BOK FINANCIAL CORP ET AL
Form 10-K
February 26, 2014

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

FORM 10-K
(Mark One)

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

For the quarterly period ended December 31, 2013

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

Oklahoma	73-1373454
(State or other jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

Bank of Oklahoma Tower Boston Avenue at Second Street Tulsa, Oklahoma	74192
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

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 ý No ¨

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

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

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

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately $1.7 billion (based on the June 30, 2013 closing price of Common Stock of $64.05 per share). As of January 31, 2014, there were 68,900,457 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2014 Annual Meeting of Shareholders.

BOK Financial Corporation
Form 10-K
Year Ended December 31, 2013

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PART I

ITEM 1. BUSINESS

General

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

Description of Business

BOK Financial is a financial holding company incorporated in the state of Oklahoma in 1990 whose activities are governed by the Bank Holding Company Act of 1956 ("BHCA"), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). BOK Financial offers full service banking in Oklahoma, Texas, New Mexico, Northwest Arkansas, Colorado, Arizona, and Kansas/Missouri. At December 31, 2013, the Company reported total consolidated assets of $27 billion and ranked as the 38th largest bank holding company based on asset size.

BOKF, NA ("the Bank") is a wholly owned subsidiary bank of BOK Financial. Operating divisions of the Bank include Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Kansas City, Bank of Oklahoma, Bank of Texas and Colorado State Bank and Trust. Other wholly owned subsidiaries of BOK Financial include BOSC, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on the Company's financial statements.

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

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Products and services include loans and deposits, cash management services, fiduciary services, mortgage banking and brokerage and trading services to middle-market businesses, financial institutions and consumers. Commercial banking represents a significant part of our business. Our credit culture emphasizes building relationships by making high quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management. We also offer derivative products for customers to use in managing their interest rate and foreign exchange risk. Our diversified base of revenue sources is designed to generate returns in a range of economic situations. Historically, fees and commissions provide 40 to 45% of our total revenue. Approximately 47% of our revenue came from fees and commission in 2013.

BOK Financial's corporate headquarters is located at Bank of Oklahoma Tower, Boston Avenue at Second Street, Tulsa, Oklahoma 74192.

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

Operating Segments

BOK Financial operates three principal lines of business: Commercial Banking, Consumer Banking and Wealth Management. Commercial Banking includes lending, treasury and cash management services and customer risk management products for small businesses, middle market and larger commercial customers. Commercial Banking also includes the TransFund electronic funds network. Consumer Banking includes retail lending and deposit services and all mortgage banking activities. Wealth Management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets. Discussion of these principal lines of business appears within the Lines of Business section of “Management's Discussion and Analysis of Financial Condition and Results of Operations” and within Note 17 of the Company’s Notes to Consolidated Financial Statements, both of which appear elsewhere herein.

Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of June 30, 2013.

We are the largest financial institution in the state of Oklahoma with 14% of the state’s total deposits. Bank of Oklahoma has 31% and 11% of the market share in the Tulsa and Oklahoma City areas, respectively. We compete with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources. We also compete with regional and locally-owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

Bank of Texas competes against numerous financial institutions, including some of the largest in the United States, and has a market share of approximately 2% in the Dallas, Fort Worth area and less than 1% in the Houston area. Bank of Albuquerque has a number three market share position with 11% of deposits in the Albuquerque area and competes with four large national banks, some regional banks and several locally-owned smaller community banks. Colorado State Bank and Trust has a market share of approximately 2% in the Denver area. Bank of Arkansas serves Benton and Washington counties in Arkansas with a market share of approximately 3%. Bank of Arizona operates as a community bank with locations in Phoenix, Mesa and Scottsdale and Bank of Kansas City serves the Kansas City, Kansas/Missouri market. The Company’s ability to expand into additional states remains subject to various federal and state laws.

Employees

As of December 31, 2013, BOK Financial and its subsidiaries employed 4,632 full-time equivalent employees. None of the Company’s employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

Supervision and Regulation

BOK Financial and its subsidiaries are subject to extensive regulations under federal and state laws. These regulations are designed to promote safety and soundness, protect consumers and ensure the stability of the banking system as a whole. The purpose of these regulations is not necessarily to protect shareholders and creditors. As detailed below,

these regulations require the Company and its subsidiaries to maintain certain capital balances and require the Company to provide financial support to its subsidiaries. These regulations may restrict the Company's ability to diversify, to acquire other institutions and to pay dividends on its capital stock. These regulations also include requirements on certain programs and services offered to our customers, including restrictions on fees charged for certain services.

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

General

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

The Bank is organized as a national banking association under the National Banking Act, and is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the “OCC”), the Federal Deposit Insurance Corporation (the “FDIC”), the Federal Reserve Board, the Consumer Financial Protection Bureau and other federal and state regulatory agencies. The OCC has primary supervisory responsibility for national banks and must approve certain corporate or structural changes, including changes in capitalization, payment of dividends, change of place of business, and establishment of a branch or operating subsidiary. The OCC performs examinations concerning safety and soundness, the quality of management and directors, information technology and compliance with applicable regulations. The National Banking Act authorizes the OCC to examine every national bank as often as necessary.

A financial holding company, and the companies under its control, are permitted to engage in activities considered “financial in nature” as defined by the BHCA, Gramm-Leach-Bliley Act and Federal Reserve Board interpretations. Activities that are “financial in nature” include securities underwriting and dealing, insurance underwriting, merchant banking, operating a mortgage company, performing certain data processing operations, servicing loans and other extensions of credit, providing investment and financial advice, owning and operating savings and loan associations, and leasing personal property on a full pay-out, non-operating basis. A financial holding company is required to notify the Federal Reserve Board within thirty days of engaging in new activities determined to be “financial in nature.” BOK Financial is engaged in some of these activities and has notified the Federal Reserve Board.

In order for a financial holding company to commence any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must be "well capitalized" and "well managed" and received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act. A financial holding company and its depository institution subsidiaries are considered to be "well capitalized" if they meets the requirements discussed in the section captioned "Capital Adequacy and Prompt Corrective Action" which follows. A financial holding company and its depository institution subsidiaries are considered to be "well managed" if they receive a composite rating and management rating of at least "satisfactory" in their most recent examinations. If a financial holding company fails to meet these requirements, the Federal Reserve Board may impose limitations or conditions on the conduct of its activities and the company may not commence any new financial activities without prior approval.

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

A financial holding company and its subsidiaries are prohibited under the BHCA from engaging in certain tie-in arrangements in connection with the provision of any credit, property or services. Thus, a subsidiary of a financial holding company may not extend credit, lease or sell property, furnish any services or fix or vary the consideration for

these activities on the condition that (1) the customer obtain or provide additional credit, property or services from or to the financial holding company or any subsidiary thereof, or (2) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to insure the soundness of credit extended.

The Bank and other non-bank subsidiaries are also subject to other federal and state laws and regulations. For example, BOSC, Inc. is regulated by the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), the Federal Reserve Board, and state securities regulators. Such regulations generally include licensing of certain personnel, customer interactions, and trading operations. As another example, Bank of Arkansas is subject to certain consumer-protection laws incorporated in the Arkansas Constitution, which, among other restrictions, limit the maximum interest rate on general loans to five percent above the Federal Reserve Discount Rate and limit the rate on consumer loans to the lower of five percent above the discount rate or seventeen percent.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Act was signed into law, giving federal banking agencies authority to increase regulatory capital requirements, impose additional rules and regulations over consumer financial products and services and limit the amount of interchange fees that may be charged in an electronic debit transaction. In addition, the Dodd-Frank Act made permanent the $250,000 limit for federal deposit insurance and provided unlimited federal deposit insurance until January 1, 2013 for non-interest bearing demand deposit accounts. It also repealed prohibitions on payment of interest on demand deposits, which could impact how interest is paid on business transaction and other accounts. Further, the Dodd-Frank Act prohibits banking entities from engaging in proprietary trading and restricts banking entities sponsorship of or investment in private equity funds and hedge funds. Final rules required to implement the Dodd-Frank Act have largely been issued. Many of these rules have extended phase-in periods and the full impact of this legislation on the banking industry, including the Company, remains unknown.

The Durbin Amendment to the Dodd-Frank Act required that interchange fees on electronic debit transactions paid by merchants must be “reasonable and proportional to the cost incurred by the issuer” and prohibited card network rules that have limited price competition among networks. Effective October 1, 2011, the Federal Reserve issued its final ruling to implement the Durbin Amendment. This ruling established a cap on interchange fees banks with more than $10 billion in total assets can charge merchants for certain debit card transactions. The final rule has been successfully challenged by retail merchants and merchant trade groups and is currently on appeal. The ultimate resolution of this legal challenge is uncertain. The Durbin Amendment also requires all banks to comply with the prohibition on network exclusivity and routing requirements. Debit card issuers are required to make at least two unaffiliated networks available to merchants. The final network exclusivity and routing requirements, which became effective April 1, 2012, did not have a significant impact on the Company.

The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") with powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. Established July 21, 2011, the CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets for certain designated consumer laws and regulations. The CFPB issued mortgage servicing standards and mortgage lending rules, including “qualified mortgage” rules that are designed to protect consumers and ensure the reliability of mortgages. Mortgage lenders are required to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Qualified mortgages that meet this requirement and other specified criteria are given a safe harbor of compliance. Rules affecting mortgage lenders and servicers become effective on January 10, 2014.

Title VI of the Dodd-Frank Act, commonly known as the Volcker Rule, 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. Federal banking agencies approved regulations that implement the Volcker Rule on December 10, 2013. Banking entities must comply with these regulations by July 21, 2015. The Company’s trading activity will be largely unaffected, as our trading activities, as defined by the Volcker Rule, are done for the benefit of the customers and securities traded are mostly exempted under the proposed rules. The Company’s private equity investment activity will be curtailed and a $1.4 million impairment charge was recognized at December 31, 2013. See additional discussion in Management's Discussion and Analysis of Other Operating Revenue. A compliance program will be required for activities permitted under the rules resulting in additional operating and compliance costs to the Company.

Title VII of the Dodd-Frank Act subjects nearly all derivative transactions to the regulations of the Commodity Futures Trading Commission (“CFTC”) or SEC. This includes registration, recordkeeping, reporting, capital, margin and business conduct requirements on swap dealers and major swap participants. The CFTC and SEC both approved interim final rules on the definition "swap" and “swap dealer" which were effective October 2012. Under these rules, entities transacting in less than $8 billion in notional value of swaps over any 12 month period during the first three years after these rules are effective will be exempt from the definition of "swap dealer." After that three year period, this threshold may be reduced to $3 billion subject to the results of studies the commissions intend to undertake once the derivative rules are effective. The Company currently estimates that the nature and volume of swap activity will not require it to register as a swap dealer any time prior to October 2015. Although the ultimate impact of Title VII remains uncertain, we currently believe its full implementation is likely not to impose significantly higher compliance costs on the Company.

Capital Adequacy and Prompt Corrective Action

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

The Federal Reserve Board risk-based guidelines currently define a three-tier capital framework. Core capital (Tier 1) includes common shareholders' equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution's Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2013, BOK Financial's Tier 1 and total capital ratios under these guidelines were 13.77% and 15.56%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial's leverage ratio at December 31, 2013 was 10.05%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the “FDICIA”), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified. The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, the Bank was considered well capitalized as of December 31, 2013.

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

The Group of Governors and Heads of Supervision ("GHOS"), the oversight body of the BCBS, announced changes to strengthen the existing capital and liquidity requirements of internationally-active banking organizations. These changes are commonly referred to as the Basel III framework. In July 2013, banking regulators issued the final rule revising regulatory capital rules which implements the Basel III framework for substantially all U.S. banking organizations. The final rule will be effective for BOK Financial on January 1, 2015. Components of the rule will be phased-in through January 1, 2019. Among other things, the final rule effectively changes the Tier 1 risk based-capital

requirements and the total risk-based capital requirements, including a capital conservation buffer, to a minimum of 8.5% and 10.5%, respectively. The final rule also changes instruments that qualify to be included in Tier 1 and total regulatory capital. As permitted by the rule, the Company expects to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, which is consistent with the treatment under current capital rules.

The new capital rules also establish a 7% threshold for the Tier 1 common equity ratio consisting of a minimum level plus a capital conservation buffer. Based on our interpretation of the new capital rule, our estimated Tier 1 common equity ratio would be approximately 12.60%, nearly 560 basis points above the 7% regulatory threshold.

Liquidity Requirements

The Basel III framework also requires bank holding companies and banks to measure their liquidity against specific liquidity tests. One test, referred to as the liquidity cover ratio, is designed to ensure that the banking entity maintains a prescribed

minimum level of unencumbered high-quality liquid assets equal to expected net cash outflows as defined. The other test, referred to as the net stable funding ratio, is designed to promote greater reliance on medium and long term funding sources.

On October 30, 2013, U.S. federal banking agencies published a notice of proposed rule-making that would standardize minimum liquidity requirements for internationally active banking organizations as defined (generally those with total consolidated assets in excess of $250 billion) as well as modified liquidity requirements for other banking organizations with total consolidated assets in excess of $50 billion that are not internationally active. Although the notice of proposed rule-making does not apply to banking organizations with total assets less than $50 billion, including the Company, the effect of future rule-making to implement standardized minimum liquidity requirements is unknown.

Stress Testing

As required by the Dodd-Frank Act, the Federal Reserve published regulations that require bank holding companies with $10 billion to $50 billion in assets to perform annual capital stress tests. These companies were required to conduct their first annual company-run stress test as of September 30, 2013 based on factors provided the the Federal Reserve Bank supplemented by institution-specific factors. The results of the annual capital stress tests must be submitted to banking regulators by the following March 31st. Results of the annual capital stress tests performed as of September 30, 2014 will first be publicly disclosed by June 30, 2015. Institutions that do not satisfactorily complete their annual stress test due to either results of the test or processes used to complete the test may be subject to restrictions on their capital distributions . They also may be required to increase their regulatory capital under certain circumstances.

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

Executive and Incentive Compensation

Guidelines adopted by federal banking agencies prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. The Federal Reserve Board has issued comprehensive guidance on incentive compensation intended to ensure that the incentive compensation policies do not undermine safety and soundness by encouraging excessive risk taking. This guidance covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, based on key principles that (i) incentives do not encourage risk-taking beyond the organization's ability to identify and manage risk, (ii) compensation arrangements are compatible with effective internal controls and risk management, and (iii) compensation arrangements are supported by strong corporate governance, including active and effective board oversight. Deficiencies in compensation practices may affect supervisory ratings and enforcement actions may be taken if incentive compensation arrangements pose a risk to safety and soundness.

Deposit Insurance

Substantially all of the deposits held by the Bank are insured up to applicable limits by the Deposit Insurance Fund (“DIF”) of the FDIC and are subject to deposit insurance assessments to maintain the DIF. In 2011, the FDIC released a final rule to implement provisions of the Dodd-Frank Act that affect deposit insurance assessments. Among other things, the Dodd-Frank Act raised the minimum designated reserve ratio from 1.15% to 1.35% of estimated insured

deposits, removed the upper limit of the designated reserve ratio, required that the designated reserve ratio reach 1.35% by September 30, 2020, and required that the FDIC offset the effect of increasing the minimum designated reserve ratio on depository institutions with total assets of less than $10 billion. The Dodd-Frank Act also required that the FDIC redefine the assessment base to average consolidated assets minus average tangible equity. This final rule reduced our deposit insurance assessment beginning in the second half of 2011.

Dividends

A key source of liquidity for BOK Financial is dividends from the Bank, which is limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. Based on the most restrictive limitations as well as management's internal capital policy, the Bank had excess regulatory capital and could declare up to $158 million of dividends without regulatory approval as of December 31, 2013. This amount is not necessarily indicative of amounts that may be available to be paid in future periods.

Source of Strength Doctrine

According to Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support.

Transactions with Affiliates

The Federal Reserve Board regulates transactions between the Company and its subsidiaries. Generally, the Federal Reserve Act and Regulation W, as amended by the Dodd-Frank Act, limit the Company’s banking subsidiary and its subsidiaries, to lending and other “covered transactions” with affiliates. The aggregate amount of covered transactions a banking subsidiary or its subsidiaries may enter into with an affiliate may not exceed 10% of the capital stock and surplus of the banking subsidiary. The aggregate amount of covered transactions with all affiliates may not exceed 20% of the capital stock and surplus of the banking subsidiary.

Covered transactions with affiliates are also subject to collateralization requirements and must be conducted on arm’s length terms. Covered transactions include (a) a loan or extension of credit by the banking subsidiary, including derivative contracts, (b) a purchase of securities issued to a banking subsidiary, (c) a purchase of assets by the banking subsidiary unless otherwise exempted by the Federal Reserve, (d) acceptance of securities issued by an affiliate to the banking subsidiary as collateral for a loan, and (e) the issuance of a guarantee, acceptance or letter of credit by the banking subsidiary on behalf of an affiliate.

Bank Secrecy Act and USA PATRIOT Act

The Bank Secrecy Act (“BSA”) and the The USA PATRIOT Act of 2001 (“PATRIOT Act”) imposes many requirements on financial institutions in the interest of national security and law enforcement. BSA requires banks to maintain records and file suspicious activity reports that are of use to law enforcement and regulators in combating money laundering and other financial crimes. The PATRIOT Act is intended to deny terrorists and criminals the ability to access the U.S. financial services system and places significantly greater requirements on financial institutions. Financial institutions, such as the Company and it's subsidiaries, must have a designated BSA Officer, internal controls, independent testing and training programs commensurate with their size and risk profile. As part of its internal control program, a financial institution is expected to have effective customer due diligence and enhanced due diligence requirements for high-risk customers, as well as processes to prohibit transaction with entities subject to Office of Foreign Asset Control sanctions. Documentation and recordkeeping requirements, as well as system requirements, aimed identifying and reporting suspicious activity reporting, must increase with the institution's size and complexity. Failure to implement or maintain adequate programs and controls to combat terrorist financing and money laundering may have serious legal, financial, and reputational consequences.

Governmental Policies and Economic Factors

The operations of BOK Financial and its subsidiaries are affected by legislative changes and by the policies of various regulatory authorities and, in particular, the policies of the Federal Reserve Board. The Federal Reserve Board has statutory objectives to maximize employment and maintain price stability. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are: open-market operations in U.S. Government securities, changes in the discount rate and federal funds rate on bank borrowings, and changes in reserve requirements on bank deposits. The effect of future changes in such policies on the business and earnings of BOK Financial and its subsidiaries is uncertain.

In response to the significant recession in business activity which began in 2007, the Federal Reserve took aggressive actions to reduce interest rates and provide liquidity. While many of the crisis-related programs have expired or been closed, the Federal Reserve generally has continue to put downward pressure on longer-term interest rates through purchases of longer-term securities. Additionally, the government continues to enact economic stimulus legislation and policies, including increases in government spending, reduction of certain taxes and home affordability programs. Although the Federal Reserve has indicated its intention to maintain historically low short-term interest rates for the foreseeable future, it began to taper bond purchase programs which had been designed to reduce longer-term rates. The short-term effectiveness and long-term impact of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

Foreign Operations

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

ITEM 1A. RISK FACTORS

The United States economy continues to rebound from a significant recession from 2007 to 2009. While credit losses have fallen to pre-recession levels, the rate of economic growth remains modest and unemployment has remained persistently high. The Federal Reserve Board continues to promote more robust economic growth by maintaining historically low short-term interest rates for an extended period of time. The Federal Reserve Board also continues to promote low intermediate and long-term interest rates, though announcement of their intention to taper bond purchase programs caused longer-term interest rates to increase in mid-year. The current effect of these actions reduces our earnings by narrowing net interest margins as maturing fixed-rate loans are refinanced and cash flow from the securities portfolio are reinvested at lower current rates. The mid-year increase in longer-term interest rates significantly decreased mortgage loans refinancing activity, narrowed mortgage loan gain on sale margins and reduced unrealized gain on securities. The ongoing effect of changes in these programs subjects banks to future interest rate risk as rates increase to more normal levels.

General and Regulatory Risk Factors

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

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

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

Substantial competition could adversely affect BOK Financial.

Banking is a competitive business. BOK Financial competes actively for loan, deposit and other financial services business in the southwest region of the United States. BOK Financial's competitors include a large number of small and large local and national banks, savings and loan associations, credit unions, trust companies, broker-dealers and underwriters, as well as many financial and non-financial firms that offer services similar to BOK Financial's. Large national financial institutions have substantial capital, technology and marketing resources. Such large financial institutions may have greater access to capital at a lower cost than BOK Financial does, which may adversely affect BOK Financial's ability to compete effectively.

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

Government regulations could adversely affect BOK Financial.

BOKF and BOKF, NA are subject to banking laws and regulations that limit the type of acquisitions and investments that we may make. In addition, certain permitted acquisitions and investments are subject to prior review and approval by banking regulators, including the Federal Reserve, OCC and FDIC. Banking regulators have broad discretion on whether to approve proposed acquisitions and investments. In deciding whether to approve a proposed acquisition, federal banking regulators will consider, among other things, the effect of the acquisition on competition; the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act; and our effectiveness in combating money laundering. They will also consider our financial condition and our future prospects, including projected capital ratios and levels; the competence, experience, and integrity of our management; and our record of compliance with laws and regulations.

The trend of increasingly extensive regulation is likely to continue and become more costly in the future. Laws, regulations or policies currently affecting BOK Financial and its subsidiaries may change. The implementation of the Dodd-Frank Act has and will continue to affect BOK Financial’s businesses, including interchange revenue, mortgage banking, derivative and trading activities on behalf of customers, consumer products and funds management.

Regulatory authorities may change their interpretation of these statutes and regulations and are likely to increase their supervisory activities, including the OCC, our primary regulator, and the CFPB, our new regulator for certain designated consumer laws and regulations. Violations of laws and regulations could limit the growth potential of BOK Financial's businesses. We have made extensive investments in human and technological resources to address enhanced regulatory expectations, including investments in the areas of risk management, compliance, and capital planning.

Adverse political environment could negatively impact BOK Financial’s business.

As a result of the financial crisis and related government intervention to stabilize the banking system, there have been a series of laws and related regulations proposed or enacted in an attempt to ensure the crisis is not repeated. Many of the proposed new regulations are far-reaching. The intervention by the government also impacted populist sentiment with a negative view of financial institutions. This sentiment may increase litigation risk to the Company. While the Company did not participate in the Troubled Asset Relief Program and performed well throughout the downturn, the adverse political environment could have an adverse impact on BOK Financial’s future operations.

Credit Risk Factors

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

At December 31, 2013, loans to businesses and individuals with collateral primarily located in Texas represented approximately 34% of the total loan portfolio and loans to businesses and individuals with collateral primarily located in Oklahoma represented approximately 26% of our total loan portfolio. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas. Poor economic conditions in Oklahoma, Texas or other markets in the southwest region may cause BOK Financial to incur losses associated with higher default rates and decreased collateral values in BOK Financial's loan portfolio. A regional economic downturn could also adversely affect revenue from brokerage and trading activities, mortgage loan originations and other sources of fee-based revenue.

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

Certain industry-specific economic factors also affect BOK Financial. For example, 18% of BOK Financial's total loan portfolio at December 31, 2013 is comprised of loans to borrowers in the energy industry, which is historically a cyclical industry. Low commodity prices may adversely affect that industry and, consequently, may affect BOK Financial's business negatively. The effect of volatility in commodity prices on our customer derivatives portfolio could adversely affect our liquidity and regulatory capital. In addition, BOK Financial's loan portfolio includes commercial real estate loans. A downturn in the real estate industry in general or in certain segments of the commercial real estate industry in the southwest region could also have an adverse effect on BOK Financial's operations.

Adverse global economic factors could have a negative effect on BOK Financial customers and counter-parties.

Poor economic conditions globally, including those of the European Union, could impact BOK Financial's customers and counter-parties with which we do business. We have no direct exposure to European sovereign debt and our aggregate gross exposure to European financial institutions totaled $6.5 million at December 31, 2013. In addition, we have an aggregate gross exposure to internationally active domestic financial institutions of approximately $216 million at December 31, 2013. The financial condition of these institutions is monitored on an on-going basis. We have not identified any significant customer exposures to European sovereign debt or European financial institutions.

