment losses recognized in earnings (in thousands):

|   | Year Ended December 31, |              |             |
|---|-------------------------|--------------|-------------|
|   | 2010                    | 2009         | 2008        |
| OTTI related to perpetual preferred stocks  | \$ –                    | \$ (8,008 )  | \$ (5,306 ) |
| OTTI related to equity securities and mutual funds  | (327 )                  |              |             |
| OTTI on debt securities due to change in intent to sell                                       | –                       | (1,263 )     | –           |
| OTTI on debt securities not intended for sale   | (29,633)                | (119,883)    | –           |
| Less: Portion of OTTI recognized in other comprehensive income                                | (2,151 )                | (94,741 )    | –           |
| OTTI recognized in earnings related to credit losses on debt securities not intended for sale | (27,482)                | (25,142 )    | –           |
| Total OTTI recognized in earnings   | \$ (27,809)             | \$ (34,413 ) | \$ (5,306 ) |

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):

|   | Year Ended December 31, |           |
|---|-------------------------|-----------|
|   | 2010                    | 2009      |
| Balance of credit-related OTTI recognized on available for sale debt securities, beginning of period  | \$ 25,142               | \$ -      |
| Additions for credit-related OTTI not previously recognized   | 3,514                   | 21,468    |
| 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 | 23,968                  | 3,674     |
| Balance of credit-related OTTI recognized on available for sale debt securities, end of period  | \$ 52,624               | \$ 25,142 |

#### 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 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 \$428 million at December 31, 2010, with a net unrealized loss of \$5.6 million. Mortgage trading securities were carried at their fair value of \$286 million at December 31, 2009 and had a net unrealized loss of \$2.1 million. The Company recognized a net gain of \$7.3 million in 2010, a net loss of \$13 million in 2009 and a net gain of \$11 million in 2008 on mortgage trading securities.



## (3) Derivatives

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 <sup>2</sup> |             |
|---|-----------------------|------------|-----------------------|------------|------------------------|-------------|
|   | Assets                |            | Liabilities           |            | Assets                 | Liabilities |
|   | Notional <sup>1</sup> | Fair Value | Notional <sup>1</sup> | 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 derivatives 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   |

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

<sup>2</sup>Derivative 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 December 31, 2010, a decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$54 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, 2009 (in thousands):

|                                      | Gross Basis           |            |                       |            | Net Basis <sup>2</sup> |             |
|--------------------------------------|-----------------------|------------|-----------------------|------------|------------------------|-------------|
|                                      | Assets                |            | Liabilities           |            | Assets                 | Liabilities |
|                                      | Notional <sup>1</sup> | Fair Value | Notional <sup>1</sup> | Fair Value | Fair Value             | Fair Value  |
| Customer Risk Management Programs:   |                       |            |                       |            |                        |             |
| Interest rate contracts <sup>3</sup> | \$7,392,393           | \$156,261  | \$7,294,028           | \$161,225  | \$110,449              | \$115,413   |
| Energy contracts                     | 3,588,767             | 454,978    | 3,719,796             | 450,614    | 174,319                | 176,983     |
| Agricultural contracts               | 23,196                | 1,004      | 31,715                | 875        | 1,004                  | 875         |
| Foreign exchange contracts           | 63,942                | 64,182     | 64,182                | 64,182     | 64,182                 | 64,182      |

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|   |              |           |              |           |           |           |
|---|--------------|-----------|--------------|-----------|-----------|-----------|
| CD options  | 66,248       | 5,493     | 66,248       | 5,493     | 5,493     | 5,493     |
| Total customer derivatives before cash collateral | 11,134,546   | 681,918   | 11,175,969   | 682,389   | 355,447   | 362,946   |
| Less: cash collateral                             | –            | –         | –            | –         | (13,229 ) | (54,586 ) |
| Total customer derivatives                        | 11,134,546   | 681,918   | 11,175,969   | 682,389   | 342,218   | 308,360   |
| <b>Interest Rate Risk</b>                         |              |           |              |           |           |           |
| Management Programs <sup>3</sup>                  | 40,000       | 1,564     | –            | –         | 1,564     | –         |
| Total Derivative Contracts                        | \$11,174,546 | \$683,482 | \$11,175,969 | \$682,389 | \$343,782 | \$308,360 |

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

<sup>2</sup>Derivative 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.

<sup>3</sup>Gross notional and gross fair value amounts have been revised to conform to current period presentation. The net fair values of assets and liabilities were not affected.

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

|  | Year ended December 31,                |   |  |   |
|--|--|---|--|---|
|  | 2010                                   |   | 2009                                   |   |
|  | Brokerage<br>and<br>Trading<br>Revenue | Gain<br>(Loss)<br>on<br>Derivatives,<br>Net | Brokerage<br>and<br>Trading<br>Revenue | Gain<br>(Loss)<br>on<br>Derivatives,<br>Net |
| Customer Risk Management Programs:     |  |   |  |   |
| Interest rate contracts                | \$ 2,784                               | \$ –  | \$ 2,780                               | \$ –  |
| Energy contracts                       | 8,041                                  | –   | 3,480                                  | –   |
| Agriculture contracts                  | 718                                    | –   | 728                                    | –   |
| Foreign exchange contracts             | 669                                    | –   | 593                                    | –   |
| CD options                             | –                                      | –   | –                                      | –   |
| Total Customer Derivatives             | 12,212                                 | –   | 7,581                                  | –   |
| Interest Rate Risk Management Programs |  |   |  |   |
|  | –                                      | 3,032                                       | –                                      | (11,235)                                    |
| Total Derivative Contracts             | \$ 12,212                              | \$ 3,032                                    | \$ 7,581                               | \$ (11,235)                                 |

Net interest revenue increased \$4.0 million in 2010, \$13.1 million in 2009 and \$7.0 million in 2008 from periodic settlements of amounts receivable or payable on interest rate swaps.

As discussed in Note 7, 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 7 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

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

|                           | December 31,  |                  |                 |             |               |                  |                 |             |
|---------------------------|---------------|------------------|-----------------|-------------|---------------|------------------|-----------------|-------------|
|                           | 2010          |                  |                 | Total       | 2009          |                  |                 |             |
|                           | Fixed<br>Rate | Variable<br>Rate | Non-<br>accrual |             | Fixed<br>Rate | Variable<br>Rate | Non-<br>accrual | Total       |
| Commercial                | \$2,883,905   | \$3,011,636      | \$38,455        | \$5,933,996 | \$2,917,814   | \$3,188,642      | \$101,384       | \$6,207,840 |
| Commercial<br>real estate | 829,836       | 1,297,148        | 150,366         | 2,277,350   | 773,241       | 1,513,269        | 204,924         | 2,491,434   |
| Residential<br>mortgage   | 851,048       | 939,774          | 37,426          | 1,828,248   | 769,661       | 993,972          | 29,989          | 1,793,622   |
| Consumer                  | 369,364       | 229,511          | 4,567           | 603,442     | 560,566       | 223,178          | 3,058           | 786,802     |

|                                       |             |             |           |              |             |             |           |              |
|---------------------------------------|-------------|-------------|-----------|--------------|-------------|-------------|-----------|--------------|
| Total                                 | \$4,934,153 | \$5,478,069 | \$230,814 | \$10,643,036 | \$5,021,282 | \$5,919,061 | \$339,355 | \$11,279,698 |
| Loans past due (90 days)              |             |             |           | \$9,961      |             |             |           | \$10,308     |
| Foregone interest on nonaccrual loans |             |             |           | \$16,818     |             |             |           | \$17,015     |

At December 31, 2010, approximately \$4.9 billion or 46% of the total loan portfolio is to businesses and individuals in Oklahoma and \$3.0 billion or 28% 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 December 31, 2010, loans to energy-related businesses within the commercial loan classification totaled \$1.7 billion or 16% of total loans. Loans to service-related businesses totaled \$1.6 billion or 15% of total loans. Approximately \$1.0 billion of loans in the services category consists of loans with individual balances of less than \$10 million. Other loan classes include wholesale / retail, \$1.0 billion; healthcare, \$810 million; manufacturing, \$325 million; other commercial and industrial, \$292 million and integrated food services, \$204 million. Approximately \$2.6 billion or 43% of the commercial portfolio are to businesses in Oklahoma and \$1.9 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 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 32% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 30% 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 construction and land development, \$448 million; office buildings, \$457 million; other real estate loans, \$415 million; retail facilities, \$406 million; multifamily residences, \$369 million and industrial, \$182 million.

Residential mortgage loans provide funds for our customer 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. The maximum loan amount of any of our residential mortgage products is \$2 million.

At December 31, 2010 and 2009, residential mortgage loans included \$22 million and \$16 million, respectively, of loans with repayment terms that have been modified from the original contracts. Restructured residential mortgage loans guaranteed by agencies of the U.S. government in accordance with agency guideline represent \$19 million of our residential mortgage loan portfolio at December 31, 2010. Interest continues to accrue on these guaranteed loans based on the modified terms of the loan. At December 31, 2010, \$7.2 million was 90 days or more past due and still accruing. 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. Renegotiated loans may be transferred to loans held for sale after a period of satisfactory performance, generally at least nine months.

#### 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 December 31, 2010, outstanding commitments totaled \$5.2 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 December 31, 2010, outstanding standby letters of credit totaled \$535 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At December 31, 2010, outstanding commercial letters of credit totaled \$6 million.

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## 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 7, 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 impaired loans that have not been charged down to amounts we expect to recover, 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. The allowance for loan losses and recorded investment of the related loans by portfolio segments for each impairment measurement method at December 31, 2010 is as follows (in thousands):

|                        | Collectively Measured<br>for Impairment |                      | Individually Measured<br>for Impairment |                      | Total                  |                      |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
|                        | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment | Related<br>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            |

The activity in the combined allowance for loan losses and off-balance sheet credit losses related to loan commitments and standby letters of credit is summarized as follows (in thousands):

|  | Year ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2010                    | 2009       | 2008       |
| Allowance for loans losses:                          |                         |            |            |
| Beginning balance                                    | \$292,095               | \$233,236  | \$126,677  |
| Provision for loan losses                            | 105,256                 | 196,678    | 208,280    |
| Loans charged off                                    | (123,988 )              | (148,499 ) | (122,211 ) |
| Recoveries   | 19,608                  | 10,680     | 20,490     |
| Ending balance                                       | \$292,971               | \$292,095  | \$233,236  |
| Allowance for loans off-balance sheet credit losses: |                         |            |            |
| Beginning balance                                    | \$14,388                | \$15,166   | \$20,853   |
| Provision for off-balance sheet credit losses        | (117 )                  | (778 )     | (5,687 )   |
| Ending balance                                       | \$14,271                | \$14,388   | \$15,166   |
| Total provision for credit losses                    | \$105,139               | \$195,900  | \$202,593  |





## 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. 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         |

The risk grading process identified certain criticized loans as potential problem loans. These loans have a well-defined weakness that may jeopardize liquidation of the debt and represent a greater risk due to deterioration in the financial condition of the borrower. 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.

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:

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|                                   |             |           |           |             |          |              |
|-----------------------------------|-------------|-----------|-----------|-------------|----------|--------------|
| 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    | 803,023     | 20,047   | 1,274,944    |
| 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 at December 31, 2010 follows (in thousands):

|                                   | Unpaid<br>Principal<br>Balance | Recorded Investment |                      |                   | Related<br>Allowance |
|-----------------------------------|--------------------------------|---------------------|----------------------|-------------------|----------------------|
|                                   |                                | Total               | With No<br>Allowance | With<br>Allowance |                      |
| Commercial:                       |                                |                     |                      |                   |                      |
| Energy                            | \$559                          | \$465               | \$40                 | \$425             | \$60                 |
| Services                          | 28,579                         | 19,262              | 9,977                | 9,285             | 1,227                |
| Wholesale/retail                  | 14,717                         | 8,486               | 1,342                | 7,144             | 684                  |
| Manufacturing                     | 5,811                          | 2,116               | 1,300                | 816               | –                    |
| Healthcare                        | 4,701                          | 3,534               | 564                  | 2,970             | 95                   |
| Integrated food services          | 172                            | 13                  | 13                   | –                 | –                    |
| Other commercial and industrial   | 13,007                         | 4,446               | 4,446                | –                 | –                    |
| Total commercial                  | 67,546                         | 38,322              | 17,682               | 20,640            | 2,066                |
| Commercial real estate:           |                                |                     |                      |                   |                      |
| Construction and land development | 138,922                        | 99,579              | 37,578               | 62,001            | 2,428                |
| Retail                            | 6,111                          | 4,978               | 838                  | 4,140             | 514                  |
| Office                            | 25,702                         | 19,654              | 10,221               | 9,433             | 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              | 1,092                | 14,251            | 321                  |
| Total commercial real estate      | 216,319                        | 150,366             | 55,858               | 94,508            | 4,207                |
| Residential mortgage:             |                                |                     |                      |                   |                      |
| Permanent mortgage                | 15,258                         | 12,064              | 4,492                | 7,572             | 781                  |
| Home equity                       | –                              | –                   | –                    | –                 | –                    |
| Total residential mortgage        | 15,258                         | 12,064              | 4,492                | 7,572             | 781                  |
| Consumer:                         |                                |                     |                      |                   |                      |
| Indirect automobile               | –                              | –                   | –                    | –                 | –                    |
| Other consumer                    | 1,909                          | 1,751               | 96                   | 1,655             | 78                   |
| Total consumer                    | 1,909                          | 1,751               | 96                   | 1,655             | 78                   |
| Total                             | \$301,032                      | \$202,503           | \$78,128             | \$124,375         | \$7,132              |

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

|  | December 31, |      |
|--|--------------|------|
|  | 2010         | 2009 |
|  |              | 2008 |

|  |            |            |            |
|--|------------|------------|------------|
| Investment in impaired loans                       | \$ 202,503 | \$ 316,666 | \$ 269,908 |
| Impaired loans with specific allowance for loss    | 124,375    | 204,076    | 194,292    |
| Specific allowance balance                         | 7,132      | 36,168     | 28,532     |
| Impaired loans with no specific allowance for loss | 78,128     | 112,590    | 75,616     |
| Average recorded investment in impaired loans      | 262,368    | 327,935    | 179,808    |

Approximately \$54 million of losses on impaired loans with no related specific allowance at December 31, 2010 were charged off against the allowance for loan losses during 2010. Interest income recognized on impaired loans during 2010, 2009 and 2008 was not significant.

## Nonaccrual &amp; Past Due 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 December 31, 2010 is as follows (in thousands):

|                                   | Current             | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual       | Total               |
|-----------------------------------|---------------------|------------------------------|--------------------|------------------|---------------------|
| <b>Commercial:</b>                |                     |                              |                    |                  |                     |
| 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           |
| <b>Commercial real estate:</b>    |                     |                              |                    |                  |                     |
| 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           |
| <b>Residential mortgage:</b>      |                     |                              |                    |                  |                     |
| Permanent mortgage                | 1,219,119           | 21,719                       | 1,995              | 32,111           | 1,274,944           |
| Home equity                       | 546,384             | 1,605                        | –                  | 5,315            | 553,304             |
| Total residential mortgage        | 1,765,503           | 23,324                       | 1,995              | 37,426           | 1,828,248           |
| <b>Consumer:</b>                  |                     |                              |                    |                  |                     |
| 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             |
| <b>Total</b>                      | <b>\$10,347,951</b> | <b>\$54,310</b>              | <b>\$9,961</b>     | <b>\$230,814</b> | <b>\$10,643,036</b> |

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.

