Building On A Successful Past, Positioning For A Successful Future

Annual Report

BOK FINANCIAL

VOLUME 13, ISSUE 2003

PLUS

IN THE LONG RUN-
How An Extended Outlook Guides BOKF's Strategy

AIMING FOR PERFECTION-
Customer Focus Spells Success G-R-O-W-T-H

NEW HORIZONS-
A Winning Strategy For Regional Banking Expansion

#BOKF2003ANNUALREPORT
BOK FINANCIAL CORPORATION
P.O. Box 2300
TULSA, OK 74192-0001

www.bokf.com

BOK FINANCIAL 2003
MANAGEMENT LETTER

Building on a Successful Past. Positioning for a Successful Future. The theme of this year's annual report appropriately sums up our plans to keep building on the accomplishments of the past 13 years. As we celebrate the past—including a continuation of record earnings in 2003—we look forward to new opportunities and have already taken steps to better position ourselves to meet the challenges ahead.

Since 1991, we have consistently built on our non-interest lines of business in order to maintain balance and ensure success through economic cycles. This strategy continued to pay off in 2003, when loan growth slowed in a soft economy. Our 2003 net income was $158.4 million, or $2.45 per share, compared with $147.9 million, or $2.37 per share, the previous year. It was the 13th consecutive year of growth and was strongly supported by a 19 percent increase in fees and commissions from mortgage banking, trust, brokerage and trading, and deposit services. The right balance among these businesses also helped support earnings when the mortgage refinancing boom ended late in the year.

Even in a sluggish economy, loans grew 8 percent, and signs indicate that things are picking up in our markets in early 2004. We experienced solid loan growth in Houston and Denver, where we acquired Colorado State Bank and Trust. This honored institution should provide a strong platform for further growth in the Mile High City. We also saw deposit growth of $1.1 billion over the course of the year.

We continued to pave the way for additional success by upgrading our technology base and restructuring management. Our Operations and Technology staff undertook the most demanding technical project in company history with the conversion to a new core processing system. This new system provides a more efficient and effective platform for future growth, giving us the ability to bring new products and services to market more quickly.

To augment an already strong management group, we appointed three officers to the newly created posts of senior executive vice president. Dan Ellinor came aboard to assume leadership of the Oklahoma commercial banking group while Jeff Pickryl moved to Dallas to manage regional banking operations. Steve Bradshaw now heads up the corporate-wide Consumer and Wealth Management Division. Our longtime friend and chief credit officer, Gene Harris, is retiring in 2004 after helping us establish consistent credit standards and build a quality loan portfolio. We thank Gene and welcome Chuck Cotter as the new chief credit officer. With this transition, we will continue to ensure prudent credit administration that has helped establish sound loan quality.

On the following pages of this report, executives in their own words provide a glimpse into our company, our results and our goals. As always, we will continue to value our people, our customers and the communities we serve while working to generate optimal long-term returns for our shareholders. With this in mind, we celebrate our first 13 years of growth with an eye on positioning ourselves to ensure continued success, both now and into the future.

George Kaiser
chairman

How does BOK Financial make decisions?

There is no principle more emphasized in our organization than managing for long-term value rather than short-term results. We evaluate all decisions based on discounted cash flow present value or rate of return rather than short-term accounting results. Our officers all own significant amounts of stock and have compensation that is more performance based than tenure based. When shareholders do well, they do well, so we all think like shareholders because the board and officers are collectively the majority shareholders of the company.

Describe the corporate culture at BOKF.

The CEO, rather than the board chair, has primary influence on the corporate culture and the attitudes of key personnel. Stan Lybarger has a strong entrepreneurial bent and understands what is necessary to encourage innovative approaches to business problem solving and aggressive pursuit of opportunities. Through incentive plans, hiring practices, personal brainstorming and repeated emphasis on maximizing long-term enterprise and shareholder value in all decisions, he, and, to a lesser extent, I, lead by example. New products, services and market positioning decisions that reflect that approach would include our acquisition strategies and tactics. It would also include our new business solicitation techniques and several new services, such as energy, foreign currency and interest rate derivatives and other narrowly targeted investment banking products, as well as our methods of previewing entry into new markets and our nationally competitive 401(k) and TransFund services.

What are your long-term expectations for the company?

The large national banks continue to evacuate the market sector occupied by most of American business and make individual banking more impersonal. Community banks do a wonderful job of filling that vacuum but many customers outgrow the credit limits or product sophistication of community banks. We see a long-term future for BOKF in providing major national bank services but delivering them in a responsive, community bank style.

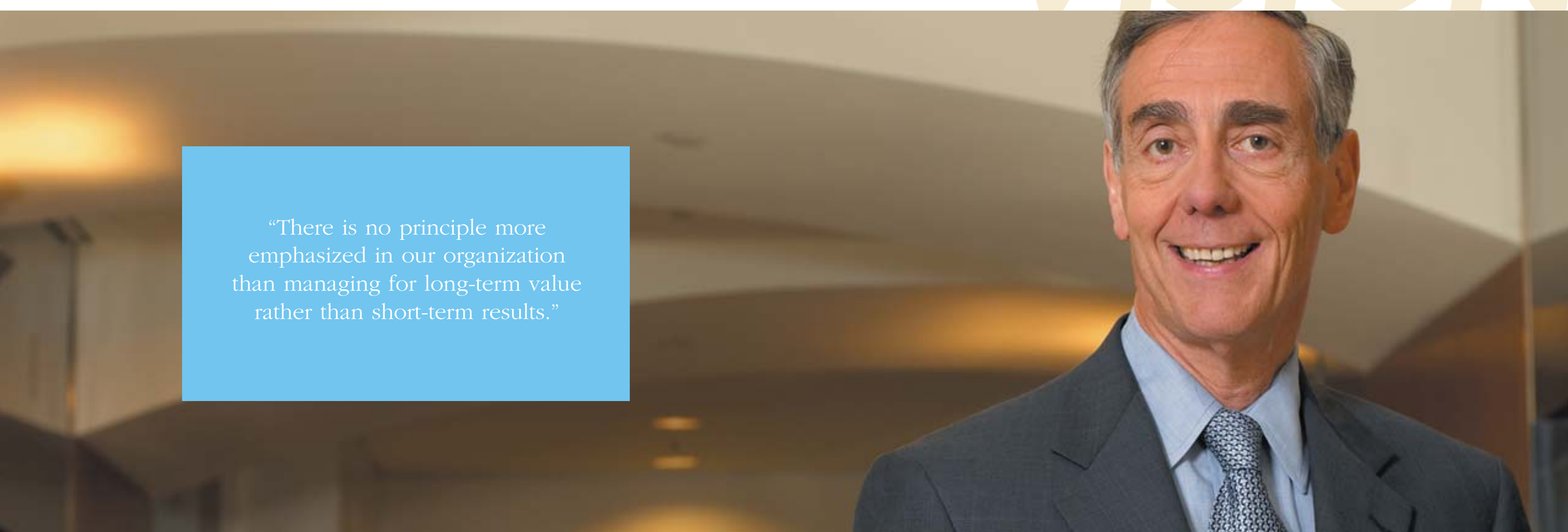
What are your plans for your ownership stake?

I have no intention of selling my stock. I have committed all of it over time to my charitable foundations. There is no financial reason for me or for the trustees of those foundations to cause a sale of the company so long as it is competently fulfilling its mission and growing in per share value faster than a potential acquirer.

Discuss the company position on paying a dividend.

To this point, we have been able to use our capital intelligently in building our business and thereby earn a greater return for the shareholders than they could earn after paying a tax on a dividend distribution. If we should become over-capitalized in comparison with our attractive business opportunities, we would reconsider the appropriateness of paying cash dividends. In the meantime, we plan to continue to declare stock dividends. The reduction in the dividend tax certainly makes the payment of a cash dividend a closer question.

VISION



"There is no principle more emphasized in our organization than managing for long-term value rather than short-term results."

Stan Lybarger
president and
chief executive officer

What has been the foundation of BOKF's success?

Our success has resulted from our ability to attract and retain talented people and create and maintain an environment that encourages creativity, teamwork and an entrepreneurial spirit. We manage for continuous improvement, striving to enhance our capabilities and performance in every line of business in every market we serve. We emphasize highly responsive personal customer service at a level no longer available from the large national banks. These characteristics, coupled with a proven strategy of expansion in rapidly growing metropolitan areas in our region, have produced a superior track record of growth and returns for our investors.

How did this contribute to earnings for 2003 in a soft economic environment?

The balance we have been able to achieve in our revenue streams was a key ingredient in our success in 2003. With much lower loan demand and compressed margins, this past year was particularly challenging for the industry. Our success was largely based on our 19 percent growth in fee revenues led by growth in deposit service charges and growth in brokerage, mortgage banking and trust revenues. Loan growth of 8 percent, while much slower than the 16 percent we have averaged for the past five years, was materially better than the industry as a whole. Core deposit growth of 15 percent remained strong.

What is your strategy for acquisitions?

We have pursued acquisitions to gain access and a competitive presence in rapidly growing markets in our region. We target quality organizations that have demonstrated solid growth in their lines of business. Rather than focusing on adding dots to a map, we look for opportunities to enhance the company and propel future growth in earnings per share and shareholder value.

What are your financial objectives?

We are targeting long-term EPS growth in the upper quartile of our peer group. For the past five years, our EPS growth has averaged 13 percent, well ahead of our peer group, which averaged 11 percent for the same time period. Our return on equity has averaged 15 percent for the same time period. These results have translated to our stock price as it has appreciated 92 percent over the last five years, versus a decline in most major stock indices over the same period.

Discuss the attention BOKF is getting nationally.

We focus on building a track record of superior performance. Only in the past few years have we actively sought more visibility at analysts' conferences and by visiting prospective institutional investors. The recognition from the business media and analysts has been gratifying. In 2003, Forbes listed us among the top 500 companies ranked by a composite of sales, assets, profits and market value, and Investor's Business Daily named us among the 70 most stable companies for U.S. investors. BOK Financial was also among 12 companies recognized on the Honor Roll compiled by investment banking firm Keefe, Bruyette & Woods.

RESULTS

"Our success has resulted from our ability to attract and retain talented people and create and maintain an environment that encourages creativity, teamwork and an entrepreneurial spirit."

Steve Bradshaw
senior executive vice president
consumer banking and wealth management

What were the key factors for Consumer Banking's strong performance in 2003?

We gained momentum by focusing the last three years on growing our checking base. Combining net interest revenue and fees, checking generates 76 percent of consumer banking revenue. Since introducing free checking in January 2001, checking accounts—excluding our Houston acquisition in 2001and Denver in 2003—grew 55 percent, or by a compound annual growth rate of 24 percent, to 258,627 at the end of 2003. Checking related fees grew 81 percent—with a compound annual growth rate of 35 percent—over the same period. In 2004, we will continue to expand our successful strategies for attracting accounts, with an increased focus on improving checking account retention. Boosting online banking capabilities and introducing free BillPay are key strategies.

Explain the "Perfect Banking" strategy.

We believe our profit growth results from a sustained strategy of giving clients the best possible experience each and every time. In the fall of 2001, we introduced a breakthrough sales and service process we call Perfect Banking. Its core principle is creating a perfect client experience with each interaction, whether in our branches, through our 24 hour contact center—ExpressBank—or via online banking. Perfect Banking defines key activities that we believe result in an experience that will compel clients to bring additional business and referrals to our bank. This includes a client profiling and contact methodology that allows us to provide a level of professional advice and counsel not found in other retail banks. And we have implemented comprehensive training, coaching, and reward and recognition programs that prepare and motivate our staff to constantly improve results. In the past two years, sales have improved 29 percent based on a compound annual growth rate, and client satisfaction has remained high at 95 percent.

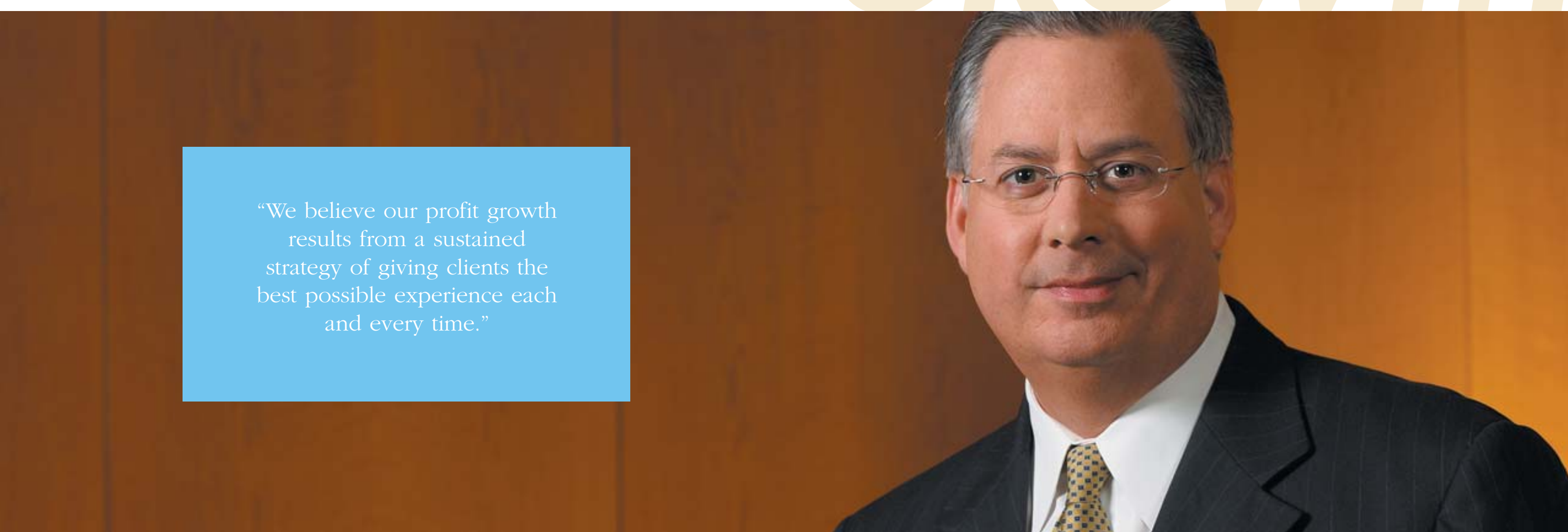
As one key fee-based line of business, how did brokerage and trading contribute to the company's success in 2003?

This was a record-setting year, generating almost $39 million in revenue, up 58 percent over 2002. The revenue mix is diverse with significant contributions from retail and institutional sales and investment banking. According to the Fixed Income Clearing Corp., we ranked 23rd nationally in mortgage-backed securities volume. Investment banking revenue also jumped significantly in 2003.

How does Wealth Management and its fee-based business lines contribute?

In Wealth Management, we manage over $20 billion in assets and have grown through national product innovation and integration with our commercial bank. Our Private Financial Services (PFS) group has focused on a team approach to serving affluent individuals and business owners. BOK Financial has also added investment management staff, including portfolio managers. We have also recently introduced our own private equity offering. In 2004, we are focusing on consolidating our trust, investment management and affluent market brokerage sales groups into a single investment advisor approach. Clients will then have a unified source for investment expertise and full access to all investment products available in the market. We are also expanding PFS in Houston, Dallas and Denver and integrating the Trust group from Colorado State Bank and Trust.

GROWTH



"We believe our profit growth results from a sustained strategy of giving clients the best possible experience each and every time."

Dan Ellinor
senior executive vice president
commercial banking - oklahoma/arkansas

Since joining BOKF last fall, how do you assess the company compared with the competition?

Each company I have worked for in my 22-year career has had a unique brand identity, a defined strategy and a history of growth. BOKF is no different. But our company excels and distances itself from its competitors in how we live out our brand with our customers, how we execute strategies for the benefit of our customers and shareholders, and in the reliability of our core earnings—through all economic cycles. Every decision we make has the customer at the center, and we remain very nimble so we can react opportunistically. We have a solid earnings stream that has diversification, resiliency and growth potential without placing undue risk on the business model.

What perspectives do you bring that will benefit BOKF?

I have seen how poorly managed corporate growth can be detrimental to customer service, product development, delivery, retention of top talent and creation of shareholder value—which is a losing strategy. We have a winning growth strategy at BOKF, and we intend to bring all our constituents with us along the way—customers, employees and our shareholders.

What were the key success factors for Oklahoma commercial banking in 2003?

Despite a sluggish economy in 2003, we had positive loan growth, improved loan quality and strong growth in our fee-based businesses. This and double-digit deposit growth helped us maintain our strong earnings momentum in our Oklahoma and Arkansas commercial banking franchise.

How do you maintain growth in fee-based lines?

Treasury Management and our EFT network, TransFund, are our strongest commercial fee-based business lines, and we are positioned to enjoy continued growth. With Treasury Management, the strategy is simple—we'll aggressively provide treasury solutions to our expanding commercial customer base with solid technology backing the delivery channel and at a cost that is economically sound to both the bank and our clients. We are making additional investments in the product line that are enhancing basic functionality and positioning the bank for the imaging revolution. Our strategy for TransFund is to continue to deepen existing customer relationships where we play a key role in their operations, and continue to expand the customer base through our proven sales process.

How can you keep growing Oklahoma market share?

As in our other franchise states, Oklahoma's competitive landscape is crowded. Compounding this is a statewide growth rate below the national average. But while we enjoy significant market share, there is still big upside for us. We have been successful in Oklahoma because we are part of the fabric of our communities, we have extraordinary bankers who truly care for our customers, and we provide banking solutions that are second-to-none. This is a winning strategy and is particularly appealing to customers in the middle market and small business sectors. We will continue to build on our strong service-oriented sales strategy and grow market share in Oklahoma.

PERFORMANCE

"Our company excels and distances itself from its competitors in how we live out our brand with our customers, how we execute strategies for the benefit of our customers and shareholders, and in the reliability of our core earnings—through all economic cycles."

Jeff Pickryl W. Jeffrey Pickryl
senior executive vice president
commercial banking - regional banks

Why did you decide to move to Dallas to manage regional banks?

I believe the future success of our company depends greatly on effective expansion and growth, particularly where we can leverage our geographic strength and infrastructure. Clearly, the Dallas, Houston and Denver markets are deep and broad in both consumer and commercial opportunities. There is substantial market share to gain in these markets. There are also avenues for us to expand in the New Mexico market. Moving to Dallas has given me the opportunity to manage our expansion and help create a strong future for our regional banks.

Discuss returns in regional banking.

Lines of business such as energy, real estate and mortgage are BOKF stalwarts and have delivered spectacular returns. We are very proud of their ongoing success. There is no doubt that our regional banks will also deliver great financial returns. Those banks are in high-growth markets where we are newly established. We initially invest to hire talent, set up banking locations and provide incentives to help us expand and gain market share. We also charge our regional banks for the capital they need to support their existing business and for the investment premium we paid through acquiring these banks. We expect revenue growth and strong returns on the entire investment made in the expansion markets.

How does BOKF differentiate itself in these markets where it is still gaining brand recognition?

We have been able to stand out in our markets by promoting our "big bank" products, services and lending capacity combined with the community bank delivery strategy. A key component of our market strategy is to ensure that we have the most highly qualified and talented relationship managers in the marketplace. We also concentrate on serving a market segment, such as the commercial middle market, that is not optimally served by the large national banks or by the smaller community banks. Furthermore, our technology, infrastructure and dedication to service allow us to be flexible in how we structure credit facilities and other transactions. We've executed this strategy through every one of our acquisitions with great results, including our most recent acquisition in Denver.

Discuss the process of expansion into new markets.

We take a three-pronged approach. First is a scouting phase in which we study the market, market potential and alternative means of entry. If we decide that our brand of banking would be a good fit, we may enter phase two by establishing a loan production office (LPO). The LPO usually focuses on energy or real estate. In the third phase, we make an acquisition to gain a full-service banking presence and introduce our wide array of products and services.

What are the current regional banking goals?

We want to increase market share in Dallas and Houston, establish a market presence and build a reputation in Denver, and continue to expand our presence in New Mexico. We're increasingly active in Phoenix and plan to establish an LPO there in 2004.

EXPANSION

"Clearly, the Dallas, Houston and Denver markets are deep and broad in both consumer and commercial opportunities. There is substantial market share to gain in these markets."

Gene Harris

executive vice president
chief credit officer

BOKF has enjoyed credit quality that is ahead of peer banks. Assess credit quality at BOKF.

Charge-offs have remained well within industry standards and we're right on target with our expectations. We should see continued improvement in credit quality this year. In terms of 2003, it was a challenging year dealing with the results of the recession. As cycles occur, we expect those events to take time to show up in the portfolio, and we deal with them. In fact, we really don't see any unusual problems for our portfolio. For the more cyclical businesses, we give our borrowers the opportunity to utilize derivatives and hedging to protect themselves. Many of these borrowers take advantage of that, so the impact of a significant event in the marketplace will be lessened as a result.

How are credit standards applied at BOKF?

We have a loan policy with consistent credit standards and everybody operates under the same policy. Credit concurrence officers administer the policy and apply it consistently in every geographic area. We also have a centralized loan review function, monthly reporting, quarterly asset quality reviews, regular meetings and constant communications. These processes ensure consistent risk grading throughout the organization.

For those unfamiliar with BOKF, explain the concentration of energy loans.

Oil and gas production is prevalent in the region. We have superior people and excellent underwriting standards. We underwrite for the cycles and, as a result, we can handle \$7 gas and \$3 gas, \$32 oil and \$20 oil. The use of derivatives has helped smooth out the cycles because the biggest risk on energy lending in the past was the cyclical nature of prices.

With the economy beginning to show signs of improvement, do you plan to change credit standards?

No, we don't plan on changing our credit standards because our standards remain consistent through all cycles. We have always stressed the importance of maintaining reliable standards and we'll continue the emphasis. The same prudent underwriting policies applied year after year mean that our customers and our account officers know what we're willing to do and they can make the appropriate decisions accordingly.

Gene, after 23 years with BOKF, you are retiring this year. Discuss the succession plan for chief credit officer.

Throughout my career here, we have worked to establish and maintain consistent credit standards that have enabled us to establish a quality loan portfolio. After I retire, that focus will continue when Chuck Cotter becomes chief credit officer and manager of the Credit Administration Division. Chuck has been a part of the organization for 25 years and will continue to ensure that credit quality remains high.

CONSISTENCY

"The same prudent underwriting policies applied year after year mean that our customers and our account officers know what we're willing to do and they can make the appropriate decisions accordingly."

Mike Elvir
executive vice president
operations and technology

No one relishes a major core processing systems conversion, but you spent 2003 introducing one.
This was the largest, most complex effort ever undertaken by this company. It's important to understand that it was not just an Information Technology project, but one that involved hundreds of people from every area of the company for 18 months. We had reached a point with our previous system where our ability to grow and aggressively offer new services was being restricted by its architecture. With our new IT platform, we have numerous opportunities to take advantage of current and future technologies that advance our service offerings on behalf of our customers while allowing for growth opportunities. Our services can be expanded while costs are less impacted by transaction volume.

How do you assess the upgrade?
It occurred within the time frame we had originally projected, it was done within cost estimates and took place with limited customer impact. Our staff worked long and hard to correct issues that surfaced after conversion and to improve their skills on the new system as quickly as possible. There was never a time when the daily work had to be rerun or where we were not able to operate the company effectively because of system failures. For a project of this magnitude, that is rare, and it's totally due to the dedication of hundreds of BOKF staff members.

Given the organization's strong commitment to service quality, how do you measure it?
Our division is responsible for delivering nearly all operational support for the company, and our service commitment must set the pace. If we do not provide high service levels, no amount of service commitment on the part of the customer-facing staff can overcome it. In 1999 we embarked on a continuous improvement program with established performance expectations and measures in all key areas of our operation. We were delighted to be recognized during 2003 by the Oklahoma Quality Award (OQA) Foundation with their Award for Achievement. We've been receiving feedback for several years from the BOKF lines of business we support that they were seeing significant improvement in our service levels, and the OQA award served as recognition by an outside group that we are now among the leaders in Oklahoma in service quality.

What key technology initiatives are planned this year?
To ensure that we are able to take full advantage of the new legislation regarding check clearing, which goes into effect in October, we are expanding our existing check imaging capability. Our customers should be seeing new services based on this effort before the year is out. We will also be further automating a number of our internal functions relating to check clearing and returns, overdraft processing, and loan documentation and booking. These initiatives will improve efficiency and service quality.

QUALITY

"With our new IT platform, we have numerous opportunities to take advantage of current and future technologies that advance our service offerings on behalf of our customers while allowing for growth opportunities."

Steven Nell
executive vice president
chief financial officer

Earnings were a record again in 2003. What were the key factors to your success?

The majority of our earnings are traditionally driven by spread-related businesses in lending and deposit gathering with strong contributions from fee-based businesses. In 2003, fee-based businesses played a major role in our success, particularly mortgage banking and brokerage and trading activities. Interest rates in early 2003 were at 40-year historical lows, which resulted in record mortgage banking activity. As rates begin to rise with an improving economy, our loan growth and net interest margin should improve and help offset reduced earnings from mortgage banking. This is an example of the benefit of our diverse sources of revenue from fee-based businesses. When one aspect of our business—such as lending—slows, other business units have been able to provide balance and contribute to earnings growth. We have a diversified revenue stream that helps counteract cyclical moves in our markets.

Have net interest margins bottomed out?

Barring any additional downward rate adjustments by the Federal Reserve, we feel our net interest margin is probably at its lowest. We have fully absorbed in our operations the deposit pricing compression that most banks have realized during the low-rate environment. Our asset/liability mix is positioned to benefit slightly from rising rates, and net interest margin and net interest revenue should improve going forward.

Discuss BOKF's approach to interest rate risk.

In most interest rate environments, we seek to maintain a relatively neutral position with regard to interest rate risk. We neither benefit nor suffer greatly from rising or falling rates. In connection with that approach and integral to it, we maintain a larger and generally less risky securities portfolio than our peer banks. This larger securities portfolio generates more net interest revenue for us year-in and year-out than having a much smaller riskier portfolio. Although one result of a larger securities portfolio is a net interest margin generally below the norm, we think our approach contributes more to net interest revenue.

What do you see as the role of the accounting and finance groups in supporting BOKF's stated strategy?