Liquidity and Interest Rate Risk Factors

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

BOK Financial's business is highly sensitive to:

- the monetary policies implemented by the Federal Reserve Board, including the discount rate on bank borrowings and changes in reserve requirements, which affect BOK Financial's ability to make loans and the interest rates we may charge;
- changes in prevailing interest rates, due to the dependency of the Bank on interest income;
- open market operations in U.S. Government securities.

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

Changes in mortgage interest rates could adversely affect mortgage banking operations as well as BOK Financial's substantial holdings of residential mortgage-backed securities and mortgage servicing rights.

Our available for sale residential mortgage-backed security portfolio represents investment interests in pools of residential mortgages, composing $7.9 billion or 29% of total assets of the Company at December 31, 2013. Residential mortgage-backed securities are highly sensitive to changes in interest rates. BOK Financial mitigates this risk somewhat by investing principally in shorter duration mortgage products, which are less sensitive to changes in interest rates. A significant decrease in interest rates has led mortgage holders to refinance the mortgages constituting the pool backing the securities, subjecting BOK Financial to a risk of prepayment and decreased return on investment due to subsequent reinvestment at lower interest rates. A significant decrease in interest rates has also accelerated premium amortization. Conversely, a significant increase in interest rates could cause mortgage holders to extend the term over which they repay their loans, which delays the Company’s opportunity to reinvest funds at higher rates.

Residential mortgage-backed securities are also subject to credit risk from delinquency or default of the underlying loans. BOK Financial mitigates this risk somewhat by investing in securities issued by U.S. government agencies. Principal and interest payments on the loans underlying these securities are guaranteed by these agencies.

The Federal Reserve Board and other government agencies have implemented policies and programs to stimulate the U.S. economy and housing market. These policies and programs have significantly reduced both primary mortgage interest rates, the rates paid by borrowers, and secondary mortgage interest rates, the rates required by investors in mortgage backed securities. They have also reduced barriers to mortgage refinancing such as insufficient home values.

BOK Financial derives a substantial amount of revenue from mortgage activities, including $80 million from the production and sale of mortgage loans, $42 million from the servicing of mortgage loans and $30 million from sales of financial instruments to other mortgage lenders. These activities, as well our substantial holdings of residential mortgage backed securities and mortgage servicing rights may be adversely affected by changes in government policies and programs.

In addition, as part of BOK Financial's mortgage banking business, BOK Financial has substantial holdings of mortgage servicing rights, totaling $153 million or 0.57% of total assets at December 31, 2013. The value of these rights is also very sensitive to changes in interest rates. Falling interest rates tend to increase loan prepayments, which may lead to cancellation of the related servicing rights. BOK Financial attempts to manage this risk by maintaining an active hedging program for its mortgage servicing rights. The Company's hedging program has only been partially successful in recent years. The value of mortgage servicing rights may also decrease due to rising delinquency or default of the loans serviced. This risk is mitigated somewhat by adherence to underwriting standards on loans originated for sale.

Market disruptions could impact BOK Financial’s funding sources.

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

Operating Risk Factors

Dependence on technology increases cybersecurity risk.

As a financial institution, we process a significant number of customer transactions and possess a significant amount of sensitive customer information. As technology advances, the ability to initiate transactions and access data has become more widely distributed among mobile phones, personal computers, automated teller machines, remote deposit capture sites and similar access points. These technological advances increase cybersecurity risk. While the Company maintains programs intended to prevent or limit the effects of cybersecurity risk, there is no assurance that unauthorized transactions or unauthorized access to customer information will not occur. The financial, reputational and regulatory impact of unauthorized transactions or unauthorized access to customer information could be significant.

We depend on third parties for critical components of our infrastructure.

We outsource a significant portion of our information systems, communications, data management and transaction processing to third parties. These third parties are sources of risk associated with operational errors, system interruptions or breaches, unauthorized disclosure of confidential information and misuse of intellectual property. If the service providers encounter any of these issues, we could be exposed to disruption of service, reputational damages, and litigation risk that could be material to our business.

Risks Related to an Investment in Our Stock

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

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

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

Mr. George B. Kaiser owns approximately 62% of the outstanding shares of BOK Financial's common stock at December 31, 2013. Mr. Kaiser is able to elect all of BOK Financial's directors and effectively control the vote on all matters submitted to a vote of BOK Financial's common shareholders. Mr. Kaiser's ability to prevent an unsolicited bid for BOK Financial or any other change in control could have an adverse effect on the market price for BOK Financial's common stock. A substantial majority of BOK Financial's directors are not officers or employees of BOK Financial or any of its affiliates. However, because of Mr. Kaiser's control over the election of BOK Financial's

directors, he could change the composition of BOK Financial's Board of Directors so that it would not have a majority of outside directors.

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

Mr. Kaiser has the right to sell shares of BOK Financial's common stock in compliance with the federal securities laws at any time, or from time to time. The federal securities laws will be the only restrictions on Mr. Kaiser's ability to sell. Because of his current control of BOK Financial, Mr. Kaiser could sell large amounts of his shares of BOK Financial's common stock by causing BOK Financial to file a registration statement that would allow him to sell shares more easily. In addition, Mr. Kaiser could sell his shares of BOK Financial's common stock without registration under Rule 144 of the Securities Act. Although BOK Financial can make no predictions as to the effect, if any, that such sales would have on the market price of BOK Financial's common stock, sales of substantial amounts of BOK Financial's common stock, or the perception that such sales

could occur, could adversely affect market prices. If Mr. Kaiser sells or transfers his shares of BOK Financial's common stock as a block, another person or entity could become BOK Financial's controlling shareholder.

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

A substantial portion of BOK Financial's cash flow typically comes from dividends paid by the Bank. Statutory provisions and regulations restrict the amount of dividends the Bank may pay to BOK Financial without regulatory approval. Management also developed, and the BOK Financial board of directors approved, an internal capital policy that is more restrictive than the regulatory capital standards. In the event of liquidation, creditors of the Bank and other non-bank subsidiaries of BOK Financial are entitled to receive distributions from the assets of that subsidiary before BOK Financial, as holder of an equity interest in the subsidiaries, is entitled to receive any distributions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

BOK Financial and its subsidiaries own and lease improved real estate that is carried at $184 million, net of depreciation and amortization. The Company’s principal offices are located in leased premises in the Bank of Oklahoma Tower in Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Kansas/Missouri. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma; Dallas, Texas and Albuquerque, New Mexico. The Company’s facilities are suitable for their respective uses and present needs.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

BOK Financial's $0.00006 par value common stock is traded on the NASDAQ Stock Market under the symbol BOKF. As of January 31, 2014, common shareholders of record numbered 825 with 68,900,457 shares outstanding.

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

	First	Second	Third	Fourth
2013:				
Low	$55.05	$60.52	$62.93	$60.81
High	62.77	65.95	69.36	66.32
Cash dividends	0.38	0.38	0.38	0.40
2012:				
Low	$52.56	$53.34	$55.63	$54.19
High	59.02	58.12	59.47	59.77
Cash dividends	0.33	0.38	0.38	1.38 [1]

[1] Includes $1.00 per share special cash dividend.

Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2008 and ending December 31, 2013.*

	Period Ending December 31,					
Index	2008	2009	2010	2011	2012	2013
BOK Financial Corporation	100.00	120.38	138.02	145.19	150.46	187.77
NASDAQ Composite	100.00	145.36	171.74	170.38	200.63	281.22
NASDAQ Bank Index	100.00	83.70	95.55	85.52	101.50	143.84
KBW 50	100.00	98.24	121.19	93.10	123.85	170.62

* Graph assumes value of an investment in the Company's Common Stock for each index was $100 on December 31, 2008. The KBW 50 Bank index is the Keefe, Bruyette & Woods, Inc. index, which is available only for calendar quarter end periods. Cash dividends on Common Stock are assumed to have been reinvested in BOK Financial Common Stock.

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The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended December 31, 2013.

Period	Total Number of Shares Purchased [2]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans
October 1, 2013 to October 31, 2013	—	$—	—	1,960,504
November 1, 2013 to November 30, 2013	—	$—	—	1,960,504
December 1, 2013 to December 31, 2013	31,645	$63.59	—	1,960,504
Total	31,645		—	

[1] On April 24, 2012, the Company's board of directors authorized the Company to repurchase up to two million shares of the Company's common stock. As of December 31, 2013, the Company had repurchased 39,496 shares under this plan.

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

ITEM 6. SELECTED FINANCIAL DATA

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

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

	December 31, 2013	2012	2011	2010	2009
Selected Financial Data					
For the year:					
Interest revenue	$745,371	$794,871	$813,146	$851,082	$914,899
Interest expense	70,894	87,322	120,101	142,030	204,205
Net interest revenue	674,477	707,549	693,045	709,052	710,694
Provision for for credit losses	(27,900)	(22,000)	(6,050)	105,139	195,900
Fees and commissions revenue	603,844	628,880	527,093	516,394	480,512
Net income	316,609	351,191	285,875	246,754	200,907
Period-end:					
Loans	12,792,264	12,311,456	11,269,743	10,643,036	11,279,698
Assets	27,015,432	28,148,631	25,493,946	23,941,603	23,331,026
Deposits	20,269,327	21,179,060	18,762,580	17,179,061	15,518,228
Subordinated debentures	347,802	347,633	398,881	398,701	398,539
Shareholders' equity	3,020,049	2,957,860	2,750,468	2,521,726	2,205,813
Nonperforming assets[2]	247,743	276,716	356,932	394,469	484,295
Profitability Statistics					
Earnings per share (based on average equivalent shares):					
Basic	$4.61	$5.15	$4.18	$3.63	$2.96
Diluted	4.59	5.13	4.17	3.61	2.96
Percentages (based on daily averages):					
Return on average assets	1.16 %	1.34 %	1.17 %	1.04 %	0.87 %
Return on average shareholders' equity	10.51	12.09	10.66	10.18	9.66
Average shareholders' equity to average assets	11.00	11.05	10.95	10.19	8.98
Common Stock Performance					
Per Share:					
Book value per common share	$43.88	$43.29	$40.36	$36.97	$32.53
Market price: December 31 close	66.32	54.46	54.93	53.40	47.52
Market range – High close bid price	69.36	59.77	56.30	55.68	48.13
Market range – Low close bid price	55.05	52.56	44.00	42.89	22.98
Cash dividends declared	1.54	2.47 [5]	1.13	0.99	0.945
Dividend payout ratio	33.43 %	48.01 %[5]	27.01 %	27.16 %	31.93 %

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

	December 31, 2013	2012	2011	2010	2009
Selected Balance Sheet Statistics					
Period-end:					
Tier 1 capital ratio	13.77 %	12.78 %	13.27 %	12.69 %	10.86 %
Total capital ratio	15.56	15.13 %	16.49 %	16.20	14.43
Leverage ratio	10.05	9.01 %	9.15 %	8.74	8.05
Tier 1 common equity ratio[1]	13.59	12.59	13.06	12.55	10.75
Allowance for loan losses to nonaccruing loans	183.29	160.34	125.93	126.93	86.07
Allowance for loan losses to loans	1.45	1.75	2.25	2.75	2.59
Combined allowances for credit losses to loans [4]	1.47	1.77	2.33	2.89	2.72
Miscellaneous (at December 31)					
Number of employees (full-time equivalent)	4,632	4,704	4,511	4,432	4,355
Number of banking locations	206	217	212	207	202
Number of TransFund locations	1,998	1,970	1,912	1,943	1,896
Fiduciary assets	30,137,092	25,829,038	22,821,813	22,914,737	20,642,512
Mortgage loan servicing portfolio[3]	14,818,016	13,091,482	12,356,917	12,059,241	7,366,780

[1] Tier 1 capital divided by risk-weighted assets, both as defined by Basel I based regulations.
[2] Includes nonaccrual loans, renegotiated loans and assets acquired in satisfaction of loans. Excludes loans past due 90 days or more and still accruing.
[3] Includes outstanding principal for loans serviced for affiliates.
[4] Includes allowance for loan losses and accrual for off-balance sheet credit risk.
[5] Includes $1.00 per share special dividend.

Management’s Assessment of Operations and Financial Condition

Overview

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

Following the severe recession from 2007 to 2009, economic growth in the United States has been modest and gradual. National unemployment rates have improved from 7.8% in December of 2012 to 6.7% in December of 2013. With subdued indications of inflation, the U.S. government has continued to provide accommodative economic policy to support growth in the economy and further reduction in the unemployment rate. Although long-term and short-term interest rates remained at historic lows throughout the year, market speculation concerning the tapering of the Federal Reserve's bond buying program resulted in a rapid increase in mortgage interest rates in mid-2013. The low interest rate environment has presented challenges for all financial institutions as cash flows from loan and securities portfolios are reinvested at current rates. Both personal and corporate balance sheets have improved during the year. Corporations have amassed a significant amount of cash, placing the U.S. in a strong position to fund growth opportunities and reinvest. However, this has been hindered by the uncertainty in tax and regulatory policy as we

address the high level of national debt and deficit issues.

Performance Summary

Net income for the year ended December 31, 2013 totaled $316.6 million or $4.59 per diluted share compared with net income of $351.2 million or $5.13 per diluted share for the year ended December 31, 2012.

Highlights of 2013 included:

- Net interest revenue totaled $674.5 million for 2013 compared to $707.5 million for 2012. Cash flows from the securities portfolio were reinvested at lower current market rates. Growth in average loan balances were partially offset by a decrease in loan yield. Net interest margin was 2.80% for 2013 compared to 3.15% for 2012.
- Fees and commissions revenue totaled $603.8 million for 2013 compared to $628.9 million for 2012. Mortgage banking revenue decreased $47.4 million compared to the prior year. BOK Financial originated a record number of residential mortgage loans during the year. However, gain on sale margins decreased. Trust fees and commissions revenue grew by $16.0 million or 20% and transaction card revenue was up $8.8 million over the prior year.
- Operating expenses totaled $840.6 million, unchanged compared to the prior year. Personnel costs increased $14.2 million due largely to regular compensation. Non-personnel expenses decreased $13.9 million compared to the prior year primarily, due to a decrease in write-downs related to real estate and other repossessed assets and lower mortgage banking costs.
- The Company recorded a $27.9 million negative provision for credit losses in 2013 and a $22.0 million negative provision for credit losses in 2012. Credit quality indicators continued to improve. Net loans charged off totaled $2.0 million or 0.02% of average loans for 2013 compared to $23.3 million or 0.20% of average loans for 2012. Gross charge-offs decreased to $25.3 million in 2013 from $42.1 million in 2012.
- The combined allowance for credit losses totaled $187 million or 1.47% of outstanding loans at December 31, 2013 compared to $217 million or 1.77% of outstanding loans at December 31, 2012. Nonperforming assets totaled $248 million or 1.92% of outstanding loans and repossessed assets at December 31, 2013, down from $277 million or 2.23% of outstanding loans and repossessed assets at December 31, 2012. During 2013, nonaccruing loans decreased $33 million and repossessed assets decreased $12 million. Renegotiated residential mortgage loans guaranteed by U.S. government agencies increased $16 million.
- Outstanding loan balances were $12.8 billion at December 31, 2013, an increase of $481 million over the prior year. Commercial loan balances grew by $301 million or 4% and commercial real estate loans increased $186 million or 8%. Residential mortgage loans increased $7.0 million and consumer loans decreased $14 million.
- The available for sale securities portfolio decreased $1.1 billion during 2013 to $10.1 billion at December 31, 2013. The Company pro-actively reduced the size of its bond portfolio to better position the balance sheet for a longer-term rising rate environment.
- Period-end deposits totaled $20.3 billion at December 31, 2013 compared to $21.2 billion at December 31, 2012. Demand deposit accounts decreased by $722 million. Demand deposits at December 31, 2012 were unusually high as customers responded to tax law changes that became effective in 2013. Interest-bearing transaction accounts were largely unchanged compared to the prior year. Time deposits decreased $272 million.
- 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 13.77% at December 31, 2013 and 12.78% at December 31, 2012. The Company's Tier 1 common equity ratio, as recently defined by banking regulators, is estimated to be 12.60% at December 31, 2013.
- Regular cash dividends paid on common shares in 2013 totaled $1.54 per common share. Regular cash dividends paid on common shares were $1.47 per common share in 2012. In addition, the Company paid a special dividend of $1.00 per common share in the fourth quarter of 2012.

Net income for the fourth quarter of 2013 totaled $73.0 million or $1.06 per diluted share compared to $82.6 million or $1.21 per diluted share for the fourth quarter of 2012.

Highlights of the fourth quarter of 2013 included:

- Net interest revenue totaled $166.2 million for the fourth quarter of 2013 compared to $174.3 million for the fourth quarter of 2012. Net interest margin was 2.74% for the fourth quarter of 2013 compared to 2.95% for the fourth quarter of 2012. Cash flows from the securities portfolio were reinvested at lower current market rates and loan yields decreased. The average balance of the available for sale securities portfolio decreased, partially offset by growth in the average balance of the loan portfolio.
- Fees and commissions revenue decreased $22.5 million compared to the prior year to $142.4 million for the fourth quarter of 2013. Mortgage banking revenue decreased $24.5 million due primarily to a decrease in loan production volume. Growth in trust fees and commission and transaction card revenues were partially offset by lower brokerage and trading revenues.
- Operating expenses totaled $215.4 million, down $11.4 million compared to the prior year. Personnel costs decreased $5.5 million and non-personnel expenses decreased $5.8 million compared to the prior year.
- An $11.4 million negative provision for credit losses was recorded in the fourth quarter of 2013 compared to a $14.0 million negative provision for credit losses in the fourth quarter of 2012. We experienced a net recovery of $3.0 million in the fourth quarter of 2013 compared to net loans charged off of $4.3 million in the fourth quarter of 2012. Gross charge-offs were $3.1 million compared to $8.0 million in the prior year.

Critical Accounting Policies & Estimates

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

Allowance for Loan Losses and Accrual for Off-Balance Sheet Credit Risk

The allowance for loan losses and accrual for off-balance sheet credit risk are assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the loan portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed and is applied by an independent Credit Administration department to assure consistency across the Company. The allowance for loan losses consists of specific allowances attributed to certain impaired loans that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans that are based on estimated loss rates by loan class and nonspecific allowances for risks beyond factors specific to a particular portfolio segment or loan class. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses and accrual for off-balance sheet credit risk during 2013.

Loans are considered impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreements, including loans modified in a troubled debt restructuring. Internally risk graded loans are evaluated individually for impairment. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk graded through a quarterly evaluation of the borrower's ability to repay. Certain commercial loans and most residential mortgage and consumer loans which represent small balance, homogeneous pools are not risk graded. Non-risk graded loans are identified as impaired based on performance status. Generally, non-risk graded loans are considered impaired when 90 or more days past due, in

bankruptcy or modified in a troubled debt restructuring.

Specific allowances for impaired loans that have not yet been charged down to amounts we expect to recover 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. 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 generally are not adjusted by the Company. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values may have declined. Collateral value of mineral rights is determined by our internal staff of engineers based on projected cash flows under current market conditions. The value of other collateral is generally determined by our special assets staff based on liquidation cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. Historical statistics may be used as a practical way to estimate impairment in limited situations, such as when a collateral dependent loan is identified as impaired near the end of a reporting period 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 may be volatile.

General allowances for unimpaired loans are based on estimated loss rates by loan class. The appropriate historical gross loss rate for each loan class is determined by the greater of the current loss rate based on the most recent twelve months or a ten-year average gross loss rate. Recoveries are not directly considered in the estimation of historical loss rates. Recoveries generally do not follow predictable patterns and are not received until well-after the charge-off date as a result of protracted legal proceedings. For risk graded loans, historical loss rates are adjusted for changes in risk rating. For each loan class, the weighted average current risk grade is compared to the weighted average long-term risk grade. This comparison determines whether the risk in each loan class is increasing or decreasing. Historical loss rates are adjusted upward or downward in proportion to changes in weighted average risk grading. General allowances for unimpaired loans also consider inherent risks identified for a given loan class. Inherent risks include consideration of the loss rates that most appropriately represent the current credit cycle and other factors attributable to a specific loan class which have not yet been represented in the historical gross loss rates or risk grading. Examples of these factors include changes in commodity prices or engineering imprecision which may affect the value of reserves that secure our energy loan portfolio, construction risk that may affect commercial real estate loans, changes in regulations and public policy that may disproportionately impact health care loans and changes in loan product types.

Nonspecific allowances are maintained for risks beyond factors specific to a particular portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentrations in loans with large balances and other relevant factors.

Fair Value Measurement

Certain assets and liabilities are recorded at fair value in the Consolidated Financial Statements. Fair value is defined by applicable accounting guidance as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal markets for the given asset or liability at the measurement date based on markets conditions at that date. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale.

A hierarchy for fair value has been established that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories: unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), other observable inputs that can be observed either directly or indirectly (Level 2) and unobservable inputs for assets or liabilities (Level 3). Fair value may be recorded for certain assets and liabilities every reporting period on a recurring basis or under certain circumstances on a non-recurring basis.

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

measurement and disclosure included in the Consolidated Financial Statements.

Mortgage Servicing Rights

We have a significant investment in mortgage servicing rights. Our mortgage servicing rights are primarily retained from sales in the secondary market of residential mortgage loans we have originated or purchased from correspondent lenders. Occasionally mortgage servicing rights may be purchased from other lenders. Both originated and purchased mortgage servicing rights are initially recognized at fair value. The Company has elected to carry all mortgage servicing rights at fair value. Changes in fair value are recognized in earnings as they occur.

There is no active market for mortgage servicing rights after origination. The fair value of the mortgage servicing rights are determined by discounting the projected cash flows. Certain significant assumptions and estimates used in valuing mortgage servicing rights are based on current market sources including projected prepayment speeds, assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates. Assumptions used to value our mortgage servicing rights are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to value this asset. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of our servicing portfolio. The discount rate is based on benchmark rates for mortgage loans plus a market spread expected by investors in servicing rights. Significant assumptions used to determine the fair value of our mortgage servicing rights are presented in Note 7 to the Consolidated Financial Statements. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, we would expect a 50 basis point increase in mortgage interest rates to increase the fair value of our servicing rights by $8.6 million. We would expect an $8.6 million decrease in the fair value of our mortgage servicing rights from a 50 basis point decrease in mortgage interest rates.

Valuation of Derivative Instruments

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

Credit risk is considered in determining the fair value of derivative instruments. Deterioration in the credit rating of customers or dealers reduces the fair value of asset contracts. The reduction in fair value is recognized in earnings during the current period. Fair value adjustments are based on various risk factors including but not limited to counterparty credit rating or equivalent loan grading, derivative contract notional size, price volatility of the underlying commodity, duration of the derivative contracts and expected loss severity. Expected loss severity is based on historical losses for similarly risk-graded commercial loan customers. Deterioration in our credit rating below investment grade would affect the fair value of our derivative liabilities. In the event of a credit down-grade, the fair value of our derivative liabilities would decrease. The reduction in fair value would be recognized in earnings in the current period.

Valuation of Securities

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

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

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. We evaluate the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on all observable inputs, management may adjust prices obtained from third-party pricing services to more appropriately reflect the prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market. No significant adjustments were made to prices provided by third-party pricing services at December 31, 2013 or December 31, 2012.

A portion of our securities portfolio is comprised of debt securities for which third-party services have discontinued providing price information due primarily to a lack of observable inputs and other relevant data. We estimate the fair value of these securities based on significant unobservable inputs, including projected cash flows discounted at rates indicated by comparison to securities with similar credit and liquidity risk. We would expect the fair value to decrease $208 thousand if credit spreads utilized in valuing these securities widened by 100 basis points.

Valuation of Impaired Loans and Real Estate and Other Repossessed Assets

The fair value of collateral for certain impaired loans and real estate and other repossessed assets is measured on a non-recurring basis. Fair values are generally based on unadjusted third-party appraisals derived principally from or corroborated by observable market data. Fair values based on these appraisals are considered to be based on Level 2 inputs. Fair value measurements based on appraisals that are not based on observable inputs or that require significant adjustments by us or fair value measurements that are not based on third-party appraisals are considered to be based on Level 3 inputs. Significant unobservable inputs include listing prices for comparable assets, uncorroborated expert opinions or management's knowledge of the collateral or industry.