## (5) Premises and Equipment

Premises and equipment at December 31 are summarized as follows (in thousands):

December 31,

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|                               | 2010       | 2009       |
|-------------------------------|------------|------------|
| Land                          | \$ 72,643  | \$ 76,900  |
| Buildings and improvements    | 226,234    | 226,724    |
| Software                      | 69,303     | 61,347     |
| Furniture and equipment       | 133,732    | 122,842    |
| Subtotal                      | 501,912    | 487,813    |
| Less accumulated depreciation | 236,447    | 207,553    |
| Total                         | \$ 265,465 | \$ 280,260 |

Depreciation expense of premises and equipment was \$33 million, \$33 million and \$28 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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## (6) Goodwill and Intangible Assets

The following table presents the original cost and accumulated amortization of intangible assets (in thousands):

|  | December 31, |            |
|--|--------------|------------|
|  | 2010         | 2009       |
| Core deposit premiums                    | \$ 109,417   | \$ 109,417 |
| Less accumulated amortization            | 104,795      | 100,664    |
| Net core deposit premiums                | 4,622        | 8,753      |
| Other identifiable intangible assets     | 17,291       | 16,791     |
| Less accumulated amortization            | 8,110        | 6,906      |
| Net other identifiable intangible assets | 9,181        | 9,885      |
| Total intangible assets, net             | \$ 13,803    | \$ 18,638  |

Expected amortization expense for intangible assets that will continue to be amortized (in thousands):

|            | Core<br>Deposit<br>Premiums | Other<br>Identifiable<br>Intangible<br>Assets | Total     |
|------------|-----------------------------|---|-----------|
| 2011       | \$ 2,227                    | \$ 1,356                                      | \$ 3,583  |
| 2012       | 815                         | 1,385   | 2,200     |
| 2013       | 485                         | 1,061   | 1,546     |
| 2014       | 432                         | 334   | 766       |
| 2015       | 392                         | 334   | 726       |
| Thereafter | 271                         | 4,711   | 4,982     |
|            | \$ 4,622                    | \$ 9,181                                      | \$ 13,803 |

The net amortized cost of goodwill and identifiable intangible assets at December 31, 2010 is assigned to the Company's geographic markets as follows (in thousands):

## Core deposit premiums:

|                             |          |
|-----------------------------|----------|
| Texas                       | \$ 3,408 |
| Colorado                    | 1,058    |
| Arizona                     | 156      |
| Total core deposit premiums | \$ 4,622 |

## Other identifiable intangible assets:

|  |          |
|--|----------|
| Oklahoma                                   | \$ 6,048 |
| Colorado                                   | 2,343    |
| Kansas/Missouri                            | 790      |
| Total other identifiable intangible assets | \$ 9,181 |

## Goodwill:

|          |          |
|----------|----------|
| Oklahoma | \$ 8,173 |
|----------|----------|

|                |            |
|----------------|------------|
| Texas          | 240,122    |
| New Mexico     | 15,273     |
| Colorado       | 55,611     |
| Arizona        | 16,422     |
| Total goodwill | \$ 335,601 |

The carrying value goodwill by operating segment as of December 31, 2010 is as follows (in thousands):

|                        | Wealth     |           |            | Total      |
|------------------------|------------|-----------|------------|------------|
|                        | Commercial | Consumer  | Management |            |
| Goodwill               | \$ 266,728 | \$ 39,251 | \$ 29,850  | \$ 335,829 |
| Accumulated Impairment | –          | (228 )    | –          | (228 )     |
| Net goodwill balance   | \$ 266,728 | \$ 39,023 | \$ 29,850  | \$ 335,601 |

As a result of the annual goodwill evaluation, the Company recorded an impairment charge of \$228 thousand related to the consumer banking operating segment in the Arizona market in 2009. The annual goodwill evaluations for 2010 and 2008 did not indicate impairment for any reporting unit. Economic conditions did not indicate that impairment existed for any identifiable intangible assets and therefore no impairment evaluation was performed.



## (7) Mortgage Banking Activities

The Company generally sells the majority of its conforming fixed-rate residential mortgage loans in the secondary market. Residential mortgage loans originated for sale by the Company are carried at fair value based on sales commitments or market quotes. Changes in the fair value are recorded in other operating revenue – mortgage banking revenue in the Consolidated Statement of Earnings. Residential mortgage loan commitments are generally outstanding for 60 to 90 days and 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 rate 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. Residential mortgage loan commitments and forward sales contracts are considered derivative contracts that have not been designated as hedging instruments.

The unpaid principal balance of residential mortgage loans held for sale, notional amounts of derivative contracts related to mortgage loan 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):

|  | December 31, 2010                            |            | December 31, 2009                            |            |
|--|--|------------|--|------------|
|  | Notional /<br>Unpaid<br>Principal<br>Balance | Fair Value | Notional /<br>Unpaid<br>Principal<br>Balance | Fair Value |
| Residential mortgage loans held for sale | \$ 253,778                                   | \$ 254,669 | \$ 203,879                                   | \$ 213,704 |
| Residential mortgage loan commitments    | 138,870                                      | 2,251      | 117,716                                      | 496        |
| Forward sales contracts                  | 396,422                                      | 6,493      | 333,218                                      | 3,626      |
|  |  | \$ 263,413 |  | \$ 217,826 |

No loans were 90 days or more past due as of December 31, 2010 and December 31, 2009.

Gain (loss) included in mortgage banking revenue in the Consolidated Statements of Earnings from residential mortgage loans held for sale and changes in the fair value of derivative contracts not designated as hedging instruments related to mortgage loans commitments and forward contract sales were (in thousands):

|   | 2010      | 2009      | 2008     |
|---|-----------|-----------|----------|
| Residential mortgage loan held for sale | \$ 30,677 | \$ 26,999 | \$ 9,253 |
| Residential mortgage loan commitments   | 1,755     | (1,673 )  | 1,691    |
| Forward sales contracts                 | 2,440     | 5,786     | (1,815 ) |
|   | \$ 34,872 | \$ 31,112 | \$ 9,129 |

At December 31, 2010, BOK Financial owned the rights to service 99,900 mortgage loans with outstanding principal balances of \$12.1 billion, including \$796 million serviced for affiliates at December 31, 2010, and held related funds of \$178 million for investors and borrowers. The weighted average interest rate and remaining term was 5.44% and 295 months, respectively at December 31, 2010. At December 31, 2009, BOK Financial owned the rights to service 64,104 mortgage loans with outstanding principal balances of \$7.4 billion, including \$828 million serviced for affiliates, and held related funds of \$86 million for investors and borrowers. The weighted average interest rate and

remaining term was 5.66% and 292 months, respectively. Servicing revenue and late charges on loans serviced for others, which are included in mortgage banking revenue in the Consolidated Statements of Earnings totaled \$38.2 million for 2010, \$20.0 million for 2009 and \$17.6 million for 2008.

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 predominately held by Fannie Mae, Ginnie Mae, and Freddie Mac. The cash purchase price was \$32 million. The acquisition date fair value of the mortgage 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.

Activity in capitalized mortgage servicing rights and related valuation allowance during 2008, 2009 and 2010 are as follows (in thousands):

|   | Capitalized Mortgage Servicing Rights |            |            |
|---|---------------------------------------|------------|------------|
|   | Purchased                             | Originated | Total      |
| Balance at December 31, 2007                  | \$ 13,906                             | \$ 56,103  | \$ 70,009  |
| Additions, net                                | –                                     | 19,220     | 19,220     |
| Change in fair value due to loan runoff       | (2,286 )                              | (9,676 )   | (11,962 )  |
| Change in fair value due to market changes    | (5,267 )                              | (29,248 )  | (34,515 )  |
| Balance at December 31, 2008                  | \$ 6,353                              | \$ 36,399  | \$ 42,752  |
| Additions, net                                | –                                     | 39,869     | 39,869     |
| Change in fair value due to loan runoff       | (2,526 )                              | (18,395 )  | (20,921 )  |
| Change in fair value due to market changes    | 4,001                                 | 8,123      | 12,124     |
| Balance at December 31, 2009                  | \$ 7,828                              | \$ 65,996  | \$ 73,824  |
| Additions, net                                | 31,321                                | 27,603     | 58,924     |
| Change in fair value due to loan runoff       | (6,791 )                              | (13,895 )  | (20,686 )  |
| Gain on purchase of mortgage servicing rights | 11,832                                | –          | 11,832     |
| Change in fair value due to market changes    | (6,290 )                              | (1,881 )   | (8,171 )   |
| Balance at December 31, 2010                  | \$ 37,900                             | \$ 77,823  | \$ 115,723 |

Changes in the fair value of mortgage servicing rights are included in Other Operating Expenses in the Consolidated Statement of Earnings. Changes in fair value due to loan runoff are included in mortgage banking costs. Changes in the 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.

There is no active market 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:

Discount rate – Indexed to a risk-free rate commensurate with the average life of the servicing portfolio plus a market premium. The discount rate was 10.36% at December 31, 2010 and 11.2% at December 31, 2009.

Prepayment rate – Annual prepayment estimates based upon loan interest rate, original term and loan type ranged from 6.53% to 23.03% at December 31, 2010 and 8.1% to 26.9% at December 31, 2009.

Loan servicing costs – Annually per loan based upon loan type ranged from \$35 to \$60 at December 31, 2010 and \$43 to \$66 at December 31, 2009.

Escrow earnings rate – Indexed to rates paid on deposit accounts with a comparable average life. The escrow earnings rate was 2.21% at December 31, 2010 and 2.98% at December 31, 2009.

Stratification of the mortgage loan-servicing portfolio, outstanding principal of loans serviced by interest rate at December 31, 2010 follows (in thousands):

|         |             |              |            |       |
|---------|-------------|--------------|------------|-------|
| < 4.50% | 4.50 - 5.49 | 5.50% - 6.49 | % => 6.49% | Total |
|---------|-------------|--------------|------------|-------|

|  |           |             |             |             |              |
|--|-----------|-------------|-------------|-------------|--------------|
| Fair value   | \$11,616  | \$61,168    | \$32,646    | \$10,293    | \$115,723    |
| Outstanding principal of loans serviced <sup>1</sup> | \$989,077 | \$5,137,700 | \$3,656,308 | \$1,480,045 | \$11,263,130 |

1 Excludes outstanding principal of \$796 million for loans serviced for affiliates.

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 December 31, 2010, a 50 basis point increase in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedge, by \$1.8 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 \$3.3 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 condition can cause variation from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

The Company has off-balance sheet credit risk for residential mortgage loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community

development programs and sold to U.S. government agencies. These loans were 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 losses given default than traditional residential mortgage loans. The principal balance of residential mortgage loans sold subject to recourse obligations totaled \$289 million at December 31, 2010 and \$331 million at December 31, 2009. The separate allowance for these off-balance sheet commitments was \$17 million at December 31, 2010 and \$14 million at December 31, 2009. At December 31, 2010, 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 6% with an outstanding balance of \$18 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse totaled \$7.9 million during 2010 and \$12 million during 2009 and 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):

|                               | 2010      | 2009      | 2008     |
|-------------------------------|-----------|-----------|----------|
| Beginning balance             | \$ 13,781 | \$ 8,767  | \$ 3,560 |
| Provision for recourse losses | 7,895     | 12,210    | 8,577    |
| Loans charged off, net        | (5,009 )  | (7,196 )  | (3,370 ) |
| Ending balance                | \$ 16,667 | \$ 13,781 | \$ 8,767 |

The Company also has off-balance sheet credit risk for residential mortgage loans sold to government sponsored entities due to standard representation and warranties made under contractual agreements. For the year ended December 31, 2010, we have repurchased 11 loans for approximately \$301 thousand. Losses incurred on these loans have been minimal. At December 31, 2010 we have unresolved deficiency requests from the agencies on 140 loans with an aggregate outstanding principal balance of \$22 million. During 2010, the Company established an allowance of \$2.0 million for credit losses related to loans potentially to be repurchased under representation and warranties which is included in Other liabilities on the Consolidated Balance Sheet and in mortgage banking costs in the Consolidated Statement of Earnings. No amounts have been charged against this allowance as of December 31, 2010.

#### (8) Deposits

Interest expense on deposits is summarized as follows (in thousands):

|   | 2010       | 2009       | 2008       |
|---|------------|------------|------------|
| Transaction deposits                        | \$ 38,886  | \$ 51,607  | \$ 121,403 |
| Savings                                     | 719        | 614        | 676        |
| Time:                                       |            |            |            |
| Certificates of deposits under \$100,000    | 31,210     | 57,486     | 70,806     |
| Certificates of deposits \$100,000 and over | 19,235     | 37,193     | 78,965     |
| Other time deposits                         | 16,215     | 17,462     | 17,074     |
| Total time                                  | 66,660     | 112,141    | 166,845    |
| Total                                       | \$ 106,265 | \$ 164,362 | \$ 288,924 |

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2010 and 2009 were \$2.2 billion and \$2.1 billion, respectively.

Time deposit maturities are as follows: 2011 – \$1.9 billion, 2012 – \$670 million, 2013 – \$149 million, 2014 – \$71 million, 2015 – \$235 million and \$519 million thereafter. At December 31, 2010 and 2009, the Company had \$210 million and \$169 million, respectively, in fixed rate, brokered certificates of deposits. The weighted-average interest rate paid on these certificates was 3.82% in 2010 and 3.88% in 2009.

Interest expense on time deposits was reduced by \$4.0 million in 2010, \$11.5 million in 2009 and \$6.9 million in 2008 from the net accrued settlement of interest rate swaps.

The aggregate amount of overdrawn transaction deposits that have been reclassified as loan balances was \$13.5 million at December 31, 2010 and \$13.0 million at December 31, 2009.

## (9) Other Borrowings

Information relating to other borrowings is summarized as follows (dollars in thousands):

|                                 | 2010        |      |                                      | December 31,<br>2009 |      |                                      | 2008        |       |                                      |
|---------------------------------|-------------|------|--------------------------------------|----------------------|------|--------------------------------------|-------------|-------|--------------------------------------|
|                                 | Balance     | Rate | Maximum Outstanding At Any Month End | Balance              | Rate | Maximum Outstanding At Any Month End | Balance     | Rate  | Maximum Outstanding At Any Month End |
| Parent Company:                 |             |      |                                      |                      |      |                                      |             |       |                                      |
| Revolving, unsecured line       | \$-         | -    | % \$-                                | \$-                  | -    | % \$50,000                           | \$50,000    | 3.78% | \$50,000                             |
| Trust preferred debt            | 7,217       | 6.42 | 7,217                                | 7,217                | 6.42 | 12,372                               | 12,372      | 6.39  | 12,372                               |
| Total parent company            | 7,217       |      |                                      | 7,217                |      |                                      | 62,372      |       |                                      |
| Subsidiary Banks:               |             |      |                                      |                      |      |                                      |             |       |                                      |
| Funds purchased                 | 1,025,018   | 0.11 | 1,465,983                            | 1,315,133            | 0.14 | 2,002,285                            | 1,586,806   | 0.18  | 1,913,686                            |
| Repurchase agreements           | 1,258,762   | 0.59 | 1,258,762                            | 1,156,610            | 0.46 | 1,156,610                            | 1,438,593   | 1.33  | 2,034,341                            |
| Federal Home Loan Bank advances | 801,797     | 0.14 | 2,277,977                            | 1,253,051            | 0.23 | 2,053,130                            | 991,401     | 1.76  | 2,391,618                            |
| Federal Reserve advances        | -           | -    | 400,000                              | 850,000              | 0.25 | 1,100,000                            | 450,000     | 0.24  | 450,000                              |
| Subordinated debentures         | 398,701     | 5.78 | 398,701                              | 398,539              | 5.53 | 398,539                              | 398,407     | 5.51  | 398,407                              |
| Other                           | 24,564      | 0.46 | 25,326                               | 23,089               | 0.22 | 31,577                               | 18,281      | 0.06  | 31,855                               |
| Total subsidiary banks          | 3,508,842   | 0.95 |                                      | 4,996,422            | 0.70 |                                      | 4,883,488   | 1.30  |                                      |
| Total other borrowings          | \$3,516,059 | 0.98 |                                      | \$5,003,639          | 0.72 |                                      | \$4,945,860 | 1.32  |                                      |

Aggregate annual principal repayments at December 31, 2010 are as follows (in thousands):

|                |                  |
|----------------|------------------|
| Parent Company | Subsidiary Banks |
|----------------|------------------|

|            |          |              |
|------------|----------|--------------|
| 2011       | \$ –     | \$ 3,101,394 |
| 2012       | –        | 1,025        |
| 2013       | –        | 525          |
| 2014       | –        | 525          |
| 2015       | –        | 149,441      |
| Thereafter | 7,217    | 255,932      |
| Total      | \$ 7,217 | \$ 3,508,842 |

Funds purchased are unsecured and generally mature within one to ninety days from the transaction date. Securities repurchase agreements are recorded as secured borrowings that generally mature within 90 days and are secured by certain available for sale securities. Accrued interest payable related to repurchase agreements totaled \$186 thousand at December 31, 2010 and \$194 thousand at December 31, 2009.