Our primary responsibility is to ensure integrity and accountability of financial information provided to internal and external users. There's just no long-term advantage—ethically, legally or financially—in doing any rule bending. There are many people internally who rely on financial information to make business decisions and externally who rely on our information to make investment decisions. We ensure the integrity and legal soundness of all of our financial information through strict adherence to accounting standards and all disclosure requirements. We have always been very conservative in our financial accounting and we have always maintained a philosophy of providing transparent disclosures. All BOKF stakeholders—investors, employees and customers—have an opportunity to gain a clear understanding of our business operations and risks because we've described them appropriately in our financial statements.

INTEGRITY

Table 1 Consolidated Selected Financial Data
(Dollars In Thousands Except Per Share Data)

	December 31,				
	2003	2002[4]	2001[4]	2000[4]	1999[4]
Selected Financial Data					
For the year:					
Interest revenue	**$ 565,173**	$ 574,913	$ 654,633	$ 638,730	$ 500,274
Interest expense	**175,144**	206,712	325,681	368,915	263,935
Net interest revenue	**390,029**	368,201	328,952	269,815	236,339
Provision for loan losses	**35,636**	33,730	37,610	17,204	10,365
Net income	**158,360**	147,871	114,439	98,665	87,536
Period-end:					
Loans, net of reserve	**7,355,250**	6,784,913	6,193,473	5,435,207	4,567,255
Assets	**13,581,743**	12,251,014	11,145,984	9,751,550	8,376,290
Deposits	**9,219,863**	8,128,525	6,905,744	6,046,005	5,263,184
Subordinated debentures	**154,332**	155,419	186,302	148,816	148,642
Shareholders' equity	**1,228,630**	1,099,526	832,866	706,793	559,457
Nonperforming assets[2]	**59,867**	56,574	50,708	43,599	22,943
Profitability Statistics					
Earnings per share (based on average equivalent shares):					
Basic	**$ 2.75**	$ 2.66	$ 2.09	$ 1.81	$ 1.60
Diluted	**2.45**	2.37	1.86	1.62	1.43
Pro forma diluted earnings per share with FAS 142 and FAS 147	**2.45**	2.37	2.01	1.70	1.52
Percentages (based on daily averages):					
Return on average assets	**1.24%**	1.31%	1.12%	1.13%	1.15%
Return on average shareholders' equity	**13.66**	15.75	14.65	16.18	16.10
Average shareholders' equity to average assets	**9.08**	8.31	7.63	7.02	7.14
Common Stock Performance					
Per Share:					
Book value per common share	**$ 21.21**	$ 19.12	$ 15.06	$ 12.86	$ 10.15
Market price: December 31 close	**38.72**	32.39	31.51	21.25	20.19
Market range – High trade	**41.02**	36.52	32.75	21.25	25.94
– Low trade	**31.00**	26.80	21.31	15.31	18.94
Selected Balance Sheet Statistics					
Period-end:					
Tier 1 capital ratio	**9.15%**	8.98%	8.08%	8.06%	7.27%
Total capital ratio	**11.31**	11.95	11.56	11.23	10.72
Leverage ratio	**7.17**	6.88	6.38	6.51	5.92
Reserve for loan losses to nonperforming loans	**244.18**	232.82	233.90	207.95	391.65
Reserve for loan losses to loans[1]	**1.73**	1.72	1.66	1.51	1.66
Miscellaneous (at December 31)					
Number of employees (full-time equivalent)	**3,449**	3,402	3,392	3,003	3,101
Number of banking locations	**142**	130	114	105	100
Number of TransFund locations	**1,442**	1,390	1,325	1,111	1,020
Mortgage loan servicing portfolio[3]	**$ 4,746,279**	$ 5,754,548	$ 6,645,868	$6,874,995	$7,028,247

[1] Excludes residential mortgage loans held for sale.
[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 Bank of Oklahoma.
[4] Restated for adoption of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and stock dividends.

Management's Assessment of Operations and Financial Condition

BOK Financial Corporation ("BOK Financial" or "the Company") is a financial holding company that offers full service banking in Oklahoma, Northwest Arkansas, Dallas and Houston, Texas, Albuquerque, New Mexico and Denver, Colorado. Our principal subsidiaries are Bank of Oklahoma, N.A. ("BOk"), Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A. and Colorado State Bank and Trust, N.A. ("CSBT"). Other subsidiaries include BOSC, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting.

CSBT was acquired during the third quarter of 2003. This acquisition added four branches in Denver, Colorado, and total assets of $396 million, including intangible assets of $61 million. CSBT also added $1.6 billion to total trust assets.

BOK Financial adopted the fair value accounting provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," during 2003. This change in accounting required expense recognition for employee stock options. Net income and earnings per share for prior years have been restated. No other accounting standards with significant effects on our financial condition or results of operations were initially adopted in 2003.

Critical Accounting Policies

Application of Critical Accounting Policies

Preparation of our consolidated financial statements is based on the selection of certain accounting policies, which requires management to make significant assumptions and estimates. The following discussion addresses the more critical areas where these assumptions and estimates could materially affect financial condition and results of operations. Application of these critical accounting policies and estimates has been discussed with the appropriate committees of the Board of Directors.

Reserve for Loan Losses

The reserve for loan losses is assessed by management based on an ongoing evaluation of the probable estimated losses inherent in the portfolio, including probable losses on both outstanding loans and unused commitments to provide financing. A consistent, well-documented methodology has been developed that includes reserves assigned to specific loans, general reserves that are based on a statistical migration analysis and nonspecific reserves that are based on analysis of current economic conditions, loan concentrations, portfolio growth and other relevant factors.

An independent Credit Administration department is responsible for performing this evaluation for all of our subsidiaries to ensure that the methodology is applied consistently.

All significant loans that exhibit weaknesses or deteriorating trends are reviewed quarterly. Specific reserves for impairment are determined through evaluation of estimated future cash flows and collateral values in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for the Impairment of a Loan," and regulatory accounting standards.

A general reserve for commercial and commercial real estate loan losses is determined primarily through an internally developed migration analysis model. The purpose of this model is to determine the probability that each loan in the portfolio has an inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for this model. Greater emphasis is placed on loan losses in more recent periods. This model assigns a general reserve to all commercial loans and leases and commercial real estate loans, excluding loans that have a specific impairment reserve.

Separate models are used to determine the general reserve for residential mortgage loans, excluding residential mortgage loans held for sale, and consumer loans. The general reserve for residential mortgage loans is based on an eight-quarter average percent of loss. General reserves for consumer loans are based on a migration of loans from current status to loss. Separate migration factors are determined by major product line, such as indirect automobile loans and direct consumer loans.

Nonspecific reserves are maintained for risks beyond those factors specific to a particular loan or those identified by the migration models. These factors include trends in the general economy in our primary lending areas, conditions in specific industries where we have a concentration, such as energy, real estate and agriculture, and overall growth in the loan portfolio. Evaluation of the nonspecific reserves also considers duration of the business cycle, regulatory examination results, potential errors in the migration analysis models and the underlying data, and other relevant factors. A range of potential losses is determined for each factor identified.

Valuation and Amortization of Mortgage Servicing Rights

We have a significant investment in mortgage servicing rights. These rights are either purchased from other lenders or retained from sales of loans we have originated. Mortgage servicing rights are carried at the lower of amortized cost, adjusted for the effects of past hedging activities, or fair value. Amortized cost and fair value are stratified by interest rate and loan type. A valuation allowance is provided when the net amortized cost of any strata exceeds the calculated fair value.

There is no active market for trading in mortgage servicing rights. We use a cash flow model to determine fair value. Key assumptions and estimates, including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions. We periodically request estimates of fair value from outside sources to corroborate the results of the valuation model. The sensitivity of our valuation of mortgage servicing rights to changes in interest rates is presented in Table 9 in the Lines of Business – Mortgage Banking section of this report.

Prepayment assumptions also affect the amortization of mortgage servicing rights. Amortization is determined in proportion to the projected cash flows over the estimated life of each loan serviced. The same third party model that estimates prepayment speeds for determining the fair value of mortgage servicing rights determines the estimated life of each loan serviced.

Intangible Assets

Intangible assets consist primarily of goodwill, core deposit intangible assets and other acquired intangibles. During 2002, we adopted Statements of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142") and No. 147, "Acquisitions of Certain Financial Institutions" ("FAS 147"). These standards eliminated amortization of intangible assets with indefinite lives, such as goodwill. Instead, goodwill for each business unit must be evaluated for impairment annually or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our business units is estimated by the discounted future earnings method. Income growth is projected over five years for each unit, 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.

At December 31, 2003, Bank of Texas had $155 million or 70% of consolidated goodwill. Because of the large concentration of goodwill in this business unit, the fair value determined by the discounted future earnings method was corroborated by comparison to the fair value of publicly traded banks of similar size and characteristics. No goodwill impairment was indicated by either valuation method.

Intangible assets with finite lives, such as core deposit intangible assets, are amortized over their estimated useful lives. Such assets are reviewed for impairment whenever events indicate that the remaining carrying amount may not be recoverable.

Valuation of Derivative Instruments

We use various types of interest rate derivative instruments as part of an interest rate risk management program. We also offer interest rate, energy and foreign exchange derivative contracts to our customers. All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate, energy and foreign exchange contracts are based on valuations provided by either third-party dealers in the contracts or quotes from independent pricing services.

Summary of Performance

BOK Financial recorded net income for 2003 of $158.4 million or $2.45 per diluted share, compared with $147.9 million or $2.37 per diluted share in 2002 and $114.4 million or $1.86 per diluted share in 2001. Prior years' earnings per share have been restated for the adoption of FAS 123 and a 3% stock dividend in 2003.

As previously noted, we adopted FAS 142 and 147 in 2002. These new accounting standards did not permit restatement of prior years' financial statements. If FAS 142 and 147 had been applied retroactively to 2001, pro forma net income and earnings per diluted share would have been $123.6 million and $2.01, respectively. The trend of returns on average equity on a comparable basis for 2003, 2002 and 2001 was 13.66%, 15.75% and 15.83%, respectively. This trend of return on equity was due primarily to growth in average equity. During 2003, average equity increased 24% due to retained earnings and a full-year's effect of an acquisition-related stock issuance during the fourth quarter of 2002. Net income increased 7% for this same period.

Net interest revenue grew $21.8 million or 6% during 2003 due to increases in average earning assets, partially offset by the net effect of lower interest rates. Fees and commission revenue increased $48.7 million or 19%. All categories of fee income increased, most notably brokerage and trading revenue, which grew 58%, and deposit fees, which rose 21%.

Operating expenses decreased $16.5 million or 4% compared to 2002. The provision for impairment of mortgage servicing rights shifted from a $45.9 million expense in 2002 to a $22.9 million recovery in 2003. Excluding the provision for mortgage servicing rights, operating expenses increased $52.4 million or 14% due primarily to increased personnel costs, including incentive compensation that varies directly with operating revenue changes. Gains and losses on securities and derivatives decreased from a $64.6 million net gain in 2002 to a $1.6 million net loss in 2003. These results included gains and losses on securities held as an economic hedge of our mortgage servicing rights, on securities held in our general portfolio and derivatives held for interest rate risk management purposes. Accounting for securities held as an economic hedge of mortgage servicing rights is more fully discussed in the Lines of Business – Mortgage Banking section of this report.

Net income for the fourth quarter of 2003 decreased $2.8 million or 7% compared to the previous year. Net revenue from mortgage banking activities, including gains and losses on securities held as an economic hedge of our mortgage servicing rights, decreased $15.0 million. The decrease in mortgage banking revenue was partially offset by an $8.4 million decrease in mortgage banking costs.

Assessment of Operations

Net Interest Revenue

Tax-equivalent net interest revenue totaled $395.2 million for 2003 compared to $374.3 million for 2002. The increase was due primarily to a $1.2 billion increase in average earning assets. The growth in average earning assets included a $543 million increase in securities and a $700 million increase in loans. This increase in average earning assets was funded primarily by a $1.1 billion increase in interest-bearing liabilities. Table 2 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.

Yields on average earning assets and rates paid on average interest-bearing liabilities both continued to decline in 2003. The net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets, decreased to 3.43% in 2003 compared to 3.70% for the previous year. This decrease reflected the effects of low interest rates on the spread between yields on earning assets and rates paid on interest-bearing liabilities. Our net interest margin decreased for the first three quarters of 2003 as interest rates declined, but increased during the fourth quarter as rates stabilized. The effects of interest rates on yields and rates paid during 2003 are reflected in the Annual and Quarterly Financial Summaries.

Table 2 Volume/Rate Analysis
(In Thousands)

	2003/2002			2002/2001		
		Change Due To[1]			Change Due To[1]	
	Change	Volume	Yield/Rate	Change	Volume	Yield/Rate
Tax-equivalent interest revenue:						
Securities	**$ (8,583)**	**$ 31,722**	**$ (40,305)**	$ (2,708)	$ 28,736	$ (31,444)
Trading securities	**(56)**	**129**	**(185)**	(450)	(252)	(198)
Loans	**(2,040)**	**39,229**	**(41,269)**	(77,950)	27,886	(105,836)
Funds sold and resell agreements	**(10)**	**149**	**(159)**	(538)	(76)	(462)
Total	**(10,689)**	**71,229**	**(81,918)**	(81,646)	56,294	(137,940)
Interest expense:						
Transaction deposits	**(7,927)**	**9,169**	**(17,096)**	(10,620)	9,580	(20,200)
Savings deposits	**(1,032)**	**60**	**(1,092)**	(305)	147	(452)
Time deposits	**(4,578)**	**12,034**	**(16,612)**	(49,818)	4,197	(54,015)
Funds purchased and repurchase agreements	**(9,628)**	**(157)**	**(9,471)**	(39,140)	(2,857)	(36,283)
Other borrowings	**(7,129)**	**(144)**	**(6,985)**	(18,914)	2,900	(21,814)
Subordinated debentures	**(1,274)**	**(1,622)**	**348**	(172)	102	(274)
Total	**(31,568)**	**19,340**	**(50,908)**	(118,969)	14,069	(133,038)
Tax-equivalent net interest revenue	**20,879**	**$ 51,889**	**$ (31,010)**	37,323	$42,225	$ (4,902)
Decrease in tax-equivalent adjustment	**949**			1,926		
Net interest revenue	**$ 21,828**			$ 39,249		

	4th Qtr 2003/4th Qtr 2002		
		Change Due To[1]	
	Change	Volume	Yield/Rate
Tax-equivalent interest revenue:			
Securities	$ (321)	$ 7,127	$ (7,448)
Trading securities	60	81	(21)
Loans	195	8,137	(7,942)
Funds sold and resell agreements	(27)	6	(33)
Total	(93)	15,351	(15,444)
Interest expense:			
Transaction deposits	(2,271)	2,300	(4,571)
Savings deposits	(236)	14	(250)
Time deposits	(437)	1,469	(1,906)
Funds purchased and repurchase agreements	(1,550)	461	(2,011)
Other borrowings	(1,511)	(250)	(1,261)
Subordinated debentures	(364)	(227)	(137)
Total	(6,369)	3,767	(10,136)
Tax-equivalent net interest revenue	6,276	$11,584	$ (5,308)
Decrease in tax-equivalent adjustment	220		
Net interest revenue	$ 6,496		

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

BOK Financial follows a strategy of fully utilizing capital resources by borrowing funds in the capital markets to supplement deposit growth. The proceeds of these borrowed funds are invested in securities. The primary objective of this strategy is to enhance revenue opportunities. In the current market conditions, this strategy also helps manage our overall interest rate risk. The interest rate on these borrowed funds, which generally reacts quickly to changes in market interest rates, tends to match the effects of changes in interest rates on the loan portfolio. Interest rates earned on the securities purchased with the proceeds of the borrowings are affected less quickly by changes in market interest rates. The timing of these changes in interest rates earned on the securities more closely matches the timing of changes in interest paid on deposits. Although this strategy may reduce net interest margin, it provides positive net interest revenue. We estimated that this strategy enhanced net interest revenue $61 million during 2003 compared to $67 million in 2002. Excluding this strategy, net interest margin for 2003 and 2002 would have been 3.49% and 3.76%, respectively. Average securities purchased and funds borrowed under this strategy were $2.0 billion in 2003 and $1.9 billion in 2002. As more fully discussed in the subsequent Market Risk section, we employ various techniques to manage, within established parameters, the interest rate and liquidity risk inherent in this strategy. The effectiveness of these techniques is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 23.

Tax-equivalent net interest revenue for the fourth quarter of 2003 totaled $102.0 million, compared to $95.7 million for the fourth quarter of 2002. The increase was due to growth in average earning assets, which increased $1.0 billion or 9%. Net interest margin declined 16 basis points to 3.39% as yields on earning assets decreased more rapidly than the cost of interest-bearing liabilities due to the effects of falling interest rates as discussed above.

Tax-equivalent net interest revenue for 2002 was $374.3 million, a $37.3 million or 11% increase from 2001. This increase was due to growth in average earning assets. As shown in Table 2, net interest revenue increased $42.2 million due to changes in earning assets and interest-bearing liabilities. The increase in net interest revenue due to asset growth was partially offset by a $4.9 million decrease due to falling yields and rates.

Other Operating Revenue

Other operating revenue decreased $17.8 million due to a $66.2 million decrease in net gains on securities sales and derivatives. Fees and commission revenue increased $48.7 million or 19% compared to 2002. These sources of non-interest revenue are a significant part of our business strategy and represented 44% of total revenue, excluding gains and losses on securities and derivatives.

Brokerage and trading revenue increased $14.2 million or 58% compared to 2002. During the past several years, we have increased the number of sales staff to take advantage of current market opportunities. These opportunities included transactions with mortgage lenders that want to hedge the economic risks of their loan production. Deposit fees increased $14.4 million or 21% due to an overdraft privilege product that was initiated in 2002. Transaction card revenue grew $5.1 million or 10%. Check card fees and merchant fees increased 19% and 15%, respectively, while ATM network revenue increased 3%. Trust revenue and mortgage banking revenue, which are discussed more fully in the Lines of Business section of this report, increased $5.7 million or 14% and $3.4 million or 7%, respectively.

BOK Financial realized net gains on securities sold of $7.2 million in 2003 compared to $58.7 million last year. These amounts included net gains on sales of securities held as economic hedges of the mortgage servicing rights of $4.0 million in 2003 and $26.3 million in 2002. The decrease in net gains on securities reflected current market interest rates over the past two years. Falling interest rates during 2002 presented us with the opportunity to actively manage the portfolio and recognize gains from selling securities that had limited potential for further appreciation. While we continued to sell securities during 2003 to manage the portfolio's duration, consistently low interest rates during 2003 presented fewer opportunities to recognize gains.

Derivative instruments, which we used primarily to manage interest rate risk, resulted in mark-to-market losses of $8.8 million in 2003 compared to gains of $5.9 million in 2002. We have not designated these derivatives as hedges for accounting purposes. Additional discussion regarding use of derivative instruments as part of our interest rate risk management program is located in the Market Risk section of this report.

Table 3 Other Operating Revenue
(In Thousands)

	Years ended December 31,				
	2003	2002	2001	2000	1999
Brokerage and trading revenue	**$ 38,681**	$ 24,450	$ 19,644	$ 15,146	$ 16,018
Transaction card revenue	**55,491**	50,385	42,471	37,287	31,399
Trust fees and commissions	**45,763**	40,092	40,567	39,316	35,127
Service charges and fees on deposit accounts	**82,042**	67,632	51,284	42,932	41,067
Mortgage banking revenue	**52,336**	48,910	50,155	37,179	36,986
Leasing revenue	**3,508**	3,330	3,745	4,244	3,725
Other revenue	**25,969**	20,276	20,087	17,965	17,589
Total fees and commissions	**303,790**	255,075	227,953	194,069	181,911
Gain on sale of assets	**822**	1,157	557	381	5,496
Gain (loss) on sales of securities, net	**7,188**	58,704	30,640	2,059	(419)
Gain (loss) on derivatives, net	**(8,808)**	5,894	(4,062)	–	–
Total other operating revenue	**$302,992**	$320,830	$255,088	$196,509	$186,988

Other operating revenue for the fourth quarter of 2003, excluding net losses on securities and derivatives, totaled $74.0 million compared to $68.8 million for the fourth quarter of 2002. Trust fees rose 32% to $13.0 million due to growth in the fair value of trust assets and the addition of Colorado State Bank and Trust. Brokerage and trading revenue grew 25%. Revenue from our public finance unit, which is included in other revenue, totaled $2.8 million for the fourth quarter of 2003 compared with $439 thousand for the fourth quarter of 2002. Mortgage banking revenue decreased 50% to $7.5 million due to a decrease in mortgage loan production during the fourth quarter. Mortgage servicing revenue also decreased compared to last year due to a reduction in loans serviced.

Losses on securities sales totaled $951 thousand, including $757 thousand of losses on securities used to hedge mortgage servicing rights for the fourth quarter of 2003. These results are compared to gains on securities sales of $10.3 million, including $6.8 million on securities used to hedge mortgage servicing rights, last year. Mark-to-market losses on derivative contracts totaled $2.0 million in 2003 compared to gains of $665 thousand in 2002.

Other operating revenue for 2002 totaled $320.8 million, a 26% increase compared to 2001. Fees and commissions revenue increased 12% to $255.1 million due primarily to a 32% increase in service charges on deposit accounts. Brokerage and trading revenue and transaction card revenue increased 24% and 19%, respectively, due to increased transaction volumes in both areas. Growth in these fee income sources was offset by a decrease in trust revenue. The fair value of trust assets decreased due to market conditions in 2002. Mortgage banking revenue also decreased due to a reduction in servicing revenue.

Net gains on securities totaled $58.7 million in 2002, compared to $30.6 million in 2001. These amounts included net gains from securities designated as economic hedges of mortgage servicing rights of $26.3 million in 2002 and $12.8 million in 2001. The increase in net realized gains reflected active management of the securities portfolio as interest rates declined during 2002. Management strategy in 2002 was to sell securities that had limited potential for further appreciation and to replace them with securities with less prepayment risk. Net gains on derivatives, which totaled $5.9 million in 2002 compared to losses of $4.1 million in 2001, primarily represented the mark-to-market of derivatives used for interest rate risk management.

We expect continued growth in other operating revenue through offering new products and services and by expanding into new markets. However, increased competition and saturation in our existing markets could affect the rate of future increases. We also believe that our diverse sources of fee revenue mitigate the effects of changes in interest rates, values in the equity markets and consumer spending, all of which can be volatile.

Other Operating Expense

Other operating expense for 2003 totaled $410.1 million, a 4% decrease from 2002. This decrease resulted from the provision for impairment of mortgage servicing rights. This provision shifted from a $45.9 million expense in 2002 to a $22.9 million recovery in 2003 due to slowing prepayment speeds. Excluding the effects of the provision for impairment of mortgage servicing rights, other operating expense increased $52.4 million or 14%.

Personnel expense increased $35.5 million or 19% to $222.9 million. Regular compensation expense totaled $140.2 million, a 10% increase over 2002. This increase was due to a 6% increase in average regular compensation per full-time equivalent employee combined with a 4% increase in staffing. Incentive compensation, which varies directly with revenue, increased 45% to $45.8 million. Incentive compensation expense included brokerage commissions, which increased 26% to $11.2 million, and stock-based compensation expense, which increased $1.7 million or 40%. Expense for other incentive compensation plans increased $10.2 million, primarily due to revenue growth. Employee benefit expenses increased 27% to $35.9 million due to a 49% increase in medical and employee insurance costs and a 21% increase in retirement expenses. We have taken several actions intended to reduce the future growth in personnel expense, including a five percent reduction in staffing. This reduction is expected to reduce personnel expense by more than $9 million annually beginning in 2004.

Professional fees increased $4.9 million or 38% compared to 2002. This increase was due primarily to a $2.5 million increase in consulting fees associated with deposit fee programs. This consulting engagement ended in 2003. The increased data processing and communications expense included $4.9 million of expenses associated with the conversion of our primary data processing systems, which occurred in the fourth quarter. We expect that the new system will allow us to be more responsive to future technology changes and to better control ongoing costs.

Operating expenses for the fourth quarter of 2003 totaled $108.3 million, a 3% increase from the fourth quarter of 2002. Personnel costs increased $7.5 million or 15%, while mortgage banking costs decreased $8.4 million. The increase in personnel costs for the quarter included $1.1 million of severance expense related to the staffing reduction noted previously. The decrease in mortgage banking costs was due primarily to a reduction in amortization of mortgage servicing rights. This amortization is directly related to actual and anticipated loan prepayments, which decreased significantly during the fourth quarter as interest rates began to rise. Additionally, the fourth quarter of 2003 included operating expenses of $4.5 million from CSBT.

Operating expenses for 2002 increased $56.8 million or 15% over 2001. Mortgage banking costs increased $12.0 million due to increased amortization of mortgage servicing rights. A provision for impairment of mortgage servicing rights of $45.9 million was also recognized due to increased actual and anticipated loan prepayments during the year. Excluding the increase in amortization expense and provision for impairment of mortgage servicing rights, operating expenses increased $14.4 million or 4%.

Personnel costs increased $20.6 million or 12% due primarily to an 8% increase in average salaries per employee combined with a 2% increase in staffing. Incentive compensation, which is directly related to revenue growth, increased $4.7 million. Data processing expenses increased $6.1 million or 16% due primarily to an increase in transaction volumes. Amortization expense decreased $12.5 million due primarily to the adoption of FAS 142 and FAS 147, as previously discussed.

Table 4 Other Operating Expense
(In Thousands)

	Years ended December 31,				
	2003	2002	2001	2000	1999
Personnel expense	**$222,922**	$187,439	$166,864	$148,614	$138,633
Business promotion	**12,937**	11,367	10,658	8,395	9,077
Professional fees and services	**17,935**	12,987	13,391	9,618	9,584
Net occupancy and equipment	**45,967**	42,347	42,764	35,447	30,789
Data processing and communications	**51,537**	44,084	38,003	33,496	30,789
FDIC and other insurance	**2,267**	1,903	1,717	1,569	1,356
Printing, postage and supplies	**13,930**	12,665	12,329	11,260	11,599
Net gains and operating expenses on repossessed assets	**271**	1,014	1,401	(1,283)	(3,473)
Amortization of intangible assets	**8,101**	7,638	20,113	15,478	15,823
Mortgage banking costs	**40,296**	42,271	30,261	22,274	23,932
Provision (recovery) for impairment of mortgage servicing rights	**(22,923)**	45,923	15,551	2,900	–
Other expense	**16,871**	16,957	16,729	15,980	13,781
Total	**$410,111**	$426,595	$369,781	$303,748	$281,890

Income Taxes

Income tax expense was $88.9 million in 2003, compared to $80.8 million in 2002 and $62.4 million in 2001. This represented 36%, 35% and 35%, respectively, of book taxable income. Tax expense currently payable totaled $82.6 million in 2003 compared to $95.9 million in 2002 and $74.2 million in 2001.