Goodwill Impairment

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

We identify the geographical market underlying each operating segment as reporting units for the purpose of performing the annual goodwill impairment test. This is consistent with the manner in which management assesses the performance of the Company and allocates resources. See additional discussion of the operating segments in the Assessment of Operations - Lines of Business section following. As previously announced, the Company appointed a new Chief Executive Officer effective January 1, 2014 and made several executive leadership changes. We are currently evaluating the effect of these leadership changes on the reporting unit structure which underlies the operating segments and may consider changes in 2014.

We perform a qualitative assessment that evaluates, based on the weight of the evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of our reporting units are less than their carrying amount. This qualitative assessment considers general economic conditions including trends in unemployment rates in our primary geographical areas, our earnings and stock price changes during the year, current and anticipated credit quality performance and the prolonged low interest rate environment and the impact of increased regulation. This qualitative assessment is supplemented by quantitative analysis through which the fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed.

The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our reporting units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. At December 31, 2013, critical assumptions in our evaluation were a 3% average expected long-term growth rate, a 0.81% volatility factor for BOK Financial common stock, a 9.06% discount rate and an 7.92% market risk premium. The expected long-term growth rate for smaller or less mature reporting units may be higher.

The fair value, carrying value and related goodwill of reporting units for which goodwill was attributed as of our annual impairment test performed on October 1, 2013 is as follows in Table 2.

Table 2 – Goodwill Allocation by Reporting Unit
(In thousands)

	Fair Value	Carrying Value[1]	Goodwill
Commercial:			
Oklahoma	$1,322,352	$249,517	$7,354
Texas	818,792	411,161	196,183
New Mexico	104,237	54,687	11,094
Colorado	136,041	95,830	39,458
Arizona	91,870	57,689	14,853
Consumer:			
Oklahoma	821,809	201,085	1,683
Texas	103,794	49,314	27,567
New Mexico	99,314	21,209	2,874
Colorado	37,536	12,994	6,899
Wealth Management:			
Oklahoma	163,468	99,453	1,350
Texas	248,641	45,964	16,372
New Mexico	29,283	3,919	1,305
Colorado	123,157	38,373	31,198
Arizona	31,708	6,178	1,569

[1] Carrying value includes intangible assets attributed to the reporting unit.

The fair value of our reporting units determined by the discounted future earnings method was further corroborated by comparison to the market capitalization of publicly traded banks of similar size and characteristics in our geographical footprint. Based on the qualitative assessment, supplemented by the results of the quantitative considerations, management believes that it is more-likely-than-not that no goodwill impairment existed as of our annual evaluation date.

As of December 31, 2013, the market value of BOK Financial common stock, a primary input in our goodwill impairment analysis, was approximately 5% higher than the market value used in our most recent annual evaluation. The market value is influenced by factors affecting the overall economy and the regional banks sector of the market. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock declines or sooner if we incur significant unanticipated operating losses or if other factors indicate a significant decline in the value of our reporting units. The effect of a sustained 10% negative change in the market value of our common stock on September 30, 2013 was simulated. No impairment was noted by this simulation.

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

Other-Than-Temporary Impairment

On a quarterly basis, the Company performs separate evaluations of impaired debt and equity investment and available for sale securities to determine if the unrealized losses are temporary or other-than-temporary.
For impaired debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity

requirements, regulatory and capital requirements and securities portfolio management. All impaired debt securities we intend to sell or we expect to be required to sell are considered other-than-temporarily impaired and the full impairment loss is recognized as a charge against earnings. All impaired debt securities we do not intend or expect to be required to sell are evaluated further.

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

We consider the principal and interest cash flows from the underlying loan pool as well as the remaining credit enhancement coverage as part of our assessment of cash flows available to recover the amortized cost of our securities. The credit enhancement coverage is an estimate of currently remaining subordinated tranches available to absorb losses on pools of loans that support the security. Credit losses, which are defined as the excess of current amortized cost over the present value of projected cash flows, on other-than-temporarily impaired debt securities are recognized as a charge against earnings. Any remaining impairment attributed to factors other than credit losses are recognized in accumulated other comprehensive losses.

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

We performed a sensitivity analysis of all privately issued residential mortgage-backed securities. Significant assumptions of this analysis included an increase in the unemployment rate to 9.3% and an additional 13.5% home price depreciation over the next twelve months. The results of this analysis indicated an additional $1 million of credit losses are possible. An increase in the unemployment rate to 11.3% with an additional 25.4% home price depreciation indicates an additional $4 million of credit losses are possible.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on our ability and intent to hold the securities until fair value recovers over a period not to exceed three years. The assessment of the ability and intent to hold these securities considers liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings, and credit spreads for preferred stocks which have debt-like characteristics.

Income Taxes

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

Management evaluates the Company's current tax expense or benefit based upon estimates of taxable income, tax credits and statutory tax rates. Annually, we file tax returns with each jurisdiction where we conduct business and adjust recognized income tax expense or benefit to filed tax returns.

We recognize deferred tax assets and liabilities based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely

than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

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

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.

Tax-equivalent net interest revenue totaled $684.8 million for 2013 compared to $716.9 million for 2012. Net interest margin was 2.80% for 2013 and 3.15% for 2012. Tax-equivalent net interest revenue decreased $32.1 million compared to the prior year. Changes in interest rates reduced net interest revenue by $66.7 million. Growth in average loans and securities balances increased net interest revenue by $34.6 million. Cash flows from the securities portfolio were reinvested at lower current market rates and loan yields decreased due to renewal of maturing fixed-rate loans at current lower rates and narrowing credit spreads, partially offset by lower funding costs. Table 3 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities. In addition, see Annual and Quarterly Financial Summary of consolidated daily average balances, yields and rates following the Consolidated Financial Statements.

The tax-equivalent yield on earning assets was 3.09% for 2013 compared to 3.53% in 2012. The available for sale securities portfolio yield decreased 47 basis points to 1.97% and loan yields decreased 34 basis points. The decreased yield on earning assets was partially offset by lower funding costs. Funding costs were down 13 basis points compared to 2012. The cost of interest-bearing deposits decreased 10 basis points and the cost of other borrowed funds decreased 4 basis points. The average rate of interest paid on subordinated debentures decreased 128 basis points. The interest rate on $233 million of these subordinated debentures converted from a fixed rate of interest of 5.75% to a floating interest rate based on LIBOR plus 0.69% as of May 15, 2012. In the present low interest rate environment, our ability to further decrease funding costs is limited.

Average earning assets for 2013 increased $1.2 billion or 5% over 2012. Average loans, net of allowance for loan losses, increased $681 million due primarily to growth in average commercial loans. The average balance of available for sale securities, which consists largely of residential and commercial mortgage-backed securities guaranteed by U.S. government agencies, increased $185 million. We purchase securities to supplement earnings and to manage interest rate risk. During the fourth quarter of 2013, we began to pro-actively shrink the size of our bond portfolio to better position the balance sheet for a longer-term rising rate environment. Our outlook for earning assets is for continued decline in the securities portfolio to be partially offset by loan growth. We expect annualized growth rate for loans to be in the mid to high single digits. The resulting shift in earning asset mix should be supportive of the net interest margin.

Growth in average assets was funded by a $717 million increase in average deposits and a $631 million increase in average borrowed funds balances. Average demand deposit balances increased $500 million over the prior year. Average interest-bearing transaction accounts were up $483 million, partially offset by a $318 million decrease in average time deposits. Average borrowed funds increased primarily due to an increase in borrowings from the Federal Home Loan Banks, partially offset by a decrease in funds purchased and repurchase agreements compared to the prior year. Average subordinated debenture balances were down $16 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. As shown in Table 29, approximately 77% 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. We also may use derivative instruments to manage our interest rate risk.

The effectiveness of these strategies is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 3 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

Fourth Quarter 2013 Net Interest Revenue

Tax-equivalent net interest revenue totaled $168.7 million for the fourth quarter of 2013 compared to $176.7 million for the fourth quarter of 2012. Net interest margin was 2.74% for the fourth quarter of 2013 and 2.95% for the fourth quarter of 2012.

Tax-equivalent net interest revenue decreased $8.0 million over the fourth quarter of 2012. Net interest revenue increased $4.1 million primarily due to the growth in average loan balances, partially offset by a decrease in available for sale securities balances. Net interest revenue decreased $12.2 million due to interest rates.

The tax-equivalent yield on earning assets was 3.02% for the fourth quarter of 2013, down 28 basis points from the fourth quarter of 2012. The available for sale securities portfolio yield decreased 27 basis points to 1.89%. Cash flows from these securities were reinvested at current lower rates. Loan yields decreased 32 basis points due primarily to continued market pricing pressure. Funding costs were down 12 basis points from the fourth quarter of 2012. The cost of interest-bearing deposits decreased 12 basis points and the cost of other borrowed funds decreased 4 basis points. The average rate of interest paid on subordinated debentures decreased 8 basis points compared to the fourth quarter of 2012 due to the conversion of $233 million of these subordinated debentures from a fixed rate of interest to a floating interest rate in 2012. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities decreased to 14 basis points in the fourth quarter of 2013 from 19 basis points in the fourth quarter of 2012.

Average earning assets for the fourth quarter of 2013 decreased $355 million compared to the fourth quarter of 2012. The average balance of available for sale securities decreased $1.0 billion as we reduced the size of the bond portfolio to better position the balance sheet for a longer-term rising rate environment. Average loans, net of allowance for loan losses, increased $508 million over the fourth quarter of 2012 due primarily to growth in average commercial loans.

Average deposits decreased $262 million compared to the fourth quarter of 2012. Average demand deposit balances decreased $149 million and average time deposit balances decreased $300 million, partially offset by a $143 million increase in average interest-bearing transaction accounts. Average borrowed funds increased $492 million over the fourth quarter of 2012.

2012 Net Interest Revenue

Tax-equivalent net interest revenue for 2012 was $716.9 million compared to $702.1 million for 2011. Net interest margin was 3.15% for 2012 compared to 3.30% for 2011. The decrease in net interest margin was due primarily to lower yield on our securities portfolio, partially offset by lower funding costs. The tax-equivalent yield on average earning assets decreased 33 basis points from 2011. The available for sale securities portfolio yield was down 48 basis points due to cash flow reinvestment at lower rates. Loan yields decreased 26 basis points due to a combination of renewals of fixed rate loans at lower current rates and narrowing credit spreads. The cost of interest-bearing liabilities decreased 20 basis points. The cost of interest-bearing deposits was down 14 basis points and the cost of other borrowed funds was down 132 basis points. The effect of declining net interest margin was offset by increasing average earning assets by $1.8 billion during 2012. Growth in average assets was primarily in the available for sale securities portfolio and loans. Growth in average assets was funded by a $979 million increase in average deposit balances. Average demand deposit account balances grew by $1.7 billion, partially offset by a $309 million decrease in average interest-bearing transaction account and a $474 million decrease in average time deposit balances. Average borrowed funds increased $461 million during 2012 due to an increase in funds purchased. Average subordinated debenture balances were down $35.1 million.

Table 3 – Volume/Rate Analysis
(In thousands)

	Year Ended December 31, 2013 / 2012			Year Ended December 31, 2012 / 2011		
		Change Due To[1]			Change Due To[1]	
	Change	Volume	Yield / Rate	Change	Volume	Yield /Rate
Tax-equivalent interest revenue:						
Interest-bearing cash and cash equivalents	$130	$628	$(498)	$454	$(659)	$1,113
Trading securities	558	409	149	(348)	1,016	(1,364)
Investment securities:						
Taxable securities	(2,588)	(2,453)	(135)	4,267	4,415	(148)
Tax-exempt securities	723	6,142	(5,419)	(1,961)	(783)	(1,178)
Total investment securities	(1,865)	3,689	(5,554)	2,306	3,632	(1,326)
Available for sale securities:						
Taxable securities	(32,396)	14,276	(46,672)	(21,602)	23,849	(45,451)
Tax-exempt securities	(218)	368	(586)	150	572	(422)
Total available for sale securities	(32,614)	14,644	(47,258)	(21,452)	24,421	(45,873)
Fair value option securities	(4,557)	(3,109)	(1,448)	(10,185)	(5,168)	(5,017)
Restricted equity securities	2,780	4,114	(1,334)	173	295	(122)
Residential mortgage loans held for sale	320	116	204	1,693	2,811	(1,118)
Loans	(13,281)	27,590	(40,871)	9,322	38,840	(29,518)
Total tax-equivalent interest revenue	(48,529)	48,081	(96,610)	(18,037)	65,188	(83,225)
Interest expense:						
Transaction deposits	(3,145)	622	(3,767)	(9,115)	(737)	(8,378)
Savings deposits	(98)	97	(195)	(179)	133	(312)
Time deposits	(8,206)	(5,065)	(3,141)	(12,583)	(8,402)	(4,181)
Funds purchased	(1,247)	(774)	(473)	1,178	537	641
Repurchase agreements	(505)	(209)	(296)	(1,445)	(36)	(1,409)
Other borrowings	1,810	19,298	(17,488)	(2,028)	575	(2,603)
Subordinated debentures	(5,037)	(494)	(4,543)	(8,607)	(1,659)	(6,948)
Total interest expense	(16,428)	13,475	(29,903)	(32,779)	(9,589)	(23,190)
Tax-equivalent net interest revenue	(32,101)	34,606	(66,707)	14,742	74,777	(60,035)
Change in tax-equivalent adjustment	(971)			(238)		
Net interest revenue	$(33,072)			$14,504		

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

Table 3 – Volume/Rate Analysis (continued)
(In thousands)

	Three Months Ended December 31, 2013 / 2012		
		Change Due To[1]	
	Change	Volume	Yield / Rate
Tax-equivalent interest revenue:			
Interest-bearing cash and cash equivalents	$40	$74	$(34)
Trading securities	31	(22)	53
Investment securities:			
Taxable securities	(584)	(491)	(93)
Tax-exempt securities	393	1,394	(1,001)
Total investment securities	(191)	903	(1,094)
Available for sale securities:			
Taxable securities	(8,210)	(1,345)	(6,865)
Tax-exempt securities	(85)	12	(97)
Total available for sale securities	(8,295)	(1,333)	(6,962)
Fair value option securities	112	(80)	192
Restricted equity securities	877	431	446
Residential mortgage loans held for sale	(72)	(513)	441
Loans	(4,593)	5,116	(9,709)
Total tax-equivalent interest revenue	(12,091)	4,576	(16,667)
Interest expense:			
Transaction deposits	(930)	33	(963)
Savings deposits	(29)	17	(46)
Time deposits	(3,001)	(1,233)	(1,768)
Funds purchased	(332)	(155)	(177)
Repurchase agreements	(92)	(29)	(63)
Other borrowings	381	1,808	(1,427)
Subordinated debentures	(66)	3	(69)
Total interest expense	(4,069)	444	(4,513)
Tax-equivalent net interest revenue	(8,022)	4,132	(12,154)
Change in tax-equivalent adjustment	5		
Net interest revenue	$(8,017)		

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

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Other Operating Revenue

Other operating revenue was $614.5 million for 2013 compared to $653.7 million for 2012. Fees and commissions revenue decreased $25.0 million or 4% compared to 2012. The change in the fair value of mortgage servicing rights, net of fair value options securities and derivative contract held as an economic hedge, increased $3.5 million over the prior year. Net gains on available for sale securities decreased $23.1 million compared to 2012. Other-than-temporary impairment charges recognized in earnings in 2013 were $5.0 million less than charges recognized in 2012.

Table 4 – Other Operating Revenue
(In thousands)

	Year Ended				
	2013	2012	2011	2010	2009
Brokerage and trading revenue	$125,478	$126,930	$104,181	101,471	91,677
Transaction card revenue	116,823	107,985	116,757	112,302	105,517
Trust fees and commissions	96,082	80,053	73,290	68,976	66,177
Deposit service charges and fees	95,110	98,917	95,872	103,611	115,791
Mortgage banking revenue	121,934	169,302	91,643	87,600	64,980
Bank-owned life insurance	10,155	11,089	11,280	12,066	10,239
Other revenue	38,262	34,604	34,070	30,368	26,131
Total fees and commissions revenue	603,844	628,880	527,093	516,394	480,512
Gain (loss) on other assets, net	(925)	(1,415)	4,156	(4,011)	1,992
Gain (loss) on derivatives, net	(4,367)	(301)	2,686	4,271	(3,365)
Gain (loss) on fair value option securities, net	(15,212)	9,230	24,413	7,331	(13,198)
Change in fair value of mortgage servicing rights	22,720	(9,210)	(40,447)	3,661	12,124
Gain on available for sale securities, net	10,720	33,845	34,144	21,882	59,320
Total other-than-temporary impairment	(2,574)	(1,144)	(10,578)	(29,960)	(129,154)
Portion of loss recognized in (reclassified from) other comprehensive income	266	(6,207)	(12,929)	2,151	94,741
Net impairment losses recognized in earnings	(2,308)	(7,351)	(23,507)	(27,809)	(34,413)
Total other operating revenue	$614,472	$653,678	$528,538	521,719	502,972

Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 47% of total revenue for 2013, excluding provision for credit losses and gains and losses on asset sales, securities and derivatives and the change in the fair value of mortgage servicing rights. 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. As an example of this strength, many of the economic factors that caused net interest revenue compression also drove strong growth in our mortgage banking revenue in 2012. We expect continued growth in other operating revenue through offering new products and services and by further development of our presence in 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 hedging and investment banking was largely unchanged compared to the prior year. Revenue in 2013 was reduced $8.7 million from changes in the fair value of our trading securities inventory due to sharp increases in interest rates. The following discussion excludes inventory adjustment charges.

Securities trading revenue totaled $72.6 million for 2013, an increase of $3.9 million or 6% compared to the prior year. Securities trading revenue represents net realized and unrealized gains primarily related to sales of U.S. government securities, residential mortgage-backed securities guaranteed by U.S. government agencies and municipal securities to institutional customers. These activities largely will be permitted under the Volcker Rule of the Dodd-Frank Act. The increase compared to the prior year was due primarily sales of residential mortgage backed securities to our mortgage banking customers.

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 $12.4 million for 2013, a decrease of $1.3 million or 10% compared to 2012. The Company received recoveries from the Lehman Brothers and MF Global bankruptcies of $2.4 million during 2013 and $3.4 million during 2012.

Revenue earned from retail brokerage transactions increased $4.3 million or 15% over 2012 to $34.1 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 is primarily based on the volume of customer transactions. The number of transactions typically increases with market volatility and decreases with market stability.

Investment banking, which includes fees earned upon completion of underwriting and financial advisory services, totaled $15.1 million for 2013, up $299 thousand or 2% over 2012 related to the timing and volume of completed transactions.

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 totaled $116.8 million for 2013 compared to $108.0 million for 2012. Revenues from the processing of transactions on behalf of the members of our TransFund electronic funds transfer ("EFT") network totaled $60.5 million, up $4.2 million or 7% over 2012, due primarily to increased transaction volumes. The number of TransFund ATM locations totaled 1,998 at December 31, 2013 compared to 1,970 at December 31, 2012. Merchant services fees paid by customers for account management and electronic processing of card transactions totaled $38.0 million, up $4.0 million or 12% over the prior year. The increase was primarily due to higher transaction processing volume throughout our geographical footprint. Revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled $18.3 million, up $730 thousand over 2012 on increased transaction volume.

Effective October 1, 2011, the Federal Reserve issued its final rule that established a cap on interchange fees that larger banks can charge merchants for certain debit card transactions. This rule is commonly known as the Durbin Amendment. Initial adoption of the Durbin Amendment reduced our annual interchange fees by approximately $19 million. The final rule has been successfully challenged by retail merchants and merchant trade groups and is currently on appeal. The ultimate resolution of this legal challenge is uncertain.

Trust fees and commissions increased $16.0 million or 20% over 2012. Acquired in the third quarter of 2012, the full year results of The Milestone Group increased trust fees and commissions $7.0 million over 2012. The remaining increase was primarily due to the growth in the fair value of fiduciary assets administered by the Company. Fiduciary assets are assets for which the Company possesses investment discretion on behalf of another, or any other similar capacity. The fair value of fiduciary assets administered by the Company totaled $30.1 billion at December 31, 2013 and $25.8 billion at December 31, 2012.

In addition to trust fees and commissions where we served as a fiduciary, we also earn fees as administrator to and investment advisor for the Cavanal Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). The Bank is custodian and BOSC, Inc. is distributor for the Funds. The Funds’ products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. We have voluntarily waived 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 $8.2 million for 2013 compared to $8.4 million for 2012.

Deposit service charges and fees decreased $3.8 million or 4% compared to 2012. Overdraft fees totaled $49.6 million for 2013, a decrease of $6.1 million or 11% compared to last year. Commercial account service charge revenue totaled $37.3 million, up $2.3 million or 7% over the prior year. Service charges on deposit accounts with a standard monthly fee were $8.2 million, unchanged compared to the prior year.

Mortgage banking revenue totaled $121.9 million for 2013, compared to $169.3 million for 2012. Revenue from originating and marketing mortgage loans totaled $79.5 million, a decrease of $49.6 million compared to 2012. Mortgage loans funded for sale totaled $4.1 billion in 2013, up $373.0 million or 10% over 2012. Outstanding commitments to originate mortgage loans decreased $98 million or 27% compared to December 31, 2012 to $259 million at December 31, 2013. The decrease in mortgage banking revenue was primarily due to an overall narrowing of gain on sale margins and a shift in product mix towards loans with narrower margins.

Mortgage servicing revenue was $42.4 million, up $2.2 million or 5% over the prior year. The outstanding principal balance of mortgage loans serviced for others totaled $13.7 billion, an increase of $1.7 billion over December 31, 2012.

Table 5 – Mortgage Banking Revenue
(In thousands)

	Year Ended				
	2013	2012	2011	2010	2009
Originating and marketing revenue	$79,545	$129,117	$51,982	$49,439	$44,229
Servicing revenue	42,389	40,185	39,661	38,161	20,751
Total mortgage revenue	$121,934	$169,302	$91,643	$87,600	$64,980
Mortgage loans funded for sale	$4,081,390	$3,708,350	$2,293,834	$2,501,860	$281,106
Mortgage loan refinances to total funded	43 %	60 %	53 %	57 %	63 %

	December 31,				
	2013	2012	2011	2010	2009
Outstanding principal balance of mortgage loans serviced for others	$13,718,942	$11,981,624	$11,300,986	$11,194,582	$6,603,132

Net gains on securities, derivatives and other assets

We recognized $10.7 million of net gains from sales of $2.4 billion of available for sale securities in 2013. We recognized $33.8 million of net gains from sales of $1.7 billion of available for sale securities in 2012, including a $14.2 million gain on the sale of $26 million of common stock received in 2009 in partial satisfaction of a defaulted commercial loan. Securities were sold either because they had reached their expected maximum potential or to mitigate risk.

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 7 to the Consolidated Financial Statements. As benchmark mortgage rates increase, prepayment speeds slow and the value of our mortgage servicing rights increases. As benchmark mortgage rates fall, prepayment speeds increase and the value of our mortgage servicing rights decreases.

Changes in the fair value of mortgage servicing rights are highly dependent on changes in primary mortgage rates, rates offered to borrowers, and assumptions about servicing revenues, servicing costs and discount rates. Changes in the fair value of residential mortgage-backed securities and interest rate derivative contracts are highly dependent on changes in secondary mortgage rates, or rates required by investors. While primary and secondary mortgage rates generally move in the same direction, the spread between them may widen and narrow due to market conditions and government intervention. Changes in assumptions and the spread between the primary and secondary rates can cause significant earnings volatility.

Table 6 following shows the relationship between changes in the fair value of mortgage servicing rights and the fair value of fair value option residential mortgage-backed securities and interest rate derivative contracts designated as an economic hedge.

