BOK FINANCIAL CORP ET AL
Form 10-Q
August 08, 2011
As filed with the Securities and Exchange Commission on August 8, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

Oklahoma (State or other jurisdiction of Incorporation or Organization)	73-1373454 (IRS Employer Identification No.)
Bank of Oklahoma Tower P.O. Box 2300 Tulsa, Oklahoma (Address of Principal Executive Offices)	74192 (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

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

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

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

Performance Summary

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

Highlights of the second quarter of 2011 included:

- Net interest revenue totaled $174.0 million for the second quarter of 2011 compared to $182.1 million for the second quarter of 2010 and $170.6 million for the first quarter of 2011. Net interest margin was 3.40% for the second quarter of 2011, 3.65% for the second quarter of 2010 and 3.47% for the first quarter of 2011. The decrease in net interest revenue compared with the second quarter of 2010 was due primarily to the reinvestment of cash flows from the securities portfolio at lower rates.

- Fees and commissions revenue totaled $127.8 million for the second quarter of 2011 compared to $128.2 million for the second quarter of 2010 and $123.3 million for the first quarter of 2011. Revenue growth distributed among most fee-generating activities was offset by decreased deposit service charges and fees due primarily to changes in overdraft fee regulations which became effective in the second half of 2010. Revenue growth over the first quarter of 2011 was distributed amongst most of our fee generating businesses, partially offset by a decrease in brokerage and trading revenue.

- Operating expenses, excluding changes in the fair value of mortgage servicing rights, totaled $189.7 million, up $3.3 million over the second quarter of 2010 and up $8.1 million over the previous quarter. Personnel costs were up $8.5 million over the second quarter of 2010. Non-personnel expenses were down $5.3 million due primarily to a decrease in net losses of repossessed assets. Operating expenses increased over the first quarter of 2011 primarily due to higher personnel costs and mortgage banking expenses.

  - Provision for credit losses totaled $2.7 million for the second quarter of 2011 compared to $36.0 million for the second quarter of 2010 and $6.3 million for the first quarter of 2011. Net loans charged off decreased to $8.5 million in the second quarter of 2011 from $35.6 million in the second quarter of 2010 and $10.3 million in the first quarter of 2011.

- The combined allowance for credit losses totaled $297 million or 2.77% of outstanding loans at June 30, 2011, down from $303 million or 2.86% of outstanding loans at March 31, 2011. Nonperforming assets totaled $351 million or 3.23% of outstanding loans and repossessed assets at June 30, 2011, down from $379 million or 3.54% of outstanding loans and repossessed assets at March 31, 2011.

- Outstanding loan balances were $10.7 billion at June 30, 2011, up $148 million over March 31, 2011. Commercial loans balances continued to grow in the second quarter of 2011, increasing $130 million over March 31, 2011. Commercial real estate loans decreased $39 million. Residential mortgage loans increased $91 million and consumer loans decreased $34 million.

- Period-end deposits totaled $17.6 billion at June 30, 2011 compared to $17.9 billion at March 31, 2011. Interest-bearing transaction accounts decreased $516 million and time deposits decreased $43 million. Demand deposits increased $269 million.

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

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

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

Results of Operations

Net Interest Revenue and Net Interest Margin

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

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

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

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

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

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

customer demand and normal repayment trends.

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

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

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

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

Table 1 – Volume / Rate Analysis
(In thousands)

	Three Months Ended June 30, 2011 / 2010			Six Months Ended June 30, 2011 / 2010		
		Change Due To1			Change Due To1	
	Change	Volume	Yield / Rate	Change	Volume	Yield /Rate
Tax-equivalent interest revenue:						
Funds sold and resell agreements	$(5)	$(5)	$–	$(9)	$(7)	$(2)
Trading securities	(77)	198	(275)	(294)	242	(536)
Investment securities:						
Taxable securities	1,016	1,298	(282)	2,359	1,883	476
Tax-exempt securities	(700)	(641)	(59)	(1,333)	(1,173)	(160)
Total investment securities	316	657	(341)	1,026	710	316
Available for sale securities:						
Taxable securities	(5,250)	6,158	(11,408)	(13,811)	9,298	(23,109)
Tax-exempt securities	80	71	9	(1)	80	(81)
Total available for sale securities	(5,170)	6,229	(11,399)	(13,812)	9,378	(23,190)
Mortgage trading securities	795	752	43	(10)	124	(134)
	(672)	(560)	(112)	(1,080)	(1,152)	72