The Internal Revenue Service closed its examination of 2000 during 2003. No significant adjustments resulted from this examination, and no other examinations are currently in process.

Table 5 Selected Quarterly Financial Data
(In Thousands Except Per Share Data)

	Fourth	Third	Second	First
	2003			
Interest revenue	**$143,883**	**$137,804**	**$141,534**	**$141,952**
Interest expense	**43,103**	**41,633**	**43,967**	**46,441**
Net interest revenue	**100,780**	**96,171**	**97,567**	**95,511**
Provision for loan losses	**8,001**	**8,220**	**9,503**	**9,912**
Net interest revenue after provision for loan losses	**92,779**	**87,951**	**88,064**	**85,599**
Other operating revenue	**74,021**	**80,001**	**77,946**	**72,644**
Gain (loss) on sales of securities, net	**(951)**	**(12,007)**	**10,457**	**9,689**
Gain (loss) on derivatives, net	**(2,019)**	**(4,566)**	**(1,121)**	**(1,102)**
Other operating expense	**110,581**	**106,957**	**108,511**	**106,985**
Provision (recovery) for impairment of mortgage servicing rights	**(2,260)**	**(16,186)**	**3,353**	**(7,830)**
Income before taxes	**55,509**	**60,608**	**63,482**	**67,675**
Income tax expense	**20,207**	**21,792**	**22,707**	**24,208**
Net income	**$ 35,302**	**$ 38,816**	**$ 40,775**	**$ 43,467**
Earnings per share:				
Basic	**$ 0.61**	**$ 0.67**	**$ 0.71**	**$ 0.76**
Diluted	**$ 0.55**	**$ 0.60**	**$ 0.63**	**$ 0.67**
Average shares:				
Basic	**57,137**	**57,059**	**56,940**	**56,821**
Diluted	**64,592**	**64,693**	**64,569**	**64,456**
	2002			
Interest revenue	$143,756	$144,430	$142,997	$143,730
Interest expense	49,472	51,861	52,716	52,663
Net interest revenue	94,284	92,569	90,281	91,067
Provision for loan losses	10,001	8,029	6,834	8,866
Net interest revenue after provision for loan losses	84,283	84,540	83,447	82,201
Other operating revenue	68,800	65,090	62,976	59,366
Gain (loss) on sales of securities, net	10,342	34,341	21,602	(7,581)
Gain (loss) on derivatives, net	665	7,218	(1,453)	(536)
Other operating expense	106,696	94,871	90,317	88,788
Provision (recovery) for impairment of mortgage servicing rights	(1,615)	29,042	23,774	(5,278)
Income before taxes	59,009	67,276	52,481	49,940
Income tax expense	20,858	23,784	18,547	17,646
Net income	$ 38,151	$ 43,492	$ 33,934	$ 32,294
Earnings per share:				
Basic	$ 0.67	$ 0.79	$ 0.61	$ 0.59
Diluted	$ 0.60	$ 0.70	$ 0.55	$ 0.52
Average shares:				
Basic	56,166	54,634	54,573	54,466
Diluted	63,785	62,082	62,112	61,938

Lines of Business

BOK Financial operates four principal lines of business under its Bank of Oklahoma franchise: corporate banking, consumer banking, mortgage banking and wealth management. It also operates a fifth principal line of business, regional banks, which includes all banking functions for Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A., and Colorado State Bank and Trust, N.A. In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the overall liquidity needs and interest rate risk of the company. Each line of business borrows funds from and provides funds to the funds management unit as needed to support their operations.

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 90 days for certain rate-sensitive deposits to five years. During 2002, the average transfer-pricing rate for these deposit accounts decreased by approximately 200 basis points. Since many of these deposit accounts are either noninterest-bearing accounts or interest bearing accounts whose rates cannot be readily reset lower due to market constraints, the decline in the transfer-pricing rates shifted net interest revenue from providers of funds, primarily consumer banking and wealth management, to the funds management unit. The effects of this shift are seen in the comparison of earnings between 2002 and 2001.

Economic capital is assigned to the business units based on an allocation method that reflects management's assessment of risk. During 2003, we adopted a third-party developed capital allocation model. 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. Previously, capital was assigned to the business units based on an internally-developed model that focused primarily on credit risk as defined by regulatory standards. While adoption of this new model has not significantly affected our assessment of the overall capital levels required for the company, it has assigned more capital to business units with operating, interest rate, and market risk, and assigned less capital to business units with credit risk. Additional capital is assigned to the regional banks line of business based on our investment in those entities. Capital assignments for prior periods have been restated to reflect this new allocation model.

Corporate Banking

The Corporate Banking Division provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and surrounding states. In addition to serving the banking needs of small businesses, middle market and larger customers, the Corporate Banking Division has specialized groups that serve customers in the energy, agriculture, healthcare and banking/finance industries and includes the TransFund ATM network. The Corporate Banking Division contributed $59.7 million or 38% to consolidated net income for 2003. This compares to $58.1 million or 39% of consolidated net income for 2002. Net interest revenue from external sources decreased due to lower yields on average assets, primarily loans. The lower yield on loans was offset by a decline in net interest expense from internal sources. Other operating revenue increased $7.1 million or 10% due primarily to an increase in merchant discount and deposit fees. Operating expenses increased to $88.5 million for 2003 from $81.4 million for last year due primarily to an increase in personnel and transaction processing costs. Average assets increased $324 million or 8% for 2003 due primarily to loan growth.

Table 6 Corporate Banking
(Dollars in Thousands)

	Years ended December 31,		
	2003	2002	2001
NIR (expense) from external sources	**$ 144,791**	$ 155,648	$ 199,727
NIR (expense) from internal sources	**(28,218)**	(45,573)	(86,150)
Total net interest revenue	**116,573**	110,075	113,577
Other operating revenue	**79,316**	72,234	62,648
Operating expense	**88,478**	81,434	78,190
Net loans charged off	**10,325**	6,475	10,481
Net income	**59,693**	58,081	53,344
Average assets	**$4,362,396**	$4,038,353	$3,867,850
Average equity	**311,140**	298,020	275,090
Return on assets	**1.37%**	1.44%	1.38%
Return on equity	**19.19**	19.49	19.39
Efficiency ratio	**45.17**	44.67	44.37

Consumer Banking

The Consumer Banking Division provides a full line of deposit, loan and fee-based services to customers throughout Oklahoma through four major distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and Online Banking. Additionally, the division is a significant referral source for the Bank of Oklahoma Mortgage Division ("BOk Mortgage") and BOSC's retail brokerage division. The Consumer Banking Division contributed $9.2 million or 6% to consolidated net income for 2003. This compares to $6.8 million or 5% of consolidated net income for 2002. Revenue from internal sources, primarily funds provided to other business lines, decreased $3.4 million due to lower transfer-pricing rates. Other operating revenue increased $8.5 million, or 22%, over 2002 due primarily to increases in deposit service charges. Operating expenses increased 5% to $66.6 million. Personnel costs contributed $2.4 million to this increase.

Table 7 Consumer Banking
(Dollars in Thousands)

	Years ended December 31,		
	2003	2002	2001
NIR (expense) from external sources	**$ (16,725)**	$ (17,875)	$ (34,049)
NIR (expense) from internal sources	**57,925**	61,301	94,393
Total net interest revenue	**41,200**	43,426	60,344
Other operating revenue	**47,361**	38,862	29,995
Operating expense	**66,639**	63,401	59,099
Net loans charged off	**6,887**	7,829	4,180
Net income	**9,186**	6,756	16,533
Average assets	**$2,514,262**	$2,341,239	$2,192,698
Average equity	**58,000**	60,910	53,250
Return on assets	**.37%**	.29%	.75%
Return on equity	**15.84**	11.09	31.05
Efficiency ratio	**75.25**	77.05	65.42

Mortgage Banking

BOK Financial engages in mortgage banking activities through BOk Mortgage. These activities include the origination, marketing and servicing of conventional and government-sponsored mortgage loans. Consolidated mortgage banking revenue, which is included in other operating revenue, increased $3.4 million or 7% compared to 2002. However, mortgage banking activities contributed $28.4 million or 18% to consolidated net income in 2003 compared to $1.6 million or 1% in 2002, due primarily to a reduction in provision for mortgage servicing rights, net of gains on financial instruments held as an economic hedge of the servicing rights.

Mortgage banking activities consist of two sectors, loan production and loan servicing. The increased contribution to net income in 2003 reflected both strong performance of the loan production sector and the partial reversal of reserves established for impairment of mortgage servicing rights in the loan servicing sector.

Table 8 Mortgage Banking
(Dollars in Thousands)

	Years ended December 31,		
	2003	2002	2001
NIR (expense) from external sources	**$ 27,770**	$ 32,199	$ 32,545
NIR (expense) from internal sources	**(9,415)**	(13,713)	(20,867)
Total net interest revenue	**18,355**	18,486	11,678
Capitalized mortgage servicing rights	**23,922**	20,832	22,695
Other operating revenue	**36,379**	37,845	30,119
Operating expense	**58,204**	54,795	47,750
Provision (recovery) for impairment of mortgage servicing rights	**(22,923)**	45,923	15,551
Gain on sales of financial instruments, net	**4,025**	26,345	12,757
Net income	**28,401**	1,551	8,493
Average assets	**$ 623,823**	$ 671,798	$651,103
Average equity	**69,100**	34,160	18,700
Return on assets	**4.55%**	.23%	1.30%
Return on equity	**41.10**	4.54	45.42
Efficiency ratio	**74.00**	71.01	74.04

Loan Production Sector

Loan production revenue totaled $33.8 million in 2003, including $23.9 million of capitalized mortgage servicing rights, compared to loan production revenue of $27.4 million in 2002, including $20.8 million of capitalized mortgage servicing rights. The increase in loan production revenue, excluding the value of capitalized mortgage servicing rights, was due to improved market conditions for loan sales. The value of mortgage loans sold remained high during the year as interest rates stayed low. Mortgage loans funded totaled $1.3 billion in 2003, including $457 million for home purchases and $859 million of refinanced loans. Mortgage loans funded in 2002 totaled $1.0 billion, including $451 million for home purchases and $563 million of refinanced loans. Approximately 70% of the loans funded during 2003 were in Oklahoma. The increase in volume of loans funded, combined with steady loan pricing, resulted in pre-tax income from loan production of $32.0 million for 2003 compared to $23.7 million for the previous year. The pipeline of mortgage loan applications totaled $208 million at December 31, 2003, compared to $323 million at December 31, 2002.

Loan Servicing Sector

The loan servicing sector had pre-tax income of $12.9 million for 2003 compared to a pre-tax loss of $22.5 million for 2002. The improved operating results were due primarily to the partial reversal of the reserve for impairment of mortgage servicing rights. Interest rates affected servicing revenue, the value of mortgage servicing rights and amortization expense during 2002 and 2003. As interest rates fell during 2002, both actual and anticipated loan prepayments increased. Actual loan prepayments reduce the outstanding balance of loans serviced, which is a primary factor for determining servicing revenue and the fair value of servicing rights. The fair value of servicing rights decrease whenever prepayment speeds are high. Conversely, the fair value of servicing rights increase whenever prepayment speeds are low. Prepayment speeds were high during 2002 as a result of the historically low mortgage interest rates. Prepayment speeds slowed during 2003 as interest rates increased slightly.

Servicing fees totaled $21.8 million in 2003 compared to $28.2 million in 2002. The decrease in servicing fees was due primarily to a lower outstanding principal balance of loans serviced. The average outstanding balance of loans serviced was $4.9 billion during 2003 compared to $6.2 billion during 2002. The decrease in loans serviced reflected both the rapid refinancing of mortgage loans and BOk Mortgage's decision to curtail purchases of mortgage loan servicing. This decision also affected the geographic distribution of the loan servicing portfolio. Approximately 72% of loans serviced are in our primary market areas at December 31, 2003, compared to 69% at December 31, 2002.

Amortization of mortgage servicing rights, which is included in operating expense, was $35.6 million in 2003 compared to $36.0 million in 2002. Amortization expense is determined in proportion to the estimated future cash flows that will be generated by the mortgage servicing rights.

The valuation allowance for impairment of mortgage servicing rights totaled $32 million at December 31, 2003 compared to $55 million at December 31, 2002. The valuation allowance was reduced by $22.9 million during 2003. An impairment provision of $45.9 million increased the valuation allowance in 2002. As discussed in the Critical Accounting Policies section of this report, a valuation allowance is provided to reduce the carrying value of servicing rights to the lower of fair value or amortized cost segregated by impairment strata. Impairment strata are determined by interest rate bands and by loan types, either conventional or government-backed. The fair value of servicing rights is based on estimated revenues that will be generated over the servicing period, less estimated costs to service the loans. The valuation allowance may be reversed, in part or in whole, if the fair value of servicing rights in a particular impairment strata increase or if the amortized cost of servicing rights in a particular strata decrease. Note 8 to the Consolidated Financial Statements presents additional information about the fair value and amortized cost of servicing rights and the valuation allowance.

BOK Financial designates a portion of its securities portfolio as an economic hedge against the risk of loss on its mortgage servicing rights. Mortgage-backed securities and U.S. government agency debentures are acquired and held as available for sale when prepayment risks exceed certain levels. Because the fair value of these securities is expected to vary inversely to the fair value of the servicing rights, they are expected to partially offset risk. No special hedge accounting treatment is applicable to either the mortgage servicing rights or the securities designated as an economic hedge. The securities designated as an economic hedge are classified as available for sale and carried at fair market value. We may sell these securities and realize gains when necessary to offset the impairment provision of the mortgage servicing rights. During 2003, we realized gains of $4.0 million from economic hedging activities compared to gains of $26.3 million in 2002.

This hedging strategy presents certain risks. A well-developed market determines the fair value for the securities. However, there is no comparable market for mortgage servicing rights. Therefore, the computed change in value of the servicing rights for a specified change in interest rates may not correlate to the change in value of the securities.

At December 31, 2003, securities with a fair value of $124 million and an unrealized loss of $1.6 million were held for the economic hedge program. This unrealized loss, net of income taxes, is included in shareholders' equity as part of other comprehensive income. The interest rate sensitivity of the mortgage servicing rights and securities held as a hedge is modeled over a range of +/- 50 basis points. At December 31, 2003, the pre-tax results of this modeling on reported earnings were:

Table 9 Interest Rate Sensitivity – Mortgage Servicing
(Dollars in Thousands)

	50 bp Increase	50 bp Decrease
Anticipated change in:		
Fair value of mortgage servicing rights	$8,016	$(11,002)
Fair value of hedging securities	(6,538)	6,307
Net	$1,478	$ (4,695)

Wealth Management

BOK Financial provides a wide range of financial services through its wealth management line of business, including trust and private financial services and brokerage and trading activities. This line of business includes the activities of BOSC, Inc., a registered broker/dealer. Trust and private financial services include sales of institutional, investment and retirement products, loans and other services to affluent individuals, businesses, not-for-profit organizations, and governmental agencies. Trust services are provided primarily to clients throughout Oklahoma, Texas and New Mexico. Additionally, trust services include a nationally competitive, self-directed 401-(k) program. Brokerage and trading activities within the wealth management line of business consist of retail sales of mutual funds, securities, and annuities, institutional sales of securities and derivatives, bond underwriting and other financial advisory services.

Wealth management contributed $13.2 million or 8% to consolidated net income for 2003. This compared to $6.1 million or 4% of consolidated net income for 2002. Trust and private financial services provided $7.6 million of net income in 2003, a 22% increase over 2002. At December 31, 2003 and 2002, the wealth management line of business was responsible for trust assets with aggregate market values of $20 billion and $16 billion, respectively, under various fiduciary arrangements. The growth in trust assets reflected increased market value of assets managed in addition to new business generated during the year. We have sole or joint discretionary authority over $8 billion of trust assets at December 31, 2003 compared to $9 billion of trust assets at December 31, 2002.

Brokerage and trading activities provided $5.7 million of net income in 2003 compared to a $115 thousand loss in the previous year. Operating revenue increased $17.7 million or 59% due to increased institutional sales volumes and financial advisory fees. During 2003, we expanded a program that assists mortgage bankers in hedging their interest rate risk through transactions in mortgage-backed securities. This program contributed significantly to the increased revenue and sales volume. Operating expenses increased $8.2 million primarily due to incentive compensation.

Table 10 Wealth Management
(Dollars in Thousands)

	Years ended December 31,		
	2003	2002	2001
NIR (expense) from external sources	**$ 1,967**	$ 1,958	$ 839
NIR (expense) from internal sources	**8,954**	8,162	13,136
Total net interest revenue	**10,921**	10,120	13,975
Other operating revenue	**91,534**	69,932	67,564
Operating expense	**80,440**	69,709	63,186
Net income	**13,246**	6,082	11,129
Average assets	**$ 731,303**	$556,390	$492,811
Average equity	**69,690**	60,880	52,290
Return on assets	**1.81%**	1.09%	2.26%
Return on equity	**19.01**	9.99	21.28
Efficiency ratio	**78.51**	87.08	77.49

Regional Banking

Regional banks include Bank of Texas, Bank of Albuquerque, Bank of Arkansas, and Colorado State Bank and Trust. Each of these banks provides a full range of corporate and consumer banking services in their respective markets. Small businesses and middle-market corporations are the regional banks' primary customer focus. Regional banks contributed $41.1 million or 26% to consolidated net income during 2003. This compares to $35.4 million or 24% of consolidated net income in 2002. Net interest revenue from external customers increased $26.6 million or 19% due to growth in average earning assets. Other operating revenue increased $9.7 million or 36% in 2003 from last year due primarily to service charges on deposit accounts. Operating expenses increased $24.0 million or 25% compared to last year. Personnel costs accounted for approximately $13.7 million of this increase.

Operations in Texas, New Mexico, and Arkansas contributed $26.3 million, $10.9 million, and $2.0 million, respectively, to consolidated net income for 2003. This compared to $23.9 million, $10.4 million, and $1.3 million, respectively, for 2002. Operations in Colorado contributed $1.9 million in 2003.

Table 11 Regional Banks
(Dollars in Thousands)

	Years ended December 31,		
	2003	2002	2001
NIR (expense) from external sources	**$ 164,755**	$ 138,145	$ 138,846
NIR (expense) from internal sources	**(12,151)**	(12,835)	(11,689)
Total net interest revenue	**152,604**	125,310	127,157
Other operating revenue	**36,531**	26,876	19,642
Operating expense	**118,386**	94,383	91,088
Gains on sales of financial instruments, net	**339**	4,205	484
Net loans charged off	**6,425**	6,161	5,873
Net income	**41,057**	35,432	31,804
Average assets	**$4,899,360**	$3,915,411	$3,352,149
Average equity	**360,220**	286,730	234,420
Return on assets	**0.84%**	0.90%	0.95%
Return on equity	**11.40**	12.36	13.57
Efficiency ratio	**62.59**	62.02	62.05

Assessment of Financial Condition

Securities Portfolio

Securities are classified as either held for investment or available for sale based upon asset/liability management strategies, liquidity and profitability objectives and regulatory requirements. Investment securities, which consist primarily of Oklahoma municipal bonds, are carried at cost and adjusted for amortization of premiums or accretion of discounts. Management has the ability and intent to hold these securities until they mature. Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity.

During 2003, the amortized cost of available for sale securities increased $642 million. Mortgage-backed securities increased $627 million and now represent 97% of total available for sale securities. The increase in securities reflected an increase in available funds due to a combination of strong deposit growth and weaker loan demand during 2003.

Approximately $2.0 billion of mortgage-backed securities are held for our strategy of fully utilizing available capital resources by borrowing funds and investing in securities, as previously discussed in the Net Interest Revenue section of this report. Mortgage-backed securities designated as an economic hedge of mortgage servicing rights totaled $124 million at December 31, 2003 compared to $127 million a year earlier. At December 31, 2003, available for sale securities with an amortized cost basis and a fair value of $2.7 billion were pledged as collateral for repurchase agreement borrowings, deposits of public funds, and other purposes. The expected duration of the mortgage-backed securities portfolio was 3 years at December 31, 2003 compared to 2 years at December 31, 2002. This increase in duration reflected the slower anticipated prepayments of the loans represented by these securities as interest rates rose.

Table 12 Securities
(Dollars in Thousands)

	December 31,					
	2003		2002		2001	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment:						
U.S. Treasury	**$ –**	**$ –**	$ –	$ –	$ 7,982	$ 7,981
Municipal and other tax-exempt	**184,192**	**187,354**	191,305	195,266	222,195	223,487
Mortgage-backed U.S. agency securities	**2,296**	**2,418**	4,380	4,618	7,381	7,620
Other debt securities	**1,463**	**1,484**	2,265	2,269	3,555	3,540
Total	**$ 187,951**	**$ 191,256**	$ 197,950	$ 202,153	$ 241,113	$ 242,628
Available for sale:						
U.S. Treasury	**$ 44,679**	**$ 45,424**	$ 31,013	$ 32,233	$ 34,538	$ 35,197
Municipal and other tax-exempt	**3,271**	**3,257**	11,465	11,511	4,262	4,299
Mortgage-backed securities:						
U.S. agencies	**3,514,158**	**3,518,926**	3,005,698	3,067,148	2,637,636	2,638,425
Other	**845,430**	**848,911**	727,088	732,542	669,057	673,737
Total mortgage-backed securities	**4,359,588**	**4,367,837**	3,732,786	3,799,690	3,306,693	3,312,162
Other debt securities	**1,140**	**1,177**	138	139	536	538
Equity securities and mutual funds	**96,460**	**101,173**	87,434	89,770	93,918	97,353
Total	**$4,505,138**	**$4,518,868**	$3,862,836	$3,933,343	$3,439,947	$3,449,549

Net unrealized gains on available for sale securities decreased to $14 million at December 31, 2003 from $71 million at December 31, 2002 due primarily to rising interest rates during 2003. Although the aggregate fair value of the available for sale securities portfolio exceeded amortized cost, individual securities within the portfolio had unrealized losses at year-end. Management evaluated the securities with unrealized losses to determine if we believe that the losses were temporary. This evaluation considered factors such as causes of the unrealized losses and prospects for recovery over various interest rate scenarios and time periods. We also considered our plans for either holding or selling the securities. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary. Information regarding these securities is summarized in Table 13.

Table 13 Temporarily Impaired Securities
(In Thousands)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment:						
Municipal and other tax exempt	$ 24,193	$ 317	$37,671	$ 570	$ 61,864	$ 887
Available for sale:						
U. S. Treasury	1,006	1	–	–	1,006	1
Municipal and other tax-exempt	803	17	320	3	1,123	20
Mortgage-backed securities:						
U. S. agencies	1,371,317	24,194	–	–	1,371,317	24,194
Other	252,604	2,502	20,047	13	272,651	2,515
Equity securities and mutual funds	–	–	2,878	737	2,878	737
Total	$1,649,923	$27,031	$60,916	$1,323	$1,710,839	$28,354

Loans

The aggregate loan portfolio at December 31, 2003 totaled $7.5 billion, a $583 million or 8% increase since last year. The acquisition of CSBT increased loans by $223 million. Additionally, mortgage loans held for sale decreased $77 million. Excluding the acquisition and change in loans held for sale, the loan portfolio grew by 6%.

The commercial loan portfolio increased $347 million during 2003. Much of this increase was focused in the services and energy segments of the portfolio, which increased $134 million and $99 million, respectively. Services comprised 18% of the total loan portfolio and included $256 million of loans to nursing homes, $138 million of loans to medical facilities, and $35 million to the hotel industry. Energy loans totaled $1.2 billion or 16% of total loans. Approximately $1.0 billion was to oil and gas producers. The amount of credit available to these customers generally depends on the value of their proven energy reserves based on current prices. The energy category also included loans to borrowers involved in the transportation and sale of oil and gas and to borrowers that manufacture equipment or provide other services to the energy industry.

Agriculture included $197 million of loans to the cattle industry. Other notable loan concentrations by primary industry of the borrowers are presented in Table 14.

Table 14 Loans
(Dollars in Thousands)

	December 31,				
	2003	2002	2001	2000	1999
Commercial:					
Energy	**$ 1,231,599**	$ 1,132,178	$ 987,556	$ 837,223	$ 606,561
Manufacturing	**482,657**	501,506	467,260	421,046	344,175
Wholesale/retail	**668,202**	627,422	600,470	499,017	407,785
Agriculture	**228,222**	186,976	170,861	185,407	173,653
Services	**1,383,835**	1,249,622	1,084,480	963,171	807,184
Other commercial and industrial	**342,187**	292,094	364,123	342,169	325,343
Total commercial	**4,336,702**	3,989,798	3,674,750	3,248,033	2,664,701
Commercial real estate:					
Construction and land development	**436,087**	356,227	327,455	311,700	249,160
Multifamily	**271,119**	307,119	291,687	271,459	257,187
Other real estate loans	**922,886**	772,492	722,633	687,335	588,195
Total commercial real estate	**1,630,092**	1,435,838	1,341,775	1,270,494	1,094,542
Residential mortgage:					
Secured by 1-4 family residential properties	**1,015,643**	929,759	703,080	638,044	531,058
Residential mortgages held for sale	**56,543**	133,421	166,093	48,901	57,057
Total residential mortgage	**1,072,186**	1,063,180	869,173	686,945	588,115
Consumer	**444,909**	412,167	409,680	312,390	296,131
Total	**$ 7,483,889**	$ 6,900,983	$ 6,295,378	$ 5,517,862	$ 4,643,489

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. At December 31, 2003, the outstanding principal balance of these loans totaled $719 million, including $704 million to borrowers with local market relationships. BOK Financial is the agent lender in approximately 39% of these loans.

Commercial real estate loans totaled $1.6 billion or 22% of the loan portfolio at December 31, 2003. This represented a 14% increase from the previous year. Construction and land development included $280 million for single family residential lots and premises. The major components of other commercial real estate loans were retail facilities at $313 million and office buildings at $290 million**.**

Commercial real estate loans secured by retail facilities increased $118 million during the past year. This growth focused on retail shopping developments with strong anchor tenants, primarily in our Texas markets.

