2004 Annual Report

The Places of the Story

Since 1991, BOK Financial Corporation has evolved from a bank committed to unparalleled local service in one state to an integrated financial services company dedicated to relationship banking region-wide. As always, we remain resolute in our devotion to creating value for our shareholders, clients, employees and communities. This is our story ....

COLORADO
KANSAS
MISSOURI
ARIZONA
NEW MEXICO
OKLAHOMA
ARKANSAS
TEXAS

Creating Value

The BOK Financial Corporation Story

In an age of interminable change, our story remains the same ... 14 years of record earnings and superior returns for our investors. As we enter our 15th year, BOK Financial Corporation remains committed to growth by offering our clients superior products and services with a steadfast focus on providing long-term value for our shareholders.

In 2004, BOK Financial delivered record earnings, including net income of $179 million, or $2.68 per share, an increase of 13 percent over 2003. Our growth continues to be supported by revenue diversity and geographic expansion. We are enhancing our reach with the planned acquisition of Valley Commerce Bank in Phoenix, one of the country's most dynamic markets. With this new entry, we will have full-service banks in six states and offices in 10. Revenue diversity helped us overcome the impact of the slowdown in mortgage activity, which accounted for 18 percent of net income in 2003 but only 1 percent in 2004. Non-interest revenue from fees and commissions constituted 42 percent of revenue in 2004 compared with 34 percent for peer banks with assets half to double ours. Coupled with this is a devotion to improving productivity and efficiency. Our efficiency ratio of 60 percent compares favorably to peers with a similar mix of fee revenue. Our credit quality remains very strong, and our success is bolstered by a commitment to strong local leadership, prudent expense management and retention and recruitment of accomplished local bankers.

On the following pages, we tell our story. But first, we would like to acknowledge the dedication of our 3,500 employees. Their commitment to excellence and achievement with integrity enables BOK Financial to provide quality relationship banking and financial services that we believe are the best in the markets we serve. Our employees will continue to provide sophisticated products and services with a commitment to old-fashioned banking that prizes close, personal attention and a dedication first and foremost to meeting client needs.

As we tell our story—and live it—we at BOK Financial will always value our people, value our clients and remain committed to the communities we serve. All the while, we will work to generate optimal long-term returns for our shareholders. And with that, this is our story… it's about creating lasting value, both now and into the future.

Creating Value

For Investors, Clients and Communities

In 1991, BOK Financial Corporation was a $2 billion bank focused on a single state. Today, we are a diversified, $15 billion regional financial services company with a presence in the Southwest, Midwest and the Rockies. Our 20 full-service banking locations have grown to 149 locations in six states, plus broker-dealer offices in 10. Our emergence as a regional financial force for businesses, consumers, institutions and investors has provided an annual return of 28 percent for our shareholders since our founding. A $10,000 investment in BOK Financial in 1991 was worth $248,773 at the end of 2004.

That's our story. It's about creating value—for our investors, clients, employees and communities—through a commitment to principles, strategies and structure that promote prudent growth while keeping a vigilant eye on providing the best, most responsive service available. Although our results speak for themselves, we are not content. We continue to enhance the value of our franchise for all our stakeholders. We are the largest bank in our original market and have enjoyed solid growth corporate-wide. Regionally, we are not bent on being the biggest bank, just one that offers the best service in the areas we choose to compete. We have grown through guidance from a simple vision—to provide sophisticated products competitive with the largest banks but delivered with personal, responsive client service characteristic of a local bank putting the needs of customers first. Our vision is backed by strategies that foster growth. We aim to:

- leverage our leadership position in Oklahoma,
- expand into growing metropolitan markets in the region,
- diversify and grow non-interest revenue, and
- focus on opportunities to serve the commercial middle market, small business and retail clients.

Supporting our strategies is a consistent commitment to credit quality in a diversified loan portfolio. We also continue to introduce new technologies that enhance our products and services, creating operating efficiencies as part of our approach to sensible expense management. While we endeavor to hold down business costs, our chief aim is to improve client service and maximize opportunities to generate new revenue.

Our vision and strategies are reinforced by a business model that fosters communication among our relationship officers across business lines to fully meet each client's needs. In doing so, we make the most of opportunities before us and avoid the isolation that shortchanges clients with diverse financial needs. Our broad, inclusive focus is built on the experience of top executives averaging more than 25 years of industry experience and 13 years on average at our company. The percentage of company ownership

personally maintained by our board of directors is among the highest in the nation, which helps create strong alignment between management and shareholders. Executives oversee three divisions dedicated to client care:

- Consumer and Wealth Management encompasses Consumer, Trust, Private Financial Services, Mortgage, Community Development and Investment Services;
- Oklahoma/Arkansas Commercial includes Commercial, Treasury Services, and the electronic funds business in our largest Commercial Banking segment; and
- Regional Banking, our fastest growing segment, has oversight of banking activities in Arizona, Colorado, New Mexico and Texas.