Additional information relating to securities sold under agreements to repurchase and related liabilities at December 31, 2010 and 2009 is as follows (dollars in thousands):

| Security Sold/Maturity  | Amortized<br>Cost | December 31, 2010 |                                      | Average<br>Rate |   |
|-------------------------|-------------------|-------------------|--------------------------------------|-----------------|---|
|                         |                   | Market<br>Value   | Repurchase<br>Liability <sup>1</sup> |                 |   |
| U.S. Agency Securities: |                   |                   |                                      |                 |   |
| Overnight <sup>1</sup>  | \$1,357,440       | \$1,399,570       | \$1,108,769                          | 0.25            | % |
| Short-term              | 132,130           | 139,344           | 170,155                              | 4.72            |   |
| Total Agency Securities | \$1,489,570       | \$1,538,914       | \$1,278,924                          | 0.85            | % |

| Security Sold/Maturity  | Amortized<br>Cost | December 31, 2009 |                                      | Average<br>Rate |   |
|-------------------------|-------------------|-------------------|--------------------------------------|-----------------|---|
|                         |                   | Market<br>Value   | Repurchase<br>Liability <sup>1</sup> |                 |   |
| U.S. Agency Securities: |                   |                   |                                      |                 |   |
| Overnight <sup>1</sup>  | \$1,188,400       | \$1,170,682       | \$1,006,619                          | 0.31            | % |
| Long-term               | 139,674           | 145,888           | 163,088                              | 4.71            |   |
| Total Agency Securities | \$1,328,074       | \$1,316,570       | \$1,169,707                          | 0.93            | % |

<sup>1</sup> BOK Financial maintains control over the securities underlying overnight repurchase agreements and generally transfers control over securities underlying longer-term dealer repurchase agreements to the respective counterparty.

Borrowings from the Federal Home Loan Banks are used for funding purposes. In accordance with policies of the Federal Home Loan Banks, BOK Financial has granted a blanket pledge of eligible assets (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family loans and multifamily loans) as collateral for these advances. The Federal Home Loan Banks have issued letters of credit totaling \$465 million to secure BOK Financial's obligations to depositors of



public funds. The unused credit available to BOK Financial at December 31, 2010 pursuant to the Federal Home Loan Bank's collateral policies is \$1.5 billion.

In 2008, the subsidiary banks began borrowing funds under the Federal Reserve Bank Term Auction Facility program. This is a temporary program which allows banks that are in generally sound financial condition to bid for funds. Funds are borrowed for either 28 or 84 days and are secured by a pledge of eligible collateral. Funds borrowed under this program totaled \$850 million at December 31, 2009. The Term Auction Facility program was terminated and all outstanding debt repaid in 2010.

The Company has a \$100 million unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The amended terms of the credit agreement reduce the size of the credit agreement from \$188 million to \$100 million. Interest on the outstanding balance due to Mr. Kaiser is based on one-month LIBOR plus 250 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 50 basis points. This credit agreement matures in December, 2012. There were no amounts outstanding under this credit agreement as of December 31, 2010 or 2009.

In 2007, Bank of Oklahoma issued \$250 million of subordinated debt due May 15, 2017. Interest on this debt is based upon a fixed rate of 5.75% through May 14, 2012 and on a floating rate of three-month LIBOR plus 0.69% thereafter. The proceeds of this debt were used to fund the Worth National Bank and First United Bank acquisitions and to fund continued asset growth.

In 2005, Bank of Oklahoma issued \$150 million of 10-year, fixed rate subordinated debt. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay \$95 million of BOK Financial's unsecured revolving line of credit and to provide additional capital to support asset growth. During 2006, a \$150 million notional amount interest rate swap was designated as a hedge of changes in fair value of the subordinated debt due to changes in interest rates. The Company received a fixed rate of 5.257% and paid a variable rate based on 1-month LIBOR. This fair value hedging relationship was discontinued and the interest rate swap was terminated in April 2007.

#### (10) Federal and State Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows (in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2010         | 2009     |
| Deferred tax liabilities:                    |              |          |
| Available for sale securities mark-to-market | \$ 77,700    | \$ 6,500 |
| Valuation adjustments                        | 28,600       | 30,000   |
| Mortgage servicing rights                    | 43,800       | 37,900   |
| Lease financing                              | 14,700       | 18,200   |
| Other  | 2,400        | 9,300    |
| Total deferred tax liabilities               | 167,200      | 101,900  |
| Deferred tax assets:                         |              |          |
| Stock-based compensation                     | 8,300        | 7,100    |
| Credit loss allowances                       | 116,900      | 115,900  |

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|   |           |            |
|---|-----------|------------|
| Valuation adjustments                                     | 36,400    | 26,000     |
| Deferred book income                                      | 12,700    | 17,800     |
| Deferred compensation                                     | 22,300    | 17,000     |
| Book expense in excess of pension contribution            | 1,000     | 2,300      |
| Other   | 27,700    | 22,600     |
| Total deferred tax assets                                 | 225,300   | 208,700    |
| Deferred tax assets in excess of deferred tax liabilities | \$ 58,100 | \$ 106,800 |

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The significant components of the provision for income taxes attributable to continuing operations for BOK Financial are shown below (in thousands):

|                              | Year ended December 31, |            |            |
|------------------------------|-------------------------|------------|------------|
|                              | 2010                    | 2009       | 2008       |
| Current tax expense:         |                         |            |            |
| Federal                      | \$ 132,165              | \$ 112,163 | \$ 108,879 |
| State                        | 17,618                  | 16,759     | 7,377      |
| Total current tax expense    | 149,783                 | 128,922    | 116,256    |
| Deferred tax (benefit):      |                         |            |            |
| Federal                      | (24,714 )               | (19,835 )  | (47,685 )  |
| State                        | (1,712 )                | (2,382 )   | (3,662 )   |
| Total deferred tax (benefit) | (26,426 )               | (22,217 )  | (51,347 )  |
| Total income tax expense     | \$ 123,357              | \$ 106,705 | \$ 64,909  |

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

|  | Year ended December 31, |            |           |
|--|-------------------------|------------|-----------|
|  | 2010                    | 2009       | 2008      |
| Amount:  |                         |            |           |
| Federal statutory tax                                | \$ 130,078              | \$ 108,752 | \$ 73,710 |
| Tax exempt revenue                                   | (5,404 )                | (4,616 )   | (4,173 )  |
| Effect of state income taxes, net of federal benefit | 9,740                   | 9,165      | 1,278     |
| Non-controlling interest                             | (539 )                  | (1,204 )   | 2,643     |
| Utilization of tax credits                           | (6,317 )                | (1,327 )   | (1,234 )  |
| Bank-owned life insurance                            | (4,133 )                | (3,424 )   | (3,555 )  |
| Charitable contribution                              | –                       | –          | (2,852 )  |
| Reduction of tax accrual                             | (2,245 )                | –          | (2,437 )  |
| Other, net   | 2,177                   | (641 )     | 1,529     |
| Total  | \$ 123,357              | \$ 106,705 | \$ 64,909 |

Due to the favorable resolution of certain tax issues for the tax periods ended December 31, 2004 and December 31, 2006, BOK Financial reduced its tax accrual by \$2.4 million and \$2.2 million in 2008 and 2010, respectively, which was credited against current income tax expense.

|  | Year ended December 31, |      |      |
|--|-------------------------|------|------|
|  | 2010                    | 2009 | 2008 |
| Percent of pretax income:                            |                         |      |      |
| Federal statutory rate                               | 35 %                    | 35 % | 35 % |
| Tax-exempt revenue                                   | (1 )                    | (2 ) | (2 ) |
| Effect of state income taxes, net of federal benefit | 3                       | 3    | 1    |
| Non-controlling interest                             | –                       | (1 ) | 1    |

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|                            |      |      |      |
|----------------------------|------|------|------|
| Utilization of tax credits | (2 ) | –    | –    |
| Bank-owned life insurance  | (1 ) | (1 ) | (2 ) |
| Charitable contribution    | –    | –    | (1 ) |
| Reduction of tax accrual   | (1 ) | –    | (1 ) |
| Total                      | 33 % | 34 % | 31 % |

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

|  | 2010      | 2009      |
|--|-----------|-----------|
| Balance as of January 1                      | \$ 12,300 | \$ 13,200 |
| Additions for tax for current year positions | 3,700     | 4,050     |
| Settlements during the period                | –         | –         |
| Decreases in tax for prior year positions    | –         | (700 )    |
| Lapses of applicable statute of limitations  | (4,100 )  | (4,250 )  |
| Balance as of December 31                    | \$ 11,900 | \$ 12,300 |

Any of the above unrecognized tax benefits, if recognized, would affect the effective tax rate.

BOK Financial recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company recognized \$1.3 million for 2010 and \$1.4 million for 2009, in interest and penalties. The Company had approximately \$3 million and \$2.7 million for the payment of interest and penalties accrued as of December 31, 2010 and

2009, respectively. Federal statutes remain open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

#### (11) Employee Benefits

BOK Financial sponsors a defined benefit cash balance Pension Plan for all employees who satisfy certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the plan and no additional service benefits will be accrued. Interest will continue to accrue on employees' account balances at 5.25%.

The following table presents information regarding this plan (dollars in thousands):

|  | December 31, |             |
|--|--------------|-------------|
|  | 2010         | 2009        |
| Change in projected benefit obligation:                    |              |             |
| Projected benefit obligation at beginning of year          | \$ 46,581    | \$ 39,099   |
| Service cost   | -            | -           |
| Interest cost  | 2,257        | 2,403       |
| Actuarial (gain) loss                                      | 1,489        | 7,517       |
| Benefits paid  | (1,954 )     | (2,438 )    |
| Projected benefit obligation at end of year <sup>1,2</sup> | \$ 48,373    | \$ 46,581   |
| Change in plan assets:                                     |              |             |
| Plan assets at fair value at beginning of year             | \$ 41,689    | \$ 35,301   |
| Actual return on plan assets                               | 4,742        | 8,826       |
| Company contributions                                      | -            | -           |
| Benefits paid  | (1,954 )     | (2,438 )    |
| Plan assets at fair value at end of year                   | \$ 44,477    | \$ 41,689   |
| Funded status of the plan                                  | \$ (3,896 )  | \$ (4,892 ) |
| Components of net periodic benefit costs:                  |              |             |
| Service cost   | \$ -         | \$ -        |
| Interest cost  | 2,257        | 2,403       |
| Expected return on plan assets                             | (2,126 )     | (2,190 )    |
| Amortization of unrecognized net loss                      | 2,912        | 2,180       |
| Net periodic pension cost (benefit)                        | \$ 3,043     | \$ 2,393    |

1 Projected benefit obligation equals accumulated benefit obligation.

2 Projected benefit obligation is based on a January 1 measurement date.

Weighted-average assumptions as of December 31:

|                                |      |   |      |   |
|--------------------------------|------|---|------|---|
| Discount rate                  | 4.75 | % | 5.15 | % |
| Expected return on plan assets | 5.25 | % | 5.25 | % |
| Rate of compensation increase  | N/A  |   | N/A  |   |

As of December 31, 2010, expected future benefit payments related to the Pension Plan were as follows (in thousands):

|                   |          |
|-------------------|----------|
| 2011              | \$5,455  |
| 2012              | 3,351    |
| 2013              | 3,672    |
| 2014              | 3,555    |
| 2015              | 3,604    |
| 2016 through 2019 | 17,092   |
|                   | \$36,729 |

Assets of the Pension Plan consist primarily of shares in the Cavanal Hill Balanced Fund. The stated objective of this fund is to provide an attractive total return through a broadly diversified mix of equities and bonds. The typical portfolio mix is approximately 60% equities and 40% bonds. The net asset value of shares in the Cavanal Hill Funds is reported daily based on market quotations for the Fund's securities. If market quotations are not readily available, the securities' fair values are determined by the Fund's pricing committee. The inception-to-date return on the fund, which is used as an indicator when setting the expected return on plan assets, was 7.01%. As of December 31, 2010, the expected return on plan assets for 2011 is 5.25%. The maximum allowed and minimum required Pension Plan contributions for 2010 were \$22.6 million and \$245 thousand, respectively. The minimum contribution was made for 2010 and 2009. No contribution was made for 2008. We expect approximately \$3.2 million of net pension costs currently in accumulated other comprehensive income to be recognized as net periodic pension cost in 2011.

Employee contributions to the Thrift Plan are eligible for Company matching equal to 6% of base compensation, as defined in the plan. The Company-provided matching contribution rates range from 50% for employees with less than four years of

service to 200% for employees with 15 or more years of service. Additionally, a maximum Company-provided, non-elective annual contribution of up to \$750 is made for employees whose annual base compensation is less than \$40,000. Total non-elective contributions were \$1.0 million for 2010, \$998 thousand in 2009 and \$955 thousand in 2008.

Participants may direct investments in their accounts to a variety of options, including a BOK Financial common stock fund. Employer contributions, which are invested in accordance with the participant's investment options, vest over five years. Thrift Plan expenses were \$14.3 million for 2010, \$13.0 million for 2009 and \$12.1 million for 2008.

BOK Financial also sponsors a defined benefit post-retirement employee medical plan, which pays 50 percent of annual medical insurance premiums for retirees who meet certain age and service requirements. Assets of the retiree medical plan consist primarily of shares in a cash management fund. The post-retirement medical plan is limited to current retirees and certain employees who were age 60 or older at the time the plan was frozen in 1993. The net obligation recognized under the plan was \$2.2 million at December 31, 2010 and December 31, 2009. A 1% change in medical expense trends would not significantly affect the net obligation or cost of this plan.

BOK Financial offers numerous incentive compensation plans that are aligned with the Company's growth strategy. Compensation awarded under these plans may be based on defined formulas, other performance criteria or discretionary. Incentive compensation is designed to motivate and reinforce sales and customer service behavior in all markets. Earnings were charged \$104.0 million in 2010, \$91.2 million in 2009 and \$83.2 million in 2008 for incentive compensation plans.

#### (12) Stock Compensation Plans

The shareholders and Board of Directors of BOK Financial have approved various stock-based compensation plans. An independent compensation committee of the Board of Directors determines the number of awards granted to the Chief Executive Officer and other senior executives. Stock-based compensation is granted to other officers and employees and is approved by the independent compensation committee upon recommendation of the Chairman of the Board and the Chief Executive Officer.

These awards include stock options that are subject to vesting requirements. Generally, one-seventh of the options awarded vest annually and expire three years after vesting. Additionally, stock options that vest in two years and expire 45 days after vesting have been awarded. Non-vested shares are also granted. These shares vest five years after the grant date. The holders of these shares may be required to retain the shares for a three-year period after vesting.

The Chief Executive Officer and other senior executives participate in an Executive Incentive Plan. The number of options and non-vested shares may increase or decrease based upon the Company's growth in earnings per share over a three-year period compared to the median growth in earnings per share for a designated peer group of financial institutions and other individual performance factors.