Residential mortgage loans, excluding loans held for sale, included $342 million of home equity loans, $305 million of loans for business relationship purposes, $234 million of adjustable rate mortgages and $101 million of community development loans. Consumer loans included $203 million of indirect automobile loans. Substantially all of these loans were purchased from dealers in Oklahoma. Approximately 15% of the indirect automobile loan portfolio was considered sub-prime.

Table 15 Loan Maturity and Interest Rate Sensitivity at December 31, 2003
(Dollars in Thousands)

		Remaining Maturities of Selected Loans		
	Total	Within 1 Year	1-5 Years	After 5 Years
Loan maturity:				
Commercial	$4,336,702	$1,682,922	$2,183,950	$469,830
Commercial real estate	1,630,092	663,166	750,936	215,990
Total	$5,966,794	$2,346,088	$2,934,886	$685,820
Interest rate sensitivity for selected loans with:				
Predetermined interest rates	$2,061,181	$ 514,235	$1,227,437	$319,509
Floating or adjustable interest rates	3,905,613	1,831,853	1,707,449	366,311
Total	$5,966,794	$2,346,088	$2,934,886	$685,820

BOK Financial continued to increase the geographic distribution of the loan portfolio by expansion into Colorado in addition to growth in Texas. Total loans in the Oklahoma market area comprised 62% of the total loan portfolio at December 31, 2003 compared to 66% a year ago. Table 16 reflects the distribution of major loan categories among our principal market areas.

Table 16 Loans by Principal Market Area
(Dollars in Thousands)

	December 31,				
	2003	2002	2001	2000	1999
Oklahoma:					
Commercial	**$ 2,802,852**	$ 2,677,616	$ 2,576,808	$ 2,476,389	$ 2,165,873
Commercial real estate	**789,868**	763,469	739,419	768,232	704,999
Residential mortgage	**699,274**	656,391	476,023	409,494	319,749
Residential mortgage held for sale	**56,543**	133,421	166,093	48,901	57,057
Consumer	**324,305**	294,404	314,060	250,298	236,565
Total Oklahoma	**$ 4,672,842**	$ 4,525,301	$ 4,272,403	$ 3,953,314	$ 3,484,243
Texas:					
Commercial	**$ 963,340**	$ 866,905	$ 775,788	$ 549,505	$ 383,460
Commercial real estate	**477,561**	455,364	380,602	299,357	227,748
Residential mortgage	**204,481**	192,575	136,181	122,082	102,888
Consumer	**101,269**	104,353	85,347	53,397	50,923
Total Texas	**$ 1,746,651**	$ 1,619,197	$ 1,377,918	$ 1,024,341	$ 765,019
Albuquerque:					
Commercial	**$ 297,896**	$ 286,622	$ 219,257	$ 167,023	$ 63,370
Commercial real estate	**175,745**	150,293	136,425	118,492	87,759
Residential mortgage	**66,179**	76,020	85,309	101,920	103,684
Consumer	**11,070**	11,399	8,200	6,107	5,410
Total Albuquerque	**$ 550,890**	$ 524,334	$ 449,191	$ 393,542	$ 260,223
Northwest Arkansas:					
Commercial	**$ 63,480**	$ 63,113	$ 72,728	$ 50,680	$ 45,603
Commercial real estate	**75,452**	66,712	85,329	84,413	74,036
Residential mortgage	**6,245**	4,773	5,567	4,548	4,737
Consumer	**2,671**	2,011	2,073	2,588	3,233
Total Northwest Arkansas	**$ 147,848**	$ 136,609	$ 165,697	$ 142,229	$ 127,609
Colorado[1]:					
Commercial	**$ 209,134**	$ 95,542	$ 30,169	$ 4,436	$ 6,395
Commercial real estate	**111,466**	–	–	–	–
Residential mortgage	**39,464**	–	–	–	–
Consumer	**5,594**	–	–	–	–
Total Colorado	**$ 365,658**	$ 95,542	$ 30,169	$ 4,436	$ 6,395
Total BOK Financial loans	**$ 7,483,889**	$ 6,900,983	$ 6,295,378	$ 5,517,862	$ 4,643,489

[1] Includes Denver loan production office.

Derivatives with Credit Risk

BOK Financial offers programs that permit its customers to hedge various risks. Much of the focus of these programs had been on assisting energy producing customers to hedge against price fluctuations and to take positions through energy derivative contracts. We have added or expanded programs to assist customers in managing their interest rate and foreign exchange risks during 2003. Each of these programs work essentially the same way. Derivative contracts are executed between the customers and BOk. Offsetting contracts are executed between BOk and selected counterparties to minimize the risk to us of changes in energy 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 BOk as compensation for administrative costs, credit risk and profit.

These programs create credit risk for amounts due to BOk from its customers and counterparties. Customer credit risk is monitored through existing credit policies. Changes in energy prices, interest rates or foreign exchange rates are evaluated across a range of possible scenarios to determine the maximum likely exposure we are willing to have individually to any customer. Customers may also be required to provide margin collateral to further limit our credit risk.

Counterparty credit risk is evaluated through existing policies. This evaluation considers the total relationship between BOK Financial and each counterparty. Individual limits are established by management and approved by the Asset/Liability Committee. Margin collateral is required if the exposure between BOk and any counterparty exceeds established limits. These limits are reduced and additional margin collateral is based on changes in the counterparties' credit ratings.

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

Derivative contracts are carried at fair value. At December 31, 2003, the fair values of derivative contracts reported as assets totaled $145 million. This included energy contracts with fair values of $137 million, interest rate contracts with fair values of $3 million and foreign exchange contracts with fair values of $5 million. The fair values of derivative contracts reported as liabilities totaled $146 million. Approximately 66% of the fair value of asset contracts was with customers. The remaining 34% was with counterparties. Conversely, 64% of the liability contracts was with counterparties. The remaining 36% was with customers. The maximum net exposure to any single customer or counterparty totaled $24 million.

Summary of Loan Loss Experience

The reserve for loan losses, which is available to absorb losses inherent in the loan portfolio, totaled $129 million at December 31, 2003 compared to $116 million at December 31, 2002. These amounts represented 1.73% and 1.72% of loans, excluding loans held for sale, at December 31, 2003 and 2002, respectively. Losses on loans held for sale, principally mortgage loans accumulated for placement into security pools, are charged to earnings through adjustment in the carrying value. The reserve for loan losses also represented 244% of nonperforming loans at year-end 2003 compared to 233% at year-end 2002. Net loans charged off during 2003 increased to $25 million in 2003 compared to $21 million in the previous year. Net commercial loans charged-off during 2003 totaled $15.4 million, a $3.4 million increase from 2002. Table 17 provides statistical information regarding the reserve for loan losses for the past five years.

Table 17 Summary of Loan Loss Experience
(Dollars in Thousands)

	Years ended December 31,				
	2003	2002	2001	2000	1999
Beginning balance	**$116,070**	$101,905	$ 82,655	$ 76,234	$ 65,922
Loans charged off:					
Commercial	**16,331**	13,326	18,042	7,747	2,136
Commercial real estate	**88**	286	71	1,176	35
Residential mortgage	**1,721**	412	308	285	617
Consumer	**13,335**	11,881	6,827	5,593	4,560
Total	**31,475**	25,905	25,248	14,801	7,348
Recoveries of loans previously charged off:					
Commercial	**887**	1,276	1,151	1,126	3,110
Commercial real estate	**53**	118	653	428	487
Residential mortgage	**83**	146	57	157	17
Consumer	**5,102**	3,436	2,727	2,307	2,156
Total	**6,125**	4,976	4,588	4,018	5,770
Net loans charged off	**25,350**	20,929	20,660	10,783	1,578
Provision for loan losses	**35,636**	33,730	37,610	17,204	10,365
Additions due to acquisitions	**2,283**	1,364	2,300	–	1,525
Ending balance	**$128,639**	$116,070	$101,905	$ 82,655	$ 76,234
Reserve for loan losses to loans outstanding at year-end[1]	**1.73%**	1.72%	1.66%	1.51%	1.66%
Net charge-offs to average loans[1]	**.36**	.33	.35	.22	.04
Provision for loan losses to average loans[1]	**.50**	.54	.63	.35	.26
Recoveries to gross charge-offs	**19.46**	19.21	18.17	27.15	78.52
Reserve as a multiple of net charge-offs	**5.07x**	5.55x	4.93x	7.67x	48.31x
Problem Loans:					
Loans past due (90 days)	**$ 14,944**	$ 8,117	$ 8,108	$ 15,467	$ 11,336
Nonaccrual[2]	**52,681**	49,855	43,540	39,661	19,465
Renegotiated	**–**	–	27	87	–
Total	**$ 67,625**	$ 57,972	$ 51,675	$ 55,215	$ 30,801
Foregone interest on nonaccrual loans[2]	**$ 5,268**	$ 4,770	$ 5,163	$ 3,803	$ 2,321

1 Excludes residential mortgage loans held for sale.
2 Interest collected and recognized on nonaccrual loans was not significant in 2003 and previous years disclosed.

Specific impairment reserves are determined through evaluation of estimated future cash flows and collateral value. At December 31, 2003, specific impairment reserves totaled $6.4 million on total impaired loans of $47 million.

Nonspecific reserves are maintained for risks beyond factors specific to an individual loan or those identified through migration analysis. A range of potential losses is determined for each risk factor identified. At December 31, 2003, the ranges of potential losses for the more significant factors were:

General economic conditions – $8.0 million to $10.8 million.

Concentration in large loans – $1.3 million to $2.5 million.

Allocation of the loan loss reserve to the major loan categories is presented in Table 18.

Table 18 Loan Loss Reserve Allocation
(Dollars in Thousands)

	December 31,									
	2003		2002		2001		2000		1999	
	Reserve[3]	% of Loans[1]	Reserve[3]	% of Loans[1]	Reserve[3]	% of Loans[1]	Reserve[3]	% of Loans[1]	Reserve[3]	% of Loans[1]
Loan category:										
Commercial[2]	**$ 69,594**	**58.39%**	$ 65,280	58.95%	$ 61,164	59.95%	$55,187	59.39%	$47,261	58.10%
Commercial real estate	**17,791**	**21.95**	17,753	21.22	15,923	21.89	12,393	23.23	11,216	23.86
Residential mortgage	**6,949**	**13.67**	4,099	13.74	3,774	11.47	2,019	11.67	2,137	11.58
Consumer	**16,697**	**5.99**	14,384	6.09	6,890	6.69	6,407	5.71	6,721	6.46
Nonspecific allowance	**17,608**	**–**	14,554	–	14,154	–	6,649	–	8,899	–
Total	**$128,639**	**100.00%**	$116,070	100.00%	$101,905	100.00%	$82,655	100.00%	$76,234	100.00%

1 Excludes residential mortgage loans held for sale.
2 Specific allocation for Year 2000 risks was $2.0 million in 1999.
3 Specific allocation for the loan concentration risks are included in the appropriate category.

Nonperforming Assets

Information regarding nonperforming assets, which totaled $60 million at December 31, 2003 and $57 million at December 31, 2002, is presented in Table 19. Nonperforming assets included nonaccrual and renegotiated loans and excluded loans 90 days or more past due but still accruing interest. Nonaccrual loans increased $2.8 million during 2003. Newly identified nonaccruing loans totaled $33 million during the year. Nonaccruing loans decreased $18 million for loans charged off and foreclosed and $11 million for cash payments received.

Table 19 Nonperforming Assets
(Dollars in Thousands)

	December 31,				
	2003	2002	2001	2000	1999
Nonperforming loans					
Nonaccrual loans:					
Commercial	**$41,360**	$39,114	$35,075	$37,146	$12,686
Commercial real estate	**2,311**	3,395	3,856	161	2,046
Residential mortgage	**7,821**	5,950	4,140	1,855	3,383
Consumer	**1,189**	1,396	469	499	1,350
Total nonaccrual loans	**52,681**	49,855	43,540	39,661	19,465
Renegotiated loans	**–**	–	27	87	–
Total nonperforming loans	**52,681**	49,855	43,567	39,748	19,465
Other nonperforming assets	**7,186**	6,719	7,141	3,851	3,478
Total nonperforming assets	**$59,867**	$56,574	$50,708	$43,599	$22,943
Ratios:					
Reserve for loan losses to nonperforming loans	**244.18%**	232.82%	233.90%	207.95%	391.65%
Nonperforming loans to period-end loans[2]	**.71**	.74	.71	.73	.42
Loans past due (90 days)[1]	**$14,944**	$ 8,117	$ 8,108	$15,467	$11,336
1 Includes residential mortgages guaranteed by agencies of the U.S. Government.	**$ 4,132**	$ 4,956	$ 6,222	$ 7,616	$ 8,538

2 Excludes residential mortgage loans held for sale.

The loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrowers 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 concerns as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $56 million at December 31, 2003 and $75 million at December 31, 2002. The current composition of potential problem loans by primary industry included general services at $16 million, healthcare at $14 million and energy at $11 million.

Deposits

Deposit accounts, which are the primary funding source for our asset growth, increased 13% to $9.2 billion during 2003. Excluding deposits of $301 million acquired with CSBT, deposits grew by 10%. Interest-bearing transaction accounts, which are the largest category of our deposit accounts, increased 27% to $4.0 billion. Additionally, noninterest-bearing demand deposits increased 8%, while time deposits increased 3%. The strong growth in interest-bearing transaction accounts compared to time deposits reflected customer expectations regarding the current low interest rates.

Average deposits increased $1.3 billion or 18% during 2003. Core deposits, which we define as deposits of less than $100,000, excluding public funds and brokered deposits, increased 15% to $4.6 billion. Average public funds and brokered deposits were $573 million and $394 million, respectively, for 2003. Public funds and brokered deposits averaged $488 million and $379 million, respectively, during 2002. The remaining average deposits, which were comprised of account balances in excess of $100,000, increased 27% to $2.9 billion.

Table 20 Maturity of Domestic CDs and Public Funds in Amounts of $100,000 or More (In Thousands)

	December 31,	
	2003	2002
Months to maturity:		
3 or less	**$ 545,555**	$ 448,548
Over 3 through 6	**300,094**	442,651
Over 6 through 12	**171,258**	194,241
Over 12	**1,093,750**	961,413
Total	**$2,110,657**	$2,046,853

BOK Financial competed for retail and commercial deposits by offering a broad range of products and services. Retail deposit growth was supported by customer convenience through Online Banking and free Billpay services. We also offered an extensive branch and ATM network, including 32 supermarket branches with extended service hours and a 24-hour Express Bank call center. Commercial deposit growth was supported by offering treasury management and lockbox products.

The distribution of deposit accounts among our principal markets is shown in Table 21. We continued to see strong deposit growth in the Texas and Albuquerque markets. Deposit growth in Texas was evenly spread between Dallas and Houston, which demonstrated our ability to compete in these markets.

Table 21 Deposits by Principal Market Area
(In Thousands)

	December 31, 2003	December 31, 2002
Oklahoma:		
Demand	**$1,025,483**	$1,044,628
Interest-bearing:		
Transaction	**2,246,675**	1,897,353
Savings	**98,611**	103,749
Time	**2,403,293**	2,334,949
Total interest-bearing	**4,748,579**	4,336,051
Total Oklahoma	**$5,774,062**	$5,380,679
Texas:		
Demand	**$ 421,292**	$ 394,164
Interest-bearing:		
Transaction	**1,213,777**	953,550
Savings	**35,702**	33,071
Time	**505,463**	510,512
Total interest-bearing	**1,754,942**	1,497,133
Total Texas	**$2,176,234**	$1,891,297
Colorado:		
Demand	**$ 79,424**	$ –
Interest-bearing:		
Transaction	**162,651**	–
Savings	**18,347**	–
Time	**42,448**	–
Total interest-bearing	**223,446**	–
Total Colorado	**$ 302,870**	$ –

	December 31, 2003	December 31, 2002
Albuquerque:		
Demand	**$106,050**	$ 79,953
Interest-bearing:		
Transaction	**370,294**	295,174
Savings	**20,728**	26,704
Time	**317,924**	287,607
Total interest-bearing	**708,946**	609,485
Total Albuquerque	**$814,996**	$689,438
Northwest Arkansas:		
Demand	**$ 16,351**	$ 12,949
Interest-bearing:		
Transaction	**28,411**	18,025
Savings	**1,341**	1,214
Time	**105,598**	134,923
Total interest-bearing	**135,350**	154,162
Total Northwest Arkansas	**$151,701**	$167,111

Borrowings and Capital

Parent Company

BOK Financial (parent company) has a $125 million unsecured revolving line of credit with certain banks that matures in December 2006. The outstanding principal balance of this credit agreement was $95 million at December 31, 2003. Interest is based upon either a base rate or the British Bankers' Association Eurodollar rate plus a defined margin that is determined by our credit rating. This margin ranges from 0.625% to 1.25%. The base rate is defined as the greater of the daily federal funds rate plus 0.5% or the prime rate. This credit agreement includes certain restrictive covenants that limit our ability to borrow additional funds and to pay cash dividends on common stock. These covenants also require BOK Financial and subsidiary banks to maintain minimum capital levels and to exceed minimum net worth ratios. BOK Financial met all of the restrictive covenants at December 31, 2003.

The primary source of liquidity for BOK Financial is dividends from subsidiary banks, which are limited by various banking regulations to net profits, as defined, for the preceding two years. Dividends are further restricted by minimum capital requirements.

Based on the most restrictive limitations, the subsidiary banks could declare up to $121 million of dividends without regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. The subsidiary banks could declare dividends of up to $71 million under this policy.

Equity capital for BOK Financial increased $129 million to $1.2 billion during 2003. Net income provided $158 million to this increase, partially offset by a $35 million reduction in net unrealized gains on available for sale securities. The remaining increase in capital during 2003 resulted primarily from the exercise of employee stock options.

During 2003 and 2002, 3% dividends payable in shares of BOK Financial's common stock were declared and paid. The shares issued were valued at $58 million and $52 million, respectively, based on current stock prices when declared. No cash dividends were paid on common stock. Management plans to recommend continued payment of an annual dividend in shares of common stock.

BOK Financial and subsidiary banks are subject to various capital requirements administered by federal agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that could have 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. The capital ratios for BOK Financial and each subsidiary bank are presented in Note 15 to the Consolidated Financial Statements.

Subsidiary Banks

BOK Financial's subsidiary banks use borrowings to supplement deposits as a source of funds for loans and securities growth. Sources of these borrowings include federal funds purchased, securities repurchase agreements, and advances from the Federal Home Loan Banks. Interest rates and maturity dates for the various borrowings are matched with specific asset types in the asset/liability management process.

In 1997, BOk issued $150 million of 7.125% fixed rate subordinated debentures that mature in 2007. Interest rate swaps were used as a fair value hedge to convert the fixed interest on these debentures to a LIBOR-based floating rate, which required an adjustment of the carrying value of this debt to fair value. In 2001, the interest rate swap was terminated. The related fair value adjustment of the debt of $8 million was fixed at that time and is being amortized over the remaining life of the debt.

Off-Balance Sheet Arrangements

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements include standby letters of credit which totaled $497 million at December 31, 2003. Standby letters of credit are conditional commitments to guarantee the performance of our customer to a third party. Since credit risk is involved in issuing standby letters of credit, we use the same credit policies in evaluating the credit worthiness of the customer as are used for lending decisions. We also use the same evaluation process in obtaining collateral on standby letters of credit as is used for loan commitments.

During 2002, BOK Financial issued shares of common stock and options to purchase additional shares with a fair value of $65 million for its purchase of Bank of Tanglewood. In addition, BOK Financial agreed to a limited price guarantee on a portion of the shares issued in this purchase. The fair value of this guarantee, estimated to be $3 million based upon the Black-Scholes Option Pricing Model, was included in the purchase price. Pursuant to this guarantee, any holder of BOK Financial common shares issued in this acquisition may annually make a claim for the excess of the guaranteed price and the actual sales price of any shares sold during a 60-day period after each of the first five anniversary dates after October 25, 2002. The maximum annual number of shares subject to this guarantee is 203,951. The price guarantee is non-transferable and non-cumulative. BOK Financial may elect, in its sole discretion, to issue additional shares of common stock to satisfy any obligation under the price guarantee or to pay cash. The maximum remaining number of shares that may be issued to satisfy any price guarantee obligations is 10 million. If, as of any benchmark date, we have already issued 10 million shares, we are not obligated to make any further benchmark payments. Additionally, our ability to pay cash to satisfy any price guarantee obligation is limited by applicable banking capital and dividend regulations.

The following table presents the estimated number of common shares that would be required to be issued and the cash equivalent value if the market value of our stock remained at $38.72, its closing price on December 31, 2003 and if all holders exercised their rights under the price guarantee agreement. The benchmark price and number of shares subject to protection have been restated to reflect the 3% stock dividend issued during the second quarter of 2003.

Benchmark Period	Benchmark Price	Number Of Shares	Additional Shares To Issue	Cash Equivalent of Additional Shares (In Thousands)
October 25, 2004 – December 24, 2004	$36.30	203,951	–	–
October 25, 2005 – December 24, 2005	$38.80	203,951	415	$ 16
October 25, 2006 – December 24, 2006	$41.30	203,951	13,600	$ 527
October 25, 2007 – December 24, 2007	$43.81	203,951	26,785	$1,037

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. The following table summarizes payments due per these contractual obligations at December 31, 2003.

Table 22 Contractual Obligations as of December 31, 2003
(In Thousands)

	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Time deposits	$ 987,230	$ 790,867	$ 717,306	$ 41,251	$2,536,654
Other borrowings	488,931	532,360	3,325	8,487	1,033,103
Subordinated debenture	10,688	21,375	156,234	–	188,297
Operating lease obligations	12,389	22,931	18,018	36,803	90,141
Derivative contracts	104,258	39,994	2,267	2,807	149,326
Loan commitments	1,414,931	815,603	281,349	366,556	2,878,439
Securities commitments	243,492	–	–	–	243,492
Data processing contracts	12,486	23,091	19,509	11,949	67,035
Total	$3,274,405	$2,246,221	$1,198,008	$467,853	$7,186,487

Payments on time deposits and other borrowed funds include interest that has been calculated from rates at December 31, 2003. 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.

Only time deposits with an original term exceeding one year are presented in Table 22. 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 that are expected to substantially offset the cash payments due on these obligations.

Loan commitments represent legally binding obligations to provide financing to our customers. Because some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

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

The Company also has obligations with respect to its employee and executive benefit plans. See Notes 12 and 13 to the Consolidated Financial Statements.

Market Risk

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

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

Responsibility for managing market risk rests with the Asset / Liability Committee that operates under policy guidelines established by the Board of Directors. The acceptable negative variation in net interest revenue, net income or economic value of equity due to a specified basis point increase or decrease in interest rates is generally limited by these guidelines to +/- 10%. These guidelines also set maximum levels for short-term borrowings, short-term assets, public funds and brokered deposits and establish minimum levels for unpledged assets, among other things. Compliance with these guidelines is reviewed monthly.

Interest Rate Risk Management (Other than Trading)

BOK Financial has a large portion of its earning assets in variable rate loans and a large portion of its liabilities in demand deposit accounts and interest bearing transaction accounts. Changes in interest rates affect earning assets more rapidly than interest bearing liabilities in the short term. Management has adopted several strategies to reduce this interest rate sensitivity. As previously noted in the Net Interest Revenue section of this report, management acquires securities that are funded by borrowings in the capital markets. These securities have an expected average duration of 3 years while the related funds borrowed have an average duration of 90 days. Securities purchased and funds borrowed under this strategy averaged $2.0 billion during 2003.

BOK Financial uses interest rate swaps in managing its interest rate sensitivity. These products are generally used to more closely match interest on certain fixed-rate loans with funding sources and long-term certificates of deposit with earning assets. During 2003 and 2002, net interest revenue increased $14.0 million and $12.7 million, respectively, from periodic settlements of these contracts. Although the purpose of these derivative contracts is to manage interest rate risk, we have not designated them as hedges for accounting purposes. The contracts are carried on the balance sheet at fair value, and changes in fair value are reported in income as derivatives gains or losses. A net loss of $9.5 million was recognized in 2003 compared to a net gain of $4.7 million in 2002 from adjustments of these swaps to fair value. Credit risk from these swaps is closely monitored as part of our overall process of managing credit exposure to other financial institutions. Additional information regarding interest rate swap contracts is presented in Note 4 to the Consolidated Financial Statements.

The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and the economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next twelve months based on eight interest rate scenarios. Three specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. These are a "most likely" rate scenario and two "shock test" scenarios, first assuming a sustained parallel 200 basis point increase and second assuming a sustained parallel 100 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in rates. However, these results are not meaningful in the current low-rate environment. An independent source is used to determine the most likely interest rate scenario.

Our primary interest rate exposures include the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 23 due to the extreme volatility over such a large rate range. The effects of interest rate changes on the value of mortgage servicing rights and securities identified as economic hedges are presented in the Lines of Business – Mortgage Banking section of this report.

Table 23 Interest Rate Sensitivity
(Dollars in Thousands)

	200 bp Increase		100 bp Decrease		Most Likely	
	2003	2002	**2003**	2002	**2003**	2002
Anticipated impact over the next twelve months:						
Net interest revenue	**$ 7,213**	$12,354	**$ (3,921)**	$ (7,456)	**$ 1,688**	$ 7,983
	1.6%	3.1%	**(.9)%**	(1.8)%	**.4%**	2.0%
Net income	**$ 4,508**	$ 7,722	**$ (2,450)**	$ (4,660)	**$ 1,055**	$ 4,990
	2.4%	5.0%	**(1.3)%**	(3.0)%	**.6%**	3.2%
Economic value of equity	**$(71,325)**	$12,398	**$ 10,893**	$ (36,768)	**$(41,388)**	$43,799
	(4.6)%	0.9%	**.7%**	(2.6)%	**(2.7)%**	3.1%

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

Trading Activities

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

A variety of methods are used to manage the interest rate risk of trading activities. These methods include daily marking of all positions to market value, independent verification of inventory pricing and position limits for each trading activity. Hedges in either the futures or cash markets may be used to reduce the risk associated with some trading programs. The Risk Management Department monitors trading activity daily and reports to senior management and the Risk Oversight and Audit Committee of the BOK Financial Board of Directors any exceptions to trading position limits and risk management policy exceptions.

Management uses a Value at Risk ("VAR") methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to $1.6 million. At December 31, 2003, the VAR was $135 thousand. The greatest VAR during 2003 was $1.4 million.

New Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation 46 "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarified the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" and provided a new framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests and results of operations of a VIE in its consolidated financial statements. VIEs are generally defined in FIN 46 as entities that either do not have sufficient equity to finance their activities without support from other parties or whose equity investors lack a controlling financial interest. Examples of such entities may include partnerships, joint ventures, securitization vehicles or similarly structured entities. FIN 46 was effective immediately for VIEs created after January 31, 2003 and at the beginning of the fourth quarter of 2003 for VIEs created prior to February 1, 2003. FIN 46 was revised in December 2003. This revision addressed certain issues in the original interpretation, including the application of FIN 46 to trust relationships, mutual funds organized as trusts and troubled debt restructurings. BOK Financial has limited use of partnerships, joint ventures or securitization vehicles in its operations and the implementation of FIN 46, as revised, had no impact on the consolidated financial statements.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amended and clarified financial accounting and reporting for derivative instruments, including certain derivatives embedded in other contracts, and hedging activities. This statement was effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. This statement did not have a significant impact on the consolidated financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement, which established new standards for how an issuer classifies and measures certain financial instruments, was effective for financial instruments issued or modified after May 31, 2003. Other provisions of this statement were effective for fiscal periods beginning after June 15, 2003. This statement did not have a significant impact on the consolidated financial statements.

Forward-Looking Statements

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

Report of Management on Financial Statements

Management is responsible for the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, and all related information appearing in this annual report. In management's opinion, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial conditions, results of operations and cash flows of BOK Financial and its subsidiaries at the dates and for the periods presented.

As of December 31, 2003, an evaluation was performed under the supervision and with the participation of BOK Financial's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of our disclosure controls and procedures. Based on that evaluation, BOK Financial's management, including the CEO and CFO, concluded that BOK Financial's disclosure controls and procedures were effective as of December 31, 2003. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2003.

BOK Financial and its subsidiaries maintain a system of internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States. This system includes written policies and procedures, a corporate code of conduct, an internal audit program and standards for the hiring and training of qualified personnel.

The Board of Directors of BOK Financial maintains a Risk Oversight and Audit Committee consisting of outside directors that meet periodically with management and BOK Financial's internal and independent auditors. The Committee considers the audit and nonaudit services to be performed by the independent auditors, makes arrangements for the internal and independent audits and recommends BOK Financial's selection of independent auditors. The Committee also reviews the results of the internal and independent audits, critical accounting policies and practices and various shareholder reports and other reports and filings.

Ernst & Young, LLP, certified public accountants, have been engaged to audit the consolidated financial statements of BOK Financial and its subsidiaries. Their audit is conducted in accordance with auditing standards generally accepted in the United States and their report on BOK Financial's consolidated financial statements follows this page.

Report of Independent Auditors

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation as of December 31, 2003 and 2002, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOK Financial Corporation at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, in 2003, the Company retroactively changed its method of accounting for stock-based employee compensation, and effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

Ernst & Young LLP
Tulsa, Oklahoma
January 28, 2004

Consolidated Statements of Earnings

(In Thousands Except Share And Per Share Data)

	2003	2002	2001
Interest Revenue			
Loans	**$375,788**	$377,708	$455,332
Taxable securities	**180,581**	186,902	184,464
Tax-exempt securities	**7,898**	9,359	12,979
Total securities	**188,479**	196,261	197,443
Trading securities	**625**	653	1,029
Funds sold and resell agreements	**281**	291	829
Total interest revenue	**565,173**	574,913	654,633
Interest Expense			
Deposits	**131,929**	145,466	206,209
Borrowed funds	**33,738**	50,495	108,549
Subordinated debentures	**9,477**	10,751	10,923
Total interest expense	**175,144**	206,712	325,681
Net Interest Revenue	**390,029**	368,201	328,952
Provision for Loan Losses	**35,636**	33,730	37,610
Net Interest Revenue After Provision for Loan Losses	**354,393**	334,471	291,342
Other Operating Revenue			
Brokerage and trading revenue	**38,681**	24,450	19,644
Transaction card revenue	**55,491**	50,385	42,471
Trust fees and commissions	**45,763**	40,092	40,567
Service charges and fees on deposit accounts	**82,042**	67,632	51,284
Mortgage banking revenue	**52,336**	48,910	50,155
Leasing revenue	**3,508**	3,330	3,745
Other revenue	**25,969**	20,276	20,087
Total fees and commissions	**303,790**	255,075	227,953
Gain on sale of assets	**822**	1,157	557
Gain on sales of securities, net	**7,188**	58,704	30,640
Gain (loss) on derivatives, net	**(8,808)**	5,894	(4,062)
Total other operating revenue	**302,992**	320,830	255,088
Other Operating Expense			
Personnel expense	**222,922**	187,439	166,864
Business promotion	**12,937**	11,367	10,658
Professional fees and services	**17,935**	12,987	13,391
Net occupancy and equipment	**45,967**	42,347	42,764
Data processing and communications	**51,537**	44,084	38,003
FDIC and other insurance	**2,267**	1,903	1,717
Printing, postage and supplies	**13,930**	12,665	12,329
Net gains and operating expenses on repossessed assets	**271**	1,014	1,401
Amortization of intangible assets	**8,101**	7,638	20,113
Mortgage banking costs	**40,296**	42,271	30,261
Provision (recovery) for impairment of mortgage servicing rights	**(22,923)**	45,923	15,551
Other expense	**16,871**	16,957	16,729
Total other operating expense	**410,111**	426,595	369,781
Income Before Taxes	**247,274**	228,706	176,649
Federal and state income tax	**88,914**	80,835	62,446
Income Before Cumulative Effect of a Change in Accounting Principle, Net of Tax	**158,360**	147,871	114,203
Transition adjustment of adoption of FAS 133	**–**	–	236
Net Income	**$158,360**	$147,871	$114,439
Earnings Per Share:			
Basic:			
Before cumulative effect of change in accounting principle	**$ 2.75**	$ 2.66	$ 2.09
Transition adjustment of adoption of FAS 133	**–**	–	–
Net Income	**$ 2.75**	$ 2.66	$ 2.09
Diluted:			
Before cumulative effect of change in accounting principle	**$ 2.45**	$ 2.37	$ 1.86
Transition adjustment of adoption of FAS 133	**–**	–	–
Net Income	**$ 2.45**	$ 2.37	$ 1.86
Average Shares Used in Computation:			
Basic	**56,990,244**	54,964,747	54,150,255
Diluted	**64,571,962**	62,479,183	61,539,309

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

(In Thousands Except Share Data)

	December 31, 2003	2002
Assets		
Cash and due from banks	**$ 629,480**	$ 604,680
Funds sold and resell agreements	**14,432**	19,535
Trading securities	**7,823**	5,110
Securities:		
Available for sale	**3,833,449**	3,204,973
Available for sale securities pledged to creditors	**685,419**	728,370
Investment (fair value: 2003 – $191,256; 2002 – $202,153)	**187,951**	197,950
Total securities	**4,706,819**	4,131,293
Loans	**7,483,889**	6,900,983
Less reserve for loan losses	**(128,639)**	(116,070)
Net loans	**7,355,250**	6,784,913
Premises and equipment, net	**175,901**	151,715
Accrued revenue receivable	**74,980**	72,018
Intangible assets, net	**250,686**	197,868
Mortgage servicing rights, net	**48,550**	37,288
Real estate and other repossessed assets	**7,186**	6,719
Bankers' acceptances	**30,884**	3,728
Receivable on unsettled security transactions	**–**	65,901
Derivative contracts	**149,100**	90,776
Other assets	**130,652**	79,470
Total assets	**$13,581,743**	$12,251,014
Liabilities and Shareholders' Equity		
Noninterest-bearing demand deposits	**$ 1,648,600**	$ 1,531,694
Interest-bearing deposits:		
Transaction	**4,021,808**	3,164,102
Savings	**174,729**	164,738
Time	**3,374,726**	3,267,991
Total deposits	**9,219,863**	8,128,525
Funds purchased and repurchase agreements	**1,609,668**	1,567,686
Other borrowings	**1,016,650**	1,088,022
Subordinated debenture	**154,332**	155,419
Accrued interest, taxes and expense	**85,409**	74,043
Bankers' acceptances	**30,884**	3,728
Due on unsettled security transactions	**8,259**	–
Derivative contracts	**149,326**	80,079
Other liabilities	**78,722**	53,986
Total liabilities	**12,353,113**	11,151,488
Shareholders' equity:		
Preferred stock	**12**	25
Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued: 2003 – 58,055,697; 2002 – 55,749,596)	**4**	3
Capital surplus	**546,594**	475,054
Retained earnings	**698,052**	598,777
Treasury stock (shares at cost: 2003 – 848,892; 2002 – 682,967)	**(24,491)**	(17,421)
Accumulated other comprehensive income	**8,459**	43,088
Total shareholders' equity	**1,228,630**	1,099,526
Total liabilities and shareholders' equity	**$ 13,581,743**	$12,251,014

See accompanying notes to consolidated financial statements.

BOK FINANCIAL CORPORATION

Consolidated Statements of Cash Flows

(In Thousands)

	2003	2002	2001
Cash Flows From Operating Activities:			
Net income	**$ 158,360**	$ 147,871	$ 114,439
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for loan losses	**35,636**	33,730	37,610
Provision (recovery) for mortgage servicing rights impairment	**(22,923)**	45,923	15,551
Transition adjustment of adoption of FAS 133	**–**	–	(236)
Unrealized (gains) losses from derivatives	**5,888**	(5,112)	12,082
Depreciation and amortization	**64,425**	65,790	69,165
Tax benefit on exercise of stock options	**1,325**	5,482	3,408
Stock-based compensation	**5,746**	4,124	3,029
Net amortization of securities discounts and premiums	**8,965**	5,818	(5,615)
Net gain on sale of assets	**(44,426)**	(83,501)	(47,954)
Mortgage loans originated for resale	**(1,314,453)**	(1,014,009)	(972,066)
Proceeds from sale of mortgage loans held for resale	**1,420,475**	1,073,044	1,008,073
Change in trading securities	**(2,713)**	5,217	29,538
Change in accrued revenue receivable	**(2,962)**	(2,776)	6,253
Change in other assets	**(28,442)**	(12,452)	1,715
Change in accrued interest, taxes and expense	**11,366**	7,029	(3,125)
Change in other liabilities	**(13,906)**	8,010	9,599
Net cash provided by operating activities	**282,361**	284,188	281,466
Cash Flows From Investing Activities:			
Proceeds from sales of available for sale securities	**5,089,734**	6,873,320	9,142,248
Proceeds from maturities of investment securities	**65,504**	139,591	80,273
Proceeds from maturities of available for sale securities	**2,410,213**	1,802,845	930,494
Purchases of investment securities	**(55,678)**	(96,627)	(88,282)
Purchases of available for sale securities	**(8,145,655)**	(8,985,019)	(10,496,575)
Loans originated or acquired net of principal collected	**(741,405)**	(586,281)	(675,612)
Payments on derivative asset contracts	**(41,226)**	(12,912)	–
Net change in other investment assets	**(3,849)**	43	–
Proceeds from disposition of assets	**65,989**	58,390	68,088
Purchases of assets	**(62,926)**	(46,729)	(75,655)
Cash and cash equivalents of subsidiaries and branches acquired and sold, net	**2,123**	46,295	(72,990)
Net cash used by investing activities	**(1,417,176)**	(807,084)	(1,188,011)
Cash Flows From Financing Activities:			
Net change in demand deposits, transaction deposits and savings accounts	**984,603**	604,771	346,034
Net change in certificates of deposit	**107,522**	395,740	146,075
Net change in other borrowings	**65,610**	(165,744)	141,660
Change in amount receivable (due) on unsettled security transactions	**74,160**	(297,055)	231,660
Pay down of other borrowings	**(95,000)**	(10,095)	(95,000)
Issuance of subordinated debenture	**–**	–	30,000
Issuance of preferred, common and treasury stock, net	**4,627**	4,172	2,745
Pay down of subordinated debenture	**–**	(30,000)	–
Net change in collateral on derivative accounts	**(31,763)**	(5,148)	–
Proceeds from derivative liability contracts	**45,538**	3,162	–
Dividends paid	**(785)**	(30)	(20)
Net cash provided by financing activities	**1,154,512**	499,773	803,154
Net increase (decrease) in cash and cash equivalents	**19,697**	(23,123)	(103,391)
Cash and cash equivalents at beginning of period	**624,215**	647,338	750,729
Cash and cash equivalents at end of period	**$ 643,912**	$ 624,215	$ 647,338
Cash paid for interest	**$ 176,225**	$ 208,612	$ 334,103
Cash paid for taxes	**81,596**	81,154	70,699
Net loans transferred to repossessed real estate	**6,378**	4,550	7,228
Payment of dividends in common stock	**58,300**	53,165	36,371
Common stock and price guarantee issued for acquisition	**–**	67,745	–

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(In Thousands)

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
December 31, 2000	250,000	$25	49,706	$3
Comprehensive income:				
Net income	–	–	–	–
Other comprehensive loss, net of tax:				
Unrealized gain on securities available for sale	–	–	–	–
Total comprehensive income				
Director retainer shares	–	–	5	–
Exercise of stock options	–	–	598	–
Tax benefit on exercise of stock options	–	–	–	–
Stock-based compensation				
Preferred stock dividend	–	–	–	–
Dividends paid in shares of common stock:				
Preferred stock	–	–	51	–
Common stock	–	–	1,377	–
December 31, 2001	250,000	25	51,737	3
Comprehensive income:				
Net income	–	–	–	–
Other comprehensive loss, net of tax:				
Unrealized gain on securities available for sale	–	–	–	–
Total comprehensive income				
Director retainer shares	–	–	8	–
Exercise of stock options	–	–	687	–
Tax benefit on exercise of stock options	–	–	–	–
Stock-based compensation				
Preferred stock dividend	–	–	–	–
Issue shares for acquisition	–	–	1,711	–
Fair value of stock price guarantee	–	–	–	–
Dividends paid in shares of common stock:				
Preferred stock	–	–	48	–
Common stock	–	–	1,559	–
December 31, 2002	250,000	25	55,750	3
Comprehensive income:				
Net income	**–**	**–**	**–**	**–**
Other comprehensive loss, net of tax:				
Unrealized loss on securities available for sale	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**
Director retainer shares	**–**	**–**	**8**	**–**
Exercise of stock options	**–**	**–**	**595**	**–**
Tax benefit on exercise of stock options	**–**	**–**	**–**	**–**
Stock-based compensation	**–**	**–**	**–**	**–**
Cash dividends paid on preferred stock	**–**	**–**	**–**	**–**
Redeem nonvoting preferred units	**–**	**(13)**	**–**	**–**
Dividends paid in shares of common stock:				
Preferred stock	**–**	**–**	**23**	**–**
Common stock	**–**	**–**	**1,680**	**1**
December 31, 2003	**250,000**	**$12**	**58,056**	**$4**

	December 31,		
	2003	2002	2001
[1] Changes in other comprehensive income:			
Unrealized gains (losses) on available for sale securities	**$(46,884)**	$119,609	$34,800
Tax benefit (expense) on unrealized gains (losses) on available for sale securities	**16,858**	(44,390)	(12,412)
Reclassification adjustment for (gains) losses realized and included in net income	**(7,188)**	(58,704)	(30,640)
Reclassification adjustment for tax expense (benefit) on realized (gains) losses	**2,585**	20,781	10,724
Net change in unrealized gains (losses) on securities	**$ (34,629)**	$37,296	$ 2,472

See accompanying notes to consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)[1]	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total
$ 3,320	$287,436	$426,053	488	$(10,044)	$ 706,793
–	–	114,439	–	–	114,439
2,472	–	–	–	–	2,472
					116,911
–	165	–	(7)	126	291
–	7,551	–	185	(5,097)	2,454
–	3,408	–	–	–	3,408
–	3,029	–	–	–	3,029
–	–	(1)	–	–	(1)
–	1,114	(1,500)	(21)	386	–
–	32,740	(34,890)	(104)	2,131	(19)
5,792	335,443	504,101	541	(12,498)	832,866
–	–	147,871	–	–	147,871
37,296	–	–	–	–	37,296
					185,167
–	272	–	–	–	272
–	8,243	–	125	(4,343)	3,900
–	5,482	–	–	–	5,482
–	4,124	–	–	–	4,124
–	–	(2)	–	–	(2)
–	64,550	–	–	–	64,550
–	3,195	–	–	–	3,195
–	1,500	(1,500)	–	–	–
–	52,245	(51,693)	17	(580)	(28)
43,088	475,054	598,777	683	(17,421)	1,099,526
–	**–**	**158,360**	**–**	**–**	**158,360**
(34,629)	**–**	**–**	**–**	**–**	**(34,629)**
					123,731
–	**276**	**–**	**–**	**–**	**276**
–	**10,677**	**–**	**145**	**(6,326)**	**4,351**
–	**1,325**	**–**	**–**	**–**	**1,325**
–	**219**	**–**	**–**	**–**	**219**
–	**–**	**(750)**	**–**	**–**	**(750)**
–	**–**	**–**	**–**	**–**	**(13)**
–	**750**	**(750)**	**–**	**–**	**–**
–	**58,293**	**(57,585)**	**21**	**(744)**	**(35)**
$ 8,459	**$546,594**	**$ 698,052**	**849**	**$ (24,491)**	**$ 1,228,630**

Notes to Consolidated Financial Statements

(1) Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements of BOK Financial Corporation (“BOK Financial”) have been prepared in conformity with accounting principles generally accepted in the United States, including general practices of the banking industry. The consolidated financial statements include the accounts of BOK Financial and its subsidiaries, principally Bank of Oklahoma, N.A. and its subsidiaries (“BOk”), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A., Colorado State Bank and Trust, N.A. and BOSC, Inc. Certain prior year amounts have been reclassified to conform to current year classifications.

Nature of Operations

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

Use of Estimates

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

Acquisitions

Assets and liabilities acquired by purchase, including identifiable intangible assets, are recorded at fair values on the acquisition dates. The Consolidated Statements of Earnings include the results of purchases from the dates of acquisition.

Intangible Assets

BOK Financial adopted Statements of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“FAS 142”), and No. 147, “Acquisitions of Certain Financial Institutions” (“FAS 147”), on January 1, 2002. The following table presents the impact on previously reported net income and earnings per share after application of FAS 142 and FAS 147:

	2001
Net income as reported	$114,439
Pro forma net income	123,601
Diluted earnings per share previously reported	$ 1.86
Pro forma diluted earnings per share	2.01

Intangible assets with indefinite lives, such as goodwill, are evaluated for each of BOK Financial’s business units for impairment at least annually or more frequently if conditions indicate impairment. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of BOK Financial’s business units is estimated by the discounted future earnings method. Income growth is projected over a five-year period for each unit and a terminal value is computed. This projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer.

Other identifiable intangible assets and core deposit intangibles are amortized using straight-line and accelerated methods over the estimated benefit periods. These periods generally range from 5 to 10 years for other intangible assets and core deposit intangibles. The net book value of these other intangibles and core deposit intangibles are evaluated for impairment when economic conditions indicate an impairment may exist.

Cash Equivalents

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

Securities

Securities are identified as trading, investment (held to maturity) or available for sale at the time of purchase based upon the intent of management, liquidity and capital requirements, regulatory limitations and other relevant factors. Trading securities, which are acquired for profit through resale, are carried at market value with unrealized gains and losses included in current period earnings. Investment securities are carried at amortized cost. Amortization is computed by methods that approximate level yield and is adjusted for changes in prepayment estimates. Investment securities may be sold or transferred to trading or available for sale classification in certain limited circumstances specified in generally accepted accounting principles. Securities identified as available for sale are carried at fair value. Unrealized gains and losses are recorded, net of deferred income taxes, as accumulated other comprehensive income (loss) in shareholders' equity. Unrealized losses on securities are evaluated to determine if the losses are temporary based on various factors, including the cause of the loss and prospects for recovery. An impairment charge is recorded against earnings if the loss is determined to be other than temporary. Realized gains and losses on sales of securities are based upon the amortized cost of the specific security sold. Available for sale securities are separately identified as pledged to creditors if the creditor has the right to sell or repledge the collateral.

The purchase or sale of securities is recognized on a trade date basis. A net receivable or payable is recognized for subsequent transaction settlement. BOK Financial will periodically commit to purchase to-be-announced ("TBA") mortgage-backed securities. These commitments are carried at fair value if they are considered derivative contracts. These commitments are not reflected in BOK Financial's balance sheet until settlement date if they meet specific criteria exempting them from the definition of derivative contracts.

Derivative Instruments

Derivative instruments, primarily interest rate swaps and forward sales contracts, are used as part of an interest rate risk management strategy. Interest rate swaps modify the interest income and expense on certain long-term, fixed rate assets and liabilities. Amounts payable to or receivable from the counterparties are reported in interest income and expense using the accrual method. Interest rate swaps are carried at fair value. Changes in the fair value of interest rate swaps are included in other operating revenue.

In certain circumstances, interest rate swaps may be designated as fair value hedges and may qualify for hedge accounting. Changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are reported in other operating revenue. These changes may partially or completely offset the mark-to-market adjustments of the interest rate swaps. Fair value hedges are considered to be effective if the cumulative fair value adjustments of the interest rate swaps are within a range of 80% to 125% of the cumulative fair value adjustment of the hedged assets or liabilities.

Interest rate swaps may be designated as cash flow hedges of variable rate assets or liabilities or anticipated transactions. Changes in fair value of interest rate swaps are recorded in other comprehensive income to the extent they are effective. Amounts recorded as other comprehensive income are recognized in net income in the same periods as the cash flows from the hedged transactions.

In conjunction with its mortgage banking activities, BOK Financial enters into mortgage loan commitments that are considered derivative instruments under Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Forward sales contracts are used to hedge these mortgage loan commitments and mortgage loans held for sale. Changes in the fair value of the mortgage loan commitments and forward sales contracts are recognized in other operating revenue. The Securities and Exchange Commission staff recently expressed an opinion that the fair value of certain mortgage loan commitments may result in an unrealized loss, but cannot result in an unrealized gain. This opinion, which is effective for commitments originated after March 15, 2004, may increase short-term earnings volatility.

Derivative contracts are used to assist certain customers in hedging their risk of adverse changes in natural gas and oil prices, interest rates and foreign exchange rates. BOK Financial serves as an intermediary between its customers and the markets. Each contract between BOK Financial and its customer is offset by a contract between BOK Financial and various counterparties. These contracts are carried at fair value. Compensation for credit risk and reimbursement of administrative costs are recognized over the life of the contracts.

Loans

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

Interest is accrued at the applicable interest rate on the principal amount outstanding. Loans are placed on nonaccrual status when, in the opinion of management, full collection of principal or interest is uncertain, generally when the collection of principal or interest is 90 days or more past due. Interest previously accrued but not collected is charged against interest income when the loan is placed on nonaccrual status. Payments on nonaccrual loans are applied to principal or reported as interest income, according to management's judgment as to the collectibility of principal.

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

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. Mortgage loans held for sale that are designated as hedged assets are carried at fair value based on sales commitments or market quotes. Changes in fair value after the date of designation of an effective hedge are recorded in other operating revenue.

Reserve for Loan Losses

The adequacy of the reserve for loan losses is assessed by management, based upon an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio, and includes probable losses on both outstanding loans and unused commitments to provide financing. A consistent methodology has been developed that includes reserves assigned to specific criticized loans, general reserves that are based upon statistical migration analyses for each category of loans, and a nonspecific allowance that is based upon an analysis of current economic conditions, loan concentrations, portfolio growth and other relevant factors. The reserve for loan losses related to loans that are identified for evaluation in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("FAS 114"), is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. Loans are considered to be impaired when it becomes probable that BOK Financial will be unable to collect all amounts due according to the contractual terms of the loan agreement. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

In accordance with the provisions of FAS 114, management has excluded small balance, homogeneous loans from the impairment evaluation specified in FAS 114. Such loans include 1-4 family mortgage loans, consumer loans, and commercial loans with committed amounts less than $1 million. The adequacy of the reserve for loan losses applicable to these loans is evaluated in accordance with generally accepted accounting principles and standards established by the banking regulatory authorities and adopted as policy by BOK Financial.

A provision for loan losses is charged against earnings in amounts necessary to maintain an adequate reserve for loan losses. Loans are charged off when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Additionally, all unsecured or under-secured loans that are past due by 180 days or more are charged off within 30 days. Recoveries of loans previously charged off are added to the reserve.

Asset Securitization

BOK Financial periodically securitizes and sells pools of assets. These transactions are recorded as sales for financial reporting purposes when the criteria for surrender of control specified in Statement of Financial Accounting Standards, No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" are met. BOK Financial may retain the right to service the assets and a residual interest in excess cash flows generated by the assets. The carrying value of the assets sold is allocated between the portion sold and the portion retained based on relative fair values. The fair value of these retained assets is determined by a discounting of expected future net cash to be received using assumed market interest rates for these instruments. Residual interests are carried at fair value. Changes in fair values are recorded in income. Servicing rights are carried at the lower of amortized cost or fair value. A valuation allowance is provided when amortized cost of servicing rights exceeds fair value.

Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are assets acquired in partial or total forgiveness of debt. These assets are carried at the lower of cost, which is determined by fair value at date of foreclosure, or current fair value. Income generated by these assets is recognized as received, and operating expenses are recognized as incurred.

Premises and Equipment

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

Mortgage Servicing Rights

Capitalized mortgage servicing rights are carried at the lower of amortized cost, adjusted for the effect of hedging activities, or fair value. Amortization is determined in proportion to the projected cash flows over the estimated lives of the servicing portfolios. The actual cash flows are dependent upon the prepayment of the mortgage loans and may differ significantly from the estimates.

Fair value is determined by discounting the estimated cash flows of servicing revenue, less projected servicing costs, using risk-adjusted rates, which is the assumed market rate for these instruments. Prepayment assumptions were based on industry consensus provided by independent reporting sources in 2001. During 2002, BOK Financial changed the source of prepayment assumptions used to value its mortgage servicing rights. Industry consensus prepayment speeds were not updated frequently enough to reflect rapidly changing market conditions that existed in 2002. A separate, third-party model that is generally accepted by the financial markets is now used to estimate prepayment speeds. This model is updated daily for changes in market conditions. Changes in current interest rates may significantly affect these assumptions by changing loan refinancing activity. Amortized cost and fair value are stratified by interest rate and loan type. A valuation allowance is provided when the net amortized cost of any strata exceeds the calculated fair value.