Table 6 – Gain (Loss) on Mortgage Servicing Rights, Net of Economic Hedge
(In thousands)

	Year Ended				
	2013	2012	2011	2010	2009
Gain (loss) on mortgage hedge derivative contracts, net	$(5,080)	$116	$2,974	$4,425	$—
Gain (loss) on fair value option securities, net	(15,436)	7,793	24,413	7,331	(13,198)
Gain (loss) on economic hedge of mortgage servicing rights	(20,516)	7,909	27,387	11,756	(13,198)
Gain (loss) on change in fair value of mortgage servicing rights	22,720	(9,210)	(40,447)	(8,171) [1]	12,124
Gain (loss) on changes in fair value of mortgage servicing rights, net of economic hedges	$2,204	$(1,301)	$(13,060)	$3,585	$(1,074)
Net interest revenue on fair value option securities[2]	$3,290	$7,811	$17,650	$19,043	$13,366
Average primary residential mortgage interest rate	3.99 %	3.66 %	4.45 %	4.69 %	5.03 %
Average secondary residential mortgage interest rate	3.05 %	2.52 %	3.71 %	3.96 %	4.28 %

[1] Excludes $11.8 million day-one pretax gain on the purchase of mortgage servicing rights in the first quarter of 2010.
[2] Actual interest earned on fair value option securities less transfer-priced cost of funds.

Primary rates disclosed in Table 6 above represent rates generally available to borrowers on 30 year conforming mortgage loans and affect the value of our mortgage servicing rights. Secondary rates represent rates generally paid on 30 year residential mortgage-backed securities guaranteed by U.S. government agencies and affect the value of securities and derivative contracts used as an economic hedge of our mortgage servicing rights. The difference between average primary and secondary rates was 94 basis points for 2013 compared to 114 basis points for 2012. The difference between average primary and secondary rates widened significantly during 2012, growing as large as 163 basis points during the third quarter. This difference narrowed to a more normal relationship during 2013.

As more fully discussed in Note 2 to the Consolidated Financial Statements, we recognized other-than-temporary impairment losses of $2.3 million during 2013. Other-than-temporary impairments recognized in earnings on certain residential mortgage-backed securities privately issued by publicly traded financial institutions that we do not intend to sell totaled $938 thousand. Other-than-temporary losses on certain below investment grade municipal securities recognized in earnings were $1.4 million. Other-than-temporary impairment losses related to privately issued residential mortgage backed securities, municipal securities and other equity securities in 2012 were $7.4 million.

An indirect wholly-owned subsidiary of the Company is the general partner of two private equity funds and other subsidiaries of the Company have investments in unrelated private equity funds. These investments generally are illiquid and do not readily provide for redemption or transfer. The impact of the recently-issued regulations that implement the Volcker Rule on these investments resulted in a $1.4 million impairment charge in 2013 which is included in Gain (Loss) on assets, net. This charge was based primarily on the expectation that we will be required to divest some or all of these investments by June 30, 2015.

Fourth Quarter 2013 Other Operating Revenue

Other operating revenue was $147.0 million for the fourth quarter of 2013 compared to $166.4 million for the fourth quarter of 2012. Fees and commissions revenue decreased $22.5 million. The change in the fair value of mortgage servicing rights, net of economic hedges, added $2.1 million to net income for the fourth quarter of 2013 compared to adding $1.8 million to net income for the fourth quarter of 2012. Net gains on sales of available for sale securities

were $568 thousand higher than the prior year. No other-than-temporary impairment charges were recognized in earnings in the fourth quarter of 2013 compared to $1.7 million of impairment charges recognized in the fourth quarter of 2012.

Brokerage and trading revenue decreased $3.4 million compared to the fourth quarter of 2012. Securities trading revenue totaled $15.2 million for the fourth quarter of 2013, a decrease $2.4 million, primarily due to decreased gain from sales of U.S. government treasury and municipal securities to our institutional customers. Customer hedging revenue totaled $3.8 million, up $1.0 million over the prior year. Revenue earned from retail brokerage transactions decreased $371 thousand compared to the fourth quarter of 2012 to $7.0 million. Investment banking revenue totaled $2.4 million, a $1.6 million decrease compared to the fourth quarter of 2012 related to the timing and volume of completed transactions.

Transaction card revenue for the fourth quarter of 2013 increased $1.1 million or 4% over the fourth quarter of 2012, primarily due to a $918 thousand increase in merchant services fees and a $170 thousand increase in interchange fees paid by merchants for transactions processed from debit cards issued by the Company. Revenues from the processing of transactions on behalf of the members of our TransFund EFT network totaled $15.2 million, merchant services fees totaled $9.3 million and revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled $4.6 million.

Trust fees and commissions increased $3.0 million over the fourth quarter of 2012 to $25.1 million primarily due to the increase in the fair value of assets managed. Waived administration fees on the Cavanal Hill money market funds totaled $2.2 million for the fourth quarter of 2013 compared to $1.7 million for the fourth quarter of 2012.

Deposit service charges and fees were $23.4 million for the fourth quarter of 2013 compared to $24.2 million for the fourth quarter of 2012. Overdraft fees decreased $1.5 million to $12.1 million. Commercial account service charge revenue totaled $9.3 million, up $942 thousand over the prior year. Service charges on deposit accounts with a standard monthly fee were $2.0 million, a decrease of $198 thousand compared to the fourth quarter of 2012.

Mortgage banking revenue was $21.9 million for the fourth quarter of 2012 compared to $46.4 million for the fourth quarter of 2012. Mortgage loans funded for sale totaled $849 million in the fourth quarter of 2013 and $1.1 billion in the fourth quarter of 2012. Outstanding mortgage loan commitments decreased $98 million and the unpaid principal balance of mortgage loans held for sale decreased $93 million. The difference between average primary and secondary rates for the fourth quarter of 2013 was 90 basis points compared to 117 basis points for the fourth quarter of 2012.

During the fourth quarter of 2013, we recognized a $1.6 million gain from sales of $270 million of available for sale securities. We recognized $1.1 million of gains on sales of $84 million of available for sale securities in the fourth quarter of 2012.

For the fourth quarter of 2013, changes in the fair value of mortgage servicing rights increased pre-tax net income by $6.1 million, partially offset by a net loss of $3.9 million on fair value option securities and derivative contracts held as an economic hedge. For the fourth quarter of 2012, changes in the fair value of mortgage servicing rights increased pre-tax net income by $4.7 million, partially offset by a $2.9 million net loss on fair value option securities and derivative contracts held as an economic hedge.

2012 Other Operating Revenue

Other operating revenue totaled $653.7 million for 2012, up $125.1 million over 2011. Fees and commissions revenue increased $101.8 million. The change in the fair value of mortgage servicing rights, net of economic hedges, decreased pre-tax net income in 2012 by $1.3 million compared to a $13.1 million decrease in pre-tax net income in 2011. Net gains on sales of available for sale securities were $33.8 million for 2012 compared to $34.1 million for 2011. Other-than-temporary impairment charges recognized in earnings were $16.2 million less than charges recognized in 2011.

Brokerage and trading revenue increased $22.7 million over 2011. Securities trading revenue was up $8.9 million primarily due to increased revenue from sales of mortgage-backed securities to our mortgage banking customers. Customer hedging revenue increased $8.4 million. Customer hedging revenue for 2012 included a $3.4 million recovery from the Lehman Brothers bankruptcy and 2011 included $4.4 million of credit losses. Retail brokerage revenue increased $1.6 million and investment banking revenue grew by $3.8 million. Transaction card revenue decreased $8.8 million compared to 2011. Increased revenue from the processing of transactions for TransFund network members and growth in merchant services transaction volumes were offset by a decrease in interchange fees paid by merchant banks on cards issued by the Bank and on transactions processed for merchant services customers

due to the Durbin Amendment which became effective on October 1, 2011. Trust fees and commissions increased $6.8 million due to the acquisition of The Milestone Group in the third quarter of 2012 and growth in the fair value of fiduciary assets. Deposit service charges and fees increased $3.0 million primarily increased commercial account service charges. Mortgage banking revenue grew $77.7 million over 2011 on growth in mortgage loans originated for sale and an increase in gains on sales of mortgages in the secondary market.

Other Operating Expense

Other operating expense for 2013 totaled $840.6 million, unchanged from the prior year. Personnel expenses increased $14.2 million or 3%. Non-personnel expenses decreased $13.9 million or 4% compared to the prior year.

Table 7 – Other Operating Expense
(In thousands)

	Year Ended				
	2013	2012	2011	2010	2009
Regular compensation	$279,493	$262,736	$247,945	$238,690	$231,897
Incentive compensation:					
Cash-based	110,871	116,718	97,222	91,219	80,569
Stock-based	40,272	37,170	20,558	12,764	10,585
Total incentive compensation	151,143	153,888	117,780	103,983	91,154
Employee benefits	74,589	74,409	64,261	59,191	57,466
Total personnel expense	505,225	491,033	429,986	401,864	380,517
Business promotion	22,598	23,338	20,549	17,726	19,582
Charitable contributions to BOKF Foundation	2,062	2,062	4,000	—	—
Professional fees and services	32,552	34,015	28,798	30,217	30,243
Net occupancy and equipment	69,773	66,726	64,611	63,969	65,715
Insurance	16,122	15,356	16,799	24,320	24,040
FDIC special assessment	—	—	—	—	11,773
Data processing & communications	106,075	98,904	97,976	87,752	81,292
Printing, postage and supplies	13,885	14,228	14,085	13,665	15,960
Net losses & operating expenses of repossessed assets	5,160	20,528	23,715	34,483	11,400
Amortization of intangible assets	3,428	2,927	3,583	5,336	6,970
Mortgage banking costs	31,088	44,334	37,621	43,172	37,248
Other expense	32,652	26,912	37,575	29,937	21,976
Total other operating expense	$840,620	$840,363	$779,298	$752,441	$706,716
Average number of employees (full-time equivalent)	4,683	4,614	4,474	4,394	4,403

Personnel expense

Regular compensation expense, which consists of salaries and wages, overtime pay and temporary personnel costs, increased $16.8 million or 6% over 2012. Although the average number of employees has remained relatively constant, we continue to invest in higher-costing wealth management, compliance and risk management positions. In addition, standard annual merit increases were fully effective in the second quarter of 2013. The Company generally awards annual merit increases during the first quarter for a majority of its staff.

Incentive compensation decreased $2.7 million compared to 2012. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities for 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 decreased $5.8 million compared to 2012.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense for equity awards decreased $1.5 million or 15% compared to 2012. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value. Stock-based compensation expense also included liability awards indexed to investment performance or changes in the market value of BOK Financial common stock. The year-end closing market price per share of BOK Financial common stock increased $11.86 during 2013 and decreased $0.47 during 2012. Expense based on changes in the fair value of BOK Financial common stock and other investments increased $1.2 million over the prior year.

In addition, stock-based incentive compensation expense increased $3.4 million during 2013 as $28.4 million was accrued in 2013 and $25 million was accrued in 2012 related to the BOK Financial Corp. 2011 True-Up Plan. Approved by shareholders on April 26, 2011, the True-Up Plan was intended to address inequality in the Executive Incentive Plan ("EIP"), which had been approved by shareholders in 2003 as a result of certain peer banks that performed poorly during the most recent economic cycle. Performance goals for the EIP are based on the Company's earnings per share growth compared to peers and business unit performance. As the economy improves and credit losses normalize, peer banks were expected to experience significant comparative earnings per share percentile increases. This "bounce-back" effect would have resulted in the unanticipated result of no annual bonuses in the years 2011, 2012 and 2013 and the forfeiture of long-term incentive awards for 2010 and 2011 in their entirety, despite BOK Financial's strong annual earnings growth through the economic cycle while many peers experienced negative or declining earnings. The True-Up Plan was designed to adjust annual and long-term performance-based incentive compensation for certain senior executives either upward or downward based on the earnings per share performance and compensation of comparable senior executives at peer banks for 2006 through 2013. Compensation expense is determined by ranking BOK Financial's earnings per share to peer banks and then aligning compensation with the peer bank that most closely relates to BOK Financial earnings per share performance. Based on currently available information, amounts estimated to be paid under the 2011 True-Up Plan are approximately $69 million. The final amount due under the 2011 True-Up Plan will be determined as of December 31, 2013 based on information that will be published by peer banks during the first quarter of 2014. The final amount due under the 2011 True-Up Plan will be distributed in May, 2014.

Employee benefit expense was largely unchanged compared to 2012. Employee medical costs totaled $26.3 million, a $694 thousand or 3% decrease compared to the prior year. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. Payroll tax expense increased $1.5 million over 2012 to $26.6 million. Employee retirement plan costs totaled $18.1 million, up $1.4 million and pension expense was $2.1 million, down $1.3 million compared to the prior year.

Non-personnel operating expenses

Non-personnel expenses decreased $13.9 million or 4% compared to the prior year. Net losses and operating expense related to repossessed assets decreased $15.4 million compared to the prior year. Mortgage banking costs decreased $13.2 million due primarily to lower provision for potential losses related to repurchases of loans sold to U.S. government agencies that no longer qualify for sale accounting. Data processing and communications expense increased $7.2 million primarily related to increased transaction activity costs. All other non-personnel operating expenses were up $7.5 million.

Fourth Quarter 2013 Operating Expenses

Other operating expense for the fourth quarter of 2013 totaled $215.4 million, down $11.4 million compared to the fourth quarter of 2012.

Personnel expenses decreased $5.5 million compared to the fourth quarter of 2012. Regular compensation expense increased $7.2 million over the fourth quarter of 2012 as we continue to invest in higher-costing positions. Incentive compensation decreased $10.7 million compared to the fourth quarter of 2012. Employee benefit expense decreased $2.0 million compared to the fourth quarter of 2012 primarily due to a decrease in employee medical insurance claim expense.

Non-personnel expenses decreased $5.8 million compared to the fourth quarter of 2012 due primarily to decreased net losses and operating expenses of repossessed assets and lower mortgage banking costs, partially offset by increased data processing and communications expense and increased net occupancy costs.

2012 Operating Expenses

Other operating expense totaled $840.4 million for 2012, an increase of $61.1 million over 2011.

Personnel expense increased $61.0 million. Regular compensation expense totaled $262.7 million, up $14.8 million primarily due to an increase in staffing levels in 2012 and standard annual merit increases. Incentive compensation expense increased $36.1 million. Cash-based incentive compensation increased $19.5 million. Compensation expense for equity awards decreased $327 thousand and compensation expense for liability awards increased $16.9 million, primarily due to accruals for the 2011 True-Up Plan. Employee benefit expense increased $10.1 million primarily due to increased employee medical costs.

Non-personnel expense for 2012 were largely unchanged compared to 2011. Net losses and operating expenses of repossessed assets decreased $3.2 million due primarily to a decrease in net losses from sales and write-downs of repossessed property based on our quarterly review of carrying values. Discretionary contributions to the BOKF Foundation were $2.1 million for 2012, compared to $4.0 million for 2011. Mortgage banking costs increased $6.7 million primarily due to increased actual prepayment of mortgage loans serviced for others. Other expense decreased $10.7 million as 2011 included accruals for overdraft fee litigation which was settled in 2012. Professional fees and services costs were up $5.2 million primarily due to increased expense related to product consulting fees and business growth. All other non-personnel operating expenses were up $3.9 million.

Income Taxes

Income tax expense was $157.3 million or 33% of book taxable income for 2013, $188.7 million or 35% of book taxable income for 2012 and $158.5 million or 35% of book taxable income for 2011. Tax expense currently payable totaled $140 million in 2013, $179 million in 2012 and $154 million in 2011.

The statute of limitations expired on an uncertain tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2012 in 2013, 2011 in 2012 and 2010 in 2011. Excluding these adjustments income tax expense would have been $159 million or 33% for 2013, $190 million or 35% of book taxable income for 2012 and $160 million or 35% of book taxable income for 2011.

Net deferred tax assets totaled $96 million at December 31, 2013 and $3.0 million at December 31, 2012. The increase was due primarily to the tax effect of unrealized losses on available for sale securities. We have evaluated the recoverability of our deferred tax assets based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

The allowance for uncertain tax positions totaled $12 million at December 31, 2013 and December 31, 2012. BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations.

Income tax expense was $35.3 million or 32% of book taxable income for the fourth quarter of 2013 compared to $44.3 million or 35% of book taxable income for the fourth quarter of 2012.

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

	2013			
	First	Second	Third	Fourth
Interest revenue	$190,046	$186,777	$185,428	$183,120
Interest expense	18,594	17,885	17,539	16,876
Net interest revenue	171,452	168,892	167,889	166,244
Provision for credit losses	(8,000)	—	(8,500)	(11,400)
Net interest revenue after provision for credit losses	179,452	168,892	176,389	177,644
Fees and commissions revenue	157,064	159,173	145,235	142,372
Gain (loss) on financial instruments and other assets, net	1,210	(9,596)	52	(1,450)
Change in fair value of mortgage servicing rights	2,658	14,315	(346)	6,093
Other-than-temporary impairment losses	(247)	(552)	(1,509)	—
Other operating revenue	160,685	163,340	143,432	147,015
Personnel expense	125,654	128,110	125,799	125,662
Net losses and expenses of repossessed assets	1,246	282	2,014	1,618
Other non-personnel expense	77,082	82,529	82,485	88,139
Total other operating expense	203,982	210,921	210,298	215,419
Income before taxes	136,155	121,311	109,523	109,240
Federal and state income tax	47,096	41,423	33,461	35,318
Net income	89,059	79,888	76,062	73,922
Net income (loss) attributable to non-controlling interest	1,095	(43)	324	946
Net income attributable to shareholders of BOK Financial Corp.	$87,964	$79,931	$75,738	$72,976
Earnings per share:				
Basic	$1.28	$1.16	$1.10	$1.06
Diluted	$1.28	$1.16	$1.10	$1.06
Average shares:				
Basic	67,815	67,994	68,049	68,095
Diluted	68,040	68,212	68,273	68,294

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

	2012			
	First	Second	Third	Fourth
Interest revenue	$199,058	$203,808	$196,799	$195,206
Interest expense	24,639	21,694	20,044	20,945
Net interest revenue	174,419	182,114	176,755	174,261
Provision for credit losses	—	(8,000)	—	(14,000)
Net interest revenue after provision for credit losses	174,419	190,114	176,755	188,261
Fees and commissions revenue	143,720	154,997	165,246	164,915
Gain (loss) on financial instruments and other assets, net	(3,568)	31,367	15,075	(1,515)
Change in fair value of mortgage servicing rights	7,127	(11,450)	(9,576)	4,689
Other-than-temporary impairment losses	(3,722)	(858)	(1,104)	(1,667)
Other operating revenue	143,557	174,056	169,641	166,422
Personnel expense	114,769	122,297	122,775	131,192
Net losses and expenses of repossessed assets	2,245	5,912	5,706	6,665
Other non-personnel expense	72,250	83,352	84,283	88,917
Total other operating expense	189,264	211,561	212,764	226,774
Income before taxes	128,712	152,609	133,632	127,909
Federal and state income tax	45,520	53,149	45,778	44,293
Net income	$83,192	$99,460	$87,854	$83,616
Net income (loss) attributable to non-controlling interest	(422)	1,833	471	1,051
Net income attributable to shareholders of BOK Financial Corp.	$83,614	$97,627	87,383	82,565
Earnings per share:				
Basic	$1.22	$1.43	$1.28	$1.21
Diluted	$1.22	$1.43	$1.27	$1.21
Average shares:				
Basic	67,665	67,473	67,967	67,623
Diluted	67,942	67,745	68,335	67,915

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 for small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund EFT 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 rates are 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 9, net income attributable to our lines of business decreased $7.8 million or 3% compared to the prior year. The decrease in net income attributed to our lines of business was due primarily to a $46.9 million decrease in mortgage banking revenue and a $17.3 million increase in personnel expense, partially offset by a $19.9 million decrease in net loans charged off, a $13.2 million decrease in mortgage banking costs and a $12.6 million decrease in net losses and operating expenses of repossessed assets. The decrease in net income provided by Funds Management and other was largely due to lower net interest revenue on our securities portfolio partially offset by a net decrease in our allowance for loan losses.

Table 9 – Net Income by Line of Business

(In thousands)

	Year Ended		
	2013	2012	2011
Commercial Banking	$158,088	$145,064	$127,388
Consumer Banking	64,245	77,766	36,810
Wealth Management	12,534	19,878	15,620
Subtotal	234,867	242,708	179,818
Funds Management and other	81,742	108,483	106,057
Total	$316,609	$351,191	$285,875

Commercial Banking

Commercial Banking contributed $158.1 million to consolidated net income in 2013, up $13.0 million or 9% over the prior year. Net interest revenue grew by $3.5 million as the balance of average commercial loans increased $590 million or 6%. Net loans charged off were down $14.3 million compared to 2012. Other operating revenue was largely unchanged compared to the prior year. Other operating revenue for 2012 included a $14.2 million gain on the sale of $26 million of common stock received in 2009 in partial satisfaction of a defaulted commercial loan. Fees and commission revenue increased $12.3 million over the prior year primarily due to growth in transaction card revenues. Other operating expense decreased $2.7 million or 1% compared to 2012. Personnel expenses increased $4.6 million, non-personnel expenses increased $4.1 million or 5% and corporate expense allocations decreased $1.1 million.

Table 10 – Commercial Banking
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue from external sources	$364,604	$367,533	342,853
Net interest expense from internal sources	(37,025)	(43,438)	(30,689)
Total net interest revenue	327,579	324,095	312,164
Net loans charged off (recovered)	(3,468)	10,852	20,760
Net interest revenue after net loans charged off	331,047	313,243	291,404
Fees and commissions revenue	168,992	156,724	146,771
Gain (loss) on financial instruments and other assets, net	2,908	14,407	774
Other operating revenue	171,900	171,131	147,545
Personnel expense	107,342	102,757	95,801
Net losses and expenses of repossessed assets	5,619	15,898	16,692
Other non-personnel expense	80,916	76,865	74,610
Corporate allocations	50,334	51,434	43,355
Total other operating expense	244,211	246,954	230,458
Income before taxes	258,736	237,420	208,491
Federal and state income tax	100,648	92,356	81,103
Net income	$158,088	$145,064	$127,388
Average assets	$10,483,706	$10,147,805	$9,383,530
Average loans	9,680,274	9,090,009	8,289,299
Average deposits	9,185,473	8,553,014	7,757,808
Average invested capital	906,716	882,037	884,171
Return on average assets	1.51%	1.43%	1.36%
Return on invested capital	17.44%	16.45%	14.41%
Efficiency ratio	49.18%	51.36%	50.22%
Net charge-offs (recoveries) to average loans	(0.04)%	0.12%	0.25%

Net interest revenue increased $3.5 million or 1% over 2012. Growth in net interest revenue was due to a $590 million increase in average loan balances, partially offset by decreased loan yields. Lower yields on deposits sold to our Funds Management unit was partially offset by a $632 million increase in average deposit balances.

Fees and commissions revenue increased $12.3 million or 8% over 2012. Transaction card revenue increased $8.0 million or 9% due to increased customer transaction volume. Commercial deposit service charges and fees increased $1.8 million or 4% over the prior year primarily related to a decrease in the average earnings credit to better align with market interest rates. The average earnings credit is a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balances.

Operating expenses decreased $2.7 million or 1% over 2012. Net losses and operating expenses on repossessed assets decreased $10.3 million compared to the prior year. Personnel costs increased $4.6 million or 4% primarily due to increased regular compensation expense related to standard annual merit increases and increased headcount. Other non-personnel expenses increased $4.1 million primarily due to higher data processing expenses related to increased transaction card activity. Corporate expense allocations decreased $1.1 million compared to the prior year.

The average outstanding balance of loans attributed to Commercial Banking increased $590 million to $9.7 billion for 2013. See the Loans section of Management's Discussion and Analysis 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. Commercial Banking experienced a net recovery of $3.5 million for 2013 compared to net charge-offs of $10.9 million or 0.12% of average loans attributed to this line of business for 2012. Net charge-offs for 2012 included the return of a $7.1 million loan settlement received in 2008 as discussed in greater detail in in Management's Discussion & Analysis of Financial Condition – Summary of Loan Loss Experience following.

Average deposits attributed to Commercial Banking were $9.2 billion for 2013, an increase of $632 million or 7% over 2012. Average demand deposits and interest-bearing transaction account balances grew, partially offset by a decrease in time deposits. Average balances attributed to our commercial & industrial loan customers increased $191 million or 7% and average balances attributed to our energy customers increased $164 million or 13%. Average balance attributed to our healthcare customers grew $104 million or 28% over the prior year. Small business banking customer average balances increased $84.3 million or 5%. Average balances held by treasury services customers were up $80 million or 5% over the prior year. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments.