The following table presents options outstanding during 2008, 2009 and 2010 under these plans:

|  | Number     | Weighted-Average Exercise Price |
|--|------------|---------------------------------|
| Options outstanding at December 31, 2007 | 3,318,170  | \$ 43.50                        |
| Options awarded                          | 1,098,172  | 47.71                           |
| Options exercised                        | (498,700 ) | 33.05                           |
| Options forfeited                        | (271,250 ) | 47.96                           |
| Options expired                          | (70,924 )  | 49.91                           |
| Options outstanding at December 31, 2008 | 3,575,468  | \$ 45.77                        |
| Options awarded                          | 913,880    | 37.24                           |
| Options exercised                        | (280,572 ) | 33.49                           |
| Options forfeited                        | (487,793 ) | 44.83                           |
| Options expired                          | (199,220 ) | 51.76                           |
| Options outstanding at December 31, 2009 | 3,521,763  | \$ 44.58                        |
| Options awarded                          | 345,945    | 48.30                           |
| Options exercised                        | (486,280 ) | 39.29                           |
| Options forfeited                        | (97,443 )  | 46.89                           |
| Options expired                          | (148,651 ) | 51.35                           |
| Options outstanding at December 31, 2010 | 3,135,334  | \$ 45.62                        |
| Options vested at December 31, 2010      | 805,781    | \$ 45.26                        |

The following table summarizes information concerning currently outstanding and vested stock options:

| Range of Exercise Prices | Options Outstanding |   |                                 | Options Vested |                                 |
|--------------------------|---------------------|---|---------------------------------|----------------|---------------------------------|
|                          | Number Outstanding  | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Number Vested  | Weighted Average Exercise Price |
| 28.27                    |                     |   |                                 |                |                                 |
| \$– 30.87                | 96,626              | 1.34  | \$30.18                         | 96,626         | \$30.18                         |
| 36.65                    | 652,241             | 5.00  | 36.65                           | 19,175         | 36.65                           |
| 37.74                    | 148,014             | 2.00  | 37.74                           | 91,564         | 37.74                           |
| 38.91                    |                     |   |                                 |                |                                 |
| – 44.30                  | 32,615              | 0.12  | 39.90                           | 32,615         | 39.90                           |
| 45.15                    |                     |   |                                 |                |                                 |
| – 47.34                  | 314,626             | 2.50  | 47.31                           | 154,331        | 47.30                           |
| 47.05                    |                     |   |                                 |                |                                 |
| – 48.53                  | 380,363             | 3.00  | 47.06                           | 147,221        | 47.06                           |
| 47.67                    | 43,383              | 1.00  | 47.67                           | –              | –                               |
| 48.30                    | 241,294             | 6.00  | 48.30                           | –              | –                               |
| 48.46                    | 649,622             | 4.00  | 48.46                           | 83,383         | 48.46                           |
| 54.33                    | 576,550             | 3.50  | 54.33                           | 180,866        | 54.33                           |



Compensation expense for stock options is generally recognized based on the fair value of options granted over the options' vesting period. The fair value of options was determined as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

|  | 2010      | 2009      | 2008      |
|--|-----------|-----------|-----------|
| Average risk-free interest rate <sup>1</sup> | 2.36 %    | 1.32 %    | 3.50 %    |
| Dividend yield                               | 2.00 %    | 2.50 %    | 1.70 %    |
| Volatility factors                           | 0.261     | 0.218     | 0.147     |
| Weighted average expected life               | 4.9 years | 4.9 years | 4.9 years |
| Weighted average fair value                  | \$ 10.17  | \$ 5.36   | \$ 7.09   |

<sup>1</sup>Average risk-free interest rate represent U.S. Treasury rates matched to the expected life of the options.

Compensation cost of stock options granted that may be recognized as compensation expense in future years totaled \$6.7 million at December 31, 2010. Subject to adjustments for forfeitures, we expect to recognize compensation expense for

current outstanding options of \$3.0 million in 2011, \$1.8 million in 2012, \$1.0 million in 2013, \$530 thousand in 2014, \$230 thousand in 2015 and \$100 thousand thereafter.

Stock option expense was \$8.3 million for 2010, \$5.9 million for 2009 and \$7.8 million for 2008. The intrinsic value of options exercised was \$6.1 million for 2010, \$3.8 million for 2009 and \$11.8 million for 2008. The aggregate intrinsic value of options outstanding as of December 31, 2010 and 2009 was \$24.4 million and \$10.4 million, respectively. The aggregate intrinsic value of options exercisable as of December 31, 2010 and 2009 was \$6.6 million and \$3.7 million, respectively.

As of December 31, 2010, the Company had awarded a total of 415,508 non-vested common shares, including 173,857 awarded in 2010. The weighted average grant date fair value of non-vested shares awarded in 2010 was \$48.30 per share. During 2010, 24,535 shares which had an average grant date fair value of \$47.05 per share vested and 5,912 shares which had an average grant date fair value of \$40.59 per share were forfeited. Unrecognized compensation cost of non-vested shares totaled \$10.0 million at December 31, 2010. Subject to adjustment for forfeitures, we expect to recognize compensation expense of \$4.2 million in 2011, \$2.2 million in 2012, \$2.1 million in 2013, \$1.4 million in 2014 and \$100 thousand in 2015.

BOK Financial permits certain executive officers to defer recognition of taxable income from their stock-based compensation. Deferred compensation may also be diversified into investments other than BOK Financial common stock.

Stock-based compensation subject to these deferral plans is recognized as a liability award rather than as an equity award. Compensation expense is based on the fair value of the award recognized over the vesting period. At December 31, 2010, the recorded obligation for liability awards was \$2.0 million. Compensation cost of liability awards was an expense of \$1.9 million in 2010, \$1.3 million in 2009 and a benefit of \$471 thousand in 2008.

During January 2011, BOK Financial awarded the following stock-based compensation:

|                          | Number  | Exercise Price | Fair Value / Award |
|--------------------------|---------|----------------|--------------------|
| Equity awards:           |         |                |                    |
| Stock options            | 282,718 | \$ 55.94       | \$ 11.92           |
| Non-vested stock         | 119,305 | –              | 55.94              |
| Total equity awards      | 402,023 |                |                    |
| Total stock-based awards | 402,023 |                |                    |

The aggregate compensation cost of these awards totaled approximately \$9.8 million. This cost will be recognized over the vesting periods, subject to adjustments for forfeitures. None of the stock-based compensation awards in January 2011 are subject to deferred compensation plans.

### (13) Related Parties

In compliance with applicable regulations, the Company may extend credit to certain executive officers, directors, principal shareholders and their affiliates (collectively referred to as “related parties”) in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements. The Company’s loans to related

parties do not involve more than the normal credit risk and there are no nonaccrual or impaired related party loans outstanding at December 31, 2010 or 2009. Activity in loans to related parties is summarized as follows (in thousands):

|                          | 2010       | 2009       |
|--------------------------|------------|------------|
| Beginning balance        | \$ 217,698 | \$ 207,140 |
| Advances                 | 510,663    | 676,743    |
| Payments                 | (544,977)  | (666,159)  |
| Adjustments <sup>1</sup> | (14,449 )  | (26 )      |
| Ending balance           | \$ 168,935 | \$ 217,698 |

1 Adjustments generally consist of changes in status as a related party.

Certain related parties are customers of the Company for services other than loans, including consumer banking, corporate banking, risk management, wealth management, brokerage and trading, or fiduciary/trust services. The Company engages in transactions with related parties in the ordinary course of business in compliance with applicable regulations.

The Company has an unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder as more fully described in Note 9. The Company also rents office space in facilities owned by affiliates of Mr. Kaiser. Lease payments totaled \$1.1 million for 2010, \$1.0 million for 2009 and \$1.1 million for 2008.

In 2008, the Company entered into a \$25 million loan commitment with the Tulsa Community Foundation (“TCF”) to be secured by tax-exempt bonds purchased from the Tulsa Stadium Trust (the “Stadium Trust”) by TCF. The Stadium Trust is an Oklahoma public trust, of which the City of Tulsa is the sole beneficiary. Stanley A. Lybarger, President and CEO of the Company, is Chairman of the Stadium Trust.

In 2008, the Company sold transferable Oklahoma state income tax credits with face amounts of \$5.1 million to Mr. Kaiser and \$100 thousand to Mr. Lybarger. The credits were sold for cash at estimated fair value which was derived from sales of the same credits to non-related parties and sales of similar credits by unrelated entities. No Oklahoma state income tax credits were sold to related parties in 2010 or 2009.

Cavanal Hill Investment Management, Inc., a wholly-owned subsidiary of BOK, is the administrator to and investment advisor for the Cavanal Hill Funds (the "Funds"), a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). BOK is custodian and BOSCO, Inc. is distributor for the Funds. The Funds' products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. Approximately 99% of the Funds' assets of \$2.5 billion are held for the Company's clients. A Company executive officer serves on the Funds' board of trustees and BOK officers serve as president and secretary of the Funds. A majority of the members of the Funds' board of trustees are, however, independent of the Company and the Funds are managed by its board of trustees.

#### (14) Commitments and Contingent Liabilities

BOSCO, 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. BOSCO underwrote \$6.25 million of units in the Initial Public Offering. BOSCO was not an underwriter in the Secondary Offering. Counsel for BOSCO believes BOSCO has valid defenses to the claims asserted in the litigation. A settlement in principle, subject to court approval, among the issuer, the underwriters, and all parties to the litigation has been reached at no material loss to BOSCO.

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 demand 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 States 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 practices 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. This contingent liability totaled \$3.6 million at December 31, 2010. During 2008, 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 and from available

cash. BOK Financial recognized a \$3.6 million 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 0.5102 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. No value may be assigned until the Class B shares are converted into a known number of Class A shares.

At December 31, 2010 Cavanal Hill Funds' assets included \$915 million of U.S. Treasury, \$868 million of cash management, \$403 million of tax-free money market funds and \$272 million of other 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 December 31, 2010. 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 2010, 2009 or 2008.

Cottonwood Valley Ventures, Inc. (“CVV, Inc.”), an indirect 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. generates 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 the OTC disallows any such 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 consolidated financial statements.

BOK is obligated under a long-term lease for its bank premises owned by Williams Companies, Inc. and located in downtown Tulsa. The former Chairman and CEO of the Williams Companies, Inc. is a director of BOK Financial Corporation. The lease term, which began November 1, 1976, is for fifty-seven years with options to terminate in 2014 and 2024. Annual base rent is \$3.2 million. BOK subleases portions of its space for annual rents of \$206 thousand in 2010. Net rent expense on this lease was \$3.0 million in 2010, 2009 and 2008. Total rent expense for BOK Financial was \$21.2 million in 2010, \$21.4 million in 2009 and \$20.3 million in 2008.

At December 31, 2010, future minimum lease payments for equipment and premises under operating leases were as follows: \$17.0 million in 2011, \$15.8 million in 2012, \$13.5 million in 2013, \$12.7 million in 2014, \$11.9 million in 2015 and \$87.5 million thereafter. Premises leases may include options to renew at then current market rates and may include escalation provisions based upon changes in the consumer price index or similar benchmarks.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. These balances were \$950 million and \$723 million at December 31, 2010 and 2009, respectively.

BOSC, Inc., a wholly-owned subsidiary of BOK Financial, is an introducing broker to Pershing, LLC for retail equity investment transactions. As such, it has indemnified Pershing, LLC against losses due to a customer’s failure to settle a transaction or to repay a margin loan. All unsettled transactions and margin loans are secured as required by applicable regulation. The amount of customer balances subject to indemnification totaled \$2.3 million at December 31, 2010.

At December 31, 2010 and 2009, respectively, the Company’s interest in various unrelated alternative investments totaled \$46 million and \$39 million and is included in Other assets in the Consolidated Balance Sheets. Alternative investments generally consist of unconsolidated limited partnership interests in or loans to entities that invest in distressed real estate loans and properties, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments and the Company’s maximum exposure to loss is restricted to its investment balance. At December 31, 2010, the Company has an obligation to fund alternative investments of \$19 million which is included in Other liabilities in the Consolidated Balance Sheets.

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. The Funds generally invested in distressed assets, asset buy-outs or venture capital companies. At December 31, 2010, the Funds’ assets, included in Other assets in the Consolidated Balance Sheets, totaled \$25 million and the limited partners’ ownership interests in the Funds, included in Non-controlling interest in the Consolidated Balance Sheets, totaled \$22 million. At December 31, 2009, the Fund’s assets totaled \$23 million and the limited partners’ ownership interests in the Funds totaled \$19 million. The Funds have no debt. The general partner has contingent obligations to make additional investments totaling \$14 million as of December 31, 2010, substantially all of which are offset by limited partner commitments. The Company does not

accrue its contingent liability to fund investments.

Bank of Oklahoma guarantees rents totaling \$28.7 million through September, 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 \$20 million at December 31, 2010. Leases expire or are subject to lessee termination options before expiration of the Bank’s guarantee agreement. In return for this guarantee, Bank of Oklahoma will receive 80% of net cash flow as defined in an agreement with the City over the next 10 years from currently vacant space in the same building. Approximately 34 thousand square feet of this additional space has been rented to outside parties since the date of the agreement. The maximum amount that Bank of Oklahoma 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 be material in the aggregate.

## (15) Shareholders' Equity

### Preferred Stock

One billion shares of preferred stock with a par value of \$0.00005 per share are authorized. The Series A Preferred Stock has no voting rights except as otherwise provided by Oklahoma corporate law and may be converted into one share of Common Stock for each 36 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the \$0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is \$15 million. No Series A Preferred Stock was outstanding in 2010, 2009 or 2008.

### Common Stock

Common stock consists of 2.5 billion authorized shares with a \$0.00006 par value. Holders of common shares are entitled to one vote per share at the election of the Board of Directors and on any question arising at any shareholders' meeting and to receive dividends when and as declared. Additionally, regulations restrict the ability of national banks and bank holding companies to pay dividends.

Cash dividends paid on common stock totaled \$67 million in 2010, \$64 million in 2009 and \$59 million in 2008.

### Subsidiary Banks

The amounts of dividends that BOK Financial's subsidiary banks can declare and the amounts of loans the subsidiary banks can extend to affiliates are limited by various federal banking regulations and state corporate law. Generally, dividends declared during a calendar year are limited to net profits, as defined, for the year plus retained profits for the preceding two years. The amounts of dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations as well as management's internal capital policy, at December 31, 2010, BOKF subsidiaries could declare up to \$82 million of dividends without regulatory approval. The subsidiary banks declared and paid dividends of \$280 million in 2010, \$172 million in 2009 and \$76 million in 2008.

As defined by banking regulations, loan commitments and equity investments to a single affiliate may not exceed 10% of unimpaired capital and surplus and loan commitments and equity investments to all affiliates may not exceed 20% of unimpaired capital and surplus. All loans to affiliates must be fully secured by eligible collateral. At December 31, 2010, loan commitments and equity investments were limited to \$243 million to a single affiliate and \$486 million to all affiliates. The largest loan commitment and equity investment to a single affiliate was \$167 million and the aggregate loan commitments and equity investments to all affiliates were \$253 million. The largest outstanding amount to a single affiliate was \$53 million and the total outstanding amounts to all affiliates were \$68 million. At December 31, 2009, total loan commitments and equity investments to all affiliates were \$323 million. Total outstanding amounts to all affiliates were \$83 million.

### Regulatory Capital

BOK Financial and its banking subsidiaries are subject to various capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a material effect on BOK Financial's operations. These capital requirements include quantitative measures of assets, liabilities and certain off-balance sheet items. The capital standards are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.



For a banking institution to qualify as well capitalized, Tier I, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. Tier I capital consists primarily of common stockholders' equity, excluding unrealized gains or losses on available for sale securities, less goodwill, core deposit premiums and certain other intangible assets. Total capital consists primarily of Tier I capital plus preferred stock, subordinated debt and allowances for credit losses, subject to certain limitations. All of BOK Financial's banking subsidiaries exceeded the regulatory definition of well capitalized.