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

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

Other Operating Revenue

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

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

Table 2 – Other Operating Revenue
(In thousands)

	Three Months Ended June 30,		Increase	% Increase	Three Months Ended	Increase	% Increase
	2011	2010	(Decrease)	(Decrease)	March 31, 2011	(Decrease)	(Decrease)
Brokerage and trading revenue	$23,725	$24,754	$(1,029)	(4%)	$25,376	$(1,651)	(7%)
Transaction card revenue	31,024	28,263	2,761	10%	28,445	2,579	9%
Trust fees and commissions	19,150	17,737	1,413	8%	18,422	728	4%
Deposit service charges and fees	23,857	28,797	(4.940)	(17%)	22,480	1,377	6%
Mortgage banking revenue	19,356	18,335	1,021	6%	17,356	2,000	12%
Bank-owned life insurance	2,872	2,908	(36)	(1%)	2,863	9	–%
Other revenue	7,842	7,374	468	6%	8,332	(490)	(6%)
Total fees and commissions revenue	127,826	128,168	(342)	–%	123,274	4,552	4%
Gain (loss) on other assets, net	3,344	1,545	1,799	N/A	(68)	3,412	N/A
Gain (loss) on derivatives, net	1,225	7,272	(6,047)	N/A	(2,413)	3,638	N/A
Gain on available for sale securities	5,468	8,469	(3,001)	N/A	4,902	566	N/A
Gain (loss) on mortgage trading securities, net	9,921	14,631	(4,710)	N/A	(3,518)	13,439	N/A
Total other-than-temporary impairment	(74)	(10,959)	10,885	N/A	–	(74)	N/A

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

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

Fees and commissions revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 3 – Mortgage Banking Revenue
(In thousands)

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

Servicing revenue	9,947	9,571	376	4 %	9,827	120	1 %
Total mortgage revenue	$ 19,356	$ 18,335	$ 1,021	6 %	$ 17,356	$ 2,000	12 %
Mortgage loans funded for sale	$ 528,749	$ 540,835	$ (12,086)	(2 %)	$ 451,821	$ 76,928	17 %
Mortgage loan refinances to total funded	36 %	34 %			50 %		

	June 30,						
	2011	2010	Increase	% Increase	March 31, 2011	Increase	% Increase
Outstanding principal balance of mortgage loans serviced for others	$ 11,283,442	$ 11,057,385	$ 226,057	2 %	$ 11,202,626	$ 80,816	1 %

Net gains on securities, derivatives and other assets

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

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

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

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

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

Other Operating Expense

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

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

Table 5 – Other Operating Expense
(In thousands)

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

Mortgage banking costs	8,968	10,380	(1,412)	(14%)	6,471	2,497	39%
Change in fair value of mortgage servicing rights	13,493	19,458	(5,965)	N/A	(3,129)	16,622	N/A
Other expense	9,016	6,265	2,751	44%	8,745	271	3%
Total other operating expense	$203,209	$205,912	$(2,703)	(1%)	$178,449	$24,760	14%
Number of employees (full-time equivalent)	4,530	4,428	102	2%	4,533	(3)	–%

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

Personnel expense

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

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

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

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

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

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

Non-personnel operating expenses

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

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

Income Taxes

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

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

Lines of Business

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

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

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

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

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

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

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

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

Commercial Banking

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

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

Table 7 – Commercial Banking
(Dollars in thousands)