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 also conducts mortgage banking activities through offices located outside of our consumer banking markets and through correspondent loan originators.

Consumer banking contributed $64.2 million to consolidated net income for 2013, down $13.5 million compared to the prior year, primarily due to a decrease in mortgage banking revenue. Revenue from mortgage loan production decreased $49.2 million compared to the prior year, primarily due to lower gain on sale margins and a slow down in mortgage refinancing activity. Changes in the fair value of our mortgage servicing rights, net of economic hedge, increased net income attributed to Consumer Banking by $1.3 million in 2013 and decreased net income attributed to Consumer Banking by $795 thousand in 2012.

Table 11 – Consumer Banking
(Dollars in thousands)

	Year Ended 2013	2012	2011
Net interest revenue from external sources	$99,509	$101,029	$102,854
Net interest revenue from internal sources	20,290	21,305	27,416
Total net interest revenue	119,799	122,334	130,270
Net loans charged off	4,628	9,198	13,598
Net interest revenue after net loans charged off	115,171	113,136	116,672
Fees and commissions revenue	220,731	266,566	197,271
Gain (loss) on financial instruments and other assets, net	(26,623)	5,552	26,051
Change in fair value of mortgage servicing rights	22,720	(9,210)	(40,447)
Other operating revenue	216,828	262,908	182,875
Personnel expense	91,962	93,409	88,993
Net losses (gains) and expenses of repossessed assets	(815)	1,405	3,044
Other non-personnel expense	94,382	108,661	94,394
Corporate allocations	41,323	45,292	52,871
Total other operating expense	226,852	248,767	239,302
Income before taxes	105,147	127,277	60,245
Federal and state income tax	40,902	49,511	23,435
Net income	$64,245	$77,766	$36,810
Average assets	$5,669,580	$5,726,564	$5,937,584
Average loans	2,349,772	2,386,865	2,373,432
Average deposits	5,612,492	5,598,063	5,741,718
Average invested capital	293,736	289,665	273,905
Return on average assets	1.13%	1.36%	0.62%
Return on invested capital	21.87%	26.85%	13.44%
Efficiency ratio	66.62%	63.97%	73.06%
Net charge-offs to average loans	0.20%	0.39%	0.57%
Residential mortgage loans funded for sale	$4,081,390	$3,708,350	$2,293,834

	December 31, 2013	December 31, 2012	December 31, 2011
Banking locations	206	217	212
Residential mortgage loans servicing portfolio[1]	$14,818,016	$13,091,482	$12,356,917

[1] Includes outstanding principal for loans serviced for affiliates

Net interest revenue from consumer banking activities decreased $2.5 million compared to 2012. Net interest earned on residential mortgage-backed securities held as an economic hedge of mortgage servicing rights decreased by $3.9 million due to a $160 million decrease in the average balance of this portfolio and lower average yields. Net interest revenue related to the consumer loan portfolio decreased compared to the prior year as the average loan balance decreased $37 million or 2%. The average balance of residential mortgage loans increased over the prior year. Other consumer loans also increased, offset by decreased balances of indirect automobile loans due to pay-downs. The Company previously disclosed its decision to exit the indirect automobile loan business in the first quarter of 2009.

Net interest earned on deposits sold to our Funds Management unit decreased $1.0 million primarily due to lower yields on funds invested.

Net loans charged off by the Consumer Banking unit decreased $4.6 million compared to 2012 to $4.6 million or 0.20% of average loans. Net consumer banking charge-offs also includes indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Fees and commissions revenue decreased $45.8 million or 17% compared to the prior year. Mortgage banking revenue was down $46.9 million or 27% compared to the prior year. Growth in residential mortgage loan origination volume was offset by overall lower gains on loans sold and a change in the mix toward lower margin loans.

Operating expenses decreased $21.9 million or 9% compared to 2012. Personnel expenses decreased $1.4 million or 2% primarily due to decreased headcount. Non-personnel expense decreased $14.3 million or 13% primarily due to a $13.2 million decrease in mortgage banking expenses related to decreased provision for losses from repurchases of residential mortgage loans sold to U.S. government agencies that no longer qualify for sale accounting. Corporate expense allocations decreased $4.0 million compared to the prior year. Net losses and operating expenses of repossessed assets were down $2.2 million compared to the prior year.

Average consumer deposit balances were largely unchanged compared to the prior year. Higher costing time deposit balances decreased $184 million or 10%. Average interest-bearing transaction accounts increased $131 million or 5%, average savings account balances were up $43 million or 18% and average demand deposit balances increased $25 million or 4%.

Our Consumer Banking division originates, markets and services conventional and government-sponsored residential mortgage loans for all of our geographical markets. We funded $4.3 billion of residential mortgage loans in 2013 compared to $4.0 billion in 2012. Mortgage loan fundings included $4.1 billion of mortgage loans funded for sale in the secondary market and $194 million funded for retention within the consolidated group. Approximately 24% of our mortgage loans funded were in the Oklahoma market, 14% in the Texas market, 11% in the New Mexico market and 11% in the Colorado market. In addition, 29% of our mortgage loan fundings came from correspondent lenders.

At December 31, 2013, the Consumer Banking division serviced $13.7 billion of mortgage loans for others and $1.1 billion of loans retained within the consolidated group. Approximately 93% of the mortgage loans serviced by the Consumer Banking division were to borrowers in our primary geographical market areas. Loans past due 90 days or more totaled $80 million or 0.58% of loans serviced for others at December 31, 2013 compared to $84 million or 0.70% of loans serviced for others at December 31, 2012. Mortgage servicing revenue, including revenue on loans serviced for the consolidated group, increased $2.3 million or 5% over the prior year to $44.9 million.

Wealth Management

Wealth Management contributed $12.5 million to consolidated net income in 2013, down $7.3 million or 37% compared to the prior year. Revenue in 2013 was reduced $8.7 million ($5.3 million after tax) from changes in the fair value of our trading securities inventory due to sharp increases in interest rates. The following discussion excludes these inventory adjustment charges.

Net interest revenue decreased $3.6 million or 7% primarily due to decreased loan yields. Fees and commissions revenue increased $22.2 million or 11% primarily due to growth in trust fees. Other operating expense increased $23.2 million or 11% primarily due to increased regular and incentive compensation expenses.

Table 12 – Wealth Management
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue from external sources	$25,478	$27,647	$30,859
Net interest revenue from internal sources	20,061	21,456	16,540
Total net interest revenue	45,539	49,103	47,399
Net loans charged off	1,275	2,284	2,960
Net interest revenue after net loans charged off	44,264	46,819	44,439
Fees and commissions revenue	212,878	199,406	171,276
Gain on financial instruments and other assets, net	912	601	551
Other operating revenue	213,790	200,007	171,827
Personnel expense	160,520	146,337	126,909
Net losses and expenses of repossessed assets	—	54	33
Other non-personnel expense	37,370	31,032	28,762
Corporate allocations	39,650	36,870	34,998
Other operating expense	237,540	214,293	190,702
Income before taxes	20,514	32,533	25,564
Federal and state income tax	7,980	12,655	9,944
Net income	$12,534	$19,878	$15,620
Average assets	$4,556,132	$4,357,641	$4,073,623
Average loans	932,229	927,277	1,011,319
Average deposits	4,385,553	4,281,423	3,976,183
Average invested capital	203,914	184,707	174,877
Return on average assets	0.28 %	0.46 %	0.38 %
Return on invested capital	6.15 %	10.76 %	8.93 %
Efficiency ratio	91.92 %	86.23 %	87.21 %
Net charge-offs to average loans	0.14 %	0.25 %	0.29 %

Our Wealth Management division serves as custodian to or manages assets of customers. Fees are earned commensurate with the level of service provided. We may have sole or joint investment discretion over the assets of the customer or may be fiduciary for the assets, but investment selection authority remains with the customer or a manager outside of the Company. The Wealth Management division also provides safekeeping services for personal

and institutional customers including holding of the customer's assets, processing of income and redemptions and other customer recordkeeping and reporting services. We also provide brokerage services for customers whom maintain or delegate investment authority and for which BOK Financial does not have custody of the assets.

A summary of assets under management or in custody follows in Table 13.

Table 13 – Assets Under Management or In Custody
(Dollars in thousands)

	December 31, 2013	December 31, 2012	December 31, 2011
Fiduciary assets in custody for which BOKF has sole or joint discretionary authority	$12,752,460	$10,981,353	$9,916,322
Fiduciary assets not in custody for which BOKF has sole or joint discretionary authority	1,728,426	1,659,822	221,465
Non-managed fiduciary assets in custody	15,656,206	13,187,863	12,684,026
Total fiduciary assets	30,137,092	25,829,038	22,821,813
Assets held in safekeeping	22,087,207	20,994,011	18,948,739
Brokerage accounts under BOKF administration	4,882,930	4,402,992	3,635,300
Assets under management or in custody	$57,107,229	$51,226,041	$45,405,852

Net interest revenue decreased $3.6 million or 7% compared to the prior year. Growth in average assets was largely due to funds sold to the Funds Management unit. Average deposit balances increased $104 million or 2%. Average interest-bearing transaction balances were up $151 million or 5%. Non-interest-bearing demand deposits were largely unchanged compared to the prior year. Higher costing time deposit average balances decreased $49 million. Average loan balances increased $5.0 million.

Trust fees and commissions increased $16.1 million or 20%. The Company acquired The Milestone Group, a Denver based investment adviser to high net worth clients, in the third quarter of 2012, resulting in a $7.0 million increase in revenue over 2012. The remaining increase was due to the increase in fair value of fiduciary assets during 2013. Brokerage and trading revenue increased $6.9 million or 6% primarily due to securities and derivative contracts sold to our mortgage banking customers. Retail brokerage fees and investment banking fees both grew over the prior year.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In 2013, the Wealth Management division participated in 456 underwritings that totaled $6.8 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately $2.8 billion of these underwritings. In 2012, the Wealth Management division participated in 445 underwritings that totaled approximately $6.8 billion. Our interest in these underwritings totaled approximately $2.3 billion.

Operating expenses increased $23.2 million or 11% over the prior year. Personnel expenses increased $14.2 million or 10% due to expansion of the Wealth Management division during the year. Regular compensation costs increased $8.3 million primarily due to increased headcount and annual merit increases. Incentive compensation increased $3.5 million over the prior year. Non-personnel expenses increased $6.3 million or 20%, including $2.2 million related to a full year of expenses for The Milestone Group. Approximately $1.2 million of increased expenses related to Milestone are from the amortization of acquired intangible assets. Corporate expense allocations were up $2.8 million or 8% due primarily to expansion of the Wealth Management business line and increased customer transaction activity.

Geographical Market Distribution

The Company secondarily evaluates performance by primary geographical market. Loans are generally attributed to geographical markets based on the location where the loans are managed. 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. Mortgage origination and marketing revenue is attributed to the geography where the mortgage was originated. Mortgage origination and marketing revenue related to correspondent banking is attributed to Oklahoma. All interest revenue on mortgage loans retained by BOKF and servicing revenue for mortgage loans sold in the secondary market and serviced for others is also attributed to Oklahoma.

Table 14 – Net Income (Loss) by Geographic Region
(In thousands)

	Year Ended		
	2013	2012	2011
Bank of Oklahoma	$113,165	$125,941	$108,007
Bank of Texas	51,853	49,021	41,683
Bank of Albuquerque	19,937	22,748	14,167
Bank of Arkansas	7,615	12,719	5,971
Colorado State Bank & Trust	21,742	18,306	10,223
Bank of Arizona	4,592	(1,116)	(8,342)
Bank of Kansas City	7,052	10,005	5,544
Subtotal	225,956	237,624	177,253
Funds Management and other	90,653	113,567	108,622
Total	$316,609	$351,191	$285,875

Bank of Oklahoma

Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Oklahoma is a significant market to the Company, including 45% of our average loans are managed in Oklahoma, 53% of our average deposits and 36% of our consolidated net income for 2013. In addition, all of our mortgage servicing activity, TransFund EFT network and 62% of our fiduciary assets are attributed to the Oklahoma market.

Net income generated by the Bank of Oklahoma in 2013 decreased $12.8 million or 10% compared to 2012. Net interest revenue decreased $17.0 million or 7%. Bank of Oklahoma had a net recovery of $1.8 million for 2013, compared to net loans charged off of $15.5 million or 0.27% of average loans for 2012. Fees and commissions revenue decreased $20.0 million or 6% primarily due to a decrease in mortgage banking revenue. Other operating expenses were down $13.5 million or 4%. Changes in fair value of our mortgage servicing rights, net of economic hedge, increased net income by $1.3 million in 2013 and decreased net income by $795 thousand in 2012.

Table 15 – Bank of Oklahoma
(Dollars in thousands)

	Year Ended					
	2013		2012		2011	
Net interest revenue	$223,908		$240,892		$248,079	
Net loans charged off (recovered)	(1,792	)	15,451		19,796	
Net interest revenue after net loans charged off (recovered)	225,700		225,441		228,283	
Fees and commissions revenue	305,612		325,610		320,519	
Gain (loss) on financial instruments and other assets, net	(23,189	)	23,425		27,446	
Change in fair value of mortgage servicing rights	22,720		(9,210	)	(40,447	)
Other operating revenue	305,143		339,825		307,518	
Personnel expense	160,299		153,021		164,919	
Net losses and expenses of repossessed assets	19		5,696		4,656	
Other non-personnel expense	159,285		164,917		147,231	
Corporate allocations	26,028		35,510		42,224	
Total other operating expense	345,631		359,144		359,030	
Income before taxes	185,212		206,122		176,771	
Federal and state income tax	72,047		80,181		68,764	
Net income	$113,165		$125,941		$108,007	
Average assets	$11,317,424		$11,544,877		$10,929,242	
Average loans	5,537,533		5,717,222		5,553,801	
Average deposits	10,501,209		10,394,385		9,820,286	
Average invested capital	550,677		549,934		541,153	
Return on average assets	1.00	%	1.09	%	0.99	%
Return on invested capital	20.55	%	22.90	%	19.96	%
Efficiency ratio	65.27	%	63.40	%	63.14	%
Net charge-offs to average loans	(0.03	)%	0.27	%	0.36	%
Residential mortgage loans funded for sale	$2,220,741		$1,671,776		$1,105,800	

Net interest revenue decreased $17.0 million or 7% compared to the prior year. Decreased yield on loans and residential mortgage-backed securities held as an economic hedge of mortgage servicing rights was partially offset by lower funding costs. Average loan balances were down $180 million or 3% compared to last year and average securities balances decreased $160 million compared to 2012. The favorable net interest impact of the $107 million decrease in average deposit balances was offset by lower yields on funds sold to the Funds Management unit.

Fees and commissions revenue decreased $20.0 million or 6% compared to 2012. Mortgage banking revenue was down $24.8 million over last year primarily due to lower gains on sales of residential mortgage loans in the secondary market, partially offset by increased mortgage loan originations. Transaction card revenue was up $5.8 million on increased transaction activity and trust fees and commissions grew by $3.5 million. Deposit service charges and fees were down $3.8 million and brokerage and trading revenue decreased $3.4 million.

Other operating expenses were down $13.5 million or 4% compared to the prior year. Personnel expenses were up $7.3 million or 5% over 2012 primarily due to increased regular compensation expense due to a modest increase in headcount and annual merit increases, partially offset by lower incentive compensation expense compared to the prior year. Non-personnel expenses were down $5.6 million or 3%. Mortgage banking expenses were down $12.0 million compared to the prior year due to lower provision for credit losses on residential mortgage loans repurchased from GNMA pools because they no longer qualify for sales accounting. This decrease was partially offset by increased data processing and communications and other expenses. Corporate expense allocations were down $9.5 million compared to the prior year. Increased loan and deposit activity outside of Oklahoma increased the corporate expense allocation to these other geographies. Net losses and operating expenses of repossessed assets were down $5.7 million over 2012 primarily due to decreased write-downs related to regularly scheduled appraisal updates.

Bank of Oklahoma had a net recovery of $1.8 million for 2013, compared to net loans charged off of $15.5 million or 0.27% of average loans for 2012. Net charge-offs for 2012 included the return of $7.1 million received from the City of Tulsa in 2008 to settle claims related to a defaulted loan. The settlement agreement between BOK Financial and the City of Tulsa was invalidated by the Oklahoma Supreme Court in 2011 as discussed further in Note 14 to the Consolidated Financial Statements. Excluding this item, net charge-offs were $8.4 million or 0.15% of average loans for 2012.

As noted in Table 16 following, the period end balance of loans managed by the Bank of Oklahoma decreased $158 million or 3% compared to the prior year. Commercial loan balances were down $188 million primarily due to a decrease energy and wholesale/retail loans, partially offset by growth in services, manufacturing and healthcare loans. Commercial real estate loans grew by $21 million or 4%. Growth in multifamily residential, loans secured by retail facilities and loans secured by office buildings were partially offset by a decrease in other commercial real estate loans and construction and land development loans. Residential mortgage loans were up $36 million or 2% over the prior year. Growth in first-lien fully amortizing home equity loans and permanent mortgage loans guaranteed by U.S. government agencies was offset by a decrease in non-guaranteed permanent mortgage loans. Consumer loans were down $28 million or 13% compared to the prior year. Both indirect automobile loans and other consumer loans decreased compared to December 31, 2012

Average deposits attributed to the Bank of Oklahoma decreased $107 million or 1% compared to 2012. Commercial Banking deposit balances increased $147 million or 3% over the prior year. Deposits related to treasury services customers and energy customers increased over the prior year, partially offset by decreased average balances related to commercial and industrial customers. Consumer deposits also increased $49 million or 2%. Wealth Management deposits decreased $90 million or 4%, primarily due to a decrease in average trust deposit balances.

Table 16 – Loans Managed by Primary Geographical Market
(In thousands)

	December 31,				
	2013	2012	2011	2010	2009
Bank of Oklahoma:					
Commercial	$2,902,140	$3,089,686	$2,826,649	$2,693,232	$2,728,763
Commercial real estate	602,010	580,694	607,030	703,041	822,586
Residential mortgage	1,524,212	1,488,486	1,411,560	1,227,184	1,383,642
Consumer	192,283	220,096	235,909	327,599	449,371
Total Bank of Oklahoma	5,220,645	5,378,962	5,081,148	4,951,056	5,384,362
Bank of Texas:					
Commercial	3,052,274	2,726,925	2,249,888	1,943,666	2,022,324
Commercial real estate	816,574	771,796	830,642	701,993	734,072
Residential mortgage	260,544	275,408	268,053	300,916	271,910
Consumer	131,297	116,252	126,570	145,699	169,396
Total Bank of Texas	4,260,689	3,890,381	3,475,153	3,092,274	3,197,702
Bank of Albuquerque:					
Commercial	342,336	265,830	258,668	284,394	342,689
Commercial real estate	308,829	326,135	303,500	308,605	304,903
Residential mortgage	133,900	130,337	104,695	94,010	74,703
Consumer	13,842	15,456	19,369	19,620	17,799
Total Bank of Albuquerque	798,907	737,758	686,232	706,629	740,094
Bank of Arkansas:					
Commercial	81,556	62,049	76,199	83,297	103,061
Commercial real estate	78,264	90,821	136,170	118,662	132,828
Residential mortgage	7,922	13,046	15,772	15,614	9,503
Consumer	8,023	15,421	35,911	72,869	124,118
Total Bank of Arkansas	175,765	181,337	264,052	290,442	369,510
Colorado State Bank & Trust:					
Commercial	735,626	776,610	544,020	436,094	510,019
Commercial real estate	190,355	173,327	156,013	196,728	241,699
Residential mortgage	62,821	59,363	64,627	75,266	27,980
Consumer	22,686	19,333	21,598	21,276	17,566
Total Colorado State Bank & Trust	1,011,488	1,028,633	786,258	729,364	797,264
Bank of Arizona:					
Commercial	417,702	313,296	271,914	215,973	202,599
Commercial real estate	257,477	201,760	198,160	206,948	234,039
Residential mortgage	47,111	57,803	89,315	97,576	48,708
Consumer	7,887	4,686	5,633	5,604	4,657
Total Bank of Arizona	730,177	577,545	565,022	526,101	490,003
Bank of Kansas City:					
Commercial	411,587	407,516	327,732	284,740	252,043

Commercial real estate	161,844	84,466	59,788	34,884	29,664
Residential mortgage	15,516	20,597	20,505	24,709	17,064
Consumer	5,646	4,261	3,853	2,837	1,992
Total Bank of Kansas City	594,593	516,840	411,878	347,170	300,763
Total BOK Financial loans	$12,792,264	$12,311,456	$11,269,743	$10,643,036	$11,279,698

Loans attributed to a geographical region may not always represent the location of the borrower or the collateral. All permanent residential mortgage loans serviced by our mortgage banking unit and held for investment by the Bank are managed by the Bank of Oklahoma.

Bank of Texas

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 34% of our average loans, 25% of our average deposits and 16% of our consolidated net income for 2013.

Net income for the Bank of Texas increased $2.8 million or 6%. Net interest revenue increased $7.9 million or 6% due primarily to a $423 million or 11% growth in loans and lower funding costs. Fees and commission revenue grew by $6.4 million or 7%. Other operating expense increased $12.5 million or 8% due primarily to higher personnel costs and increased corporate expense allocations related to growth in the Texas market.

Table 17 – Bank of Texas
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue	$150,780	$142,893	$137,696
Net loans charged off	2,813	5,496	4,170
Net interest revenue after net loans charged off	147,967	137,397	133,526
Fees and commissions revenue	93,689	87,252	63,608
Gain on financial instruments and other assets, net	83	188	342
Other operating revenue	93,772	87,440	63,950
Personnel expense	86,311	81,278	69,051
Net losses and expenses of repossessed assets	3,134	3,240	1,570
Other non-personnel expense	25,484	25,228	23,609
Corporate allocations	45,789	38,495	38,116
Total other operating expense	160,718	148,241	132,346
Income before taxes	81,021	76,596	65,130
Federal and state income tax	29,168	27,575	23,447
Net income	$51,853	$49,021	$41,683
Average assets	$5,340,545	$5,109,687	$4,933,477
Average loans	4,255,583	3,832,395	3,417,235
Average deposits	4,876,067	4,602,272	4,368,967
Average invested capital	501,339	482,558	473,925
Return on average assets	0.97 %	0.96 %	0.84 %
Return on invested capital	10.34 %	10.16 %	8.80 %
Efficiency ratio	65.74 %	64.41 %	65.74 %
Net charge-offs to average loans	0.07 %	0.14 %	0.12 %
Residential mortgage loans funded for sale	$535,644	$500,769	$220,022

Net interest revenue increased $7.9 million or 6% over 2012 primarily due to growth of the loan portfolio and decreased deposit costs. Average outstanding loans increased by $423 million or 11% over the prior year. The benefit of a $274 million or 6% increase in deposits was offset by lower yield on funds invested by the Funds Management unit.

Fees and commissions revenue grew $6.4 million or 7% over 2012. Brokerage and trading revenue grew $5.5 million or 33% over the prior year. Trust fees and commissions was up $2.5 million or 18% and transaction card revenue was up $1.8 million or 23%. Deposit service charges and fees were largely unchanged compared to the prior year. Mortgage banking revenue decreased $3.3 million or 14% compared to the prior year.

Operating expenses increased $12.5 million or 8% over 2012. Personnel costs were up $5.0 million or 6% primarily due to increased headcount and incentive compensation expense. Non-personnel expenses increased $256 thousand or 1%. Corporate expense allocations increased $7.3 million or 19% on increased customer transaction activity and growth at Bank of Texas.

Net loans charged off totaled $2.8 million or 0.07% of average loans for 2013, compared to $5.5 million or 0.14% of average loans for 2012.

As noted in Table 16, period end loan balances managed by the Bank of Texas grew by $370 million or 10%, primarily due to growth in commercial loan balances. Commercial loans increased $325 million or 12% primarily related to growth in energy and wholesale/retail loans, partially offset by a decrease in service sector loans. Commercial real estate loans are up $45 million or 6%. Growth in loans secured by multifamily residential and retail facilities was partially offset by a decrease in loans secured by office buildings. Residential mortgage loans decreased $15 million offset by a $15 million increase in consumer loans.