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|   | December 31, |       |               |       |   |
|---|--------------|-------|---------------|-------|---|
|   | 2010         |       | 2009          |       |   |
|   | Amount       | Ratio | Amount        | Ratio |   |
| (Dollars in thousands)                    |              |       |               |       |   |
| Total Capital (to Risk Weighted Assets):  |              |       |               |       |   |
| Consolidated                              | \$2,651,771  | 16.20 | % \$2,492,771 | 14.43 | % |
| BOK                                       | 1,528,078    | 13.47 | 1,623,887     | 13.82 |   |
| Bank of Texas                             | 479,682      | 12.26 | 452,420       | 10.62 |   |
| Bank of Albuquerque                       | 143,225      | 18.45 | 131,523       | 16.99 |   |
| Bank of Arkansas                          | 38,065       | 18.18 | 37,202        | 16.13 |   |
| Colorado State Bank and Trust             | 97,592       | 13.76 | 93,201        | 12.16 |   |
| Bank of Arizona                           | 31,298       | 12.05 | 28,023        | 10.63 |   |
| Bank of Kansas City                       | 20,408       | 19.45 | 14,679        | 17.86 |   |
| Tier I Capital (to Risk Weighted Assets): |              |       |               |       |   |
| Consolidated                              | \$2,076,525  | 12.69 | % \$1,876,778 | 10.86 | % |
| BOK                                       | 1,017,458    | 8.97  | 1,079,037     | 9.18  |   |
| Bank of Texas                             | 430,534      | 11.00 | 398,937       | 9.36  |   |
| Bank of Albuquerque                       | 133,487      | 17.20 | 121,816       | 15.73 |   |
| Bank of Arkansas                          | 35,423       | 16.92 | 34,286        | 14.87 |   |
| Colorado State Bank and Trust             | 88,723       | 12.51 | 85,328        | 11.13 |   |
| Bank of Arizona                           | 27,977       | 10.77 | 24,676        | 9.36  |   |
| Bank of Kansas City                       | 19,247       | 18.34 | 13,771        | 16.75 |   |
| Tier I Capital (to Average Assets):       |              |       |               |       |   |
| Consolidated                              | \$2,076,525  | 8.74  | % \$1,876,778 | 8.05  | % |
| BOK                                       | 1,017,458    | 5.80  | 1,079,037     | 6.45  |   |
| Bank of Texas                             | 430,534      | 8.06  | 398,937       | 7.24  |   |
| Bank of Albuquerque                       | 133,487      | 7.19  | 121,816       | 6.54  |   |
| Bank of Arkansas                          | 35,423       | 11.91 | 34,286        | 12.85 |   |
| Colorado State Bank and Trust             | 88,723       | 6.85  | 85,328        | 6.96  |   |
| Bank of Arizona                           | 27,977       | 10.16 | 24,676        | 9.60  |   |
| Bank of Kansas City                       | 19,247       | 6.21  | 13,771        | 10.17 |   |

## 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.

|  | Unrealized<br>Gain (Loss)<br>On<br>Available<br>For Sale<br>Securities | Other<br>Than<br>Temporary<br>Impairment<br>Losses | Accumulated<br>Loss on<br>Effective<br>Cash Flow<br>Hedges | Unrealized<br>Loss<br>On<br>Employee<br>Benefit<br>Plans | Total         |
|--|--|--|--|--|---------------|
| Balance at December 31, 2007   | \$ (22,775 )   | \$—  | \$ (1,461 )  | \$ (6,998 )  | \$ (31,234 )  |
| Unrealized losses on securities  | (236,990 )   | —  | —  | —  | (236,990 )    |
| Unrealized gains on cash flow hedges   | —  | —  | 139  | —  | 139           |
| Unrealized losses on employee benefit plans  | —  | —  | —  | (16,434 )  | (16,434 )     |
| Tax benefit (expense) on unrealized gains (losses)                                 | 70,492   | —  | (54 )  | 6,393  | 76,831        |
| Reclassification adjustment for (gains) losses realized and included in net income | (21,926 )  | —  | 289  | —  | (21,637 )     |
| Reclassification adjustment for tax expense (benefit) on realized gains (losses)   | 6,551  | —  | (112 )   | —  | 6,439         |
| Balance at December 31, 2008   | \$ (204,648 )  | \$—  | \$ (1,199 )  | \$ (17,039 )   | \$ (222,886 ) |
| Unrealized gains on securities   | 418,477  | 10,053   | —  | —  | 428,530       |
| Other-than-temporary impairments losses on securities                              | —  | (94,741 )  | —  | —  | (94,741 )     |
| Unrealized gains on employee benefit plans   | —  | —  | —  | 926  | 926           |
| Tax benefit (expense) on unrealized gains (losses)                                 | (146,743 )   | 31,688   | —  | (360 )   | (115,415 )    |
| Reclassification adjustment for (gains) losses realized and included in net income | (11,970 )  | —  | 262  | —  | (11,708 )     |
| Reclassification adjustment for tax expense (benefit) on realized gains (losses)   | 4,656  | —  | (102 )   | —  | 4,554         |
| Balance at December 31, 2009   | \$ 59,772  | \$ (53,000 )                                       | \$ (1,039 )  | \$ (16,473 )   | \$ (10,740 )  |
| Unrealized gains on securities   | 170,193  | 30,011   | —  | —  | 200,204       |
| Other-than-temporary impairments losses on securities                              | —  | (2,151 )   | —  | —  | (2,151 )      |
| Unrealized gains on employee benefit plans   | —  | —  | —  | 4,412  | 4,412         |
| Tax benefit (expense) on unrealized gains (losses)                                 | (58,825 )  | (10,136 )  | —  | (1,716 )   | (70,677 )     |
| Reclassification adjustment for (gains) losses realized and included in net income | (21,882 )  | —  | 264  | —  | (21,618 )     |
| Reclassification adjustment for tax expense (benefit) on realized gains (losses)   | 8,512  | —  | (103 )   | —  | 8,409         |

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Balance at December 31, 2010                      \$157,770      \$(35,276 )    \$ (878            )    \$(13,777    )    \$107,839

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## (16) Earnings per Share

Effective January 1, 2009, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company has determined that its outstanding non-vested stock awards are participating securities. Accordingly, earnings per common share are computed using the two-class method. All previously reported earnings per common share data has been retrospectively adjusted to conform to the new computation method, the effects of which were not material. The following table presents the computation of basis and diluted earnings per share (dollar in thousands, except per share data):

|   | Year ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2010                    | 2009       | 2008       |
| Numerator:  |                         |            |            |
| Net income  | \$246,754               | \$200,578  | \$153,232  |
| Earnings allocated to participating securities  | (1,583 )                | (818 )     | (384 )     |
| Numerator for basic earnings per share – income available to common shareholders          | 245,171                 | 199,760    | 152,848    |
| Effect of reallocating undistributed earnings of participating securities                 | 3                       | 1          | (40 )      |
| Numerator for diluted earnings per share – income available to common shareholders        | \$245,174               | \$199,761  | \$152,808  |
| Denominator:  |                         |            |            |
| Weighted average shares outstanding   | 68,062,047              | 67,653,035 | 67,428,086 |
| Less: Participating securities included in weighted average shares outstanding            | (434,312 )              | (277,648 ) | (125,096 ) |
| Denominator for basic earnings per common share   | 67,627,735              | 67,375,387 | 67,302,990 |
| Dilutive effect of employee stock compensation plans 1                                    | 203,999                 | 112,557    | 158,371    |
| Denominator for diluted earnings per common share   | 67,831,734              | 67,487,944 | 67,461,361 |
| Basic earnings per share  | \$3.63                  | \$2.96     | \$2.27     |
| Diluted earnings per share  | \$3.61                  | \$2.96     | \$2.27     |
| 1 Excludes employee stock options with exercise prices greater than current market price. | 1,245,483               | 2,735,375  | 1,571,239  |

## (17) Reportable Segments

BOK Financial operates 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, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the overall liquidity needs and interest rate risk of the Company. 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. Funds

management and other also included the FDIC special assessment charge in the second quarter of 2009. Regular FDIC insurance assessments are charged to the business units.

BOK Financial allocates resources and evaluates performance of its 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 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 based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. 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.

Substantially all revenue is from domestic customers. No single external customer accounts for more than 10% of total revenue.

A summary of our reportable segments reconciled to the consolidated financial statements is included in the tables following. Other operating revenue includes Total fees and commission and Gain (loss) on other assets, net from the Consolidated Statement of Earnings. Operating expenses include Total other operating expense from the Consolidated Statement of Earnings excluding the Changes in fair value of mortgage servicing right and Gains (loss) on repossessed assets, net which is included in Net losses and operating expenses of repossessed assets from the Consolidated Statement of Earnings. Gain (losses) on financial instruments, net includes Gain (loss) on derivative, net; Gain on securities, net and the Net impairment losses recognized in earnings. Net loans charged off and provision for credit losses represents net loans charged off as attributed to the lines of business and the provision for credit losses in excess of net charge-offs included attributed to Funds Management and Other.

| (In thousands)   | Year ended December 31, 2010 |                     |                      |                                  |                                  |           |
|--|------------------------------|---------------------|----------------------|----------------------------------|----------------------------------|-----------|
|  | Commercial<br>Banking        | Consumer<br>Banking | Wealth<br>Management | Funds<br>Management<br>and Other | Tax-<br>Equivalent<br>Adjustment | Total     |
| Net interest revenue<br>(expense) from external<br>sources | \$341,770                    | \$86,594            | \$32,634             | \$238,896                        | \$9,158                          | \$709,052 |
| Net interest revenue<br>(expense) from internal<br>sources | (44,685 )                    | 47,360              | 11,913               | (14,588 )                        | –                                | –         |
| Total net interest revenue                                 | 297,085                      | 133,954             | 44,547               | 224,308                          | 9,158                            | 709,052   |
| Other operating revenue                                    | 140,364                      | 203,840             | 164,942              | 6,087                            | –                                | 515,233   |
| Operating expense  | 213,916                      | 244,118             | 177,952              | 97,212                           | –                                | 733,198   |
| Net loans charged off and<br>provision for credit losses   | 70,193                       | 23,057              | 11,128               | 761                              | –                                | 105,139   |
| Change in fair value of<br>mortgage servicing rights       | –                            | 3,661               | –                    | –                                | –                                | 3,661     |
| Gains (losses) on financial<br>instruments, net            | –                            | 11,756              | 282                  | (6,363 )                         | –                                | 5,675     |
| Losses on repossessed<br>assets, net                       | (19,392 )                    | (907 )              | –                    | (3,334 )                         | –                                | (23,633 ) |
| Income before taxes  | 133,948                      | 85,129              | 20,691               | 122,725                          | 9,158                            | 371,651   |
| Federal and state income<br>tax                            | 52,106                       | 33,115              | 8,049                | 30,087                           | –                                | 123,357   |
| Net income before<br>non-controlling interest              | 81,842                       | 52,014              | 12,642               | 92,638                           | 9,158                            | 248,294   |
| Net income attributable to<br>non-controlling interest     | –                            | –                   | –                    | 1,540                            | –                                | 1,540     |
| Net income attributable to<br>BOK Financial Corp.          | \$81,842                     | \$52,014            | \$12,642             | \$91,098                         | \$9,158                          | \$246,754 |

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|                          |             |             |             |             |     |              |
|--------------------------|-------------|-------------|-------------|-------------|-----|--------------|
| Average assets           | \$8,973,559 | \$6,244,728 | \$3,503,370 | \$5,084,142 | \$- | \$23,805,799 |
| Average invested capital | 900,233     | 478,796     | 170,385     | 875,229     | -   | 2,424,643    |

Performance  
measurements:

|                                    |       |   |       |   |       |   |       |   |
|------------------------------------|-------|---|-------|---|-------|---|-------|---|
| Return on average assets           | 0.91  | % | 0.83  | % | 0.36  | % | 1.04  | % |
| Return on average invested capital | 9.09  |   | 10.86 |   | 7.42  |   | 10.18 |   |
| Efficiency ratio                   | 48.90 |   | 72.27 |   | 84.95 |   | 59.89 |   |

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(In thousands)

Year ended December 31, 2009

|  | Commercial<br>Banking | Consumer<br>Banking | Wealth<br>Management | Funds<br>Management<br>and Other | Tax-<br>Equivalent<br>Adjustment | Total        |   |
|--|-----------------------|---------------------|----------------------|----------------------------------|----------------------------------|--------------|---|
| Net interest revenue<br>(expense) from external<br>sources | \$345,374             | \$57,893            | \$ 25,899            | \$ 273,124                       | \$8,074                          | \$710,364    |   |
| Net interest revenue<br>(expense) from internal<br>sources | (52,299 )             | 73,565              | 18,746               | (40,012 )                        | –                                | –            |   |
| Total net interest revenue                                 | 293,075               | 131,458             | 44,645               | 233,112                          | 8,074                            | 710,364      |   |
| Other operating revenue                                    | 133,359               | 182,895             | 156,360              | 12,032                           | –                                | 484,646      |   |
| Operating expense  | 223,227               | 256,337             | 171,540              | 51,788                           | –                                | 702,892      |   |
| Net loans charged off and<br>provision for credit losses   | 100,749               | 24,366              | 11,399               | 59,386                           | –                                | 195,900      |   |
| Change in fair value of<br>mortgage servicing rights       | –                     | 12,124              | –                    | –                                | –                                | 12,124       |   |
| Gains (losses) on financial<br>instruments, net            | –                     | (13,198 )           | –                    | 21,542                           | –                                | 8,344        |   |
| Gains (losses) on<br>repossessed assets, net               | (7,500 )              | 1,773               | –                    | (238 )                           | –                                | (5,965 )     |   |
| Income before taxes  | 94,958                | 34,349              | 18,066               | 155,274                          | 8,074                            | 310,721      |   |
| Federal and state income<br>tax                            | 36,939                | 13,362              | 7,028                | 49,376                           | –                                | 106,705      |   |
| Net income before<br>non-controlling interest              | 58,019                | 20,987              | 11,038               | 105,898                          | 8,074                            | 204,016      |   |
| Net income attributable to<br>non-controlling interest     | –                     | –                   | –                    | 3,438                            | –                                | 3,438        |   |
| Net income attributable to<br>BOK Financial Corp.          | \$58,019              | \$20,987            | \$ 11,038            | \$ 102,460                       | \$8,074                          | \$200,578    |   |
| Average assets   | \$10,108,506          | \$6,149,597         | \$ 3,032,007         | \$ 3,847,277                     | \$–                              | \$23,137,387 |   |
| Average invested capital                                   | 950,684               | 493,074             | 160,276              | 473,007                          | –                                | 2,077,041    |   |
| Performance<br>measurements:                               |                       |                     |                      |                                  |                                  |              |   |
| Return on average assets                                   | 0.57                  | % 0.34              | % 0.36               | %                                |                                  | 0.87         | % |
| Return on average<br>invested capital                      | 6.10                  | 4.26                | 6.89                 |                                  |                                  | 9.66         |   |
| Efficiency ratio   | 52.35                 | 81.54               | 85.34                |                                  |                                  | 58.82        |   |



(In thousands)

Year ended December 31, 2008

|  | Commercial<br>Banking | Consumer<br>Banking | Wealth<br>Management | Funds<br>Management<br>and Other | Tax-<br>Equivalent<br>Adjustment | Total        |
|--|-----------------------|---------------------|----------------------|----------------------------------|----------------------------------|--------------|
| Net interest revenue<br>(expense) from external<br>sources | \$451,624             | \$32,076            | \$ 12,617            | \$ 142,317                       | \$8,228                          | \$646,862    |
| Net interest revenue<br>(expense) from internal<br>sources | (134,009 )            | 118,728             | 32,853               | (17,572 )                        | –                                | –            |
| Total net interest revenue                                 | 317,615               | 150,804             | 45,470               | 124,745                          | 8,228                            | 646,862      |
| Other operating revenue                                    | 106,923               | 148,885             | 156,133              | (6,153 )                         | –                                | 405,788      |
| Operating expense  | 216,403               | 219,024             | 149,960              | 42,991                           | –                                | 628,378      |
| Net loans charged off and<br>provision for credit losses   | 84,650                | 16,650              | 361                  | 100,932                          | –                                | 202,593      |
| Change in fair value of<br>mortgage servicing rights       | –                     | (34,515 )           | –                    | –                                | –                                | (34,515 )    |
| Gains (losses) on financial<br>instruments, net            | 4,689                 | 12,525              | (7 )                 | 5,729                            | –                                | 22,936       |
| Gains (losses) on<br>repossessed assets, net               | (82 )                 | 193                 | –                    | 378                              | –                                | 489          |
| Income (loss) before taxes                                 | 128,092               | 42,218              | 51,275               | (19,224 )                        | 8,228                            | 210,589      |
| Federal and state income<br>tax                            | 49,828                | 16,423              | 19,946               | (21,288 )                        | –                                | 64,909       |
| Net income before<br>non-controlling interest              | 78,264                | 25,795              | 31,329               | 2,064                            | 8,228                            | 145,680      |
| Net loss attributable to<br>non-controlling interest       | –                     | –                   | –                    | (7,552 )                         | –                                | (7,552 )     |
| Net income attributable to<br>BOK Financial Corp.          | \$78,264              | \$25,795            | \$ 31,329            | \$ 9,616                         | \$8,228                          | \$153,232    |
| Average assets   | \$11,044,919          | \$5,764,662         | \$ 2,193,386         | \$ 2,606,852                     | \$–                              | \$21,609,819 |
| Average invested capital                                   | 922,904               | 469,737             | 141,555              | 412,146                          | –                                | 1,946,342    |
| Performance<br>measurements:                               |                       |                     |                      |                                  |                                  |              |
| Return on average assets                                   | 0.71                  | % 0.45              | % 1.43               | %                                |                                  | 0.71 %       |
| Return on average<br>invested capital                      | 8.48                  | 5.49                | 22.13                |                                  |                                  | 7.87         |
| Efficiency ratio   | 50.97                 | 73.08               | 74.38                |                                  |                                  | 59.69        |