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

Net charge-offs (annualized) to average loans

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

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

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

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

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

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

Consumer Banking

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

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

Table 8 – Consumer Banking
(Dollars in thousands)

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

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

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

1 Includes outstanding principal for loans serviced for affiliates

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

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

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

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

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

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

Wealth Management

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

Table 9 – Wealth Management
(Dollars in thousands)

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

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

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

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

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

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

Geographical Market Distribution

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

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

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

Oklahoma Market

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

Table 11 – Oklahoma
(Dollars in thousands)

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

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

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

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

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

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

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

Texas Market

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

Table 12 – Texas
(Dollars in thousands)

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

Return on invested capital												
Efficiency ratio	65.32	%	66.06	%	(74	) bp	65.88	%	66.21	%	(33	) bp
Net charge-offs (annualized) to average loans	0.10	%	0.58	%	(48	) bp	0.13	%	0.69	%	(56	) bp

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

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

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

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

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

Other Markets

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

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

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

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

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

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

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

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

Table 13 – New Mexico
(Dollars in thousands)

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

Table 14 – Arkansas
(Dollars in thousands)

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

Table 15 – Colorado

(Dollars in thousands)

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

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

Table 16 – Arizona
(Dollars in thousands)

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

Table 17 – Kansas / Missouri
(Dollars in thousands)

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

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

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Financial Condition

Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

Bank-Owned Life Insurance

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

Loans

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

Table 18 – Loans
(In thousands)

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

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

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

Table 19 – Loans by Principal Market
(In thousands)

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

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

Commercial

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

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

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

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

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

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

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

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

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

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

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

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

Commercial Real Estate

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

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

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

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

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

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

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

Residential Mortgage and Consumer

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

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

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

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

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

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

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

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

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

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

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

Loan Commitments

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

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

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

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

Customer Derivative Programs

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

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

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

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

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

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

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

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

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

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

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

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

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

approximately $70 million.

Summary of Loan Loss Experience

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

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

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

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

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

Allowance for Loan Losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Loans Charged Off

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

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

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

Table 25 – Net Loans Charged Off
(In thousands)

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

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

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

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

Nonperforming Assets

Table 26 – Nonperforming Assets
(In thousands)

	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010
Nonaccrual loans:					
Commercial	$53,365	$57,449	$38,455	$49,361	$82,775
Commercial real estate	110,363	125,504	150,366	177,709	193,698
Residential mortgage	31,693	37,824	37,426	38,898	40,033
Consumer	4,749	5,185	4,567	2,784	3,188
Total nonaccrual loans	200,170	225,962	230,814	268,752	319,694
Renegotiated loans2	22,261	21,705	22,261	25,252	21,327
Total nonperforming loans	222,431	247,667	253,075	294,004	341,021
Other nonperforming assets	129,026	131,420	141,394	126,859	119,908
Total nonperforming assets	$351,457	$379,087	$394,469	$420,863	$460,929
Nonaccrual loans by principal market:					
Oklahoma	$41,411	$49,585	$60,805	$72,264	$93,898
Texas	32,385	34,404	33,157	36,979	49,695
New Mexico	17,244	17,510	19,283	23,792	26,956
Arkansas	24,842	29,769	7,914	9,990	10,933
Colorado	37,472	40,629	49,416	55,631	66,040
Arizona	43,307	54,065	60,239	70,038	72,111
Kansas / Missouri	3,509	–	–	58	61
Total nonaccrual loans	$200,170	$225,962	$230,814	$268,752	$319,694
Nonaccrual loans by loan portfolio sector:					
Commercial:					
Energy	$345	$415	$465	$8,189	$26,259
Manufacturing	4,366	4,545	2,116	2,454	3,237
Wholesale / retail	25,138	30,411	8,486	5,584	5,561
Integrated food services	–	6	13	58	58
Services	16,254	15,720	19,262	23,925	31,062
Healthcare	5,962	2,574	3,534	2,608	8,568
Other	1,300	3,778	4,579	6,543	8,030
Total commercial	53,365	57,449	38,455	49,361	82,775
Commercial real estate:					
Land development and construction	76,265	90,707	99,579	116,252	132,686
Retail	4,642	5,276	4,978	8,041	4,967
Office	11,473	14,628	19,654	24,942	24,764
Multifamily	4,717	1,900	6,725	6,924	7,253
Industrial	–	–	4,087	4,151	4,223
Other commercial real estate	13,266	12,993	15,343	17,399	19,805
Total commercial real estate	110,363	125,504	150,366	177,709	193,698
Residential mortgage:					
Permanent mortgage	27,991	33,466	32,111	36,654	37,978
Home equity	3,702	4,358	5,315	2,244	2,055
Total residential mortgage	31,693	37,824	37,426	38,898	40,033
Consumer	4,749	5,185	4,567	2,784	3,188
Total nonaccrual loans	$200,170	$225,962	$230,814	$268,752	$319,694