Bank of Albuquerque

Net income attributable to the Bank of Albuquerque totaled $19.9 million or 6% of consolidated net income, a $2.8 million or 12% decrease compared to 2012 due primarily to decreased mortgage banking revenue.

Table 18 – Bank of Albuquerque
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue	$35,977	$34,807	$33,959
Net loans charged off	5,514	1,136	2,103
Net interest revenue after net loans charged off	30,463	33,671	31,856
Other operating revenue – fees and commission	44,805	48,815	31,165
Personnel expense	20,003	20,388	13,704
Net losses (gains) and expenses of repossessed assets	(321)	165	2,018
Other non-personnel expense	8,473	8,239	8,779
Corporate allocations	14,483	16,463	15,333
Total other operating expense	42,638	45,255	39,834
Income before taxes	32,630	37,231	23,187
Federal and state income tax	12,693	14,483	9,020
Net income	$19,937	$22,748	$14,167
Average assets	$1,439,884	$1,391,606	$1,390,700
Average loans	772,524	715,095	707,723
Average deposits	1,313,568	1,267,487	1,242,964
Average invested capital	79,922	79,708	82,313
Return on average assets	1.38%	1.63%	1.02%
Return on invested capital	24.95%	28.54%	17.21%
Efficiency ratio	52.78%	54.12%	61.17%
Net charge-offs to average loans	0.71%	0.16%	0.30%
Residential mortgage loans funded for sale	$452,505	$549,249	$354,964

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Net interest revenue increased $1.2 million or 3% over the prior year. Average loan balances were up $57 million or 8%. The benefit of this growth, was offset by decreased loan yields. Average deposit balances were up $46 million or 4% over the prior year. Decreased deposit costs were partially offset by a decrease in the yield on funds invested with the Funds Management unit. Net loans charged off totaled $5.5 million or 0.71% of average loans for 2013 compared to net loans charged off of $1.1 million or 0.16% of average loans for 2012.

Fees and commissions revenue decreased $4.0 million or 8% over the prior year primarily due to a $6.3 million decrease in mortgage banking revenue. Growth in trust fees and commissions was offset by a decrease in deposit service charges and fees. In addition, brokerage and trading revenue and transaction card revenue both increased over the prior year. Other operating expense decreased $2.6 million or 6%. Personnel expenses were down $385 thousand or 2%. Net losses and expenses of repossessed assets decreased $486 thousand to $321 thousand for 2013. Non-personnel expense increased $234 thousand and corporate expense allocations decreased $2.0 million.

As indicated in Table 16, period-end loans managed by the Bank of Albuquerque increased $61 million or 8%, primarily due to growth in commercial loan balances partially offset by a decrease in commercial real estate loan balances. Commercial loans increased $77 million or 29% primarily related to growth in services and healthcare sector loans, partially offset by a decrease in wholesale/retail sector loans. Commercial real estate loans decreased $17 million or 5% compared to the prior year. A decrease in loans secured by office buildings and retail facilities was partially offset by an increase in multifamily residential loans and other commercial real estate loans. Residential mortgage loans increased $3.6 million and other consumer loans decreased by $1.6 million.

Bank of Arkansas

Net income attributable to the Bank of Arkansas totaled $7.6 million for 2013 compared to $12.7 million for 2012. Net interest revenue decreased $4.2 million or 42% compared to 2012. Net interest revenue for 2012 included $2.9 million of foregone interest and fees collected on nonaccruing wholesale/retail sector loans during that year. Loans attributed to the Bank of Arkansas decreased $49 million compared to 2012 primarily due to the continued run-off of indirect automobile loans. Average deposits were up $12 million or 6% over the prior year primarily due to a $12 million or 8% increase in interest-bearing transaction deposits. Increased demand deposit balances were offset by a decrease in time deposit balances. The Bank of Arkansas experienced a net recovery of $290 thousand for 2013 compared to a net recovery of $1.4 million for 2012. In addition to foregone interest and fees, $2.0 million charged off in the second quarter of 2011 was recovered in 2012 related to the nonaccruing wholesale/retail loan.

Fees and commissions revenue was down $766 thousand or 2% over the prior year primarily due to decreased mortgage banking revenue. Other operating expenses were up $2.2 million or 6% primarily due to $1.0 million in net losses and operating expenses of repossessed assets. Personnel costs increased primarily due to incentive compensation costs related to trading activity and corporate expense allocations increased. Non-personnel expenses decreased compared to the prior year.

Table 19 – Bank of Arkansas
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue	$5,692	$9,892	$8,213
Net loans charged off (recovered)	(290)	(1,443)	2,797
Net interest revenue after net loans charged off (recovered)	5,982	11,335	5,416
Other operating revenue – fees and commissions	48,914	49,680	37,611
Personnel expense	24,628	23,963	17,641
Net losses and expenses of repossessed assets	1,289	254	548
Other non-personnel expense	4,508	4,805	4,565
Corporate allocations	12,008	11,176	10,501
Total other operating expense	42,433	40,198	33,255
Income before taxes	12,463	20,817	9,772
Federal and state income tax	4,848	8,098	3,801
Net income	$7,615	$12,719	$5,971
Average assets	$276,309	$233,244	$291,564
Average loans	172,611	221,906	273,382
Average deposits	220,111	208,096	210,083
Average invested capital	18,284	19,716	23,563
Return on average assets	2.76%	5.45%	2.05%
Return on invested capital	41.65%	64.51%	25.34%
Efficiency ratio	77.71%	67.48%	72.57%
Net charge-offs (recoveries) to average loans	(0.17)%	(0.65)%	1.02%
Residential mortgage loans funded for sale	$108,205	$111,049	$72,293

As noted in Table 16, the period end balance of loans managed by the Bank of Arkansas decreased $5.6 million or 3%. Commercial loan growth was offset by a decrease in commercial real estate, residential mortgage and consumer loan balances. Commercial loans increased $20 million or 31% primarily related to growth in other commercial and and industrial loans and wholesale/retail sector loans. Commercial real estate loans decreased $13 million or 14%. Residential mortgage loans decreased $5.1 million and other consumer loans decreased by $7.4 million.

Colorado State Bank & Trust

Net income attributed to Colorado State Bank & Trust increased $3.4 million or 19% over 2012 to $21.7 million. Net interest revenue increased $3.0 million or 8% primarily due to increased average loan and deposit balances, partially offset by a decrease in deposit costs and yield on funds sold to the Funds Management unit. Average loans increased $115 million or 12%. Average deposits attributable to Colorado State Bank & Trust increased $17 million or 1%. Demand deposits grew by $33 million during 2013 primarily due to increased commercial account balances. Interest-bearing transaction deposit account balances increased $26 million or 5%. Higher costing time deposits decreased $46 million. Colorado State Bank & Trust had a net recovery of $4.6 million for 2013 compared to net loans charged off of $166 thousand or 0.02% of average loans for 2012.

Fees and commissions revenue was up $2.8 million over 2012. Trust fees and commission were up $8.1 million over 2012 primarily due to the acquisition of the Milestone Group in the third quarter of 2012. The Milestone Group is a Denver-based registered investment adviser which provides wealth management services to high net worth clients in Colorado and Nebraska. Mortgage banking revenues decreased $6.5 million compared to the prior year. Brokerage and trading and transaction card revenue both also grew over the prior year. Operating expenses were up $4.9 million or 10% over the prior year primarily due to the Milestone Group acquisition. Personnel expenses were up $4.2 million and non-personnel expenses increased $1.7 million, including $1.2 million of increased amortization of acquired intangible assets. Corporate expense allocations were largely unchanged compared to the prior year.

Table 20 – Colorado State Bank & Trust
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue	$39,713	$36,708	$34,018
Net loans charged off (recovered)	(4,629)	166	2,235
Net interest revenue after net loans charged off (recovered)	44,342	36,542	31,783
Fees and commissions revenue	46,551	43,776	22,587
Gain (loss) on financial instruments and other assets, net	(6)	8	—
Other operating revenue	46,545	43,784	22,587
Personnel expense	31,113	26,895	18,388
Net losses and expenses of repossessed assets	(256)	510	401
Other non-personnel expense	8,833	7,163	5,815
Corporate allocations	15,613	15,798	13,035
Total other operating expense	55,303	50,366	37,639
Income before taxes	35,584	29,960	16,731
Federal and state income tax	13,842	11,654	6,508
Net income	$21,742	$18,306	$10,223
Average assets	$1,387,308	$1,345,619	$1,343,816
Average loans	1,039,682	924,700	782,583
Average deposits	1,346,953	1,330,179	1,273,794
Average invested capital	148,189	129,139	118,712
Return on average assets	1.57%	1.36%	0.76%
Return on invested capital	14.67%	14.18%	8.61%

Efficiency ratio	64.11 %	62.58 %	66.49 %
Net charge-offs (recoveries) to average loans	(0.45)%	0.02 %	0.29 %
Residential mortgage loans funded for sale	$430,969	$497,543	$298,630

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As noted in Table 16, the period end balance of loans managed by Colorado State Bank & Trust decreased $17 million or 2%. Commercial loans decreased $41 million or 5% primarily due to decreased energy and service loans, partially offset by growth in healthcare and integrated food services loans. Commercial real estate loans grew by $17 million or 10%. Growth in multifamily residential and loans secured by retail facilities and office buildings was partially offset by a decrease in construction and land development loans. Residential mortgage loans increased $3.5 million and other consumer loans increased by $3.4 million.

Bank of Arizona

Bank of Arizona had net income of $4.6 million for 2013 compared to a net loss of $1.1 million for 2012. The improvement was due primarily to growth in fee revenue, along with decreased net loans charged off and lower net losses and operating expenses of repossessed assets.

Net interest revenue increased $3.9 million or 23% over 2012. Average loan balances were up $104 million or 19% over the prior year. Net loans charged off decreased to $329 thousand or 0.05% of average loans for 2013, compared to $2.4 million or 0.43% for 2012. Average deposits were up $220 million or 64% over last year. Interest-bearing transaction account balances grew by $185 million or 105% and demand deposit balances were up $33 million or 25% both primarily due to growth in commercial deposits. Time deposits balances increased $2.0 million over the prior year.

Fees and commissions revenue was up $266 thousand or 3% over the prior year. Growth in trust fees and commissions and transaction card revenue was partially offset by a decrease in mortgage banking revenue. Other operating expense decreased $2.7 million or 10% compared to 2012. Personnel expense increased $1.7 million or 16% compared to the prior year. Net losses and operating expenses of repossessed assets decreased $6.5 million to $879 thousand for 2013. Non-personnel expenses increased $202 thousand or 6% over the prior year. Corporate overhead expense allocations were up $1.9 million or 38%.

Table 21 – Bank of Arizona
(Dollars in thousands)

	Year Ended		
	2013	2012	2011
Net interest revenue	$21,106	$17,170	$16,237
Net loans charged off	329	2,420	7,168
Net interest revenue after net loans charged off	20,777	14,750	9,069
Fees and commissions revenue	10,416	10,150	5,495
Gain on financial instruments and other assets, net	310	—	349
Other operating revenue	10,726	10,150	5,844
Personnel expense	12,421	10,711	9,584
Net losses and expenses of repossessed assets	879	7,402	10,403
Other non-personnel expense	3,831	3,629	3,805
Corporate allocations	6,856	4,984	4,774
Total other operating expense	23,987	26,726	28,566
Income (loss) before taxes	7,516	(1,826)	(13,653)
Federal and state income tax	2,924	(710)	(5,311)
Net income (loss)	$4,592	$(1,116)	$(8,342)
Average assets	$705,005	$612,682	$641,340
Average loans	660,322	556,689	574,770
Average deposits	563,773	343,289	255,487
Average invested capital	64,829	60,907	65,025
Return on average assets	0.65%	(0.18)%	(1.30)%
Return on invested capital	7.08%	(1.83)%	(12.83)%

Efficiency ratio	76.10 %	97.83 %	131.45 %
Net charge-offs to average loans	0.05 %	0.43 %	1.25 %
Residential mortgage loans funded for sale	$122,320	$96,026	$97,699

As noted in Table 16, the period end balance of loans managed by the Bank of Arizona grew by $153 million or 26% over the prior year. Commercial loans increased $104 million or 33% primarily due to growth in healthcare and wholesale/retail sector loans. Commercial real estate loans grew by $56 million or 28% primarily due to growth in loans secured by office buildings, multifamily residential and loans secured by retail facilities. Residential mortgage loans decreased $11 million and other consumer loans increased by $3.2 million.

Bank of Kansas City

Net income attributed to the Bank of Kansas City decreased by $3.0 million or 30% compared to 2012 primarily due to decreased mortgage banking revenue.

Net interest revenue increased $2.5 million or 19%. Average loan balances grew by $88 million or 20%. Net charge-offs remained low, totaling $93 thousand or 0.02% of average loans for 2013 compared to $94 thousand or 0.02% of average loans for 2012. Average deposit balances were up $75 million or 26%. Demand deposit balances grew $114 million or 79% due primarily to commercial account balances, offset by a $34 million decrease in interest-bearing transaction account balances and a $5.3 million decrease in higher costing time deposit balances.

Fees and commissions revenue decreased $7.4 million or 19% compared to the prior year primarily due to a $5.1 million decrease in mortgage banking revenue and a $3.0 million decrease in brokerage and trading revenue. Other operating expenses were unchanged compared to the prior year. Personnel costs were down $424 thousand or 2% primarily due to decreased incentive compensation partially offset by increased regular compensation expense. Non-personnel expenses increased $1.3 million and corporate expense allocations decreased by $864 thousand.

Table 22 – Bank of Kansas City
(Dollars in thousands)

	Year Ended					
	2013		2012		2011	
Net interest revenue	$15,754		$13,212		$11,680	
Net loans charged off	93		94		181	
Net interest revenue after net loans charged off	15,661		13,118		11,499	
Other operating revenue – fees and commission	31,621		38,995		23,137	
Personnel expense	19,667		20,091		14,374	
Net losses and expenses of repossessed assets	59		91		177	
Other non-personnel expense	5,935		4,612		4,010	
Corporate allocations	10,080		10,944		7,002	
Total other operating expense	35,741		35,738		25,563	
Income before taxes	11,541		16,375		9,073	
Federal and state income tax	4,489		6,370		3,529	
Net income	$7,052		$10,005		$5,544	
Average assets	$541,187		$458,566		$376,689	
Average loans	524,019		436,144		364,553	
Average deposits	361,836		286,791		304,128	
Average invested capital	39,951		33,675		27,752	
Return on average assets	1.30	%	2.18	%	1.47	%
Return on invested capital	17.65	%	29.71	%	19.98	%
Efficiency ratio	75.44	%	68.45	%	73.42	%
Net charge-offs to average loans	0.02	%	0.02	%	0.05	%
Residential mortgage loans funded for sale	$211,006		$281,938		$144,426	

As noted in Table 16, the period end balance of loans managed by the Bank of Kansas City grew by $78 million or 15% primarily due to growth in commercial real estate loan balances. Commercial loans were largely unchanged. Growth in service sector loans was offset by a decrease in integrated food services, other commercial and industrial and wholesale/retail sector loans. Commercial real estate loans grew by $77 million or 92% primarily due to growth in multifamily residential, other commercial real estate loans, loans secured by office buildings and industrial facilities. Residential mortgage loans decreased $5.1 million and other consumer loans increased by $1.4 million.

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 December 31, 2013, December 31, 2012 and December 31, 2011.

Table 23 – Securities
(In thousands)

	December 31, 2013		2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Trading:						
U.S. Government agency obligations	$34,043	$34,120	$16,602	$16,545	$22,140	$22,203
U.S. agency residential mortgage-backed securities	20,888	21,011	85,914	86,361	12,320	12,379
Municipal and other tax-exempt securities	27,532	27,350	90,552	90,326	38,693	39,345
Other trading securities	9,142	9,135	20,883	20,870	2,864	2,873
Total trading securities	91,605	91,616	213,951	214,102	76,017	76,800
Investment:						
Municipal and other tax-exempt	440,187	439,870	232,700	235,940	128,697	133,670
U.S. agency residential mortgage-backed securities – Other[1]	50,182	51,864	82,767	85,943	121,704	120,536
Other debt securities	187,509	195,393	184,067	206,575	188,835	208,451
Total investment securities	677,878	687,127	499,534	528,458	439,236	462,657
Available for sale:						
U.S. Treasury	1,042	1,042	1,000	1,002	1,001	1,006
Municipal and other tax-exempt	73,232	73,775	84,892	87,142	66,435	68,837
Residential mortgage-backed securities:						
U.S. agencies	7,720,189	7,716,010	9,650,650	9,889,821	9,297,389	9,588,177
Privately issue	214,181	221,099	322,902	325,163	503,068	419,166
Total residential mortgage-backed securities	7,934,370	7,937,109	9,973,552	10,214,984	9,800,457	10,007,343
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,100,146	2,055,804	890,746	895,075	—	—
Other debt securities	35,061	35,241	35,680	36,389	36,298	36,495
Perpetual preferred stocks	22,171	22,863	22,171	25,072	19,171	18,446
Equity securities and mutual funds	19,069	21,328	24,593	27,557	33,843	47,238
Total available for sale securities	10,185,091	10,147,162	11,032,634	11,287,221	9,957,205	10,179,365
Fair value option securities:						
	165,809	157,431	253,726	257,040	606,876	626,109

U.S. agency residential mortgage-backed securities						
Corporate debt securities	—	—	25,077	26,486	25,099	25,117
Other securities	9,485	9,694	723	770	—	—
Total fair value option securities	$175,294	$167,125	$279,526	$284,296	$631,975	$651,226

[1] Includes net realized gain of $1.8 million at December 31, 2013, $5.0 million at December 31, 2012 and $12 million at December 31, 2011 remaining in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets related to securities transferred from the available for sale securities portfolio to the investment portfolio in 2011. See Note 2 to the Consolidated Financial Statements for additional discussion.

In addition to the above, restricted equity securities include stock we are required to hold as members of the Federal Reserve system and the Federal Home Loan Banks ("FHLB"). Restricted equity securities are carried at cost as theses securities do not have a readily determined fair value because ownership of these shares are restricted and lacks a market. Federal Reserve Bank stock totaled $34 million at December 31, 2013, $34 million at December 31, 2012 and $35 million at December 31, 2011. Holdings of FHLB stock totaled $51 million at December 31, 2013, $31 million at December 31, 2012 and $3.1 million at December 31, 2011.

At December 31, 2013, the carrying value of investment (held-to-maturity) securities was $678 million and the fair value was $687 million. Investment securities consist primarily of intermediate and long-term, fixed rate Oklahoma municipal bonds, taxable Texas school construction bonds and residential mortgage-backed securities issued by U.S. government agencies. The investment security portfolio is diversified among issuers. The largest obligation of any single issuer is $30 million. Substantially all of these bonds are general obligations of the issuers. Approximately $83 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.

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 $10.2 billion at December 31, 2013, a decrease of $848 million compared to December 31, 2012. The decrease was primarily in short-duration U.S. government agency residential mortgage-backed securities, partially offset by an increase in U.S. government agency backed commercial mortgage-backed securities. Commercial mortgage-backed securities have prepayment penalties similar to commercial loans. At December 31, 2013, residential mortgage-backed securities represented 78% 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. Our best estimate of the duration of the combined investment and available for sale securities portfolios at December 31, 2013 was 3.3 years. Management estimates the combined portfolios' duration extends to 3.6 years assuming an immediate 200 basis point upward shock. The estimated combined portfolios' duration contracts to 3.2 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 December 31, 2013, approximately $7.7 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 $7.7 billion at December 31, 2013.

We also hold amortized cost of $214 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions. The amortized cost of these securities decreased $109 million from December 31, 2012, primarily due to cash received and the sale of $46 million during the year. In addition, $938 thousand of other-than-temporary impairment losses were charged against earnings during 2013. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled $221 million at December 31, 2013.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included $110 million of Jumbo-A residential mortgage loans and $105 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. All of our Alt-A residential mortgage-backed securities were 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 has been fully absorbed as of December 31, 2013. The Jumbo-A residential mortgage-backed securities had original credit enhancement of 9.7% and the current level is 3.8%. Approximately 80% of our Alt-A mortgage-backed securities represent pools of fixed rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages (“ARMs”). Approximately 33% 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.

The aggregate gross amount of unrealized losses on available for sale securities totaled $158 million at December 31, 2013, an increase of $151 million from December 31, 2012. 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 $2.3 million were recognized in earnings in 2013, including $938 thousand related to certain privately issued residential mortgage-backed securities that we do not intend to sell and $1.4 million related to the change in intent to sell certain municipal securities prior to recovery of their amortized cost. These securities were sold and the impairment was realized during the year.

Certain residential mortgage-backed securities issued by U.S. government agencies and included in fair value option securities on the Consolidated Balance Sheets, 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 and related derivative contracts.

Bank-Owned Life Insurance

We have approximately $285 million of bank-owned life insurance at December 31, 2013. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately $253 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 December 31, 2013, the fair value of investments held in separate accounts was approximately $263 million. As the underlying fair value of the investments held in a separate account at December 31, 2013 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 domestic financial institution. The remaining cash surrender value of $32 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 $12.8 billion at December 31, 2013, an increase of $481 million or 4% over December 31, 2012. Commercial loans grew by $301 million or 4% due largely to growth in healthcare, services and wholesale/retail sector loans. Commercial real estate loans increased $186 million or 8%. Growth in multifamily residential property and retail sector loans were partially offset by a decrease in construction and land development loans. Residential mortgage loans were largely unchanged compared to the prior year. Growth in first-lien, fully amortizing home equity loans and permanent residential mortgage loans guaranteed by U.S. government agencies was partially offset by a decrease in non-guaranteed permanent residential mortgage loans. Consumer loans decreased $14 million due primarily to the continued runoff of the indirect automobile loan portfolio resulting from the Company's previously disclosed decision to exit this business in the first quarter of 2009, partially offset by growth in other consumer loans.

Table 24 – Loans
(In thousands)

	December 31,				
	2013	2012	2011	2010	2009
Commercial:					
Energy	$2,351,760	$2,460,659	$2,005,041	$1,706,366	$1,911,392
Services	2,282,210	2,164,186	1,761,538	1,574,680	1,768,966
Wholesale/retail	1,201,364	1,106,439	967,426	981,047	919,998
Manufacturing	391,751	348,484	336,733	319,353	384,327
Healthcare	1,274,246	1,081,406	978,160	843,826	776,457
Integrated food services	150,494	191,106	204,311	203,741	160,148
Other commercial and industrial	291,396	289,632	301,861	312,383	240,210
Total commercial	7,943,221	7,641,912	6,555,070	5,941,396	6,161,498
Commercial real estate:					
Residential construction and land development	206,258	253,093	342,054	451,720	655,116
Retail	586,047	522,786	509,402	420,038	423,155
Office	411,499	427,872	405,923	462,758	444,091
Multifamily	576,502	402,896	369,028	364,172	357,496
Industrial	243,877	245,994	278,186	178,032	126,006
Other real estate	391,170	376,358	386,710	394,141	493,927
Total commercial real estate	2,415,353	2,228,999	2,291,303	2,270,861	2,499,791
Residential mortgage:					
Permanent mortgage	1,062,744	1,123,965	1,157,133	1,206,297	1,314,592
Permanent mortgages guaranteed by U.S. government agencies	181,598	160,444	184,973	72,385	28,633
Home equity	807,684	760,631	632,421	556,593	490,285
Total residential mortgage	2,052,026	2,045,040	1,974,527	1,835,275	1,833,510
Consumer:					
Indirect automobile	6,513	34,735	105,149	239,188	454,508
Other consumer	375,151	360,770	343,694	356,316	330,391
Total consumer	381,664	395,505	448,843	595,504	784,899

Total	$12,792,264	$12,311,456	$11,269,743	$10,643,036	$11,279,698

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.

Healthcare sector loans grew $193 million or 18% over December 31, 2012, service sector loans increased $118 million or 5% and wholesale/retail sector loans increased $95 million or 9%. Energy sector loans decreased $109 million or 4% compared to December 31, 2012.