## (18) Fair Value of Financial Instruments

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 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                |
| Federal Reserve Bank stock                              | 33,424         |                             |                               |               | 33,424               |
| Federal Home Loan Bank stock                            | 42,207         |                             |                               |               | 42,207               |
| Perpetual preferred stock                               | 22,114         |                             |                               |               | 22,114               |
| Equity securities and mutual funds                      | 43,046         |                             |                               |               | 43,046               |
| Total available for sale securities                     | 9,311,252      |                             |                               |               | 9,311,252            |
| 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     |                             |                               |               | 10,537,454           |
| Allowance for loan losses                               | (292,971 )     |                             |                               |               | –                    |
| Net loans   | 10,350,065     |                             |                               |               | 10,537,454           |
| Mortgage servicing rights                               | 115,723        |                             |                               |               | 115,723              |
|   | 270,445        |                             |                               |               | 270,445              |

|   |            |            |      |             |            |
|---|------------|------------|------|-------------|------------|
| Derivative instruments with positive fair value, net of cash margin |            |            |      |             |            |
| 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 – 2.73 | 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    |

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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, 2009 (dollars in thousands):

|   | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|---|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents   | \$921,216      |                             |                               |               | \$921,216            |
| Trading securities  | 65,354         |                             |                               |               | 65,354               |
| Investment securities:  |                |                             |                               |               |                      |
| Municipal and other tax-exempt                                      | 232,568        |                             |                               |               | 238,847              |
| Other debt securities   | 7,837          |                             |                               |               | 7,857                |
| Total investment securities   | 240,405        |                             |                               |               | 246,704              |
| Available for sale securities:                                      |                |                             |                               |               |                      |
| U.S. Treasury   | 7,020          |                             |                               |               | 7,020                |
| Municipal and other tax-exempt                                      | 62,201         |                             |                               |               | 62,201               |
| U.S. agency residential mortgage-backed securities                  | 7,809,328      |                             |                               |               | 7,809,328            |
| Privately issued residential mortgage-backed securities             | 792,362        |                             |                               |               | 792,362              |
| Other debt securities   | 17,147         |                             |                               |               | 17,147               |
| Federal Reserve Bank stock  | 32,526         |                             |                               |               | 32,526               |
| Federal Home Loan Bank stock  | 78,999         |                             |                               |               | 78,999               |
| Perpetual preferred stock   | 22,275         |                             |                               |               | 22,275               |
| Equity securities and mutual funds                                  | 50,165         |                             |                               |               | 50,165               |
| Total available for sale securities                                 | 8,872,023      |                             |                               |               | 8,872,023            |
| Mortgage trading securities   | 285,950        |                             |                               |               | 285,950              |
| Residential mortgage loans held for sale                            | 217,826        | –                           | –                             | –             | 217,826              |
| Loans:  |                |                             |                               |               |                      |
| Commercial  | 6,207,840      | 1.04 – 18.00%               | 0.47                          | 0.23 – 3.8%   | 6,118,613            |
| Commercial real estate  | 2,491,434      | 2.00 – 18.00                | 1.24                          | 0.24 – 3.81   | 2,457,730            |
| Residential mortgage  | 1,793,622      | 0.08 – 12.75                | 6.93                          | 0.74 – 4.85   | 1,920,449            |
| Consumer  | 786,802        | 1.75 – 21.00                | 1.26                          | 3.81          | 807,288              |
| Total loans   | 11,279,698     |                             |                               |               | 11,304,080           |
| Allowance for loan losses   | (292,095 )     |                             |                               |               | –                    |
| Net loans   | 10,987,603     |                             |                               |               | 11,304,080           |
| Mortgage servicing rights   | 73,824         |                             |                               |               | 73,824               |
| Derivative instruments with positive fair value, net of cash margin | 343,782        |                             |                               |               | 343,782              |
| Other assets – private equity funds                                 | 22,917         |                             |                               |               | 22,917               |
| Deposits with no stated maturity                                    | 11,750,235     |                             |                               |               | 11,750,235           |
| Time deposits   | 3,767,993      | 0.02 – 10.00                | 2.09                          | 0.06 – 2.34   | 3,776,149            |
| Other borrowings  | 4,605,100      | 0.25 – 6.58                 | 0.05                          | 0.06 – 0.25   | 4,989,509            |
| Subordinated debentures   | 398,539        | 5.58                        | 3.55                          | 1.79          | 442,738              |

|   |         |         |
|---|---------|---------|
| Derivative instruments with negative fair value, net of cash margin | 308,360 | 308,360 |
|---|---------|---------|

Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, BOK Financial the fair values shown 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.

#### 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 \$266 million and \$274 million at December 31, 2010 and 2009, respectively.

#### 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 December 31, 2010 and 2009.

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Assets and liabilities recorded at fair value in the financial statement 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.

Transfers between levels are recognized as of the end of the reporting period.

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 December 31, 2010 (in thousands):

|   | Total     | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs |
|---|-----------|--|--|---------------------------------------|
| <b>Assets:</b>  |           |  |  |                                       |
| 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                                 |
| Federal Reserve Bank stock                              | 33,424    | –  | 33,424                                       | –                                     |

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|   |           |        |           |         |
|---|-----------|--------|-----------|---------|
| Federal Home Loan Bank stock                          | 42,207    | –      | 42,207    | –       |
| Perpetual preferred stock                             | 22,114    | –      | 22,114    | –       |
| Equity securities and mutual funds                    | 43,046    | 22,344 | 20,702    | –       |
|   | 9,311,252 | 22,344 | 9,235,415 | 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 <sup>2</sup> | 270,445   | –      | 270,445   | –       |
| Other assets – private equity funds                   | 25,436    | –      | –         | 25,436  |
| <b>Liabilities:</b>                                   |           |        |           |         |
| Certificates of deposit                               | 27,414    | –      | 27,414    | –       |
| Derivative contracts, net of cash margin <sup>2</sup> | 215,420   | –      | 215,420   | –       |

<sup>1</sup> 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 7, Mortgage Banking Activities.

<sup>2</sup> 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 December 31, 2009 (in thousands):

|  | Total     | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs |
|--|-----------|--|--|---------------------------------------|
| <b>Assets:</b>                             |           |  |  |                                       |
| Trading securities                         | \$65,354  | \$ 1,282   | \$54,272                                     | \$ 9,800                              |
| Investment securities                      | 246,704   |  | 246,704                                      |                                       |
| <b>Available for sale securities:</b>      |           |  |  |                                       |
| U.S. Treasury                              | 7,020     | 7,020  |  |                                       |
| Municipal and other tax-exempt             | 62,201    |  | 25,603                                       | 36,598                                |
| Mortgage-backed securities                 | 8,601,690 |  | 8,601,690                                    |                                       |
| Other debt securities                      | 17,147    |  | 31   | 17,116                                |
| Federal Reserve Bank stock                 | 32,526    |  | 32,526                                       |                                       |
| Federal Home Loan Bank stock               | 78,999    |  | 78,999                                       |                                       |
| Perpetual preferred stock                  | 22,275    |  | 22,275                                       |                                       |
| Equity securities and mutual funds         | 50,165    | 24,424   | 25,741                                       |                                       |
|  | 8,872,023 | 31,444   | 8,786,865                                    | 53,714                                |
| Mortgage trading securities                | 285,950   |  | 285,950                                      |                                       |
| Residential mortgage loans held for sale   | 217,826   |  | 217,826                                      |                                       |
| Mortgage servicing rights                  | 73,824    |  |  | 73,824                                |
| Derivative contracts, net of cash margin 2 | 343,782   | 1,175  | 342,607                                      |                                       |
| Other assets – private equity funds        | 22,917    |  |  | 22,917                                |
| <b>Liabilities:</b>                        |           |  |  |                                       |
| Certificates of deposit                    | 98,031    |  | 98,031                                       |                                       |
| Derivative contracts, net of cash margin 2 | 308,360   | 875  | 307,485                                      |                                       |

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 7, Mortgage Banking Activities.

2 See Note 3 for detail of fair value of derivative contracts by contract type. The fair value of derivative assets and liabilities based on Quoted Prices in Active Markets for Identical Instruments represents derivative contracts for agricultural products traded on exchanges.

The fair value of certain municipal and other debt securities classified as trading or available for sale are 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 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. Taxable securities rated investment grade by all nationally recognized rating agencies are generally valued at par to yield 1.76%. As of December 31, 2010, 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 1.15% to 1.45%, which represents a spread of 75 to 80 basis points over average yields of comparable securities as of December 31, 2010. The resulting estimated fair value of tax-exempt securities

rated investments grade ranges from 99.08% to 100% of par value at December 31, 2010.

After other-than-temporary impairment charges, approximately \$11 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 4.62% to 8.93%. These yields were determined using a spread of 425 basis points over average yields for comparable municipal securities of varying durations. The resulting estimated fair value of securities rated below investment grade ranges from 85.13% to 85.34% of par value as of December 31, 2010. All of these securities are currently paying contractual interest in accordance with their respective terms.

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The following represents the changes for the year ended December 31, 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 |
|--|-------------------------------|--------------------------------|-----------------------|-------------------------------------|
|  | Trading Securities            | Municipal and other tax-exempt | Other debt securities |                                     |
| Balance at December 31, 2009                     | \$9,800                       | \$36,598                       | \$17,116              | \$22,917                            |
| Transfer from trading to available for sale      | (13,090 )                     | 12,990                         | 100                   | –                                   |
| Purchases, sales, issuances and settlements, net | 3,555                         | (1,468 )                       | (11,081 )             | 2,479                               |
| Gain (loss) recognized in earnings               |                               |                                |                       |                                     |
| Brokerage and trading revenue                    | (265 )                        | –                              | –                     | –                                   |
| Gain (loss) on other assets, net                 | –                             | –                              | –                     | 40                                  |
| Gain on securities, net                          | –                             | 7                              | 259                   | –                                   |
| Other-than-temporary impairment losses           | –                             | (1,019 )                       | –                     | –                                   |
| Other comprehensive income (loss)                | –                             | (15 )                          | 6                     | –                                   |
| Balance December 31, 2010                        | \$–                           | \$47,093                       | \$6,400               | \$25,436                            |

The following represents the changes for the year ended December 31, 2009 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 |
|--|-------------------------------|--------------------------------|-----------------------|-------------------------------------|
|  | Trading Securities            | Municipal and other tax-exempt | Other debt securities |                                     |
| Balance at December 31, 2008                     | \$–                           | \$–                            | \$–                   | \$15,891                            |
| Transfer to significant unobservable inputs      | 44,650                        | –                              | –                     | –                                   |
| Transfer from trading to available for sale      | (45,890 )                     | 32,540                         | 13,350                | –                                   |
| Purchases, sales, issuances and settlements, net | 11,850                        | 4,268                          | 3,792                 | 2,906                               |
| Gain (loss) recognized in earnings               |                               |                                |                       |                                     |
| Brokerage and trading revenue                    | (810 )                        | –                              | –                     | –                                   |
| Gain (loss) on other assets, net                 | –                             | –                              | –                     | 4,120                               |
| Other comprehensive income (loss)                | –                             | (210 )                         | (26 )                 | –                                   |
| Balance December 31, 2009                        | \$9,800                       | \$36,598                       | \$17,116              | \$22,917                            |

All trading securities with fair values based on significant unobservable inputs were transferred to available for sale based on sales limitations and banking regulations.

Approximately \$45 million of trading securities were transferred to significant unobservable inputs during 2009. Independent pricing of these securities was discontinued due to a lack of observable inputs. The Company purchased an additional \$12 million of similar securities into the trading portfolio after independent pricing was

discontinued. Losses recognized in earnings during 2009 based on significant unobservable inputs totaled \$810 thousand and included \$513 thousand on securities transferred and \$297 thousand on securities purchased. There were no transfers from quoted prices in active markets for identical instruments to significant other observable inputs during 2010.

#### 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 year ended December 31, 2010:

|  | Quoted<br>Prices<br>in Active<br>Markets<br>for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs | Gross<br>charge-offs<br>against<br>allowance<br>for loan<br>loss | Gross<br>charge-offs<br>against<br>allowance<br>for<br>recourse<br>loans | Net losses<br>and<br>expenses of<br>repossessed<br>assets, net | Other<br>expense |
|--|---|--|---------------------------------------|--|--|--|------------------|
| Impaired loans                                 | \$ –  | \$77,665                                     | \$ –                                  | \$51,058   | \$265  | \$ –   | \$ –             |
| Real estate and<br>other repossessed<br>assets | –   | 72,113                                       | 1,607                                 | –  | –  | 25,020   | –                |
| Other assets –<br>alternative<br>investments   | –   | –  | 3,910                                 | –  | –  | –  | 1,750            |



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 year ended December 31, 2009:

|  | Carrying Value at December 31, 2009                       |                                     |                                 | Fair Value Adjustment for the Year Ended December 31, 2009 Recognized In: |  |                        |
|--|---|-------------------------------------|---------------------------------|---|--|------------------------|
|  | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Gross charge-offs against allowance for loan loss                         | Net losses and expenses of repossessed assets, net | Mortgage banking costs |
| Impaired loans                           | \$–   | \$73,195                            | \$ –                            | \$73,985  | \$–  | \$–                    |
| Real estate and other repossessed assets | –   | 21,042                              | –                               | –   | 8,611  | –                      |

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 observable 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.

The fair value of pension plan assets was approximately \$44 million and \$42 million at December 31, 2010 and 2009, respectively, determined by significant other observable inputs. Fair value adjustments of pension plan assets along with changes in projected benefit obligation are recognized in other comprehensive income (loss).

Intangible assets, which consist primarily of goodwill, core deposit intangible assets and other acquired intangibles, for each business unit are evaluated for impairment annually as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our business units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are to be significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. Critical assumptions in our evaluation were a 11% average expected long-term growth rate, a 0.75% volatility factor for BOK Financial common stock, an 11.73% discount rate, and an 12.26% market risk premium. In general, the growth rate for all reporting units for 2011 is based primarily upon continued expected improvements in credit quality, with steady growth in future years based on the expectation of improving overall economic growth.

#### 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 December 31, 2010, the fair value and contractual principal amounts of these certificates was \$27 million and \$27 million, respectively. At December 31, 2009, the fair value and contractual principal amount of these certificates was \$98 million and \$97 million, respectively. Changes in the fair value of these certificates of deposit are included in Gain (Loss) on Derivatives, net in the Consolidated Statement of Earnings. Changes in the fair value of certificates of deposits increased pre-tax net income by \$1.2 million in 2010 and \$7.9 million in 2009 and decreased pre-tax net income by \$10.2 million in 2008.