Through all our efforts, we stand first and foremost behind local banks managed by local bankers and local boards of directors who value attention to client satisfaction and community service through six national affiliate banks and our broker-dealer. We are:

- Bank of Albuquerque (Albuquerque and Santa Fe)
- Bank of Arkansas (Fayetteville and Bentonville)
- Bank of Oklahoma (Oklahoma City, Tulsa and nine communities)
- Bank of Texas (Dallas-Fort Worth, Greater Houston and Sherman)
- Colorado State Bank and Trust (Denver)
- Valley Commerce Bank (Phoenix and Scottsdale) - closing anticipated April 2005
- BOSC, Inc. (offices in 10 states)

Our values are aimed at superior client service, our strategies foster growth and our operational diversity and organization enhance efficiency and communication. Our attributes bolster a local focus on service quality and client fulfillment.

Ultimately, our goal is to produce exceptional growth in earnings and long-term shareholder returns. We plan on keeping it that way, so our story will remain the same—a chronicle of creating lasting value.

Creating Value

Through Diverse Revenue Streams

For BOK Financial, value equals diversity. Our story is about competing effectively in any economic environment with the help of diverse sources of non-interest revenue that fuel growth. Our results?

- 12.3 percent annual growth over the last five years in fees and commissions from trust, mortgage, transaction cards, brokerage and trading, and deposit accounts.
- Non-interest revenue accounting for 42 percent of total revenue compared with 34 percent for peer banks.
- The potential for greater incremental growth in regional markets where our fee and commission generating lines are relatively new.

Armed with product diversity and innovation, our Trust Division contributes to this non-interest revenue growth. In 2004, overall Trust revenue grew 26 percent—including 16 percent internal growth—from first-rate services for retirement and institutional benefits, personal trust, estate planning, mutual fund advice, corporate trust and trust oil and gas services. In fact, our trust oil and gas services, which include managing mineral properties for clients and overseeing assets outsourced from other financial institutions, are considered among the best nationally. Other cutting-edge products and services garnering national attention include our self-directed 401 (k) plan utilized by some of the nation's largest law firms, as well as smaller professional corporations in which principals want the flexibility to personally select from a broad universe of investment options. In our mutual fund family, the American Performance Funds, our short-term income fund is among the top performers in its category over the last five-year period, according to Lipper. In addition to increased revenue from new trust and investment products, we are benefiting from consolidation of our trust, investment management and affluent market brokerage sales groups. This provides one point of client contact for our full range of investment services and ensures the most comprehensive service and personal attention available in any market.

Growth in our Consumer Division continues to be fueled by our commitment to add full-service locations, utilize innovative marketing approaches and constantly improve client service through our Perfect Banking initiative. Our approach has generated:

- fee growth of 20 percent in 2004 and 21 percent over five years, based on a compound annual growth rate,
- 12 percent growth in the number of checking accounts in 2004, and 15 percent annually over five years,
- overall deposit growth of 15 percent in 2004 and 11 percent annually over the five-year period.

While the number of our full-service locations has grown seven-fold since our founding, we maintain a concerted program of finding new expansion opportunities for our branch network in all our markets. Last year, through new in-store and traditional branches, we added 12 locations that appeal to clients appreciative of service with a personal touch.

At our broker-dealer, we continue to experience fee and commission growth through superior performance by financial consultants with experience seven times the industry average. The firm offers retail brokerage and institutional sales, as well as public finance services that rank first in our original market. We have 165 registered representatives in 10 states. But we are about performance, not just presence. Our broker-dealer has experienced compound annual growth in revenue of 20 percent over the past five years. Our broker-dealer investment revenue per million dollars of deposits is three times the industry average. To build on our accomplishments, we have introduced financial risk management services that allow our clients to hedge energy, interest rate and foreign exchange risks. We have also expanded corporate and mortgage-backed securities capabilities.

Our electronic funds transfer network, TransFund, continues to experience revenue growth—14 percent annually over five years—as an ATM network operator, merchant payment service provider and check card processor. We began with a single ATM in 1976 and are now the nation's 11th largest EFT network, solely created by internal growth. TransFund has:

- almost 1,400 ATMs,
- 340 financial institution clients in 10 states,
- 1.7 million cardholders, and
- 149 million debit card transactions a year.