Originated mortgage servicing rights are recognized when either mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Substantially all fixed rate mortgage loans originated by BOK Financial are sold under existing commitments. The right to service mortgage loans sold is generally retained. The fair value of the originated servicing rights is determined at closing based upon current market rates.

Federal and State Income Taxes

BOK Financial utilizes the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statement and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

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

Employee Benefit Plans

BOK Financial sponsors various plans, including a defined benefit pension plan ("Pension Plan"), qualified profit sharing plans ("Thrift Plans"), and employee healthcare plans. Employer contributions to the Thrift Plans, which match employee contributions subject to percentage and years of service limits, are expensed when incurred. Pension Plan costs, which are based upon actuarial computations of current costs, are expensed annually. Unrecognized prior service cost and net gains or losses are amortized on a straight-line basis over the estimated remaining lives of the participants. BOK Financial recognizes the expense of health care benefits on the accrual method. Employer contributions to the Pension Plan and various health care plans are in accordance with Federal income tax regulations.

Executive Benefit Plans

BOK Financial has various stock compensation plans for its employees. Historically, BOK Financial had accounted for those plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Under APB 25, because the exercise price of employee stock options equaled the market price of the underlying stock on the date of grant, no significant stock-based employee compensation had been recognized.

During 2003, BOK Financial adopted the expense recognition provisions of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("FAS 148"). Under FAS 123, compensation expense is recognized based on the fair value of stock options granted. BOK Financial chose to retroactively restate its results of operations for the accounting change, as provided by FAS 148. The years ended December 31, 2003, 2002 and 2001 include $5.7 million, $4.1 million and $3.0 million, respectively, of pretax stock option expense, which represents approximately $0.06, $0.04, and $0.03 per diluted share in each year, respectively. Adoption of the fair value method resulted in a reduction of retained earnings as of January 1, 2001 of $5.3 million, representing the cumulative stock option compensation expense recorded for the six years ended December 31, 2000, net of the tax effect. As of December 31, 2000, the net effect upon total shareholders' equity from stock-based compensation was an increase of $3.2 million due primarily to recognition of deferred tax assets related to stock option expense.

BOK Financial also permits certain executive officers to defer the recognition of income from the exercise of stock options for income tax purposes and to diversify the deferred income into alternative investments. Because the Company is expected to settle these amounts in cash, they are recognized as a liability. Changes in the liability are recognized as additional compensation expense.

Fiduciary Services

Fees and commissions on approximately $21 billion of assets managed by BOK Financial under various fiduciary arrangements are recognized on the accrual method.

Effect of Pending Statements of Financial Accounting Standards

During 2003, the Financial Accounting Standards Board ("FASB") issued several statements and interpretations that may have an effect on BOK Financial's accounting policies and financial reporting in future periods. These included FASB Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), FASB Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("FAS 149"), and FASB Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150").

FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and provides a new framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests and results of operations of a VIE in its consolidated financial statements. VIEs are generally defined in FIN 46 as entities that either do not have sufficient equity to finance their activities without support from other parties or whose equity investors lack a controlling financial interest. FIN 46 was effective immediately for VIEs created after January 31, 2003 and was effective beginning in the fourth quarter of 2003 for VIEs created prior to February 1, 2003. FIN 46 was revised in December 2003. This revision addressed the application of FIN 46 to trust relationships, mutual funds organized as trusts and troubled debt restructurings. BOK Financial has limited use of VIEs in its operations and the implementation of FIN 46, as revised, had no impact on the consolidated financial statements.

FAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. This statement was effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. This statement did not have a significant impact on the consolidated financial statements.

FAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement was effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for fiscal periods beginning after June 15, 2003. This statement did not have a significant impact on the consolidated financial statements.

(2) Acquisitions

On September 10, 2003, BOK Financial paid $77.9 million in cash for all outstanding stock of Colorado Funding Company and its Colorado State Bank and Trust subsidiary.

On October 25, 2002, BOK Financial acquired Bank of Tanglewood, N.A. for 1,711,127 shares of common stock and 292,225 options to purchase shares, valued at approximately $65 million. The options to purchase shares expired February 25, 2003. BOK Financial agreed to a price guarantee on 50 percent of the stock issued, which resulted in a contingent obligation to issue additional shares or cash over the next five years based on certain predetermined market valuations. The value of the contingent price guarantee was $3 million, which was included in the total purchase price. More discussion of this contingency is at Note 15.

These transactions were accounted for by the purchase method of accounting. Aggregate allocation of the purchase price to the net assets acquired was as follows (in thousands):

	2003	2002
Cash and cash equivalents	**$ 80,051**	$ 46,295
Securities	**14,507**	62,484
Loans	**222,530**	132,278
Less reserve for loan losses	**2,282**	1,364
Loans, net	**220,248**	130,914
Identifiable intangible assets	**18,770**	3,718
Other assets	**20,855**	8,568
Total assets acquired	**354,431**	251,979
Deposits:		
Noninterest-bearing	**75,078**	49,213
Interest-bearing	**226,361**	173,887
Total deposits	**301,439**	223,100
Other borrowings	**5,098**	8,610
Other liabilities	**11,951**	2,736
Net assets acquired	**35,943**	17,533
Less purchase price	**77,928**	67,745
Goodwill	**$ 41,985**	$ 50,212

The following unaudited condensed consolidated pro forma statements of earnings for BOK Financial present the effects on income had the purchase acquisitions described above occurred at the beginning of 2001:

Condensed Consolidated Pro Forma Statements of Earnings
(In Thousands Except Per Share Data)
(Unaudited)

	Year ended December 31,		
	2003	2002	2001
Net interest revenue	**$398,693**	$ 388,517	$348,537
Provision for loan losses	**35,941**	35,162	38,594
Net interest revenue after provision for loan losses	**362,752**	353,355	309,943
Other operating revenue	**309,512**	330,224	264,134
Other operating expense	**425,163**	449,695	388,889
Income before taxes	**247,101**	233,884	185,188
Federal and state income tax	**88,914**	80,825	63,367
Net effect of change in accounting principle	**–**	–	236
Net income	**$158,187**	$153,059	$122,057
Earnings per share:			
Basic net income	**$ 2.75**	$ 2.69	$ 2.16
Diluted net income	**2.45**	2.38	1.91
Average shares:			
Basic	**56,990**	56,410	55,890
Diluted	**64,572**	64,370	63,818

(3) Securities

Investment Securities

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

	December 31,							
	2003				2002			
	Amortized Cost	**Fair Value**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss
Municipal and other tax-exempt	**$184,192**	**$ 187,354**	**$ 4,049**	**$ (887)**	$191,305	$ 195,266	$ 4,837	$(876)
Mortgage-backed U.S. agency Securities	**2,296**	**2,418**	**122**	**–**	4,380	4,618	238	–
Other debt securities	**1,463**	**1,484**	**21**	**–**	2,265	2,269	5	(1)
Total	**$187,951**	**$ 191,256**	**$ 4,192**	**$ (887)**	$197,950	$ 202,153	$ 5,080	$(877)

The amortized cost and fair values of investment securities at December 31, 2003, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Five to Ten Years	Over Ten Years	Total	Weighted Average Maturity[4]
Municipal and other tax-exempt:						
Amortized cost	$50,561	$102,386	$26,251	$4,994	$184,192	2.94
Fair value	50,742	104,803	26,952	4,857	187,354	
Nominal yield[1]	5.45	6.20	6.64	5.83	6.05	
Other debt securities:						
Amortized cost	$ 442	$ 296	$ 725	$ –	$ 1,463	5.00
Fair value	443	304	737	–	1,484	
Nominal yield	1.25	6.83	5.43	–	4.45	
Total fixed maturity securities:						
Amortized cost	$51,003	$102,682	$26,976	$4,994	$185,655	2.95
Fair value	51,185	105,107	27,689	4,857	188,838	
Nominal yield	5.41	6.20	6.61	5.83	6.03	
Mortgage-backed securities:						
Amortized cost					$ 2,296	[2]
Fair value					2,418	
Nominal yield[3]					6.53	
Total investment securities:						
Amortized cost					$187,951	
Fair value					191,256	
Nominal yield					6.04	

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

2 The average expected lives of mortgage-backed securities were 4.96 years based upon current prepayment assumptions.

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

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

Available for Sale Securities

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

	December 31,							
	2003				2002			
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss
U.S. Treasury	**$ 44,679**	**$ 45,424**	**$ 746**	**$ (1)**	$ 31,013	$ 32,233	$ 1,220	$ –
Municipal and other tax-exempt	**3,271**	**3,257**	**6**	**(20)**	11,465	11,511	56	(10)
Mortgage-backed securities:								
U. S. agencies	**3,514,158**	**3,518,926**	**28,962**	**(24,194)**	3,005,698	3,067,148	61,589	(139)
Other	**845,430**	**848,911**	**5,996**	**(2,515)**	727,088	732,542	5,469	(15)
Total mortgage-backed securities	**4,359,588**	**4,367,837**	**34,958**	**(26,709)**	3,732,786	3,799,690	67,058	(154)
Other debt securities	**1,140**	**1,177**	**37**	**–**	138	139	1	–
Equity securities and mutual funds	**96,460**	**101,173**	**5,450**	**(737)**	87,434	89,770	2,648	(312)
Total	**$ 4,505,138**	**$4,518,868**	**$ 41,197**	**$(27,467)**	$3,862,836	$ 3,933,343	$70,983	$(476)

The amortized cost and fair values of available for sale securities at December 31, 2003, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Five to Ten Years	Over Ten Years	Total	Weighted Average Maturity[5]
U.S. Treasuries:						
Amortized cost	$ 29,338	$ 15,341	$ –	$ –	$ 44,679	.99
Fair value	29,894	15,530	–	–	45,424	
Nominal yield	3.50	2.34	–	–	3.10	
Municipal and other tax-exempt:						
Amortized cost	$ 358	$ 273	$ 1,125	$1,515	$ 3,271	10.37
Fair value	354	277	1,112	1,514	3,257	
Nominal yield[1]	7.75	10.79	8.89	12.69	10.68	
Other debt securities:						
Amortized cost	$ 600	$ 456	$ 84	$ –	$ 1,140	1.45
Fair value	607	485	85	–	1,177	
Nominal yield[1]	6.30	6.04	5.59	–	6.15	
Total fixed maturity securities:						
Amortized cost	$ 30,296	$ 16,070	$ 1,209	$1,515	$ 49,090	1.63
Fair value	30,855	16,292	1,197	1,514	49,858	
Nominal yield	3.60	2.59	8.66	12.69	3.68	
Mortgage-backed securities:						
Amortized cost					$4,359,588	[2]
Fair value					4,367,837	
Nominal yield[4]					4.28	
Equity securities and mutual funds:						
Amortized cost					$ 96,460	[3]
Fair value					101,173	
Nominal yield					2.21	
Total available-for-sale securities:						
Amortized cost					$4,505,138	
Fair value					4,518,868	
Nominal yield					4.23	

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

2 The average expected lives of mortgage-backed securities were 3.04 years based upon current prepayment assumptions.

3 Primarily common stock and preferred stock of U.S. Government agencies with no stated maturity.

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

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

At December 31, 2003, there were outstanding commitments to buy $235 million of securities that have not yet been issued. These commitments are not reflected in BOK Financial's balance sheet as of December 31, 2003, because they have not settled and meet specific criteria exempting them from the definition of derivative contracts.

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

	2003	2002	2001
Proceeds	**$5,089,734**	$6,873,320	$9,142,248
Gross realized gains	**30,373**	85,346	55,418
Gross realized losses	**23,185**	26,642	24,778
Related federal and state income tax expense (benefit)	**2,585**	20,781	10,724

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of $2.1 billion and $2.0 billion at December 31, 2003 and 2002 have been pledged as collateral for repurchase agreements, public and trust funds on deposit and for other purposes as required by law. The secured parties do not have the right to sell or repledge these securities.

See information regarding temporarily impaired securities at Table 13.

(4) Derivatives

Interest Rate Risk Management Program

Interest Rate Swaps

BOK Financial uses interest rate swaps to manage its interest rate sensitivity. During 2003 and 2002, net interest revenue was increased by $14.7 million and $12.7 million, respectively, from the settlements of amounts receivable or payable on interest rate swaps. A net loss of $9.5 million was recognized in 2003 compared to a net gain of $4.7 million in 2002 from adjustments of these swaps to fair value.

Interest Rate Swaps (dollars in thousands):

	Notional Amount	Pay Rate	Receive Rate	Positive Fair Value	Negative Fair Value
Expiration:					
2004	$ 71,554	1.12[1] – 4.22	1.12[1] – 7.36	$ 564	$ (118)
2006	13,940	5.43	1.12[1]	–	(984)
2007	275,000	1.15[1]	4.09 – 4.51	3,628	–
2011	38,480	5.21 – 5.51	1.12[1]	–	(2,532)
				$4,192	$(3,634)

[1] Rates are variable based on LIBOR and reset monthly or quarterly.

Scheduled repricing periods for the swaps are as follows (notional value in thousands):

	31-90 Days	91-365 Days	Over 1 Year	Total
Pay floating	$(335,000)	$ –	$ –	$(335,000)
Receive fixed	–	–	335,000	335,000
Pay fixed	–	–	(63,974)	(63,974)
Receive floating	63,974	–	–	63,974
Total	$(271,026)	$ –	$271,026	$ –

Forward Sales Contracts

BOK Financial uses mortgage-backed securities forward sales contracts to manage exposure to interest rate fluctuations on mortgage loans held for sale and mortgage loan commitments. At December 31, 2003, the notional amount of forward sales contracts totaled $76 million, with a negative fair value of $340 thousand. Additional discussion of these contracts can be found in Note 8.

Customer Risk Management Programs

BOK Financial offers programs that permit its customers to manage various risks. We have programs to assist energy producing customers to hedge against price fluctuations and to take positions through energy derivative contracts. In 2003, we have added or expanded programs to assist customers in managing their interest rate and foreign exchange risks. These programs work essentially the same way. Derivative contracts are executed between the customers and BOK Financial. Offsetting contracts are executed between BOK Financial and selected counterparties to minimize the risk of changes in energy 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 BOK Financial as compensation for administrative costs, credit risks and profit.

Derivative contracts are carried at fair value. At December 31, 2003, the fair value of energy derivative contracts, interest rate swaps and foreign exchange contracts totaled $137 million, $3 million and $5 million, respectively.

(5) Loans

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

	December 31,							
	2003				2002			
	Fixed Rate	**Variable Rate**	**Non-accrual**	**Total**	Fixed Rate	Variable Rate	Non-accrual	Total
Commercial	**$ 1,603,095**	**$ 2,692,247**	**$ 41,360**	**$ 4,336,702**	$ 531,456	$ 3,419,228	$ 39,114	$ 3,989,798
Commercial real estate	**446,751`**	**1,181,030**	**2,311**	**1,630,092**	306,796	1,126,347	3,395	1,435,838
Residential mortgage	**522,240**	**485,582**	**7,821**	**1,015,643**	749,573	174,236	5,950	929,759
Residential mortgage - held for sale	**56,543**	**–**	**–**	**56,543**	133,421	–	–	133,421
Consumer	**298,465**	**145,255**	**1,189**	**444,909**	276,278	134,493	1,396	412,167
Total	**$ 2,927,094**	**$ 4,504,114**	**$ 52,681**	**$ 7,483,889**	$ 1,996,824	$ 4,854,304	$ 49,855	$ 6,900,983
Loans past due (90 days)				**$ 14,944**				$ 8,117
Foregone interest on nonaccrual loans				**$ 5,268**				$ 4,770

Approximately 61% of the commercial and consumer loan portfolios and approximately 69% of the residential mortgage loan portfolio (excluding loans held for sale) are loans to businesses and individuals in Oklahoma. This geographic concentration subjects the loan portfolio to the general economic conditions within this area.

Within the commercial loan classification, loans to energy-related businesses total $1.2 billion or 16% of total loans. Other notable segments include wholesale/retail, $668 million; manufacturing, $483 million; agriculture, $228 million, which includes $197 million of loans to the cattle industry; and services, $1.4 billion, which includes nursing homes of $256 million, hotels of $35 million and healthcare of $138 million.

Approximately 39% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa or Oklahoma City metropolitan areas. An additional 28% of commercial real estate loans are secured by property located in Texas. The major components of these properties are multifamily residences, $271 million; construction and land development, $436 million; retail facilities, $313 million; and office buildings, $290 million.

Related Party

Included in loans at December 31 are loans to executive officers, directors or principal shareholders of BOK Financial, as defined in Regulation S-X of the Securities and Exchange Commission. Such loans have been made on substantially the same terms as those prevailing at the time for loans to other customers in comparable transactions.

Information relating to loans to executive officers, directors or principal shareholders is summarized as follows (in thousands):

	2003	2002
Beginning balance	**$ 124,568**	$ 90,712
Advances	**57,487**	35,992
Payments	**(13,903)**	(2,106)
Adjustments	**(1)**	(30)
Ending balance	**$ 168,151**	$ 124,568

Reserve for Loan Loss

The activity in the reserve for loan losses is summarized as follows (in thousands):

	2003	2002	2001
Beginning balance	**$ 116,070**	$101,905	$ 82,655
Provision for loan losses	**35,636**	33,730	37,610
Loans charged off	**(31,475)**	(25,905)	(25,248)
Recoveries	**6,125**	4,976	4,588
Addition due to acquisitions	**2,283**	1,364	2,300
Ending balance	**$ 128,639**	$116,070	$101,905

Impaired Loans

Investments in loans considered to be impaired under FAS 114 were as follows (in thousands):

	December 31,		
	2003	2002	2001
Investment in loans impaired under FAS 114 (all of which were on a nonaccrual basis)	**$ 46,990**	$ 44,912	$ 39,848
Loans with specific reserves for loss	**18,947**	4,685	10,723
Specific reserve balance	**6,377**	2,269	2,509
No specific related reserve for loss	**28,043**	40,227	29,125
Average recorded investment in impaired loans	**47,415**	41,828	44,474

Interest income recognized on impaired loans during 2003, 2002 and 2001 was not significant.

(6) Premises and Equipment

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

	December 31,	
	2003	2002
Land	**$ 40,098**	$ 32,381
Buildings and improvements	**126,665**	115,399
Software	**26,338**	13,702
Furniture and equipment	**95,833**	84,578
Subtotal	**288,934**	246,060
Less accumulated depreciation	**113,033**	94,345
Total	**$175,901**	$151,715

Depreciation expense of premises and equipment was $22.4 million, $20.5 million and $21.0 million for the years ended December 31, 2003, 2002 and 2001, respectively.

(7) Intangible Assets

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

	December 31, 2003	December 31, 2002
Core deposit premiums	**$ 86,257**	$ 75,668
Less accumulated amortization	**64,012**	56,555
Net core deposit premiums	**22,245**	19,113
Other identifiable intangible assets	**11,526**	3,346
Less accumulated amortization	**3,257**	2,613
Net other identifiable intangible assets	**8,269**	733
Goodwill	**273,307**	231,157
Less accumulated amortization	**53,135**	53,135
Net goodwill	**220,172**	178,022
Total intangible assets, net	**$250,686**	$197,868

Expected amortization expense for intangible assets that will continue to be amortized under FAS 142, as amended by FAS 147, (in thousands):

	Core Deposit Premiums	Other Identifiable Intangible Assets	Total
2004	$ 7,146	$ 992	$ 8,138
2005	5,175	962	6,137
2006	3,628	796	4,424
2007	2,935	763	3,698
2008	1,577	780	2,357
Thereafter	1,784	3,976	5,760
	$22,245	$ 8,269	$30,514

The net amortized cost of intangible assets at December 31, 2003 is assigned to reporting units as follows (in thousands):

Core deposit premiums:	
Bank of Albuquerque	$ 1,718
Bank of Texas	10,752
Colorado State Bank and Trust	9,775
	$ 22,245
Other identifiable intangible assets:	
Bank of Oklahoma	$ 367
Colorado State Bank and Trust	7,902
	$ 8,269
Goodwill:	
Bank of Oklahoma	$ 8,173
Bank of Texas	154,741
Bank of Albuquerque	15,273
Colorado State Bank and Trust	41,985
	$220,172

(8) Mortgage Banking Activities

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of BOk. Residential mortgage loans held for sale totaled $57 million and $133 million, and outstanding mortgage loan commitments totaled $208 million and $323 million at December 31, 2003 and 2002, respectively. Mortgage loan commitments are generally outstanding for 60 to 90 days and are subject to both credit and interest rate risk. Credit risk is managed through underwriting policies and procedures, including collateral requirements, which are generally accepted by the secondary loan markets. Exposure to interest rate fluctuations is partially hedged through the use of mortgage-backed securities forward sales contracts. These contracts set the price for loans that will be delivered in the next 60 to 90 days. As of December 31, 2003, the unrealized loss on forward contracts used to hedge the mortgage pipeline was approximately $340,000.

At December 31, 2003, BOK Financial owned the rights to service 61,254 mortgage loans with outstanding principal balances of $4.7 billion, including $357 million serviced for affiliates, and held related funds of $83 million for investors and borrowers. The weighted average interest rate and remaining term was 6.50% and 266 months, respectively. Mortgage loans sold with recourse totaled $103 million at December 31, 2003. At December 31, 2002, BOK Financial owned the rights to service 76,298 mortgage loans with outstanding principal balances of $5.8 billion and held related funds of $174 million for investors and borrowers. The weighted average interest rate and remaining term was 7.05% and 265 months, respectively.

The portfolio of mortgage servicing rights exposes BOK Financial to interest rate risk. During periods of falling interest rates, mortgage loan prepayments increase, reducing the value of the mortgage servicing rights. See Note 1 for specific accounting policies for mortgage servicing rights and the related hedges.

Activity in capitalized mortgage servicing rights and related valuation allowance during 2003, 2002 and 2001 are as follows (in thousands):

	Capitalized Mortgage Servicing Rights			Valuation	Hedging	
	Purchased	Originated	Total	Allowance	(Gain)/Loss[2]	Net
Balance at December 31, 2000	$63,361	$40,325	$103,686	$ (2,900)	$10,005	$110,791
Additions	4,400	22,695	27,095	–	–	27,095
Amortization expense	(12,705)	(9,409)	(22,114)	–	(1,425)	(23,539)
Provision for impairment	–	–	–	(15,551)	–	(15,551)
Balance at December 31, 2001	55,056	53,611	108,667	(18,451)	8,580	98,796
Additions	(412)	20,832	20,420	–	–	20,420
Amortization expense	(17,421)	(17,159)	(34,580)	–	(1,425)	(36,005)
Write-off	–	(7,435)	(7,435)	9,456	(2,021)	–
Provision for impairment	–	–	–	(45,923)	–	(45,923)
Balance at December 31, 2002	37,223	49,849	87,072	(54,918)	5,134	37,288
Additions, net	**(3)**	**23,922**	**23,919**	**–**	**–**	**23,919**
Amortization expense	**(14,840)**	**(19,315)**	**(34,155)**	**–**	**(1,425)**	**(35,580)**
Recovery of impairment	**–**	**–**	**–**	**22,923**	**–**	**22,923**
Balance at December 31, 2003	**$22,380**	**$54,456**	**$ 76,836**	**$(31,995)**	**$ 3,709**	**$ 48,550**
Estimated fair value of mortgage servicing rights at:						
December 31, 2001[1]	$53,174	$46,789	$ 99,963			$ 99,963
December 31, 2002[1]	$17,311	$20,477	$ 37,788			$ 37,788
December 31, 2003[1]	**$12,625**	**$36,564**	**$ 49,189**			**$ 49,189**

[1] Excludes approximately $1.4 million, $2 million and $5 million at December 31, 2003, 2002 and 2001, respectively, of loan servicing rights on mortgage loans originated prior to the adoption of FAS 122.

[2] Hedging (gain)/loss represents the deferred (gains)/losses on a derivatives-based hedging program prior to the adoption of FAS 133.

Fair value is determined by discounting the projected net cash flows. Significant assumptions are:

Discount rate – Indexed to a risk-free rate commensurate with the average life of the servicing portfolio plus a market premium. The discount rate at December 31, 2003 was 8.9%.

Prepayment rate – Annual prepayment estimates ranging from 9.45% to 36.34% based upon loan interest rate, original term and loan type.

Loan servicing costs – $35 to $46 annually per loan based upon loan type.

Escrow earnings rate – Indexed to rates paid on deposit accounts with a comparable average life. The escrow earnings rate at December 31, 2003 was 4.33%.

Stratification of the mortgage loan-servicing portfolio, outstanding principal of loans serviced, and related hedging information by interest rate at December 31, 2003 follows (in thousands):

	< 5.51%	5.51% - 6.49%	6.50% - 7.49%	=> 7.50%	Total
Cost less accumulated amortization	$ 12,491	$ 23,786	$ 29,758	$ 10,801	$ 76,836
Deferred hedge losses	–	–	3,246	463	3,709
Adjusted cost	$ 12,491	$ 23,786	$ 33,004	$ 11,264	$ 80,545
Fair value	$ 10,489	$ 16,780	$ 16,064	$ 5,856	$ 49,189
Impairment[2]	$ 2,233	$ 7,008	$ 16,941	$ 5,813	$ 31,995
Outstanding principal of loans serviced[1]	$909,206	$1,333,210	$1,498,370	$523,371	$4,264,157

[1] Excludes outstanding principal of $357 million for loans serviced for BOk and $125 million of mortgage loans originated prior to FAS 122, for which there are no capitalized mortgage servicing rights.
[2] Impairment is determined by both an interest rate and loan type stratification.

(9) Deposits

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

	2003	2002	2001
Transaction deposits	**$ 31,346**	$ 39,273	$ 49,893
Savings	**944**	1,976	2,281
Time:			
Certificates of deposits under $100,000	**39,098**	50,036	61,626
Certificates of deposits $100,000 and over	**48,181**	42,291	81,524
Other time deposits	**12,360**	11,890	10,885
Total time	**99,639**	104,217	154,035
Total	**$131,929**	$145,466	$206,209

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2003 and 2002 were $2.1 billion and $2.0 billion, respectively.

Time deposit maturities are as follows: 2004 – $1.4 billion, 2005 – $190 million, 2006 – $119 million, 2007 – $1.1 billion, 2008 – $211 million, and $359 million thereafter.

Interest expense on time deposits during 2003 and 2002 was reduced by the net accrued settlement from interest rate swaps of $14.0 million and $11.9 million, respectively.