Table 25 presents the commercial sector of our loan portfolio distributed primarily by collateral location. Loans for which the collateral location is less relevant, such as unsecured loans and reserve-based energy loans, are distributed by the borrower's primary operating location.

Table 25 – Commercial Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Other	Total
Energy	$473,280	$1,143,433	$57,741	$8,403	$286,959	$16,767	$88,443	$276,734	$2,351,760
Services	559,368	751,224	198,403	25,314	178,374	170,879	156,171	242,477	2,282,210
Wholesale/retail	317,809	516,712	21,824	64,585	47,115	52,827	56,703	123,789	1,201,364
Manufacturing	132,954	92,967	4,028	5,846	8,329	37,075	37,037	73,515	391,751
Healthcare	243,904	227,058	87,214	81,850	96,777	72,154	163,330	301,959	1,274,246
Integrated food services	36,851	6,288	—	—	29,144	—	17,039	61,172	150,494
Other commercial and industrial	88,945	92,967	14,490	11,739	2,683	4,379	23,891	52,302	291,396
Total commercial loans	$1,853,111	$2,830,649	$383,700	$197,737	$649,381	$354,081	$542,614	$1,131,948	$7,943,221

The majority of our commercial portfolio is located within our geographic footprint. The Other category includes two primary locations, Louisiana and California, which represent $196 million or 2.5% of the commercial portfolio and $150 million or 1.9% of the commercial portfolio, respectively at December 31, 2013. All other states individually represent less than one percent of total commercial loans.
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 $2.4 billion or 18% of total loans at December 31, 2013. Unfunded energy loan commitments increased by $161 million to $2.5 billion at December 31, 2013. Approximately $2.0 billion of energy loans were to oil and gas producers, down $181 million compared to December 31, 2012. Approximately 59% of the committed production loans are secured by properties primarily producing oil and 41% of the committed production loans are secured by properties primarily producing natural gas. Loans to borrowers engaged in wholesale or retail energy sales increased $74 million to $203 million. Loans to borrowers that provide services to the energy industry increased $16 million during 2013 to $85 million. Loans to borrowers that manufacture equipment primarily for the energy industry decreased $24 million during 2013 to $25 million.

The services sector of the loan portfolio totaled $2.3 billion or 18% of total loans and consists of a large number of loans to a variety of businesses, including gaming, educational, public finance, insurance and community foundations. Approximately $1.1 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.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. At December 31, 2013, the outstanding principal balance of these loans totaled $2.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 16% 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, banking regulators annually review a sample of shared national credits for proper risk grading.

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. The majority of commercial real estate loans are secured by properties within our geographic footprint, with the larger concentrations in Texas and Oklahoma, 33% and 19% respectively for the year ended December 31, 2013. 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 $2.4 billion or 19% of the loan portfolio at December 31, 2013. The outstanding balance of commercial real estate loans increased $186 million over 2012. Growth in multifamily residential properties and loans secured by retail facilities was partially offset by a decrease in construction and land development loans. The commercial real estate loan balance as a percentage of our total loan portfolio has ranged from 18% to 22% over the past five years. The commercial real estate segment of our loan portfolio distributed by collateral location follows in Table 26.

Table 26 – Commercial Real Estate Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Other	Total

Residential construction and land development	$54,504	$45,642	$36,188	$3,808	$45,999	$6,185	$4,235	$9,697	$206,258
Retail	108,885	195,678	61,771	11,077	26,448	59,957	24,396	97,835	586,047
Office	84,447	170,903	40,727	6,418	23,169	37,433	12,560	35,842	411,499
Multifamily	87,818	210,648	42,343	24,585	56,422	38,089	46,320	70,277	576,502
Industrial	46,270	45,952	36,399	380	6,452	9,305	36,362	62,757	243,877
Other real estate	75,713	106,686	47,428	18,157	37,896	47,415	33,352	24,523	391,170
Total commercial real estate loans	$457,637	$775,509	$264,856	$64,425	$196,386	$198,384	$157,225	$300,931	$2,415,353

The outstanding balance of multifamily residential loans increased $174 million, primarily due to new loans and funding of existing commitments in Texas and Arizona. Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased $47 million or 19% from December 31, 2012 to $206 million at December 31, 2013 primarily due to net pay-downs concentrated in Texas and Colorado. Charge-offs of residential construction and land development loans totaled $663 thousand for 2013 and $604 thousand were transferred to other real estate owned. All locations included in Other individually represent less than 1.50% of the total commercial real estate loan population.

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 $2.1 billion, largely unchanged compared to December 31, 2012. 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. Eighty-three percent of our residential mortgage portfolio includes properties within our geographic footprint.

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 $928 million. 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 $58 million or 5% 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 $70 million at December 31, 2012. 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%.

At December 31, 2013, $182 million of permanent residential mortgage loans are guaranteed by U.S. government agencies. We have minimal credit exposure on loans guaranteed by the agencies. This amount includes $18 million of residential mortgage loans previously sold into GNMA mortgage pools that are eligible to be repurchased. We may repurchase these loans when certain defined delinquency criteria are met. Because of this repurchase right, we effectively have regained control over these loans and must include them in the Consolidated Balance Sheets. The remaining amount represents loans that the Company has repurchased from GNMA mortgage pools. Permanent

residential mortgage loans guaranteed by U.S. government agencies increased $21 million or 13% over December 31, 2012.

Home equity loans totaled $808 million at December 31, 2013, a $47 million or 6% increase over December 31, 2012. Growth was primarily in first-lien, fully amortizing home equity loans. Home equity loans generally 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. Revolving loans have a 5 year revolving period followed by 15 year term of amortizing repayments. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term subject to an update of certain credit information. A summary of our home equity loan portfolio at December 31, 2013 by lien position and amortizing status follows in Table 27.

Table 27 – Home Equity Loans
(In thousands)

	Revolving	Amortizing	Total
First lien	$37,546	$527,062	$564,608
Junior lien	62,036	181,040	243,076
Total home equity	$99,582	$708,102	$807,684

Indirect automobile loans decreased $28 million compared to December 31, 2012, primarily due to the previously disclosed decision by the Company to exit the business in the first quarter of 2009. Approximately $6.5 million of indirect automobile loans remain outstanding at December 31, 2013. Other consumer loans increased $14 million or 4% during 2013.

The distribution of residential mortgage and consumer loans at December 31, 2013 is presented in Table 28. Residential mortgage loans are distributed by collateral location. Consumer loans are generally distributed by borrower location.

Table 28 – Residential Mortgage and Consumer Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/Missouri	Other	Total
Residential mortgage:									
Permanent mortgage	$234,562	$393,264	$43,433	$21,512	$173,875	$105,087	$61,683	$29,328	$1,062,744
Permanent mortgages guaranteed by U.S. government agencies	60,825	18,460	66,324	5,724	8,960	2,030	12,815	6,460	181,598
Home equity	483,798	140,120	128,151	4,742	31,960	10,352	7,983	578	807,684
Total residential mortgage	$779,185	$551,844	$237,908	$31,978	$214,795	$117,469	$82,481	$36,366	$2,052,026
Consumer:									
Indirect automobile	$2,881	$1,318	$7	$2,150	$9	$—	$47	$101	$6,513
Other consumer	191,574	127,368	13,937	1,619	22,532	9,229	5,468	3,424	375,151
Total consumer	$194,455	$128,686	$13,944	$3,769	$22,541	$9,229	$5,515	$3,525	$381,664

Table 29 – Loan Maturity and Interest Rate Sensitivity at December 31, 2013
(In thousands)

		Remaining Maturities of Selected Loans		
	Total	Within 1 Year	1-5 Years	After 5 Years
Loan maturity:				
Commercial	$7,943,221	$703,555	$4,730,795	$2,508,871
Commercial real estate	2,415,351	142,899	1,499,022	773,430
Total	$10,358,572	$846,454	$6,229,817	$3,282,301
Interest rate sensitivity for selected loans with:				
Predetermined interest rates	$2,421,105	$64,185	$835,818	$1,521,102
Floating or adjustable interest rates	7,937,467	782,269	5,393,999	1,761,199
Total	$10,358,572	$846,454	$6,229,817	$3,282,301

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Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled $7.1 billion and standby letters of credit which totaled $444 million at December 31, 2013. 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 $624 thousand of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at December 31, 2013.

Table 30 – Off-Balance Sheet Credit Commitments
(In thousands)

	As of December 31,				
	2013	2012	2011	2010	2009
Loan commitments	$7,096,373	$6,636,587	$5,193,545	$5,001,338	$5,015,660
Standby letters of credit	444,248	466,477	534,565	588,091	598,618
Mortgage loans sold with recourse	191,299	226,922	289,021	330,963	391,188

As more fully described in Note 7 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. These mortgage loans were underwritten to standards approved by the agencies, including full documentation and originated under programs available only for owner-occupied properties. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representations and warranties. 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 December 31, 2013, the principal balance of residential mortgage loans sold subject to recourse obligations totaled $191 million, down from $227 million at December 31, 2012. Substantially all of these loans are to borrowers in our primary markets including $133 million to borrowers in Oklahoma, $21 million to borrowers in Arkansas, $13 million to borrowers in New Mexico, $10 million to borrowers in the Kansas/Missouri area and $9 million to borrowers in Texas. At December 31, 2013, approximately 4% of these loans are nonperforming and 6% were past due 30 to 89 days. A separate accrual for credit risk of $9 million is available to absorb losses on these loans.

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 described further in Note 7 to the Consolidated Financial Statements. For the period from 2010 through 2013, approximately 13% of repurchase requests have currently resulted in actual repurchases or indemnification by the Company. The accrual for credit losses related to potential loan repurchases under representations and warranties totaled $8.8 million at December 31, 2013 compared to $5.3 million at December 31, 2012.

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 market risk to us from 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 counter-parties. 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 cash margin or other collateral in conjunction with our credit agreements 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 counter-parties. 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 counter-parties' 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 counter-parties 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 counter-party's ability to provide margin collateral was impaired. Credit losses on customer derivatives reduce brokerage and trading revenue in the Consolidated Statement of Earnings.

On October 31, 2011, MF Global filed for bankruptcy protection. After partial distributions from the bankruptcy trustee during 2011, the remaining amount due totaled $8.5 million at December 31, 2011. This amount was written down to $6.8 million in 2011 based on our evaluation of amounts we expected to recover at that time. We received distributions from the bankruptcy trustee of $5.6 million in 2013 and $2.0 million in 2012. As of December 31, 2013, $798 thousand remains yet to be recovered.

Derivative contracts are carried at fair value. At December 31, 2013, the net fair values of derivative contracts, before consideration of cash margin, reported as assets under these programs totaled totaled $274 million. compared to $334 million at December 31, 2012. Derivative contracts carried as assets include to-be-announced residential mortgage-backed securities sold to our mortgage banking customers with fair values of $56 million, interest rate swaps sold to loan customers with fair values of $44 million, energy contracts with fair values of $18 million and foreign exchange contracts with fair values of $137 million. Before consideration of cash margin paid to counter-parties, the aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled $268 million.

At December 31, 2013, total derivative assets were reduced by $8.9 million of cash collateral received from counter-parties and total derivative liabilities were reduced by $24 million of cash collateral paid to counter-parties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at December 31, 2013 follows in Table 31.

Table 31 – Fair Value of Derivative Contracts

(In thousands)	
Customers	$118,897
Banks and other financial institutions	86,855
Exchanges	58,960
Energy companies	300
Fair value of customer hedge asset derivative contracts, net	$265,012

The largest exposure to a single counterparty was to an internationally active domestic financial institution for equity option contracts which totaled $11 million at December 31, 2013.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counter-parties 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 $30.77 per barrel of oil would increase the fair value of derivative assets by $5.2 million. An increase in prices equivalent to $157.94 per barrel of oil would increase the fair value of derivative assets by $366 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 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $26 million. The fair value of our to-be-announced residential mortgage-backed securities and interest rate swap derivative contracts is affected by changes in interest rates. Based on our assessment as of December 31, 2013, changes in interest rates would not materially impact regulatory capital or liquidity needed to support this portion of our customer derivative program.

Summary of Loan Loss Experience

We maintain an allowance for loan losses and an accrual for off-balance sheet credit risk. The combined allowance for loan losses and accrual for off-balance sheet risk totaled $187 million or 1.47% of outstanding loans and 185% of nonaccruing loans at December 31, 2013. The allowance for loans losses was $185 million and the accrual for off-balance sheet credit risk was $2.1 million. At December 31, 2012, the combined allowance for credit losses was $217 million or 1.77% of outstanding loans and 162% of nonaccruing loans. The allowance for loan losses was $216 million and the accrual for off-balance sheet credit risk was $1.9 million.

The provision for credit losses is the amount necessary to maintain the allowance for loan losses and an accrual for off-balance sheet credit risk at an amount determined by management to be appropriate based on its evaluation. The provision includes the combined charge or credit to expense for both the allowance for loan losses and the accrual for off-balance sheet credit risk. 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 exhaustion of collection efforts. A $27.9 million negative provision for credit losses was recorded during 2013 compared to a negative provision for credit losses of $22.0 million in 2012. Credit quality indicators, including historic loss rates, have improved to pre-recession levels. Improving charge-off trends resulted in lower estimated loss rates for many loan classes. Additionally, a major employer in the Tulsa, Ft. Worth and Kansas City markets exited bankruptcy during the fourth quarter. The Company had previously established a non-specific allowance related to the secondary exposure to the employer's bankruptcy by employees, retirees, vendors, suppliers and other business partners. Although we have recorded negative provisions for credit losses in 2013 and 2012, we do not expect significant negative provisions in future years.

Table 32 – Summary of Loan Loss Experience
(In thousands)

	Year Ended December 31, 2013	2012	2011	2010	2009
Allowance for loan losses:					
Beginning balance	$215,507	$253,481	$292,971	$292,095	$233,236
Loans charged off:					
Commercial	(6,335)	(9,341)	(14,836)	(27,640)	(49,725)
Commercial real estate	(5,845)	(11,642)	(15,973)	(59,962)	(57,313)
Residential mortgage	(5,753)	(10,047)	(14,107)	(20,056)	(16,672)
Consumer	(7,349)	(11,108)	(11,884)	(16,330)	(24,789)
Total	(25,282)	(42,138)	(56,800)	(123,988)	(148,499)
Recoveries of loans previously charged off:					
Commercial	7,488	6,128 [1]	7,478	9,263	2,546
Commercial real estate	9,420	5,706	2,780	3,179	461
Residential mortgage	1,558	1,928	2,334	901	929
Consumer	4,778	5,056	5,758	6,265	6,744
Total	23,244	18,818	18,350	19,608	10,680
Net loans charged off	(2,038)	(23,320)	(38,450)	(104,380)	(137,819)
Provision for loan losses	(28,073)	(14,654)	(1,040)	105,256	196,678
Ending balance	$185,396	$215,507	$253,481	$292,971	$292,095
Accrual for off-balance sheet credit risk:					
Beginning balance	$1,915	$9,261	$14,271	$14,388	$15,166
Provision for off-balance sheet credit risk	173	(7,346)	(5,010)	(117)	(778)
Ending balance	$2,088	$1,915	$9,261	$14,271	$14,388
Total combined provision for credit losses	$(27,900)	$(22,000)	$(6,050)	$105,139	$195,900
Allowance for loan losses to loans outstanding at period-end	1.45%	1.75%	2.25%	2.75%	2.59%
Net charge-offs to average loans	0.02%	0.20% [1]	0.35%	0.96%	1.14%
Total provision for credit losses to average loans	(0.23)%	(0.19)%	(0.06)%	0.96%	1.61%
Recoveries to gross charge-offs	91.94%	44.66% [1]	32.31%	15.81%	7.19%
Allowance for loan losses as a multiple of net charge-offs	90.97x	9.24x [1]	6.59x	2.81x	2.12x
Accrual for off-balance sheet credit risk to off-balance sheet credit commitments	0.03%	0.03%	0.14%	0.25%	0.26%
Combined allowance for credit losses to loans outstanding at period-end	1.47%	1.77%	2.33%	2.89%	2.72%

[1] Includes $7.1 million of negative recovery related to a refund of a settlement between BOK Financial and the City of Tulsa invalidated by the Oklahoma Supreme Court. Excluding this refund, BOK Financial net charge-offs to average loans was 0.14%, recoveries to gross charge-offs were 61.51% and the allowance for loan losses as a multiple of net charge-offs was 13.29x for 2012.

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 estimated loss rates by loan class and non-specific allowances based on general economic conditions, concentration in loans with large balances and other relevant factors.

Loans are considered to be impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreements. This includes all nonaccruing loans, all loans modified in trouble debt restructurings and all government guaranteed loans repurchased from GNMA pools. At December 31, 2013, impaired loans totaled $282 million, including $2.1 million with specific allowances of $1.0 million and $280 million with no specific allowances because the loan balances represent the amounts we expect to recover. At December 31, 2012, impaired loans totaled $294 million, including $11 million of impaired loans with specific allowances of $4.2 million and $283 million with no specific allowances.

General allowances for unimpaired loans are based on an estimated loss rate by loan class. Estimated loss rates for risk-graded loans are either increased or decreased based on changes in risk grading for each loan class. Estimated loss rates for both risk-graded and non-risk graded loans may be further adjusted for inherent risks identified for the given loan class which have not yet been captured in the loss rate.

The aggregate amount of general allowances for all unimpaired loans totaled $156 million at December 31, 2013, compared to $167 million at December 31, 2012. Estimated loss rates continued to decline due to lower charge-offs. The general allowance for the commercial loan portfolio segment increased by $14 million primarily due to a shift in the mix from loan classes with lower historic loss rates such as energy to loan classes with higher historic loss rates such as healthcare and services. The general allowance for the commercial real estate loan portfolio segment decreased $10 million compared to December 31, 2012 primarily due to a general decrease in loss rates. The general allowance for residential mortgage loans decreased $12 million and the general allowance for consumer loans decreased $2.4 million, primarily due to lower estimated loss rates.

Nonspecific allowances are maintained for risks beyond factors specific to a particular portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentrations in loans with large balances and other relevant factors. Nonspecific allowances totaled $28 million at December 31, 2013 and $44 million at December 31, 2012. The decrease in the nonspecific allowance from December 31, 2012 was primarily due to a major employer in the Tulsa, Dallas/Ft. Worth and Kansas City markets exiting bankruptcy during 2013. A non-specific allowance was established in prior years related to secondary exposure to the bankruptcy's impact on employees, retirees, vendors, suppliers and other business partners. The nonspecific allowance also considers the possible impact of the European debt crisis and similar economic factors on our loan portfolio. As demonstrated by continued domestic and European accommodative monetary policies, these factors remain a continued significant risk, although they have further stabilized during the year.

An allocation of the allowance for loan losses by loan category follows in Table 33.

Table 33 – Allowance for Loan Losses Allocation
(Dollars in thousands)

	December 31,									
	2013		2012		2011		2010		2009	
	Allowance	% of Loans[1]	Allowance	% of Loans[1]	Allowance	% of Loans[1]	Allowance	% of Loans[1]	Allowance	% of Loans[1]

Loan category:															
Commercial	$79,180	62.10	%	$65,280	62.07	%	$83,443	58.17	%	$104,631	55.82	%	$121,320	54.63	%
Commercial real estate	41,573	18.88	%	54,884	18.11	%	67,034	20.33	%	98,709	21.34	%	104,208	22.16	%
Residential mortgage	29,465	16.04	%	41,703	16.61	%	46,476	17.52	%	50,281	17.24	%	27,863	16.25	%
Consumer	6,965	2.98	%	9,453	3.21	%	10,178	3.98	%	12,614	5.60	%	20,452	6.96	%
Nonspecific allowance	28,213			44,187			46,350			26,736			18,252		
Total	$185,396	100.00	%	$215,507	100.00	%	$253,481	100.00	%	$292,971	100.00	%	$292,095	100.00	%

[1] Represents ratio of loan category balance to total loans.

Our loan monitoring 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 loan 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' continued ability to comply with current repayment terms. The potential problem loans totaled $74 million at December 31, 2013. The current composition of potential problem loans by primary industry included construction and land development - $15 million, multifamily residential properties - $14 million, services - $11 million, commercial real estate secured by office buildings - $1 million, manufacturing - $9.4 million and other commercial real estate - $7.6 million. Potential problem loans totaled $141 million at December 31, 2012.

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. Internally risk graded loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Non-risk graded loans are generally charged off when payments are between 60 days and 180 days past due, depending on loan class. In addition, non-risk graded loans are generally charged-down to collateral value within 60 days of being notified of a borrower's bankruptcy filing, regardless of payment status.

Net loans charged off totaled $2.0 million or 0.02% of average outstanding loans in 2013, down from net loans charged off of $23 million or 0.20% of average loans in 2012. Net loans charged off in 2012 included the return of $7.1 million received from the City of Tulsa to settle claims related to a defaulted commercial loan that was recorded as a recovery in 2008. The settlement agreement between BOK Financial and the City of Tulsa was invalidated by the Oklahoma Supreme Court in 2011. The return of this settlement was recorded as a negative recovery in 2012 when the funds were returned to the City of Tulsa. Excluding the impact of the return of the invalidated settlement, net commercial loans charged off during 2012 resulted in a $1.3 million net recovery.

Net commercial loan recoveries totaled $1.2 million. Net commercial real estate loan recoveries totaled $3.6 million. Residential mortgage loans experienced a net charge-off of $4.2 million for the year and consumer loans experienced a net charge-off of $2.6 million.

Table 34 – Nonperforming Assets
(In thousands)

	December 31, 2013	2012	2011	2010	2009
Nonaccruing loans:					
Commercial	$16,760	$24,467	$68,811	$38,455	$101,384
Commercial real estate	40,850	60,626	99,193	150,366	204,924
Residential mortgage	42,320	46,608	29,767	37,426	29,989
Consumer	1,219	2,709	3,515	4,567	3,058
Total nonaccruing loans	101,149	134,410	201,286	230,814	339,355
Accruing renegotiated loans:					
Guaranteed by U.S. government agencies	54,322	38,515	28,974	18,551	12,799
Other	—	—	3,919	3,710	3,107
Total accruing renegotiated loans	54,322	38,515	32,893	22,261	15,906
Total nonperforming loans	155,471	172,925	234,179	253,075	355,261
Real estate and other repossessed assets:					
Guaranteed by U.S. government agencies	37,431	22,365	16,952	—	—
Other	54,841	81,426	105,801	141,394	129,034
Real estate and other repossessed assets	92,272	103,791	122,753	141,394	129,034
Total nonperforming assets	$247,743	$276,716	$356,932	$394,469	$484,295
Total nonperforming assets excluding those guaranteed by U.S. government agencies	$155,213	$215,347	$311,006	$375,918	$471,496
Nonaccruing loans by loan class:					
Commercial:					
Energy	$1,860	$2,460	$336	$465	$22,692
Services	4,922	12,090	16,968	19,262	30,926
Wholesale / retail	6,969	3,077	21,180	8,486	12,057
Manufacturing	592	2,007	23,051	2,116	15,765
Healthcare	1,586	3,166	5,486	3,534	13,103
Integrated food services	—	684	—	13	65
Other	831	983	1,790	4,579	6,776
Total commercial	16,760	24,467	68,811	38,455	101,384
Commercial real estate:					
Residential construction and land development	17,377	26,131	61,874	99,579	109,779
Retail	4,857	8,117	6,863	4,978	26,236
Office	6,391	6,829	11,457	19,654	25,861
Multifamily	7	2,706	3,513	6,725	26,540
Industrial	252	3,968	—	4,087	279
Other commercial real estate	11,966	12,875	15,486	15,343	16,229
Total commercial real estate	40,850	60,626	99,193	150,366	204,924
Residential mortgage:					
Permanent mortgage	34,279	39,863	25,366	32,111	28,314
Permanent mortgages guaranteed by U.S. government agencies	777	489	—	—	—

Home equity	7,264	6,256	4,401	5,315	1,675
Total residential mortgage	42,320	46,608	29,767	37,426	29,989
Consumer	1,219	2,709	3,515	4,567	3,058
Total nonaccruing loans[3]	$101,149	$134,410	$201,286	$230,814	$339,355

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Table 34 – Nonperforming Assets
(In thousands)

	December 31, 2013	2012	2011	2010	2009
Nonaccruing loans as % of outstanding loan balance for class:					
Nonaccruing loans by loan class:					
Commercial:					
Energy	0.08 %	0.10 %	0.02 %	0.03 %	1.19 %
Services	0.22 %	0.56 %	0.96 %	1.22 %	1.75 %
Wholesale / retail	0.58 %	0.28 %	2.19 %	0.86 %	1.31 %
Manufacturing	0.15 %	0.58 %	6.85 %	0.66 %	4.10 %
Healthcare	0.12 %	0.29 %	0.56 %	0.42 %	1.69 %
Integrated food services	— %	0.36 %	— %	0.01 %	0.04 %
Other	0.29 %	0.34 %	0.59 %	1.47 %	2.82 %
Total commercial	0.21 %	0.32 %	1.05 %	0.65 %	1.65 %
Commercial real estate:					
Residential construction and land development	8.42 %	10.32 %	18.09 %	22.04 %	16.76 %
Retail	0.83 %	1.55 %	1.35 %	1.19 %	6.20 %
Office	1.55 %	1.60 %	2.82 %	4.25 %	5.82 %
Multifamily	— %	0.67 %	0.95 %	1.85 %	7.42 %
Industrial	0.10 %	1.61 %	— %	2.30 %	0.22 %
Other commercial real estate	3.06 %	3.42 %	4.00 %	3.89 %	3.29 %
Total commercial real estate	1.69 %	2.72 %	4.33 %	6.62 %	8.20 %
Residential mortgage:					
Permanent mortgage	3.23 %	3.55 %	2.19 %	2.66 %	2.15 %
Permanent mortgages guaranteed by U.S. government agencies	0.43 %	0.30 %	— %	— %	— %
Home equity	0.90 %	0.82 %	0.70 %	0.95 %	0.34 %
Total residential mortgage	2.06 %	2.28 %	1.51 %	2.04 %	1.64 %
Consumer	0.32 %	0.68 %	0.78 %	0.77 %	0.39 %
Total nonaccruing loans	0.79 %	1.09 %	1.79 %	2.17 %	3.01 %
Allowance for loan losses to nonaccruing loans	183.29 %	160.34 %	125.93 %	126.93 %	86.07 %
Accruing loans 90 days or more past due[1]	$1,415	$3,925	$2,496	$7,966	$8,908
Foregone interest on nonaccruing loans[2]	5,361	8,587	11,726	16,818	17,015

[1] Excludes residential mortgages guaranteed by agencies of the U.S. Government.
[2] Interest collected and recognized on nonaccruing loans was not significant in 2013 and previous years.