As more fully disclosed in Note 2 and Note 7 to the Consolidated Financial Statements, the Company has elected to carry certain mortgage-backed securities which have been designated as economic hedges against changes in the fair value of mortgage servicing rights and residential mortgage loans held for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

## (19) Parent Company Only Financial Statements

Summarized financial information for BOK Financial – Parent Company Only follows:

## Balance Sheets

(In thousands)

December 31,  
2010                      2009

## Assets

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Cash and cash equivalents       | \$ 207,453   | \$ 19,088    |
| Securities – available for sale | 59,115       | 49,669       |
| Investment in subsidiaries      | 2,255,222    | 2,138,253    |
| Other assets                    | 25,846       | 47,240       |
| Total assets                    | \$ 2,547,636 | \$ 2,254,250 |

## Liabilities and Shareholders' Equity

|  |              |              |
|--|--------------|--------------|
| Other liabilities                          | \$ 25,910    | \$ 48,437    |
| Total liabilities                          | 25,910       | 48,437       |
| Common stock                               | 4            | 4            |
| Capital surplus                            | 782,805      | 758,723      |
| Retained earnings                          | 1,743,880    | 1,563,683    |
| Treasury stock                             | (112,802 )   | (105,857 )   |
| Accumulated other comprehensive loss       | 107,839      | (10,740 )    |
| Total shareholders' equity                 | 2,521,726    | 2,205,813    |
| Total liabilities and shareholders' equity | \$ 2,547,636 | \$ 2,254,250 |

## Statements of Earnings

(In thousands)

2010                      2009                      2008

|   |            |            |           |
|---|------------|------------|-----------|
| Dividends, interest and fees received from subsidiaries | \$ 280,125 | \$ 172,023 | \$ 76,587 |
| Other operating revenue                                 | 1,883      | 674        | 359       |
| Total revenue   | 282,008    | 172,697    | 76,946    |

|                                |       |     |       |
|--------------------------------|-------|-----|-------|
| Interest expense               | 507   | 581 | 2,131 |
| Professional fees and services | 795   | –   | 842   |
| Other operating expense        | 1,632 | –   | 290   |
| Total expense                  | 2,934 | 581 | 3,263 |

## Income before taxes and equity in undistributed

|   |         |         |          |
|---|---------|---------|----------|
| income of subsidiaries                        | 279,074 | 172,116 | 73,683   |
| Federal and state income tax expense (credit) | 415     | 738     | (1,505 ) |

## Income before equity in undistributed income of

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|   |            |            |            |
|---|------------|------------|------------|
| subsidiaries                                      | 278,659    | 171,378    | 75,188     |
| Equity in undistributed income of<br>subsidiaries | (31,905 )  | 29,200     | 78,044     |
| Net income  | \$ 246,754 | \$ 200,578 | \$ 153,232 |

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Statements of Cash Flows  
(In thousands)

|   | 2010       | 2009       | 2008       |
|---|------------|------------|------------|
| Cash flows from operating activities:   |            |            |            |
| Net income  | \$ 246,754 | \$ 200,578 | \$ 153,232 |
| Adjustments to reconcile net income to net cash provided by operating activities: |            |            |            |
| Equity in undistributed income of subsidiaries                                    | 31,905     | (70,959 )  | (78,044 )  |
| Tax (expense) benefit on exercise of stock options                                | (425 )     | 276        | (895 )     |
| Change in other assets  | 20,713     | (45,617 )  | (3,930 )   |
| Change in other liabilities   | (20,216 )  | 47,333     | (402 )     |
| Net cash provided by operating activities   | 278,731    | 131,611    | 69,961     |
| Cash flows from investing activities:   |            |            |            |
| Purchases of available for sale securities  | (10,669 )  | (2,903 )   | –          |
| Investment in subsidiaries  | (21,692 )  | (26,500 )  | (16,244 )  |
| Net cash used by investing activities   | (32,361 )  | (29,403 )  | (16,244 )  |
| Cash flows from financing activities:   |            |            |            |
| Increase in other borrowings  | –          | –          | 50,000     |
| Pay down of other borrowings  | –          | (50,000 )  | (50,000 )  |
| Issuance of common and treasury stock, net  | 8,552      | 10,508     | 9,533      |
| Cash dividends  | (66,557 )  | (63,952 )  | (59,191 )  |
| Repurchase of common stock  | –          | –          | (7,992 )   |
| Net cash used by financing activities   | (58,005 )  | (103,444 ) | (57,650 )  |
| Net change in cash and cash equivalents   | 188,365    | (1,236 )   | (3,933 )   |
| Cash and cash equivalents at beginning of period                                  | 19,088     | 20,324     | 24,257     |
| Cash and cash equivalents at end of period  | \$ 207,453 | \$ 19,088  | \$ 20,324  |
| Cash paid for interest  | \$ 507     | \$ 589     | \$ 2,282   |

(20) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on December 31, 2010 through the issuance of those consolidated financial statements included in this Annual Report on Form 10-K on February 28, 2011. No additional events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

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## Annual Financial Summary – Unaudited

Consolidated Daily Average Balances,  
Average Yields and Rates

(Dollars in thousands)

|  | Average<br>Balance | 2010<br>Revenue/<br>Expense <sup>1</sup> | Yield/<br>Rate |   |
|--|--------------------|--|----------------|---|
| <b>Assets</b>  |                    |  |                |   |
| Taxable securities <sup>3</sup>                                    | \$9,691,698        | \$308,215                                | 3.30           | % |
| Tax-exempt securities <sup>3</sup>                                 | 276,247            | 13,819                                   | 5.00           |   |
| Total securities <sup>3</sup>                                      | 9,967,945          | 322,034                                  | 3.35           |   |
| Trading securities   | 68,286             | 2,782                                    | 4.07           |   |
| Funds sold and resell agreements                                   | 23,743             | 27                                       | 0.11           |   |
| Residential mortgage loans held for sale                           | 214,347            | 9,261                                    | 4.32           |   |
| Loans <sup>2</sup>   | 10,917,966         | 526,136                                  | 4.82           |   |
| Less allowance for loan losses                                     | 309,279            | –  | –              |   |
| Loans, net of allowance  | 10,608,687         | 526,136                                  | 4.96           |   |
| Total earning assets <sup>3</sup>                                  | 20,883,008         | 860,240                                  | 4.19           |   |
| Cash and other assets  | 2,922,791          |  |                |   |
| Total assets   | \$23,805,799       |  |                |   |
| <b>Liabilities and Shareholders' Equity</b>                        |                    |  |                |   |
| Transaction deposits   | \$8,573,117        | \$38,886                                 | 0.45           | % |
| Savings deposits   | 184,099            | 719                                      | 0.39           |   |
| Time deposits  | 3,712,140          | 66,660                                   | 2.40           |   |
| Total interest-bearing deposits                                    | 12,469,356         | 106,265                                  | 0.85           |   |
| Funds purchased and repurchase agreements                          | 2,315,823          | 8,259                                    | 0.36           |   |
| Other borrowings   | 1,537,025          | 5,075                                    | 0.33           |   |
| Subordinated debentures  | 398,619            | 22,431                                   | 5.63           |   |
| Total interest-bearing liabilities                                 | 16,720,823         | 142,030                                  | 0.85           |   |
| Demand deposits  | 3,789,375          |  |                |   |
| Other liabilities  | 870,958            |  |                |   |
| Shareholders' equity   | 2,424,643          |  |                |   |
| Total liabilities and shareholders' equity                         | \$23,805,799       |  |                |   |
| <b>Tax-equivalent Net Interest Revenue<sup>3</sup></b>             |                    |  |                |   |
| Tax-equivalent Net Interest Revenue to Earning Assets <sup>3</sup> |                    | \$718,210                                | 3.34           | % |
| Less tax-equivalent adjustment <sup>1</sup>                        |                    | 9,158                                    |                |   |
| Net Interest Revenue   |                    | 709,052                                  |                |   |
| Provision for credit losses  |                    | 105,139                                  |                |   |
| Other operating revenue  |                    | 520,908                                  |                |   |
| Other operating expense  |                    | 753,170                                  |                |   |
| Income before taxes  |                    | 371,651                                  |                |   |
| Federal and state income tax                                       |                    | 123,357                                  |                |   |
| Net income before non-controlling interest                         |                    | 248,294                                  |                |   |
| Net income (loss) attributable to non-controlling interest         |                    | 1,540                                    |                |   |



Net income attributable to BOK Financial Corp.

\$246,754

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. See Note 1 of Notes to the Consolidated Financial Statements for a description of income recognition policy.

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

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| Average Balance | 2009 Revenue/Expense1 | Yield/Rate |   | Average Balance | 2008 Revenue/Expense1 | Yield/Rate |   |
|-----------------|-----------------------|------------|---|-----------------|-----------------------|------------|---|
| \$7,896,861     | \$328,997             | 4.32       | % | \$6,087,167     | \$313,361             | 5.10       | % |
| 274,508         | 15,376                | 5.60       |   | 258,552         | 16,653                | 6.48       |   |
| 8,171,369       | 344,373               | 4.36       |   | 6,345,719       | 330,014               | 5.16       |   |
| 89,240          | 3,700                 | 4.15       |   | 73,563          | 4,935                 | 6.71       |   |
| 44,348          | 77                    | 0.17       |   | 70,287          | 1,577                 | 2.24       |   |
| 218,305         | 10,102                | 4.63       |   | 106,179         | 5,805                 | 5.47       |   |
| 12,133,912      | 564,391               | 4.65       |   | 12,487,504      | 727,542               | 5.83       |   |
| 279,689         | –                     | –          |   | 168,042         | –                     | –          |   |
| 11,854,223      | 564,391               | 4.76       |   | 12,319,462      | 727,542               | 5.91       |   |
| 20,377,485      | 922,643               | 4.59       |   | 18,915,210      | 1,069,873             | 5.64       |   |
| 2,759,902       |                       |            |   | 2,694,609       |                       |            |   |
| \$23,137,387    |                       |            |   | \$21,609,819    |                       |            |   |
| \$7,093,768     | \$51,607              | 0.73       | % | \$6,342,421     | \$121,403             | 1.91       | % |
| 165,677         | 614                   | 0.37       |   | 158,096         | 676                   | 0.43       |   |
| 4,682,462       | 112,141               | 2.39       |   | 4,552,931       | 166,845               | 3.66       |   |
| 11,941,907      | 164,362               | 1.38       |   | 11,053,448      | 288,924               | 2.61       |   |
| 2,333,179       | 8,355                 | 0.36       |   | 3,087,012       | 61,371                | 1.99       |   |
| 2,166,804       | 9,190                 | 0.42       |   | 1,745,938       | 42,226                | 2.42       |   |
| 398,471         | 22,298                | 5.60       |   | 398,333         | 22,262                | 5.59       |   |
| 16,840,361      | 204,205               | 1.21       |   | 16,284,731      | 414,783               | 2.55       |   |
| 3,279,347       |                       |            |   | 2,632,719       |                       |            |   |
| 940,638         |                       |            |   | 746,027         |                       |            |   |
| 2,077,041       |                       |            |   | 1,946,342       |                       |            |   |
| \$23,137,387    |                       |            |   | \$21,609,819    |                       |            |   |
|                 | \$718,438             | 3.38       | % |                 | \$655,090             | 3.09       | % |
|                 |                       | 3.57       |   |                 |                       | 3.45       |   |
|                 | 8,074                 |            |   |                 | 8,228                 |            |   |
|                 | 710,364               |            |   |                 | 646,862               |            |   |
|                 | 195,900               |            |   |                 | 202,593               |            |   |
|                 | 492,990               |            |   |                 | 428,724               |            |   |
|                 | 696,733               |            |   |                 | 662,404               |            |   |
|                 | 310,721               |            |   |                 | 210,589               |            |   |
|                 | 106,705               |            |   |                 | 64,909                |            |   |

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|           |           |
|-----------|-----------|
| 204,016   | 145,680   |
| 3,438     | (7,552 )  |
| \$200,578 | \$153,232 |

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## Quarterly Financial Summary – Unaudited

Consolidated Daily Average Balances,  
Average Yields and Rates

|   | Three Months Ended |                                  |                |                    |                                  |                |
|---|--------------------|----------------------------------|----------------|--------------------|----------------------------------|----------------|
|   | December 31, 2010  |                                  |                | September 30, 2010 |                                  |                |
|   | Average<br>Balance | Revenue/<br>Expense <sup>1</sup> | Yield/<br>Rate | Average<br>Balance | Revenue/<br>Expense <sup>1</sup> | Yield/<br>Rate |
| <b>Assets</b>                                       |                    |                                  |                |                    |                                  |                |
| Taxable securities <sup>3</sup>                     | \$10,220,359       | \$64,671                         | 2.67 %         | \$9,953,104        | \$79,472                         | 3.28 %         |
| Tax-exempt securities <sup>3</sup>                  | 258,368            | 3,224                            | 4.95           | 256,110            | 3,145                            | 4.87           |
| Total securities <sup>3</sup>                       | 10,478,727         | 67,895                           | 2.73           | 10,209,214         | 82,617                           | 3.32           |
| Trading securities                                  | 74,084             | 759                              | 4.06           | 69,315             | 570                              | 3.26           |
| Funds sold and resell<br>agreements                 | 21,128             | 7                                | 0.13           | 18,882             | 4                                | 0.08           |
| Residential mortgage loans<br>held for sale         | 282,734            | 2,745                            | 3.85           | 242,559            | 2,592                            | 4.24           |
| Loans <sup>2</sup>                                  | 10,667,193         | 128,005                          | 4.76           | 10,861,515         | 133,336                          | 4.87           |
| Less allowance for loan losses                      | 307,223            | –                                | –              | 308,139            | –                                | –              |
| Loans, net of allowance                             | 10,359,970         | 128,005                          | 4.90           | 10,553,376         | 133,336                          | 5.01           |
| Total earning assets <sup>3</sup>                   | 21,216,643         | 199,411                          | 3.84           | 21,093,346         | 219,119                          | 4.19           |
| Cash and other assets                               | 3,066,308          |                                  |                | 3,098,944          |                                  |                |
| Total assets  | \$24,282,951       |                                  |                | \$24,192,290       |                                  |                |
| <b>Liabilities and Shareholders' Equity</b>         |                    |                                  |                |                    |                                  |                |
| Transaction deposits                                | \$9,325,573        | 8,772                            | 0.37           | \$8,699,495        | 9,935                            | 0.45           |
| Savings deposits                                    | 191,235            | 171                              | 0.35           | 189,512            | 185                              | 0.39           |
| Time deposits                                       | 3,602,150          | 16,147                           | 1.78           | 3,774,136          | 17,146                           | 1.80           |
| Total interest-bearing deposits                     | 13,118,958         | 25,090                           | 0.76           | 12,663,143         | 27,266                           | 0.85           |
| Funds purchased and<br>repurchase agreements        | 1,977,380          | 1,975                            | 0.40           | 2,227,088          | 2,008                            | 0.36           |
| Other borrowings                                    | 829,756            | 767                              | 0.37           | 1,465,516          | 1,314                            | 0.36           |
| Subordinated debentures                             | 398,680            | 5,666                            | 5.64           | 398,638            | 5,664                            | 5.64           |
| Total interest-bearing<br>liabilities               | 16,324,774         | 33,498                           | 0.81           | 16,754,385         | 36,252                           | 0.86           |
| Demand deposits                                     | 4,171,595          |                                  |                | 3,831,486          |                                  |                |
| Other liabilities                                   | 1,251,025          |                                  |                | 1,124,000          |                                  |                |
| Shareholders' equity                                | 2,535,557          |                                  |                | 2,482,419          |                                  |                |
| Total liabilities and<br>shareholders' equity       | \$24,282,951       |                                  |                | \$24,192,290       |                                  |                |
| Tax-equivalent Net Interest<br>Revenue <sup>3</sup> |                    | \$165,913                        | 3.03 %         |                    | \$182,867                        | 3.33 %         |

|  |          |          |
|--|----------|----------|
| Tax-equivalent Net Interest Revenue to Earning Assets <sup>3</sup> | 3.19     | 3.50     |
| Less tax-equivalent adjustment <sup>1</sup>                        | 2,263    | 2,152    |
| Net Interest Revenue   | 163,650  | 180,715  |
| Provision for credit losses  | 6,999    | 20,000   |
| Other operating revenue  | 111,913  | 137,673  |
| Other operating expense  | 178,361  | 205,165  |
| Income before taxes  | 90,203   | 93,223   |
| Federal and state income tax                                       | 31,097   | 29,935   |
| Net income   | 59,106   | 63,288   |
| Net income (loss) attributable to non-controlling interest         | 274      | (979 )   |
| Net income attributable to BOK Financial Corp.                     | \$58,832 | \$64,267 |
| Earnings Per Average Common Share Equivalent:                      |          |          |
| Net income:  |          |          |
| Basic  | \$0.86   | \$0.94   |
| Diluted  | \$0.86   | \$0.94   |