(10) Other Borrowings

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

	December 31					
	2003			2002		
	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End
Parent Company:						
Revolving, unsecured line	**$ 95,000**	**1.75%**	**$ 95,000**	$ 85,000	2.17%	$ 95,000
Subordinated debenture	**–**	**–**	**–**	–	–	30,000
Other	**–**	**–**	**–**	–	–	95
Total parent company	**95,000**	**1.75**		85,000	2.17	
Subsidiary Banks:						
Funds purchased and repurchase agreements	**1,609,668**	**1.37**	**1,904,269**	1,567,686	1.67	1,895,315
Federal Home Loan Bank advances	**899,426**	**1.21**	**974,729**	973,454	1.48	1,036,387
Subordinated debenture	**154,332**	**6.02**	**155,345**	155,419	6.19	156,229
Other	**22,224**	**1.58**	**29,116**	29,568	1.49	29,853
Total subsidiary bank	**2,685,650**	**1.58**		2,726,127	1.86	
Total other borrowings	**$2,780,650**	**1.74**		$2,811,127	1.93	

Aggregate annual principal repayments of long-term debt at December 31, 2003 are as follows (in thousands):

	Parent Company	Subsidiary Banks
2004	$ –	$2,089,707
2005	–	425,994
2006	95,000	3,805
2007	–	2,128
2008	–	1,197
Thereafter	–	162,819
Total	$95,000	$2,685,650

Borrowings from the Federal Home Loan Bank are used for funding purposes. In accordance with policies of the Federal Home Loan Bank, BOK Financial has granted a blanket pledge of eligible assets (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family loans and multifamily loans) as collateral for these advances. The unused credit available to BOK Financial at December 31, 2003 pursuant to the Federal Home Loan Bank's collateral policies is $498 million.

BOK Financial has a revolving, unsecured credit agreement from certain banks at December 31, 2003 of $125 million. Interest is based upon either a base rate or the British Bankers' Association Eurodollar rate plus a defined margin that is determined by BOK Financial's credit rating. This margin ranges from 0.625% to 1.25%. The base rate is defined as the greater of the daily federal funds rate plus 0.5% or the prime rate. Interest is generally paid quarterly. Facility fees are paid quarterly on the unused portion of the commitment at a rate of 0.20% to 0.25% as determined by BOK Financial's current debt rating. This credit agreement includes certain restrictive covenants that limit BOK Financial's ability to borrow additional funds and to pay cash dividends on common stock. These covenants also require BOK Financial and its subsidiaries to maintain minimum capital levels and to exceed minimum net worth ratios. BOK Financial met all of the restrictive covenants at December 31, 2003.

In 1997, BOk issued $150 million of 7.125% fixed rate subordinated debentures that mature in 2007. Interest rate swaps were used as a fair value hedge to convert the fixed interest on these debentures to a LIBOR-based floating rate. This required BOk to adjust the carrying value of the subordinated debentures to fair value. In 2001, the interest rate swaps were terminated. The related market value adjustment of the subordinated debenture of $8 million is being recognized over the remaining life of the debt.

BOK Financial issued a $30 million, seven year subordinated debenture, bearing interest at LIBOR plus 1.75%, on March 23, 2001 to its principal shareholder, George B. Kaiser. This debt was paid off in its entirety in November 2002.

Funds purchased generally mature within one to ninety days from the transaction date. At December 31, 2003, securities sold under agreements to repurchase totaled $1.0 billion with related accrued interest payable of $374 thousand.

Additional information relating to repurchase agreements at December 31, 2003 is as follows (dollars in thousands):

Security Sold/Maturity	Amortized Cost	Market Value	Repurchase Liability[1]	Average Rate
U.S. Agency Securities:				
Overnight	$ 450,807	$ 449,642	$ 403,473	0.93%
Term of up to 30 days	84,554	85,272	81,485	1.10
Term of 30 to 90 days	599,170	600,147	554,060	1.12
Total Agency Securities	$1,134,531	$1,135,061	$1,039,018	1.04%

[1] BOK Financial maintains control over the securities underlying overnight repurchase agreements and generally transfers control over securities underlying longer-term dealer repurchase agreements to the respective counterparty.

(11) Federal and State Income Taxes

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

	December 31, 2003	December 31, 2002
Deferred tax liabilities:		
Available for sale securities mark-to-market	**$ 5,300**	$ 27,400
Pension contributions in excess of book expense	**10,800**	6,900
Valuation adjustments	**24,900**	13,800
Mortgage servicing	**25,900**	21,100
Lease financing	**14,600**	12,800
Other	**6,400**	9,800
Total deferred tax liabilities	**87,900**	91,800
Deferred tax assets:		
Stock-based compensation	**3,500**	2,100
Loan loss reserve	**48,900**	44,100
Valuation adjustments	**20,800**	29,900
Deferred book income	**19,700**	15,400
Other	**14,800**	14,300
Deferred compensation	**4,300**	1,800
Total deferred tax assets	**112,000**	107,600
Deferred tax assets in excess of deferred tax liabilities	**$ 24,100**	$ 15,800

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

	Years ended December 31, 2003	2002	2001
Current:			
Federal	**$77,015**	$89,879	$69,971
State	**5,551**	6,011	4,240
Total current	**82,566**	95,890	74,211
Deferred:			
Federal	**5,369**	(12,978)	(10,130)
State	**979**	(2,077)	(1,635)
Total deferred	**6,348**	(15,055)	(11,765)
Total income tax	**$88,914**	$80,835	$62,446

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

	Years ended December 31, 2003	2002	2001
Amount:			
Federal statutory tax	**$86,538**	$79,903	$61,721
Tax exempt revenue	**(2,815)**	(3,233)	(3,600)
Effect of state income taxes, net of federal benefit	**4,110**	2,482	2,605
Intangible amortization	**763**	914	3,965
Utilization of tax credits	**(794)**	(937)	(800)
Other, net	**1,112**	1,706	(1,445)
Total	**$88,914**	$80,835	$62,446

	Years ended December 31, 2003	2002	2001
Percent of pretax income:			
Federal statutory rate	**35%**	35%	35%
Tax-exempt revenue	**(1)**	(1)	(2)
Effect of state income taxes, net of federal benefit	**2**	1	2
Intangible amortization	**–**	–	2
Utilization of tax credits	**–**	–	(1)
Other, net	**–**	–	(1)
Total	**36%**	35%	35%

(12) Employee Benefits

BOK Financial sponsors a defined benefit Pension Plan for all employees who satisfy certain age and service requirements. The following table presents information regarding this plan (dollars in thousands):

	December 31, 2003	2002
Change in projected benefit obligation:		
Projected benefit obligation, at beginning of year	**$ 30,606**	$ 24,141
Service cost	**5,178**	4,016
Interest cost	**2,015**	1,768
Actuarial loss	**2,161**	1,995
Benefits paid	**(2,187)**	(1,314)
Projected benefit obligation at end of year[1,2]	**$ 37,773**	$ 30,606
Change in plan assets:		
Plan assets at fair value, at beginning of year	**$ 30,945**	$ 27,307
Actual return on plan assets	**7,286**	(3,098)
Company contributions	**7,231**	8,050
Benefits paid	**(2,187)**	(1,314)
Plan assets at fair value at end of year	**$ 43,275**	$ 30,945
Reconciliation of prepaid (accrued) and total amount recognized:		
Benefit obligation	**$(37,773)**	$(30,606)
Fair value of assets	**43,275**	30,945
Funded status of the plan	**5,502**	339
Unrecognized net loss	**13,387**	16,373
Unrecognized prior service cost	**503**	563
Prepaid pension costs	**$ 19,392**	$ 17,275
Components of net periodic benefit costs:		
Service cost	**$ 5,178**	$ 4,016
Interest cost	**2,015**	1,768
Expected return on plan assets	**(2,957)**	(2,384)
Amortization of unrecognized amounts:		
Net loss	**818**	251
Prior service cost	**60**	60
Net periodic pension cost	**$ 5,114**	$ 3,711

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

Weighted-average assumptions as of December 31:	2003	2002
Discount rate	**6.25%**	6.75%
Expected return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**5.25%**	5.25%

Assets of the Pension Plan consist primarily of shares in the American Performance Balanced Fund. The stated objective of this fund is to provide an attractive total return through a broadly diversified mix of equities and bonds. The typical portfolio mix is approximately 60% equities and 40% bonds. The life-to-date return on the fund, which is used as an indicator when setting the expected return on plan assets, was 7.95%. The maximum and minimum required Pension Plan contributions for 2003 were $12.7 million and $0, respectively. Amounts contributed to the Pension Plan during 2003 included $5.0 million attributable to the current year and $2.2 million attributable to 2002.

Employee contributions to the Thrift Plans are matched by BOK Financial up to 5% of base compensation, based upon years of service. Participants may direct the investments of their accounts in a variety of options, including BOK Financial Common Stock. Employer contributions vest over five years. Expenses incurred by BOK Financial for the Thrift Plans totaled $3.6 million, $3.1 million and $2.8 million for 2003, 2002 and 2001, respectively.

BOK Financial also sponsors a defined benefit post-retirement employee medical plan, which pays 50 percent of annual medical insurance premiums for retirees who meet certain age and service requirements. Assets of the retiree medical plan consist primarily of shares in a cash management fund. Eligibility for the post-retirement plan is limited to current retirees and certain employees who were age 60 or older at the time the plan was frozen in 1993. The net obligation recognized under the plan was $2.4 million at December 31,

2003. A 1% change in medical expense trends would not significantly affect the net obligation or cost of this plan.

Under various performance incentive plans, participating employees may be granted awards based on defined formulas or other criteria. Earnings were charged $52.0 million in 2003, $32.1 million in 2002 and $27.2 million in 2001 for such awards.

(13) Executive Benefit Plans

The shareholders and Board of Directors of BOK Financial have approved various stock-based compensation plans. The number of awards and the employees to receive awards are determined by an independent compensation committee of the Board of Directors for the Chief Executive Officer and other senior executives. Other stock-based compensation awards are determined by the Chairman of the Board and the Chief Executive Officer.

These awards consist primarily of stock options that are subject to vesting requirements. Generally, one-seventh of the options awarded vest annually and expire three years after vesting. Additionally, stock options that vest in two years and expire 45 days after vesting have been awarded.

The following table presents options outstanding during 2001, 2002 and 2003 under these plans:

	Number	Weighted-Average Exercise Price
Options outstanding at December 31, 2000	3,448,924	$15.38
Options awarded	722,119	28.68
Options exercised	(640,234)	11.79
Options forfeited	(48,469)	16.06
Options expired	(1,057)	16.70
Options outstanding at December 31, 2001	3,481,283	18.74
Options awarded	169,183	32.22
Options exercised	(477,623)	13.71
Options forfeited	(38,936)	20.49
Options expired	(4)	7.91
Options outstanding at December 31, 2002	3,133,903	20.29
Options awarded	**861,898**	**33.64**
Options exercised	**(652,871)**	**17.24**
Options forfeited	**(60,137)**	**23.76**
Options expired	**(51)**	**19.29**
Options outstanding at December 31, 2003	**3,282,742**	**$24.34**
Options vested at December 31, 2003	**1,010,099**	**$18.13**

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

	Options Outstanding				Options Vested	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price		Number Vested	Weighted Average Exercise Price
$ 8.29 – $ 9.98	196,788	1.61	$ 9.25		196,788	$ 9.25
16.65	236,587	2.42	16.65		152,191	16.65
17.89 – 19.59	1,258,771	3.56	18.62		509,809	18.74
28.52 – 32.51	1,353,763	4.97	30.70		151,311	29.12
38.33 – 38.78	236,833	2.00	38.55		–	–

Compensation expense for stock options is generally recognized based on the fair value of options granted over the options' vesting period. No compensation expense is recognized for options that are forfeited before vesting. The fair value of options was determined as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2003	2002	2001
Average risk-free interest rate	**2.57%**	1.59%	6.04%
Dividend yield	**None**	None	None
Volatility factors	**.178**	.190	.195
Weighted-average expected life	**7 years**	2 years	7 years
Weighted-average fair value	**$6.66**	$4.18	$8.65

BOK Financial also may issue nonvested common shares under the various stock-based compensation plans. These shares, which generally are issued only to the Chief Executive Officer and selected senior executives, vest five years after the grant date. The holders of these shares may be required to retain the shares for a three-year period after vesting. At December 31, 2003, a total of 18,635 nonvested common shares have been awarded.

BOK Financial permits certain executive officers to defer recognition of taxable income from their stock-based compensation. These officers are also able to diversify their deferred compensation into investments other than BOK Financial common stock.

Accordingly, stock-based compensation for these officers is recognized as liability awards rather than equity awards. Compensation expense is based on the intrinsic value of the award over the vesting period. Additional compensation expense is recognized based on changes in the fair value of the deferred compensation liability after the vesting period. At December 31, 2003, the total deferred compensation liability attributed to these arrangements was $6.8 million.

During January 2004, BOK Financial awarded the following stock-based compensation:

	Number	Exercise Price	Fair Value/ Award
Equity awards:			
Stock options	487,559	$38.87	$ 8.99
Liability awards:			
Stock options	125,756	38.87	8.99
Nonvested stock	24,800	–	38.87
Total Liability awards	150,556		
Total stock-based awards	638,115		

(14) Commitments and Contingent Liabilities

In the ordinary course of business, BOK Financial and its subsidiaries are subject to legal actions and complaints. Management believes, based upon the opinion of counsel, that the actions and liability or loss, if any, resulting from the final outcomes of the proceedings will not be material in the aggregate.

BOk is obligated under a long-term lease for its bank premises located in downtown Tulsa. The lease term, which began November 1, 1976, is for fifty-seven years with options to terminate in 2013 and 2023. Annual base rent is $3.3 million. BOk subleases portions of its space for annual rents of $386 thousand in 2004, $370 thousand in 2005 and $213 thousand in years 2006 through 2008. Net rent expense on this lease was $2.9 million in years 2003, 2002 and 2001. Total rent expense for BOK Financial was $13.0 million in 2003, $12.4 million in 2002 and $11.8 million in 2001.

At December 31, 2003, the future minimum lease payments for equipment and premises under operating leases were as follows: $12.4 million in 2004, $11.7 million in 2005, $11.2 million in 2006, $9.7 million in 2007, $8.3 million in 2008 and a total of $36.8 million thereafter.

BOk and Williams Companies, Inc. severally guaranteed 30 percent and 70 percent, respectively, of the $13 million debt and operating deficit of two parking facilities operated by the Tulsa Parking Authority. The debt had a maturity date of May 15, 2007. In 2003, BOk funded the remaining amount of this commitment and paid $2.9 million to retire the Company’s obligation with respect to this debt. Total expenditures related to this guarantee were $3.2 million in 2003, $373 thousand in 2002 and $441 thousand in 2001.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. These balances were approximately $303 million for 2003 and $283 million for 2002.

(15) Shareholders' Equity

Preferred Stock

One billion shares of preferred stock with a par value of $0.00005 per share are authorized. A single series of 250,000,000 shares designated as Series A Preferred Stock ("Series A Preferred Stock") is currently issued and outstanding. The Series A Preferred Stock has no voting rights except as otherwise provided by Oklahoma corporate law and may be converted into one share of Common Stock for each 37 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the $0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is $15 million. During 2003, 2002 and 2001, 23,214 shares, 47,961 shares, and 72,141 shares, respectively, of BOK Financial common stock were issued in payment of dividends on the Series A Preferred Stock in lieu of cash by mutual agreement of BOK Financial and the holders of the Series A Preferred Stock. These shares were valued at $750,000 in 2003, and $1.5 million in 2002 and 2001, based on average market price, as defined, for a 65 business day period preceding declaration. In 2003, cash dividends paid on preferred stock totaled $750,000. George B. Kaiser owns substantially all Series A Preferred Stock.

Common Stock

Common stock consists of 2.5 billion authorized shares with a $0.00006 par value. Holders of common shares are entitled to one vote per share at the election of the Board of Directors and on any question arising at any shareholders' meeting and to receive dividends when and as declared. No common stock dividends can be paid unless all accrued dividends on the Series A Preferred Stock have been paid. The present policy of BOK Financial is to retain earnings for capital and future growth, and management has no current plans to recommend payment of cash dividends on common stock. Additionally, regulations restrict the ability of national banks and bank holding companies to pay dividends, and BOK Financial's credit agreement restricts the payment of dividends by the holding company.

During 2003, 2002 and 2001, 3% dividends payable in shares of BOK Financial common stock were declared and paid. The shares issued were valued at $58 million, $52 million and $35 million, respectively, based on the average closing bid/ask prices on the day preceding declaration. Per share data has been restated to reflect these stock dividends. Presently, management plans to recommend continued payment of an annual dividend in shares of common stock.

On October 25, 2002, BOK Financial issued 1,711,127 shares of common stock and 292,225 options to purchase shares, with a fair value at the issuance date of $65 million for its purchase of Bank of Tanglewood. In addition, BOK Financial agreed to a limited price guarantee on a portion of the shares issued in this purchase. The fair value of this price guarantee, estimated to be $3 million based upon the Black-Scholes Option pricing model, was included in the purchase price of Bank of Tanglewood (see Note 2). Pursuant to this guarantee, any holder of BOK Financial common shares issued in this acquisition may annually make a claim for the excess of the guaranteed price and the actual sales price of any shares sold during a 60-day period after each of the first five anniversary dates after October 25, 2002. The maximum annual number of shares subject to this guarantee is 203,951. The guaranteed price for each anniversary period is $36.30 for 2004, $38.80 for 2005, $41.30 for 2006 and $43.81 for 2007. The price guarantee is nontransferable and noncumulative. BOK Financial may elect, in its sole discretion, to issue additional shares of common stock to satisfy any obligation under the price guarantee or to pay cash. The maximum aggregate number of common shares that may be issued to satisfy any price guarantee obligations is 10 million. If, as of any benchmark date, BOK Financial has already issued 10 million shares, BOK Financial is not obligated to make any further benchmark payments. BOK Financial's ability to pay cash to satisfy any price guarantee obligations is limited by applicable bank holding company and bank capital and dividend regulations.

Subsidiary Banks

The amounts of dividends that BOK Financial's subsidiary banks can declare and the amounts of loans the subsidiary banks can extend to affiliates are limited by various federal and state banking regulations. Generally, dividends declared during a calendar year are limited to net profits, as defined, for the year plus retained profits for the preceding two years. The amounts of dividends are further restricted by minimum capital requirements. Pursuant to the most restrictive of the regulations at December 31, 2003, BOK Financial's subsidiary banks could declare dividends up to $121 million without prior regulatory approval. The subsidiary banks declared and paid dividends of $60 million in 2003, $40 million in 2002 and $92 million in 2001.

Loans to a single affiliate may not exceed 10% and loans to all affiliates may not exceed 20% of unimpaired capital and surplus, as defined. Additionally, loans to affiliates must be fully secured. As of December 31, 2003 and 2002, these loans totaled $10 million. None of the affiliate loans in 2002 were to consolidated entities. Total loan commitments to affiliates at December 31, 2003 were $95 million.

Regulatory Capital

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

For a banking institution to qualify as well capitalized, its Tier I, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. Tier I capital consists primarily of common stockholders' equity, excluding unrealized gains or losses on available for sale securities, less goodwill, core deposit premiums and certain other intangible assets. As directed by the Federal Reserve Bank, Tier I capital excludes $29 million, the combined value of common shares issued subject to the market value protection program and the value of the market value guarantee. These values will be restored to Tier I capital as the market price guarantee expires. Total capital consists primarily of Tier I capital plus preferred stock, subordinated debt and reserves for loan losses, subject to certain limitations. All of BOK Financial's banking subsidiaries exceeded the regulatory definition of well capitalized.

(Dollars in thousands)	December 31, 2003 Amount	2003 Ratio	2002 Amount	2002 Ratio
Total Capital (to Risk Weighted Assets):				
Consolidated	**$ 1,157,782**	**11.31%**	$ 1,083,244	11.95%
BOk	**900,888**	**11.06**	864,519	11.91
Bank of Texas	**201,984**	**11.13**	199,659	12.00
Bank of Albuquerque	**91,412**	**17.35**	81,458	16.59
Bank of Arkansas	**15,218**	**21.56**	14,079	18.08
Colorado State Bank and Trust	**26,222**	**10.19**	–	–
Tier I Capital (to Risk Weighted Assets):				
Consolidated	**$ 935,932**	**9.15%**	$ 813,845	8.98%
BOk	**718,538**	**8.82**	624,968	8.61
Bank of Texas	**179,256**	**9.88**	178,832	10.75
Bank of Albuquerque	**84,811**	**16.10**	75,310	15.34
Bank of Arkansas	**14,328**	**20.30**	13,099	16.82
Colorado State Bank and Trust	**22,997**	**8.94**	–	–
Tier I Capital (to Average Assets):				
Consolidated	**$ 935,932**	**7.17%**	$ 813,845	6.88%
BOk	**718,538**	**6.69**	624,968	6.39
Bank of Texas	**179,256**	**7.22**	178,832	8.43
Bank of Albuquerque	**84,811**	**6.37**	75,310	6.48
Bank of Arkansas	**14,328**	**7.82**	13,099	6.95
Colorado State Bank and Trust	**22,997**	**6.86**	–	–

(16) Earnings Per Share

The following table presents the computation of basic and diluted earnings per share (dollars in thousands except per share data):

	Years ended December 31, 2003	2002	2001
Numerator:			
Net income	**$ 158,360**	$ 147,871	$ 114,439
Preferred stock dividends	**(1,500)**	(1,500)	(1,500)
Numerator for basic earnings per share – income available to common stockholders	**156,860**	146,371	112,939
Effect of dilutive securities:			
Preferred stock dividends	**1,500**	1,500	1,500
Numerator for diluted earnings per share – income available to common stockholders after assumed conversion	**$ 158,360**	$ 147,871	$ 114,439
Denominator:			
Denominator for basic earnings per share –weighted average shares	**56,990,244**	54,964,747	54,150,255
Effect of dilutive securities:			
Employee stock compensation plans[1]	**754,262**	751,095	669,477
Convertible preferred stock	**6,719,577**	6,719,577	6,719,577
Tanglewood market value guarantee (see Note 15)	**107,879**	43,764	–
Dilutive potential common shares	**7,581,718**	7,514,436	7,389,054
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	**64,571,962**	62,479,183	61,539,309
Basic earnings per share	**$2.75**	$2.66	$2.09
Diluted earnings per share	**$2.45**	$2.37	$1.86
[1] Excludes employee stock options with exercise prices greater than the current market price.	**26,158**	83,704	615,662

(17) Reportable Segments

BOK Financial operates four principal lines of business under its Bank of Oklahoma franchise: corporate banking, consumer banking, mortgage banking and wealth management. It also operates a fifth principal line of business, regional banks, which includes all banking functions for Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A. and Colorado State Bank and Trust, N.A. These five principal lines of business combined account for approximately 94% of total revenue. In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the overall liquidity needs and interest rate risk of the company. Each line of business borrows funds from and provides funds to the funds management unit as needed to support their operations.

The Corporate Banking segment provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and surrounding states. Corporate Banking also includes our TransFund unit, which provides ATM and merchant deposit services. The Consumer Banking segment provides a full line of deposit, loan and fee-based services to customers throughout Oklahoma through four major distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and the Internet. The Mortgage Banking segment consists of two operating sectors that originate a full range of mortgage products from federally sponsored programs to "jumbo loans" on higher priced homes in BOK Financial's primary market areas. The Mortgage Banking segment also services mortgage loans acquired from throughout the United States. The Wealth Management segment provides a wide range of trust and private financial services, including institutional, investment and retirement products, loans and other services to affluent individuals, businesses, not-for-profit organizations, and governmental agencies. Trust services are primarily provided to clients in Oklahoma, Texas, Arkansas and New Mexico. Wealth Management includes a nationally competitive, self-directed 401-(k) program. Additionally, Wealth Management engages in securities brokerage and trading activities and investment banking. Wealth Management includes BOSC, Inc., a registered broker/dealer. Regional banks include Bank of Texas, Bank of Albuquerque, Bank of Arkansas, and Colorado State Bank and Trust. Each of these banks provides a full range of corporate and consumer banking services in their respective markets. Trust Services provided through Colorado State Bank and Trust are included in the Regional Banks segment.

BOK Financial identifies reportable segments by type of service provided for the Mortgage Banking and the Wealth Management segments and by type of customer for the Corporate Banking and Consumer Banking segments. Regional Banks are identified by legal entity. Operating results are adjusted for intercompany loan participations and allocated service costs and management fees.

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 90 days for certain rate-sensitive deposits to five years. The accounting policies of the reportable segments generally follow those described in the summary of significant account policies except interest income is reported on a fully tax-equivalent basis, loan losses are based on actual net amounts charged off and the amortization of intangible assets is generally excluded.

Economic capital is assigned to the business units based on an allocation method that reflects management's assessment of risk. In the second quarter of 2003, management adopted a third-party developed capital allocation model. This model assigns capital based upon credit, operating, interest rate, liquidity and market risk inherent in BOK Financial's 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. Previously, capital was assigned to the business units based on an internally developed model that focused primarily on credit risk as defined by regulatory standards. While adoption of this new model has not significantly affected management's assessment of the overall capital levels required for the company, it has assigned more capital to business units with operating, interest rate and market risk and assigned less capital to business units with credit risk. Additional capital is assigned to the regional banks line of business based on BOK Financial's investment in those entities. Capital assignments for prior periods have been restated to reflect this new allocation model.