Nonperforming assets decreased $29 million during 2013 to $248 million or 1.92% of outstanding loans and repossessed assets at December 31, 2013. Nonaccruing loans totaled $101 million, accruing renegotiated residential mortgage loans totaled $54 million (all guaranteed by U.S. government agencies) and real estate and other repossessed assets totaled $92 million. All accruing renegotiated residential mortgage loans, $777 thousand of nonaccruing loans and $37 million of real estate and other repossessed assets are guaranteed by U.S. government agencies. Excluding assets guaranteed by U.S. government agencies, nonperforming assets decreased $60 million during the year. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to decrease more slowly.

Loans are generally classified as nonaccruing when it becomes probable that we will not collect the full contractual principal and interest. As more fully discussed in Note 4 to the Consolidated Financial Statements, we may modify loans in troubled debt restructuring. Modifications may include extension of payment terms and rate concessions. We do not forgive principal or accrued but unpaid interest. All loans modified in troubled debt restructurings, except residential mortgage loans guaranteed by U.S. government agencies, are classified as nonaccruing. We may also renew matured nonaccruing loans. All nonaccruing loans, including those renewed or modified in troubled debt restructurings, are charged off when the loan balance is no longer covered by the paying capacity of the borrower based on a quarterly evaluation of available cash resources and collateral value. All nonaccruing loans generally remain on nonaccruing status until full collection of principal and interest in accordance with the original terms, including principal previously charged off, is probable. We generally do not voluntarily modify consumer loans to troubled borrowers. Consumer loans modified at the direction of bankruptcy court orders are identified as troubled debt restructurings and classified as nonaccruing.

As of December 31, 2013, renegotiated loans consist solely of accruing residential mortgage loans guaranteed by U.S. government agencies that have been modified in troubled debt restructurings. See Note 4 to the Consolidated Financial Statements for additional discussion of troubled debt restructurings. Generally, we modify residential mortgage loans primarily by reducing interest rates and extending the number of payments in accordance with U.S. government agency guidelines. No unpaid principal or interest is forgiven. Interest continues to accrue based on the modified terms of the loan. Modified loans guaranteed by U.S. government agencies under residential mortgage loan programs may be sold once they become eligible according to U.S. agency guidelines.

A rollforward of nonperforming assets for the year ended December 31, 2013 follows in Table 35.

Table 35 – Rollforward of Nonperforming Assets
(In thousands)

	Year Ended December 31, 2013			
	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Balance, December 31, 2012	$134,410	$38,515	$103,791	$276,716
Additions	67,783	44,942	—	112,725
Transfer from premises and equipment	—	—	668	668
Payments	(50,521)	(1,416)	—	(51,937)
Charge-offs	(25,282)	—	—	(25,282)
Net gains (losses) and write-downs	—	—	737	737
Foreclosure of nonaccruing loans	(27,231)	—	27,231	—
Foreclosure of loans guaranteed by U.S. government agencies	—	(7,441)	58,969	51,528
Proceeds from sales	—	(20,446)	(55,005)	(75,451)
Conveyance to U.S. government agencies	—	—	(43,901)	(43,901)
Net transfers to nonaccruing loans	344	(344)	—	—
Return to accrual status	(1,043)	—	—	(1,043)
Other, net	2,689	512	(218)	2,983
Balance, December 31, 2013	$101,149	$54,322	$92,272	$247,743

We foreclose on loans guaranteed by U.S. government agencies in accordance with agency guidelines. Generally these loans are not eligible for modification programs or have failed to comply with modified loan terms. Principal is guaranteed by agencies of the U.S. government, subject to limitations and credit risk is minimal. These properties will

be conveyed to the agencies once applicable criteria have been met. During 2013, $59 million of properties guaranteed by U.S. government agencies were foreclosed and $44 million of properties were conveyed to the applicable U.S. government agencies.

Nonaccruing loans totaled $101 million or 0.79% of outstanding loans at December 31, 2013 compared to $134 million or 1.09% of outstanding loans at December 31, 2012. Nonaccruing loans decreased $33 million from December 31, 2012 due primarily to $51 million of payments, $27 million of foreclosures and $25 million of charge-offs. Newly identified nonaccruing loans totaled $68 million for 2013.

Commercial

Nonaccruing commercial loans totaled $17 million or 0.21% of total commercial loans at December 31, 2013, down from $24 million or 0.32% of total commercial loans at December 31, 2012. Nonaccruing commercial loans decreased $7.7 million during 2013. Newly identified nonaccruing commercial totaled $12 million, offset by $12 million in payments, $6.3 million of charge-offs and $3.0 million of repossessions.

Nonaccruing commercial loans at December 31, 2013 were primarily composed of $7.0 million or 0.58% of total wholesale/retail sector loans and $4.9 million or 0.22% of total services sector loans. Over half of the balance of nonaccruing wholesale/retail sector loans was comprised of a single customer in the New Mexico market.

Commercial Real Estate

Nonaccruing commercial real estate loans totaled $41 million or 1.69% of outstanding commercial real estate loans at December 31, 2013 compared to $61 million or 2.72% of outstanding commercial real estate loans at December 31, 2012. Nonaccruing commercial real estate loans continue to be largely concentrated in land development and residential construction loans, totaling $17 million or 8.42% of loans. Other commercial real estate loans totaled $12 million or 3.06% of other commercial real estate loans and $6.4 million or 1.55% of loans secured by office buildings. Nonaccruing commercial real estate loans were down $20 million compared to the prior year. Newly identified nonaccruing commercial real estate loans totaled $30 million, offset by $33 million of cash payments received, $13 million of foreclosures and $5.8 million of charge-offs.

Residential Mortgage and Consumer

Nonaccruing residential mortgage loans totaled $42 million or 2.06% of outstanding residential mortgage loans at December 31, 2013 compared to $47 million or 2.28% of outstanding residential mortgage loans at December 31, 2012. Newly identified nonaccruing residential mortgage loans which totaled $16 million were offset by $9.4 million of foreclosures, $5.8 million of loans charged off during the year and $5.0 million of cash payments. Nonaccruing residential mortgage loans primarily consist of non-guaranteed permanent residential mortgage loans which totaled $34 million or 3.23% of outstanding non-guaranteed permanent residential mortgage loans at December 31, 2013. Nonaccruing home equity loans totaled $7.3 million or 0.90% of total home equity loans.

Payments on accruing residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage loans and consumer loans past due but still accruing is included in the following Table 36. Substantially all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due increased $2.2 million to $13 million at December 31, 2013. Consumer loans past due 30 to 89 days decreased $1.6 million compared to December 31, 2012.

Table 36 – Residential Mortgage and Consumer Loans Past Due
(In thousands)

	December 31, 2013		December 31, 2012	
	90 Days or More	30 to 89 Days	90 Days or More	30 to 89 Days
Residential mortgage:				
Permanent mortgage[1]	$—	$9,795	$49	$8,366
Home equity	34	3,087	—	2,275
Total residential mortgage	$34	$12,882	49	$10,641
Consumer:				
Indirect automobile	$—	$330	$15	$1,273

Other consumer	1	697	4	1,327
Total consumer	$1	$1,027	$19	$2,600

[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 as determined by fair value at date of foreclosure or current fair value, less estimated selling costs.

Real estate and other repossessed assets totaled $92 million at December 31, 2013, a $12 million decrease from December 31, 2012. The distribution of real estate and other repossessed assets distributed primarily by collateral location is included in Table 37 following.

Table 37 – Real Estate and Other Repossessed Assets by Collateral Location as of December 31, 2013
(In thousands)

	Oklahoma	Texas	Colorado	Arkansas	New Mexico	Arizona	Kansas/ Missouri	Other	Total
Developed commercial real estate properties	$2,287	$408	$1,109	$1,050	$5,613	$1,471	$731	$5,073	$17,742
1-4 family residential properties guaranteed by U.S. government agencies	10,221	1,483	1,159	1,449	20,172	360	2,178	409	37,431
1-4 family residential properties	5,573	1,122	264	508	2,004	5,431	478	521	15,901
Undeveloped land	272	3,698	2,635	74	—	5,929	1,114	—	13,722
Residential land development properties	354	30	1,555	1,292	—	3,634	136	—	7,001
Oil and gas properties	—	123	—	—	—	—	—	—	123
Vehicles	17	—		10	—		—	—	27
Other	—	—	—	—	—	324	—	1	325
Total real estate and other repossessed assets	$18,724	$6,864	$6,722	$4,383	$27,789	$17,149	$4,637	$6,004	$92,272

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 2013, approximately 72% of our funding was provided by deposit accounts, 12% from borrowed funds, 1% 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 2013 totaled $19.7 billion and represented approximately 72% of total liabilities and capital compared with $19.0 billion and 72% of total liabilities and capital for 2012. Average deposits increased $717 million over the prior year. Demand deposits increased $500 million and interest-bearing transaction deposit accounts were up $483 million. Time deposits decreased $318 million.

Average Commercial Banking deposit balances increased $632 million over the prior year, due primarily to a $467 million increase in demand deposit balances and a $196 million increase in interest-bearing transaction deposits. Average balances attributed to our commercial & industrial loan customers increased $191 million or 7% and average balances attributed to our energy customers increased $164 million or 13%. Average balance attributed to our healthcare customer grew by $104 million or 28% over the prior year. Small business banking customer average balances increased $84.3 million or 5%. Average balances held by treasury services customers were up $80 million or 5% over the prior year. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments. Deposit growth in the fourth quarter included normal seasonality and temporary customer activity. During the first half of January 2014, deposits decreased approximately $300 million.

Average Consumer Banking deposit balances increased $14 million from 2012. Higher costing time deposit balances decreased $184 million, partially offset by a $131 million increase in average interest-bearing transaction account balances. Savings account and demand deposit balances also grew over the prior year. Average Wealth Management deposits grew by $104 million during 2013 primarily due to a $151 million increase in interest-bearing transaction accounts, partially offset by a $49 million decrease in time deposits. Demand deposit balances were largely unchanged compared to the prior year.

The general trend of increased deposits over the past several years reflects modest growth in the overall economy and low short-term interest rates. If economic activity were to improve significantly or if short-term interest rates were to increase, deposits may decline as customers deploy funds into projected or shift demand deposits into money market instruments.

Table 38 - Maturity of Domestic CDs and Public Funds in Amounts of $100,000 or More
(In thousands)

	December 31, 2013	2012
Months to maturity:		
3 or less	$196,631	$279,027
Over 3 through 6	200,117	210,918
Over 6 through 12	319,096	346,874
Over 12	1,079,876	1,068,305
Total	$1,795,720	$1,905,124

Brokered deposits included in time deposits averaged $159 million for 2013 compared to $182 million for 2012. Brokered deposits included in time deposits totaled $186 million at December 31, 2013 and $187 million at December 31, 2012.

Average interest-bearing transactions accounts for 2013 included $265 million of brokered deposits compared to $214 million for 2012. Brokered deposits included in interest-bearing transaction account totaled $227 million at December 31, 2013 and $303 million at December 31, 2012.

The distribution of our period end deposit account balances among principal markets follows in Table 39.

Table 39 -- Period End Deposits by Principal Market Area
(In thousands)

	December 31, 2013	2012	2011	2010	2009
Bank of Oklahoma:					
Demand	$3,432,940	$4,207,263	$3,196,436	$2,240,850	$2,048,834
Interest-bearing:					
Transaction	6,318,045	6,023,384	5,966,528	6,033,598	5,111,091
Savings	191,880	163,512	126,682	106,411	93,006
Time	1,214,507	1,267,854	1,444,332	1,363,942	1,385,505
Total interest-bearing	7,724,432	7,454,750	7,537,542	7,503,951	6,589,602
Total Bank of Oklahoma	11,157,372	11,662,013	10,733,978	9,744,801	8,638,436
Bank of Texas:					
Demand	2,481,603	2,606,176	1,808,490	1,389,876	1,108,401
Interest-bearing:					
Transaction	1,966,580	2,129,084	1,940,819	1,791,810	1,748,319
Savings	64,632	58,429	45,872	36,429	35,129
Time	638,465	762,233	867,664	966,116	1,100,602
Total interest-bearing	2,669,677	2,949,746	2,854,355	2,794,355	2,884,050
Total Bank of Texas	5,151,280	5,555,922	4,662,845	4,184,231	3,992,451
Bank of Albuquerque:					
Demand	502,395	427,510	319,269	271,137	209,090
Interest-bearing:					
Transaction	529,140	511,758	491,068	530,244	444,246
Savings	33,944	31,926	27,487	28,342	17,563
Time	327,281	364,928	410,722	450,177	511,685
Total interest-bearing	890,365	908,612	929,277	1,008,763	973,494
Total Bank of Albuquerque	1,392,760	1,336,122	1,248,546	1,279,900	1,182,584
Bank of Arkansas:					
Demand	38,566	39,897	19,405	16,494	22,092
Interest-bearing:					
Transaction	144,018	101,868	131,703	130,066	51,353
Savings	1,986	2,239	1,727	1,266	1,346
Time	32,949	42,573	61,329	102,999	104,367
Total interest-bearing	178,953	146,680	194,759	234,331	157,066
Total Bank of Arkansas	217,519	186,577	214,164	250,825	179,158

Table 39 -- Period End Deposits by Principal Market Area
(In thousands)

	December 31, 2013	2012	2011	2010	2009
Colorado State Bank & Trust:					
Demand	409,942	336,252	292,556	184,251	164,478
Interest-bearing:					
Transaction	541,675	676,144	512,904	533,230	449,921
Savings	26,880	25,889	22,771	20,310	17,802
Time	407,088	472,305	523,969	502,889	525,844
Total interest-bearing	975,643	1,174,338	1,059,644	1,056,429	993,567
Total Colorado State Bank & Trust	1,385,585	1,510,590	1,352,200	1,240,680	1,158,045
Bank of Arizona:					
Demand	204,092	161,093	106,741	74,888	68,650
Interest-bearing:					
Transaction	364,736	360,276	104,961	95,889	81,910
Savings	2,432	1,978	1,192	809	958
Time	34,391	31,371	37,641	52,227	60,768
Total interest-bearing	401,559	393,625	143,794	148,925	143,636
Total Bank of Arizona	605,651	554,718	250,535	223,813	212,286
Bank of Kansas City:					
Demand	246,739	260,095	56,888	43,268	32,299
Interest-bearing:					
Transaction	69,857	85,524	206,473	140,525	43,599
Savings	1,252	771	626	200	148
Time	41,312	26,728	36,325	70,818	79,222
Total interest-bearing	112,421	113,023	243,424	211,543	122,969
Total Bank of Kansas City	359,160	373,118	300,312	254,811	155,268
Total BOK Financial deposits	$20,269,327	$21,179,060	$18,762,580	$17,179,061	$15,518,228

See Note 9 to the Consolidated Financial Statements for a summary of other borrowings.

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 $310 million at December 31, 2013. 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 Bank of Topeka averaged $1.7 billion during 2013 and $105 million during 2012.

At December 31, 2013, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately $8.6 billion.

In 2007, the Bank issued $250 million of subordinated debt due May 15, 2017 to fund the Worth National Bank and First United Bank acquisitions and fund continued asset growth. Interest on this debt was based on a fixed rate of 5.75% through May 14, 2012 which then converted to a floating rate of three-month LIBOR plus 0.69%. At December 31, 2013, $227 million of this subordinated debt remains outstanding.

In 2005, the Bank issued $150 million of 10-year, fixed rate subordinated debt. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay $95 million of BOK Financial's unsecured revolving line of credit and to provide additional capital to support asset growth. At December 31, 2013, $122 million of this subordinated debt remains outstanding.
The Bank also has a liability related to the repurchase of certain delinquent residential mortgage loans previously sold in GNMA mortgage pools. Interest is payable monthly at rates contractually due to investors.
Parent Company and Other Non-Bank Subsidiaries

The primary sources of liquidity for BOK Financial are cash on hand and dividends from the subsidiary bank. Dividends from the subsidiary bank 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 December 31, 2013, based on the most restrictive limitations as well as management’s internal capital policy, the subsidiary bank could declare up to $158 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.

The Company has a $100 million senior unsecured 364 day revolving credit facility with Wells Fargo Bank, National Association, 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 minus 1.25% or LIBOR plus 1.00% based upon the Company's option. Interest on amounts borrowed for certain acquisitions converted to a term loan at the Company's option is to be paid at a defined base rate minus 1.25% or LIBOR plus 1.25%. 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 5, 2014. 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 December 31, 2013 and December 31, 2012, and the Company met all of the covenants.

Our equity capital at December 31, 2013 was $3.1 billion, up $61 million over December 31, 2012. Net income less cash dividends paid increased equity $212 million during 2013. This was offset by a $176 million decrease in accumulated other comprehensive income primarily related to the change in net unrealized gains and losses on available for sale securities. 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 24, 2012, the Board of Directors authorized the Company to purchase up to two million shares of our common stock. 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. As of December 31, 2013, the Company has repurchased 39,496 shares for $2.1 million under this program. No shares were repurchased during 2013.

BOK Financial and the subsidiary bank are subject to various capital requirements administered by federal agencies. Failure to meet minimum capital requirements can result in certain mandatory and 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 40.

Table 40 – Capital Ratios

	Well Capitalized Minimums	December 31, 2013	2012
Average total equity to average assets	—	11.00 %	11.05 %
Tangible common equity ratio	—	9.90 %	9.25 %
Tier 1 common equity ratio	—	13.59 %	12.59 %
Risk-based capital:			
Tier 1 capital	6.00 %	13.77 %	12.78 %
Total capital	10.00 %	15.56 %	15.13 %
Leverage	5.00 %	10.05 %	9.01 %

In July 2013, banking regulators issued the final rule revising regulatory capital rules for substantially all U.S. banking organizations. The new capital rule will be effective for BOK Financial on January 1, 2015. Components of the rule will phase in through January 1, 2019. The new capital rule establishes a 7% threshold for the Tier 1 common equity ratio consisting of a minimum level plus capital conservation buffer. The Company expects to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, consistent with the treatment under current capital rules. BOK Financial's Tier 1 common equity ratio based on the existing Basel I standards was 13.59% as of December 31, 2013. Based on our interpretation of the new capital rule, our estimated Tier 1 common equity ratio is approximately 12.60%, nearly 560 basis points above the 7% regulatory threshold.

The rule also changes both the Tier 1 risk based capital requirements and the total risk based requirements to a minimum of 6% and 8%, respectively, plus a capital conservation buffer of 2.5% totaling 8.5% and 10.5%, respectively. The leverage ratio requirements under the rule is 4%. A banking organization which falls below these levels, including the capital conservation buffer, would be subject to regulatory restrictions on capital distributions (including but not limited to dividends and share repurchases) and executive bonus payments.

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. Tier 1 common equity is Tier 1 equity as defined by banking regulations, adjusted for other comprehensive income 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 in shareholders' equity.

In accordance with the Dodd-Frank Act, the Federal Reserve published regulations that require bank holding companies with $10 billion to $50 billion in assets to perform annual capital stress tests. The requirements for annual capital stress tests became effective for the Company in the fourth quarter of 2013. Specified results will be made public in June of 2015. The resulting capital stress test process may place constraints on capital distributions or increases in required regulatory capital under certain circumstances.

Table 41 following provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 41 – Non-GAAP Measures
(Dollars in thousands)

	December 31, 2013		2012	
Tangible common equity ratio:				
Total shareholders' equity	$3,020,049		$2,957,860	
Less: Goodwill and intangible assets, net	384,323		390,171	
Tangible common equity	2,635,726		2,567,689	
Total assets	27,015,432		28,148,631	
Less: Goodwill and intangible assets, net	384,323		390,171	
Tangible assets	$26,631,109		$27,758,460	
Tangible common equity ratio	9.90	%	9.25	%
Tier 1 common equity ratio:				
Tier 1 capital	$2,668,981		$2,430,671	
Less: Non-controlling interest	34,924		35,821	
Tier 1 common equity	2,634,057		2,394,850	
Risk weighted assets	$19,389,381		$19,016,673	
Tier 1 common equity ratio	13.59	%	12.59	%

Off-Balance Sheet Arrangements

See Note 14 to the Consolidated Financial Statements for a discussion of the Company’s significant off-balance sheet commitments.

Aggregate Contractual Obligations

BOK Financial has numerous contractual obligations in the normal course of business. These obligations include time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers and to purchase securities, derivative contracts and contracts for services such as data processing that are integral to our operations. Table 42 following summarizes payments due per these contractual obligations at December 31, 2013.

Table 42 – Contractual Obligations as of December 31, 2013
(In thousands)

	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Time deposits	$784,452	$819,540	$404,230	$401,378	$2,409,600
Other borrowings	525	1,050	1,100	16,239	18,914
Subordinated debentures	8,181	128,255	227,173	—	363,609
Operating lease obligations	23,751	45,412	31,719	112,973	213,855
Derivative contracts	225,995	37,140	3,218	5,034	271,387
Deferred compensation and stock-based compensation obligations	100,368	—	—	—	100,368
Data processing services	11,275	20,493	17,960	7,800	57,528
Total	$1,154,547	$1,051,890	$685,400	$543,424	$3,435,261

Loan commitments	$7,096,373
Standby letters of credit	444,248

Mortgage loans sold with recourse	191,299
Commitments to purchase transferable tax credits from zero emission power providers	13,000
Alternative investment commitments	37,457
Unfunded third-party private equity commitments	5,880

Payments on time deposits, other borrowed funds and subordinated debentures include interest which has been calculated from rates at December 31, 2013. Many of these obligations have variable interest rates and actual payments will differ from the amounts shown on this table. Obligations under derivative contracts used for interest rate risk management purposes are included with projected payments from time deposits and other borrowed funds as appropriate.

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

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

Obligations under derivative contracts are used in customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on