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

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

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

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| June 30, 2010      |                      |                | Three Months Ended<br>March 31, 2010 |                      |                | December 31, 2009  |                      |                |
|--------------------|----------------------|----------------|--------------------------------------|----------------------|----------------|--------------------|----------------------|----------------|
| Average<br>Balance | Revenue/<br>Expense1 | Yield/<br>Rate | Average<br>Balance                   | Revenue/<br>Expense1 | Yield/<br>Rate | Average<br>Balance | Revenue/<br>Expense1 | Yield/<br>Rate |
| \$9,366,703        | \$81,460             | 3.56 %         | \$9,212,677                          | \$82,612             | 3.73 %         | \$8,875,417        | \$82,392             | 3.83 %         |
| 296,282            | 3,614                | 4.89           | 294,849                              | 3,836                | 5.28           | 286,550            | 3,726                | 5.16           |
| 9,662,985          | 85,074               | 3.60           | 9,507,526                            | 86,448               | 3.78           | 9,161,967          | 86,118               | 3.87           |
| 58,722             | 661                  | 4.51           | 70,979                               | 792                  | 4.53           | 68,027             | 927                  | 5.41           |
| 22,776             | 8                    | 0.14           | 32,363                               | 8                    | 0.10           | 30,358             | 16                   | 0.21           |
| 183,489            | 2,177                | 4.76           | 137,404                              | 1,747                | 5.16           | 194,760            | 2,311                | 4.71           |
| 10,971,466         | 132,004              | 4.83           | 11,187,320                           | 132,791              | 4.81           | 11,492,696         | 137,235              | 4.74           |
| 312,595            | –                    | –              | 309,194                              | –                    | –              | 298,157            | –                    | –              |
| 10,658,871         | 132,004              | 4.97           | 10,878,126                           | 132,791              | 4.95           | 11,194,539         | 137,235              | 4.86           |
| 20,586,843         | 219,924              | 4.33           | 20,626,398                           | 221,786              | 4.41           | 20,649,651         | 226,607              | 4.42           |
| 2,857,964          |                      |                | 3,086,349                            |                      |                | 3,046,083          |                      |                |
| \$23,444,807       |                      |                | \$23,712,747                         |                      |                | \$23,695,734       |                      |                |
| \$8,287,296        | 10,044               | 0.49           | \$7,963,752                          | \$10,135             | 0.52           | \$7,734,678        | \$11,092             | 0.57 %         |
| 184,376            | 185                  | 0.40           | 170,990                              | 178                  | 0.42           | 167,572            | 199                  | 0.47           |
| 3,701,167          | 16,063               | 1.74           | 3,772,295                            | 17,304               | 1.86           | 4,002,337          | 19,700               | 1.95           |
| 12,172,839         | 26,292               | 0.87           | 11,907,037                           | 27,617               | 0.94           | 11,904,587         | 30,991               | 1.03           |
| 2,491,084          | 2,254                | 0.36           | 2,575,286                            | 2,022                | 0.32           | 2,173,476          | 1,658                | 0.30           |
| 1,619,745          | 1,403                | 0.35           | 2,249,470                            | 1,591                | 0.29           | 2,380,938          | 1,742                | 0.29           |
| 398,598            | 5,535                | 5.57           | 398,559                              | 5,566                | 5.66           | 398,522            | 5,542                | 5.52           |
| 16,682,266         | 35,484               | 0.85           | 17,130,352                           | 36,796               | 0.87           | 16,857,523         | 39,933               | 0.94           |
| 3,660,910          |                      |                | 3,485,504                            |                      |                | 3,666,663          |                      |                |
| 722,902            |                      |                | 798,263                              |                      |                | 924,803            |                      |                |
| 2,378,729          |                      |                | 2,298,628                            |                      |                | 2,246,745          |                      |                |
| \$23,444,807       |                      |                | \$23,712,747                         |                      |                | \$23,695,734       |                      |                |
|                    | \$184,440            | 3.48 %         |                                      | \$184,990            | 3.54 %         |                    | \$186,674            | 3.48 %         |
|                    |                      | 3.63           |                                      |                      | 3.68           |                    |                      | 3.64           |
|                    | 2,327                |                |                                      | 2,416                |                |                    | 2,196                |                |
|                    | 182,113              |                |                                      | 182,574              |                |                    | 184,478              |                |
|                    | 36,040               |                |                                      | 42,100               |                |                    | 48,620               |                |
|                    | 157,439              |                |                                      | 113,883              |                |                    | 108,163              |                |
|                    | 205,912              |                |                                      | 163,732              |                |                    | 176,437              |                |
|                    | 97,600               |                |                                      | 90,625               |                |                    | 67,584               |                |
|                    | 32,042               |                |                                      | 30,283               |                |                    | 24,780               |                |
|                    | 65,558               |                |                                      | 60,342               |                |                    | 42,804               |                |

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|           |           |           |
|-----------|-----------|-----------|
| 2,036     | 209       | 33        |
| \$ 63,522 | \$ 60,133 | \$ 42,771 |
|           |           |           |
| \$ 0.93   | \$ 0.88   | \$ 0.63   |
| \$ 0.93   | \$ 0.88   | \$ 0.63   |

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Company, within the time periods specified in the Securities and Exchange Commission's rules and forms.

In addition and as of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f), as amended, of the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

The Report of Management on Financial Statements and Management's Report on Internal Control over Financial Reporting appear within Item 8, "Financial Statements and Supplementary Data." The independent registered public accounting firm, Ernst & Young LLP, has audited the financial statements included in Item 8 and has issued an audit report on the Company's internal control over financial reporting, which appears therein.

ITEM 9B. OTHER INFORMATION

None.



### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth under the headings “Election of Directors,” “Executive Officers,” “Insider Reporting,” “Director Nominations,” and “Risk Oversight and Audit Committee” in BOK Financial’s 2011 Annual Proxy Statement is incorporated herein by reference.

The Company has a Code of Ethics which is applicable to all Directors, officers and employees of the Company, including the Chief Executive Officer and the Chief Financial Officer, the principal executive officer and principal financial and accounting officer, respectively. A copy of the Code of Ethics will be provided without charge to any person who requests it by writing to the Company’s headquarters at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192 or telephoning the Chief Auditor at (918) 588-6000. The Company will also make available amendments to or waivers from its Code of Ethics applicable to Directors or executive officers, including the Chief Executive Officer and the Chief Financial Officer, in accordance with all applicable laws and regulations.

There are no material changes to the procedures by which security holders may recommend nominees to the Company’s board of directors since the Company’s 2010 Annual Proxy Statement to Shareholders.

#### ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the heading “Compensation Discussion and Analysis,” “Compensation Committee Interlocks and Insider Participation,” Compensation Committee Report,” “Executive Compensation Tables,” and “Director Compensation” in BOK Financial’s 2011 Annual Proxy Statement is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Election of Directors” in BOK Financial’s 2011 Annual Proxy Statement is incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related parties is set forth in Note 13 of the Company’s Notes to Consolidated Financial Statements, which appears elsewhere herein. Additionally, the information set forth under the heading “Certain Transactions,” “Director Independence” and “Related Party Transaction Review and Approval Process” in BOK Financial’s 2011 Annual Proxy Statement is incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the heading “Principal Accountant Fees and Services” in BOK Financial’s 2011 Annual Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements of BOK Financial Corporation are filed as part of this Form 10-K in Item 8:

Consolidated Statements of Earnings for the years ended December 31, 2010, 2009 and 2008

Consolidated Balance Sheets as of December 31, 2010 and 2009

Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

Annual Financial Summary – Unaudited

Quarterly Financial Summary - Unaudited

Reports of Independent Registered Public Accounting Firm

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(a) (2) Financial Statement Schedules

The schedules to the consolidated financial statements required by Regulation S-X are not required under the related instructions or are inapplicable and are therefore omitted.

(a) (3) Exhibits

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 3.0            | The Articles of Incorporation of BOK Financial, incorporated by reference to (i) Amended and Restated Certificate of Incorporation of BOK Financial filed with the Oklahoma Secretary of State on May 28, 1991, filed as Exhibit 3.0 to S-1 Registration Statement No. 33-90450, and (ii) Amendment attached as Exhibit A to Information Statement and Prospectus Supplement filed November 20, 1991. |
| 3.1            | Bylaws of BOK Financial, incorporated by reference to Exhibit 3.1 of S-1 Registration Statement No. 33-90450.   |
| 3.1(a)         | Bylaws of BOK Financial, as amended and restated as of October 30, 2007, incorporated by reference to Exhibit 3.1 of Form 8-K filed on November 5, 2007.  |
| 4.0            | The rights of the holders of the Common Stock and Preferred Stock of BOK Financial are set forth in its Certificate of Incorporation.   |
| 10.0           | Purchase and Sale Agreement dated October 25, 1990, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.0 of S-1 Registration Statement No. 33-90450.   |
| 10.1           | Amendment to Purchase and Sale Agreement effective March 29, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.2 of S-1 Registration Statement No. 33-90450   |
| 10.2           | Letter agreement dated April 12, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.3 of S-1 Registration Statement No. 33-90450.  |
| 10.3           | Second Amendment to Purchase and Sale Agreement effective April 15, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.4 of S-1 Registration Statement No. 33-90450.   |
| 10.4           | Employment and Compensation Agreements.   |
| 10.4(a)        | Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(a) of Form 10-K for the fiscal year ended December 31, 1991.  |

- 10.4(b) Amendment to 1991 Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(b) of Form 10-K for the fiscal year ended December 31, 2001.
- 10.4(c) Amended and Restated Deferred Compensation Agreement (Amended as of September 1, 2003) between Stanley A. Lybarger and BOK Financial Corporation, incorporated by reference to Exhibit 10.4 (c) of Form 10-Q for the quarter ended September 30, 2003.
- 10.4 (d) 409A Deferred Compensation Agreement between Stanley A. Lybarger and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4 (d) of Form 8-K filed on January 5, 2005.
- 10.4 (e) Guaranty by George B. Kaiser in favor of Stanley A. Lybarger dated March 7, 2005, incorporated by reference to Exhibit 10.4 (e) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4 (f) Third Amendment to 1991 Employment Agreement between Stanley A. Lybarger and Bank of Oklahoma, National Association, incorporated by reference to Exhibit 10.4 (f) of Form 10-K for the fiscal year ended December 31, 2007.
- 10.4 (g) Amended and Restated Employment Agreement dated December 26, 2008 between BOK Financial Corporation and Stanley A. Lybarger, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on December 26, 2008.
- 10.4.2 Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven G. Bradshaw and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.2 of Form 10-K for the fiscal year ended December 31, 2003.

- 10.4.2 (a) 409A Deferred Compensation Agreement between Steven G. Bradshaw and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.2 (a) of Form 8-K filed on January 5, 2005.
- 10.4.2 (b) Employment Agreement between BOK Financial and Steven G. Bradshaw dated September 29, 2003, incorporated by reference to Exhibit 10.4.2 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.4 Amended and Restated Employment Agreement (Amended as of June 14, 2002) among First National Bank of Park Cities, BOK Financial Corporation and C. Fred Ball, Jr., incorporated by reference to Exhibit 10.4.4 of Form 10-K for the fiscal year ended December 31, 2003.
- 10.4.5 409A Deferred Compensation Agreement between Daniel H. Ellinor and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.5 of Form 8-K filed on January 5, 2005.
- 10.4.5 (a) Employment Agreement between BOK Financial and Dan H. Ellinor dated August 29, 2003, incorporated by reference to Exhibit 10.4.5 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.5 (b) Deferred Compensation Agreement dated November 28, 2003 between Daniel H. Ellinor and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.5 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.7 409A Deferred Compensation Agreement between Steven E. Nell and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.7 of Form 8-K filed on January 5, 2005.
- 10.4.7 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven E. Nell and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.7 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.8 Employment Agreement dated August 1, 2005 between BOK Financial Corporation and Donald T. Parker, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on February 1, 2006.
- 10.6

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Capitalization and Stock Purchase Agreement dated May 20, 1991, between BOK Financial and Kaiser, incorporated by reference to Exhibit 10.6 of S-1 Registration Statement No. 33-90450.

- 10.7.7 BOK Financial Corporation 2001 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-62578.
- 10.7.8 BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79836.
- 10.7.9 Bank of Oklahoma Thrift Plan (Amended and Restated Effective as of January 1, 1995), incorporated by reference to Exhibit 10.7.6 of Form 10-K for the year ended December 31, 1994.
- 10.7.10 Trust Agreement for the Bank of Oklahoma Thrift Plan (December 30, 1994), incorporated by reference to Exhibit 10.7.7 of Form 10-K for the year ended December 31, 1994.
- 10.7.11 BOK Financial Corporation 2003 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106531.
- 10.7.12 BOK Financial Corporation 2003 Executive Incentive Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106530.
- 10.7.13 10b5-1 Repurchase Plan between BOK Financial Corporation and BOSCO, Inc. dated May 27, 2008, incorporated by reference to Exhibit 10.1 of Form 8-K filed May 27, 2008.
- 10.8 Lease Agreement between One Williams Center Co. and National Bank of Tulsa (predecessor to BOK) dated June 18, 1974, incorporated by reference to Exhibit 10.9 of S-1 Registration Statement No. 33-90450.
- 10.9 Lease Agreement between Security Capital Real Estate Fund and BOK dated January 1, 1988, incorporated by reference to Exhibit 10.10 of S-1 Registration Statement No. 33-90450.

- 10.34 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Twelve, Worth Bancorporation, Inc., and Worth National Bank dated March 9, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on March 12, 2007.
- 10.35 Stock Purchase Agreement among BOK Financial Corporation, BOKF Stock Corporation Number Thirteen, United Banks of Colorado, Inc., First United Bank, NA and Baltz Family Partners, Ltd. dated May 23, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on May 24, 2007.
- 21.0 Subsidiaries of BOK Financial, filed herewith.
- 23.0 Consent of independent registered public accounting firm - Ernst & Young LLP, filed herewith.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 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, filed herewith.
- 99.0 Additional Exhibits.
- 99 (c) First Amended Debenture dated December 2, 2009 between BOK Financial Corporation and George B. Kaiser, incorporated by reference to Exhibit 99 (a) of Form 8-K filed December 4, 2009.
- 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 the Consolidated Financial Statements, tagged as blocks of text\*

\* 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.

(b) Exhibits

See Item 15 (a) (3) above.

(c) Financial Statement Schedules

See Item 15 (a) (2) above.





SIGNATURES

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

BOK FINANCIAL CORPORATION

DATE: February 28, 2011  
Kaiser

George B. Kaiser

BY: /s/ George B.

Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 28, 2011, by the following persons on behalf of the registrant and in the capacities indicated.

OFFICERS

/s/ George B. Kaiser  
George B. Kaiser  
Chairman of the Board of Directors

/s/ Stanley A. Lybarger  
Stanley A. Lybarger  
Director, President and Chief Executive  
Officer

/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

DIRECTORS

/s/ Gregory S. Allen  
Gregory S. Allen

/s/ John W. Gibson  
John W. Gibson

C. Fred Ball, Jr.

/s/ David F. Griffin  
David F. Griffin

/s/ Sharon J. Bell  
Sharon J. Bell

/s/ V. Burns Hargis  
V. Burns Hargis

/s/ Peter C. Boylan, III  
Peter C. Boylan, III

/s/ E. Carey Joullian, IV  
E. Carey Joullian, IV

/s/ Chester Cadieux, III  
Chester Cadieux, III

Robert J. LaFortune

/s/ Joseph W. Craft, III  
Joseph W. Craft, III

/s/ Steven J. Malcolm  
Steven J. Malcolm

William E. Durrett

/s/ E.C. Richards  
E.C. Richards

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