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

(In Thousands)	Corporate Banking	Consumer Banking	Mortgage Banking	Wealth Management	Regional Banks	All Other/ Eliminations	Total
Year ended December 31, 2003							
Net interest revenue/(expense) from external sources	**$ 144,791**	**$ (16,725)**	**$ 27,770**	**$ 1,967**	**$ 164,755**	**$ 67,471**	**$ 390,029**
Net interest revenue/(expense) from internal sources	**(28,218)**	**57,925**	**(9,415)**	**8,954**	**(12,151)**	**(17,095)**	**–**
Total net interest revenue	**116,573**	**41,200**	**18,355**	**10,921**	**152,604**	**50,376**	**390,029**
Provision for loan losses	**10,325**	**6,887**	**917**	**390**	**6,425**	**10,692**	**35,636**
Other operating revenue	**79,316**	**47,361**	**36,379**	**91,534**	**36,531**	**(10,431)**	**280,690**
Capitalized mortgage servicing rights	**–**	**–**	**23,922**	**–**	**–**	**–**	**23,922**
Financial instruments gains/(losses)	**614**	**–**	**4,025**	**53**	**339**	**(6,651)**	**(1,620)**
Operating expense	**88,478**	**66,639**	**58,204**	**80,440**	**118,386**	**20,887**	**433,034**
Recovery for impairment of mortgage servicing rights	**–**	**–**	**(22,923)**	**–**	**–**	**–**	**(22,923)**
Income taxes	**38,007**	**5,849**	**18,082**	**8,432**	**23,606**	**(5,062)**	**88,914**
Net income	**$ 59,693**	**$ 9,186**	**$ 28,401**	**$ 13,246**	**$ 41,057**	**$ 6,777**	**$ 158,360**
Average assets	**$4,362,396**	**$2,514,262**	**$623,823**	**$731,303**	**$4,899,360**	**$(365,583)**	**$12,765,561**
Average equity	**311,140**	**58,000**	**69,100**	**69,690**	**360,220**	**291,406**	**1,159,556**
Performance measurements:							
Return on assets	**1.37%**	**.37%**	**4.55%**	**1.81%**	**0.84%**	**–**	**1.24%**
Return on equity	**19.19**	**15.84**	**41.10**	**19.01**	**11.40**	**–**	**13.66**
Efficiency ratio	**45.17**	**75.25**	**74.00**	**78.51**	**62.59**	**–**	**62.34**

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	**$339,653**	**$315,043**	**$389,224**	**$151,583**	**$13,131,144**
Unallocated items:					
Tax-equivalent adjustment	**5,170**	**–**	**–**	**5,170**	**–**
Funds management	**59,520**	**(6,520)**	**13,926**	**4,972**	**1,379,319**
All others (including eliminations), net	**(14,314)**	**(3,911)**	**6,961**	**(3,365)**	**(1,744,902)**
BOK Financial consolidated	**$390,029**	**$304,612**	**$410,111**	**$158,360**	**$12,765,561**

[1]Excluding financial instrument gains/(losses)

(In Thousands)	Corporate Banking	Consumer Banking	Mortgage Banking	Wealth Management	Regional Banks	All Other/ Eliminations	Total
Year ended December 31, 2002							
Net interest revenue/(expense) from external sources	$ 155,648	$ (17,875)	$ 32,199	$ 1,958	$ 138,145	$ 58,126	$ 368,201
Net interest revenue/(expense) from internal sources	(45,573)	61,301	(13,713)	8,162	(12,835)	2,658	–
Total net interest revenue	110,075	43,426	18,486	10,120	125,310	60,784	368,201
Provision for loan losses	6,475	7,829	252	363	6,161	12,650	33,730
Other operating revenue	72,234	38,862	37,845	69,932	26,876	(10,349)	235,400
Capitalized mortgage servicing rights	–	–	20,832	–	–	–	20,832
Financial instruments gains/(losses)	658	–	26,345	68	4,205	33,322	64,598
Operating expense	81,434	63,401	54,795	69,709	94,383	16,950	380,672
Provision for impairment of mortgage servicing rights	–	–	45,923	–	–	–	45,923
Income taxes	36,977	4,302	987	3,966	20,415	14,188	80,835
Net income	$ 58,081	$ 6,756	$ 1,551	$ 6,082	$ 35,432	$ 39,969	$ 147,871
Average assets	$4,038,353	$2,341,239	$671,798	$556,390	$3,915,411	$(230,621)	$11,292,570
Average equity	298,020	60,910	34,160	60,880	286,730	198,138	938,838
Performance measurements:							
Return on assets	1.44%	.29%	.23%	1.09%	.90%	–	1.31%
Return on equity	19.49	11.09	4.54	9.99	12.36	–	15.75
Efficiency ratio	44.67	77.05	71.01	87.08	62.02	–	60.96

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$307,417	$266,581	$ 409,645	$107,902	$11,523,191
Unallocated items:					
Tax-equivalent adjustment	6,119	–	–	6,119	–
Funds management	72,802	(7,245)	10,503	40,652	661,182
All others (including eliminations), net	(18,137)	(3,104)	6,447	(6,802)	(891,803)
BOK Financial consolidated	$368,201	$256,232	$ 426,595	$147,871	$11,292,570

[1]Excluding financial instrument gains/(losses)

(In Thousands)	Corporate Banking	Consumer Banking	Mortgage Banking	Wealth Management	Regional Banks	All Other/ Eliminations	Total
Year ended December 31, 2001							
Net interest revenue/(expense) from external sources	$ 199,727	$ (34,049)	$ 32,545	$ 839	$ 138,846	$ (8,956)	$ 328,952
Net interest revenue/(expense) from internal sources	(86,150)	94,393	(20,867)	13,136	(11,689)	11,177	–
Total net interest revenue	113,577	60,344	11,678	13,975	127,157	2,221	328,952
Provision for loan losses	10,481	4,180	47	128	5,873	16,901	37,610
Other operating revenue	62,648	29,995	30,119	67,564	19,642	(4,153)	205,815
Capitalized mortgage servicing rights	–	–	22,695	–	–	–	22,695
Financial instruments gains/(losses)	(250)	–	12,757	–	484	13,587	26,578
Operating expense	78,190	59,099	47,750	63,186	91,088	14,917	354,230
Provision for impairment of mortgage servicing rights	–	–	15,551	–	–	–	15,551
Income taxes	33,960	10,527	5,408	7,096	18,518	(13,063)	62,446
Transition adjustment of adoption of FAS 133	–	–	–	–	–	236	236
Net income	$ 53,344	$ 16,533	$ 8,493	$ 11,129	$ 31,804	$ (6,864)	$ 114,439
Average assets	$3,867,850	$2,192,698	$651,103	$492,811	$3,352,149	$(315,009)	$10,241,602
Average equity	275,090	53,250	18,700	52,290	234,420	147,285	781,035
Performance measurements:							
Return on assets	1.38%	0.75%	1.30%	2.26%	0.95%	–	1.12%
Return on equity	19.39	31.05	45.42	21.28	13.57	–	14.65
Efficiency ratio	44.37	65.42	74.04	77.49	62.05	–	63.54

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$326,731	$232,663	$354,864	$121,303	$10,556,611
Unallocated items:					
Tax-equivalent adjustment	8,045	–	–	8,045	–
Funds management	15,177	(408)	7,946	(719)	323,113
All others (including eliminations), net	(21,001)	(3,745)	6,971	(14,190)	(638,122)
BOK Financial consolidated	$328,952	$228,510	$369,781	$114,439	$10,241,602

[1]Excluding financial instrument gains/(losses)

(18) Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of financial instruments as of December 31, 2003 and 2002 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Repricing (in years)	Discount Rate	Estimated Fair Value
2003:					
Cash and cash equivalents	**$ 643,912**				**$ 643,912**
Securities	**4,714,642**				**4,717,947**
Loans:					
Commercial	**4,336,702**	**2.75 – 18.94%**	**0.38**	**1.20 – 5.43%**	**4,528,247**
Commercial real estate	**1,630,092**	**2.45 – 11.50**	**1.26**	**4.45 – 6.35**	**1,637,499**
Residential mortgage	**1,015,643**	**2.75 – 7.96**	**2.55**	**3.83 – 6.28**	**1,020,330**
Residential mortgage – held for sale	**56,543**	**–**	**–**	**–**	**56,543**
Consumer	**444,909**	**1.11 – 18.69**	**2.63**	**3.43 – 7.50**	**442,485**
Total loans	**7,483,889**				**7,685,104**
Reserve for loan losses	**(128,639)**				**–**
Net loans	**7,355,250**				**7,685,104**
Derivative instruments with positive fair value	**149,100**				**149,100**
Deposits with no stated maturity	**5,845,137**				**5,845,137**
Time deposits	**3,374,726**	**0.60 – 7.65**	**2.03**	**1.05 – 2.27**	**3,413,556**
Other borrowings	**2,626,318**	**1.05 – 7.74**	**.05**	**1.00 – 3.29**	**2,626,136**
Subordinated debt	**154,332**	**6.22**	**3.60**	**5.01**	**170,612**
Derivative instruments with negative fair value	**149,326**				**149,326**
2002:					
Cash and cash equivalents	$ 624,215				$ 624,215
Securities	4,136,403				4,140,606
Loans:					
Commercial	3,989,798	1.78 – 12.25%	0.32	1.45 – 5.68%	4,058,743
Commercial real estate	1,435,838	2.70 – 12.50	1.09	4.70 – 6.60	1,450,552
Residential mortgage	929,759	3.50 – 8.50	2.74	3.92 – 6.67	933,161
Residential mortgage – held for sale	133,421	–	–	–	133,421
Consumer	412,167	1.33 – 21.00	2.49	3.64 – 7.75	416,643
Total loans	6,900,983				6,992,520
Reserve for loan losses	(116,070)				–
Net loans	6,784,913				6,992,520
Derivative instruments with positive fair value	90,776				90,776
Deposits with no stated maturity	4,860,534				4,860,534
Time deposits	3,267,991	0.90 – 7.65	1.54	1.26 – 2.34	3,353,243
Other borrowings	2,655,708	3.29 – 5.84	0.05	1.13 – 3.29	2,658,930
Subordinated debt	155,419	6.45	4.60	4.50	175,307
Derivative instruments with negative fair value	80,079				80,079

The preceding table presents the estimated fair values of financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involved significant judgments by management. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, BOK Financial does not know whether the fair values shown above represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

Cash and Cash Equivalents

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

Securities

The fair values of securities are based on quoted market prices or dealer quotes, when available. If quotes are not available, fair values are based on quoted prices of comparable instruments.

Derivatives

All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate, energy and foreign exchange contracts are based on valuations provided either by third-party dealers in the contracts or by quotes provided by independent pricing services.

Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates currently being offered for loans with similar remaining terms to maturity and credit risk, adjusted for the impact of interest rate floors and ceilings. The fair values of classified loans were estimated to approximate their carrying values less loan loss reserves allocated to these loans of $30 million and $29 million at December 31, 2003 and 2002, respectively.

The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments and hedging transactions.

Deposits

The fair values of time deposits are based on discounted cash flow analyses using interest rates currently being offered on similar transactions. Statement of Financial Accounting Standard No. 107, "Disclosures about Fair Value of Financial Instruments," ("FAS 107") defines the estimated fair value of deposits with no stated maturity, which includes demand deposits, transaction deposits, money market deposits and savings accounts, to equal the amount payable on demand. Although market premiums paid reflect an additional value for these low cost deposits, FAS 107 prohibits adjusting fair value for the expected benefit of these deposits. Accordingly, the positive effect of such deposits is not included in this table.

Other Borrowings and Subordinated Debenture

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

Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at December 31, 2003 and 2002.

(19) Financial Instruments with Off-Balance Sheet Risk

BOK Financial is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage interest rate risk. Those financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in BOK Financial's Consolidated Balance Sheets. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the notional amount of those instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2003, outstanding commitments totaled $3 billion. Because some of the commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BOK Financial uses the same credit policies in making commitments as it does loans.

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

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At December 31, 2003, outstanding standby letters of credit totaled $497 million.

Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At December 31, 2003, outstanding commercial letters of credit totaled $7 million.

(20) Parent Company Only Financial Statements

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

Balance Sheets

(In Thousands)

	December 31, 2003	2002
Assets		
Cash and cash equivalents	**$ 10,881**	$ 16,466
Securities – available for sale	**16,657**	14,253
Investment in subsidiaries	**1,296,749**	1,146,915
Other assets	**1,750**	8,102
Total assets	**$1,326,037**	$1,185,736
Liabilities and Shareholders' Equity		
Other borrowings	**$ 95,000**	$ 85,000
Other liabilities	**2,407**	1,210
Total liabilities	**97,407**	86,210
Preferred stock	**12**	25
Common stock	**4**	3
Capital surplus	**546,594**	475,054
Retained earnings	**698,052**	598,777
Treasury stock	**(24,491)**	(17,421)
Accumulated other comprehensive income	**8,459**	43,088
Total shareholders' equity	**1,228,630**	1,099,526
Total liabilities and shareholders' equity	**$1,326,037**	$1,185,736

Statements of Earnings

(In Thousands)

	2003	2002	2001
Dividends, interest and fees received from subsidiaries	**$ 66,165**	$ 42,821	$ 91,960
Other operating revenue	**431**	441	425
Total revenue	**66,596**	43,262	92,385
Interest expense	**1,771**	3,453	6,458
Personnel expense	**–**	–	2
Professional fees and services	**545**	433	471
Other operating expense	**(4)**	205	265
Total expense	**2,312**	4,091	7,196
Income before taxes and equity in undistributed income of subsidiaries	**64,284**	39,171	85,189
Federal and state income tax credit	**(678)**	(1,879)	(3,092)
Income before equity in undistributed income of subsidiaries	**64,962**	41,050	88,281
Equity in undistributed income of subsidiaries	**93,398**	106,821	26,158
Net income	**$158,360**	$147,871	$114,439

Statements of Cash Flows

(In Thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income	**$ 158,360**	$ 147,871	$ 114,439
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	**(93,398)**	(106,821)	(26,158)
Tax benefit on exercise of stock options	**1,325**	5,482	3,408
Change in other assets	**(944)**	(104)	(57)
Change in other liabilities	**272**	(930)	166
Net cash provided by operating activities	**65,615**	45,498	91,798
Cash flows from investing activities:			
Purchases of available for sale securities	**(27)**	(568)	(1,961)
Investment in subsidiaries	**(85,015)**	(5,482)	(119,309)
Net cash used by investing activities	**(85,042)**	(6,050)	(121,270)
Cash flows from financing activities:			
Increase in other borrowings	**105,000**	–	124,963
Pay down of other borrowings	**(95,000)**	(40,095)	(95,000)
Issuance of preferred, common and treasury stock, net	**4,627**	4,172	2,745
Cash dividends	**(785)**	(30)	(20)
Net cash provided (used) by financing activities	**13,842**	(35,953)	32,688
Net change in cash and cash equivalents	**(5,585)**	3,495	3,216
Cash and cash equivalents at beginning of period	**16,466**	12,971	9,755
Cash and cash equivalents at end of period	**$ 10,881**	$ 16,466	$ 12,971
Payment of dividends in common stock	**$ 58,300**	$ 53,165	$ 36,371
Cash paid for interest	**1,947**	3,482	6,726
Common stock and price guarantee issued for acquisition	**–**	67,745	–

Annual Financial Summary – Unaudited

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands)	2003		
	Average Balance	**Revenue/ Expense[1]**	**Yield/ Rate**
Assets			
Taxable securities[3]	**$ 4,316,303**	**$180,581**	**4.22%**
Tax-exempt securities[3]	**191,982**	**12,527**	**6.59**
Total securities[3]	**4,508,285**	**193,108**	**4.32**
Trading securities	**16,975**	**694**	**4.09**
Funds sold and resell agreements	**26,330**	**281**	**1.07**
Loans[2]	**7,101,543**	**376,260**	**5.30**
Less reserve for loan losses	**124,646**	**–**	**–**
Loans, net of reserve	**6,976,897**	**376,260**	**5.39**
Total earning assets[3]	**11,528,487**	**570,343**	**4.96**
Cash and other assets	**1,237,074**		
Total assets	**$12,765,561**		
Liabilities and Shareholders' Equity			
Transaction deposits	**$ 3,605,539**	**$ 31,346**	**0.87%**
Savings deposits	**172,938**	**944**	**0.55**
Time deposits	**3,439,361**	**99,639**	**2.90**
Total interest-bearing deposits	**7,217,838**	**131,929**	**1.83**
Funds purchased and repurchase agreements	**1,537,100**	**15,590**	**1.01**
Other borrowings	**1,051,685**	**18,148**	**1.73**
Subordinated debentures	**154,940**	**9,477**	**6.12**
Total interest-bearing liabilities	**9,961,563**	**175,144**	**1.76**
Demand deposits	**1,309,744**		
Other liabilities	**334,698**		
Shareholders' equity	**1,159,556**		
Total liabilities and shareholders' equity	**$12,765,561**		
Tax-equivalent Net Interest Revenue[3]		**$395,199**	**3.20%**
Tax-equivalent Net Interest Revenue to Earning Assets[3]			**3.43**
Less tax-equivalent adjustment[1]		**5,170**	
Net Interest Revenue		**390,029**	
Provision for loan losses		**35,636**	
Other operating revenue		**302,992**	
Other operating expense		**410,111**	
Income before taxes		**247,274**	
Federal and state income tax		**88,914**	
Net Income		**$158,360**	

1 Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.
2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income. See Note 1 of Notes to the Consolidated Financial Statements for a description of income recognition policy.
3 Yield calculations exclude security trades that have been recorded on trade date with no corresponding interest income.

2002			2001		
Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate
$ 3,756,666	$186,902	5.22%	$2,989,967	$184,464	6.17%
208,503	14,789	7.09	277,309	19,935	7.19
3,965,169	201,691	5.32	3,267,276	204,399	6.26
14,215	750	5.28	18,504	1,200	6.49
16,024	291	1.82	18,419	829	4.50
6,401,510	378,300	5.91	5,989,224	456,250	7.62
109,985	–	–	92,392	–	–
6,291,525	378,300	6.01	5,896,832	456,250	7.74
10,286,933	581,032	5.75	9,201,031	662,678	7.20
1,005,637			1,040,571		
$11,292,570			$10,241,602		
$ 2,798,639	$ 39,273	1.40%	$ 2,267,032	$ 49,893	2.20%
165,988	1,976	1.19	154,934	2,281	1.47
3,057,645	104,217	3.41	2,960,170	154,035	5.20
6,022,272	145,466	2.42	5,382,136	206,209	3.83
1,549,021	25,218	1.63	1,652,467	64,358	3.89
1,058,717	25,277	2.39	974,907	44,191	4.53
181,911	10,751	5.91	180,211	10,923	6.06
8,811,921	206,712	2.35	8,189,721	325,681	3.98
1,185,891			1,102,958		
355,920			167,888		
938,838			781,035		
$11,292,570			$10,241,602		
	$374,320	3.40%		$336,997	3.22%
		3.70			3.66
	6,119			8,045	
	368,201			328,952	
	33,730			37,610	
	320,830			255,452	
	426,595			369,781	
	228,706			177,013	
	80,835			62,574	
	$147,871			$114,439	

Quarterly Financial Summary – Unaudited

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months Ended					
	December 31, 2003			September 30, 2003		
	Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate
Assets						
Taxable securities[3]	**$ 4,421,278**	**$ 45,838**	**4.08%**	$ 4,360,340	$ 42,698	3.86%
Tax-exempt securities[3]	**189,829**	**2,958**	**6.19**	186,827	3,003	6.38
Total securities[3]	**4,611,107**	**48,796**	**4.17**	4,547,167	45,701	3.96
Trading securities	**17,325**	**147**	**3.37**	27,830	295	4.21
Funds sold and resell agreements	**26,730**	**65**	**0.96**	32,491	51	0.62
Loans[2]	**7,359,126**	**96,059**	**5.18**	7,122,211	93,013	5.18
Less reserve for loan losses	**129,445**	**–**	**–**	125,966	–	–
Loans, net of reserve	**7,229,681**	**96,059**	**5.27**	6,996,245	93,013	5.27
Total earning assets[3]	**11,884,843**	**145,067**	**4.83**	11,603,733	139,060	4.74
Cash and other assets	**1,342,042**			1,252,896		
Total assets	**$13,226,885**			$12,856,629		
Liabilities and Shareholders' Equity						
Transaction deposits	**$ 3,886,546**	**$ 7,377**	**0.75%**	$ 3,715,035	$ 7,200	0.77%
Savings deposits	**179,867**	**255**	**0.56**	170,796	200	0.46
Time deposits	**3,442,358**	**25,094**	**2.89**	3,423,920	23,863	2.77
Total interest-bearing deposits	**7,508,771**	**32,726**	**1.73**	7,309,751	31,263	1.70
Funds purchased and repurchase agreements	**1,679,540**	**3,921**	**0.93**	1,529,721	3,566	0.92
Other borrowings	**1,031,414**	**4,240**	**1.63**	1,062,734	4,383	1.64
Subordinated debentures	**154,524**	**2,216**	**5.69**	154,865	2,421	6.20
Total interest-bearing liabilities	**10,374,249**	**43,103**	**1.65**	10,057,071	41,633	1.64
Demand deposits	**1,370,088**			1,323,641		
Other liabilities	**284,432**			314,583		
Shareholders' equity	**1,198,116**			1,161,334		
Total liabilities and shareholders' equity	**$13,226,885**			$12,856,629		
Tax-equivalent Net Interest Revenue[3]		**$101,964**	**3.18%**		$97,427	3.10%
Tax-equivalent Net Interest Revenue to Earning Assets[3]			**3.39**			3.32
Less tax-equivalent adjustment[1]		**1,184**			1,256	
Net Interest Revenue		**100,780**			96,171	
Provision for loan losses		**8,001**			8,220	
Other operating revenue		**71,051**			63,428	
Other operating expense		**108,321**			90,771	
Income before taxes		**55,509**			60,608	
Federal and state income tax		**20,207**			21,792	
Net Income		**$ 35,302**			$ 38,816	
Earnings Per Average Common Share Equivalent:						
Net income:						
Basic		**$0.61**			$0.67	
Diluted		**$0.55**			$0.60	

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

2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income. See Note 1 of Notes to the Consolidated Financial Statements for a description of income recognition policy.

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

Three Months Ended								
June 30, 2003			March 31, 2003			December 31, 2002		
Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate
$ 4,388,733	$ 46,911	4.30%	$ 4,145,472	$ 45,134	4.64%	$ 4,000,780	$ 45,710	4.76%
185,908	3,179	6.86	197,902	3,387	6.94	194,586	3,407	6.95
4,574,641	50,090	4.41	4,343,374	48,521	4.75	4,195,366	49,117	4.87
12,207	136	4.47	10,342	116	4.55	8,639	87	4.00
16,669	59	1.42	29,392	106	1.46	24,856	92	1.47
6,970,905	92,576	5.33	6,949,113	94,612	5.52	6,761,498	95,864	5.62
123,095	–	–	119,959	–	–	114,711	–	–
6,847,810	92,576	5.42	6,829,154	94,612	5.62	6,646,787	95,864	5.72
11,451,327	142,861	5.01	11,212,262	143,355	5.28	10,875,648	145,160	5.39
1,207,690			1,154,403			1,057,625		
$12,659,017			$12,366,665			$11,933,273		
$ 3,523,932	$ 7,992	0.91%	$ 3,288,874	$ 8,777	1.08%	$ 2,988,986	$ 9,648	1.28%
172,258	183	0.43	168,730	306	0.74	173,286	491	1.12
3,491,055	24,688	2.84	3,399,813	25,994	3.10	3,248,364	25,531	3.12
7,187,245	32,863	1.83	6,857,417	35,077	2.07	6,410,636	35,670	2.21
1,515,597	4,080	1.08	1,420,781	4,023	1.15	1,523,923	5,471	1.42
1,053,573	4,604	1.75	1,059,201	4,921	1.88	1,084,616	5,751	2.10
155,078	2,420	6.26	155,304	2,420	6.32	169,874	2,580	6.03
9,911,493	43,967	1.78	9,492,703	46,441	1.98	9,189,049	49,472	2.14
1,252,076			1,292,077			1,310,932		
332,430			465,820			378,573		
1,163,018			1,116,065			1,054,719		
$12,659,017			$12,366,665			$11,933,273		
	$ 98,894	3.23%		$ 96,914	3.30%		$ 95,688	3.25%
		3.47			3.57			3.55
	1,327			1,403			1,404	
	97,567			95,511			94,284	
	9,503			9,912			10,001	
	87,282			81,231			79,807	
	111,864			99,155			105,081	
	63,482			67,675			59,009	
	22,707			24,208			20,858	
	$ 40,775			$ 43,467			$ 38,151	
	$0.71			$0.76			$0.67	
	$0.63	`		$0.67			$0.60	

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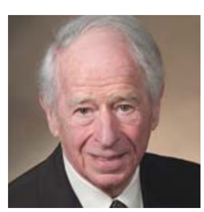

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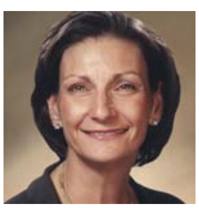

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2 Park Cities Bancshares, Inc./
Bank of Texas, N.A.

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BOK Financial Corporation

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CSBT

Gregory K. Symons
Chairman & CEO
CSBT

John G. Wilkinson
Chairman Emeritus
CSBT

Shareholder Information

Corporate Headquarters:
Bank of Oklahoma Tower
P.O. Box 2300
Tulsa, Oklahoma 74192
(918) 588-6000

Independent Auditors:
Ernst & Young LLP
3900 One Williams Center
Tulsa, Oklahoma 74172
(918) 560-3600

Legal Counsel:
Frederic Dorwart Lawyers
Old City Hall
124 E. Fourth St.
Tulsa, Oklahoma 74103-5010
(918) 583-9922

Common Shares:
Traded NASDAQ National Market
NASDAQ Symbol: BOKF
Number of common shareholders of record at December 31, 2003: 1,205

Market Makers:
Advest, Inc.
Bernard L. Madoff
Bloomberg Tradebook
Brut Utility, LLC
Brokerage America, Inc.
CIBC World Markets Corp.
Citigroup Global Markets, Inc.
Credit Suisse First Boston
Deutsche Bank Securities Inc.
Goldman Sachs & Company
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Prudential Securities
Robert W. Baird & Co, Inc
Sandler O'Neill & Partners
Schonfeld Securities, LLC
Schwab Capital Markets
Spear Leeds & Kellogg
State Street Brokerage Service
Stephens, Inc.

Transfer Agent and Registrar

SunTrust Bank • (800) 568-3476

Address Shareholder Inquiries

Send certificates for transfer and address changes to:

BY MAIL:
SunTrust Bank
P.O. Box 4625
Atlanta, GA 30303

BY HAND OR OVERNIGHT COURIER:
SunTrust Bank
Stock Transfer Department
58 Edgewood Avenue, Room 225
Atlanta, GA 30303

Copies of BOK Financial Corporation's Annual Report to Shareholders, Quarterly Reports and Form 10-K to the Securities and Exchange Commission are available without charge upon written request. Analysts, shareholders and other investors seeking financial information about BOK Financial Corporation are invited to contact Steven E. Nell, Executive Vice President, Chief Financial Officer, (918) 588-6752.

Information about BOK Financial is also readily available at our website: **www.bokf.com**

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