Ratios:										
Allowance for loan losses to nonaccruing loans	143.18	%	128.14	%	129.75	%	111.31	%	93.68	%
Nonaccruing loans to period-end loans	1.86		2.13		2.17		2.49		2.94	
Accruing loans 90 days or more past due1	$2,341		$8,043		$7,966		$5,579		$9,264	
1Excludes residential mortgages guaranteed by agencies of the U.S. Government.										
2Includes residential mortgages guaranteed by agencies of the U.S. Government. These loans have been modified to extend payment terms and/or reduce interest rates.	18,716		18,304		18,551		21,706		17,598	

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

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

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

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

Table 27 – Rollforward of Nonperforming Assets
(In thousands)

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

	For the Six Months Ended June 30, 2011			
	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Balance, December 31, 2010	$ 230,814	$ 22,261	$ 141,394	$ 394,469
Additions	81,485	9,915	–	91,400
Payments	(51,915)	(597)	–	(52,512)
Charge-offs	(28,006)		–	(28,006)
Net writedowns and losses	–		(7,729)	(7,729)
Foreclosures	(33,894)		33,894	–
Proceeds from sales	–	(7,915)	(26,954)	(34,869)
Net transfers to nonaccruing loans	383	(383)`	–	–
Transfers to available for sale securities1	–	–	(11,723)	(11,723)
Other, net	1,303	(1,020)	144	427
Balance, June 30, 2011	$ 200,170	$ 22,261	$ 129,026	$ 351,457

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

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

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

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

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

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

Commercial

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

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

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

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

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

Commercial Real Estate

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

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

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

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

Residential Mortgage and Consumer

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

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

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

	June 30, 2011		March 31, 2011	
	90 Days or More	30 to 89 Days	90 Days or More	30 to 89 Days
Residential mortgage:				
Permanent mortgage1	$ –	$ 18,735	$ –	$ 12,673
Home equity	8	2,450	–	1,246
Total residential mortgage	8	$ 21,185	$ –	$ 13,919
Consumer:				
Indirect automobile	$ 19	$ 7,256	$ 73	$ 7,865
Other consumer	2	1,031	60	1,647
Total consumer	$ 21	$ 8,287	$ 133	$ 9,512

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

Real Estate and Other Repossessed Assets

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

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

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

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

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

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

Liquidity and Capital

Subsidiary Bank

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

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

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

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

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

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

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

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

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

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

Table 34 – Other borrowings
(In thousands)

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

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

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

Parent Company

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

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

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

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

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

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

Table 35 – Capital Ratios

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

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

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

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

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

Off-Balance Sheet Arrangements

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

Market Risk

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

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

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

internal guidelines is reviewed monthly.

Interest Rate Risk – Other than Trading

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

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

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

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

Table 37 – Interest Rate Sensitivity
(Dollars in thousands)

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

Trading Activities

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

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

trading programs.

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

Controls and Procedures

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

Forward-Looking Statements

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

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

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

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

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets
(In thousands except share data)

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

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