In Treasury Services, we provide complete deposit services to commercial clients. Our mortgage company remains a valuable contributor to non-interest revenue, and our International Department generates a growing portion of fee income through a broad range of products and services. There are substantial non-interest revenue growth opportunities throughout our regional markets where we are still a relatively recent arrival. In our original market, non-interest revenue was 49 percent of total revenue in 2004. Elsewhere, non-interest revenue represents just 31 percent of the total, but has grown 40 percent annually over the past five years. We plan to continue building value for our investors as we expand our fee services into new markets.

Creating Value

In a Growing, Diverse Region

Our decision in 1996 to expand outside our original market into thriving metropolitan areas in nearby states signaled the beginning of a new chapter in our company's history. Since we ventured into neighboring states almost nine years ago, we have been transformed into a financial services company creating value and strong returns for shareholders through the inherent diversity of our markets. As a result, we are less vulnerable to local economic downturns.

More than half of BOK Financial's revenue and profitability growth now comes from regional banks that provide a relationship-driven alternative for middle market companies, small business owners, trust clients, investors and consumers weary of impersonal banking. Our banks are making this difference for our clients and shareholders in some of the nation's fastest-growing markets with new opportunities for businesses and rising incomes for residents. U.S. Census estimates and data from Dun & Bradstreet reveal abundant growth opportunity. For example:

- The Dallas-Fort Worth Metroplex is home to almost 5.7 million people and more than 240,000 locally based businesses. Included are 39 Fortune 1000 headquarters and more than 3,700 middle market companies with revenue from $10 million to $750 million.

- Greater Houston includes 5 million residents and 191,000 businesses. Middle market companies number more than 3,200. The nation's fourth largest city is home to 41 Fortune 1000 headquarters.

- The Phoenix area has almost 3.4 million residents and more than 110,000 locally based businesses. The nation's sixth largest city and its suburbs include more than 1,600 middle market companies and 14 Fortune 1000 headquarters.

- More than 2.5 million people live in metro Denver, where employers include more than 100,000 businesses. Among the employers are 1,500 middle market companies and 15 Fortune 1000 headquarters.

Even small gains in market share are significant in these vibrant markets. For example, a 1 percent increase in deposit market share in all of Oklahoma represents $443 million in additional deposits. A 1 percent increase in Houston is more than twice that amount.

Our formula for regional expansion is simple: We buy well-managed local banks to gain access to attractive markets. Then we focus on increasing revenue by hiring talent to enhance competitiveness, adding locations and broadening product offerings. While our operations and administrative functions are consolidated system-wide, our client service and marketing functions are handled locally by bankers who know their markets best. We recruit top management with deep roots in the community, proven business development and credit skills, and demonstrated loyalty from clients and employees. We prize

high-quality franchises that we can develop by introducing new products and services. The planned addition this year of Valley Commerce Bank, with locations in Phoenix and Scottsdale, follows our expansion in 2003 into Denver with the acquisition of Colorado State Bank and Trust.

While we remain open to attractive opportunities region-wide, our focus is on ensuring the success of each acquisition by building a strong local bank that generates new business and long-term value. An example of our successful approach is Bank of Albuquerque. In December 1998, we acquired 17 branches that were part of a divestiture from the merger of two large national banks. Included were consumer-focused locations but little management or back office operations. From that basic beginning, we quickly built the bank into the fastest growing financial institution in the market. To accomplish quality growth, we:

- invested heavily in new talent, recruiting principally from the larger banks in the market,
- added commercial lending capabilities, including a solid middle market team,
- introduced our full array of fee-based products and services,
- included our broad base of consumer offerings, and
- launched trust and private financial services.

The results are a study in success. Over the past six years revenue has increased from $25 million to $58 million, a compound annual growth rate of more than 18 percent. We are now the third largest bank in the Albuquerque market.

In 2004, our banks outside of Oklahoma accounted for 33 percent, or $58.6 million, of consolidated net income. Earnings for the regional banks have grown 28 percent annually for the last five years. One of the factors contributing to this growth is an expanding number of locations.

Bank of Texas marked its 37th location with the opening of a new full-service location on the west side of Fort Worth's central business district in 2004. This is the bank's first full-service office in the growing city and a continuation of its expansion across North Texas.

We continue to anticipate growth in the years ahead in regional markets with diverse economies and new possibilities for us, our clients and our shareholders.

Creating Value

With Quality Loans and Leadership

In banking, loans and credit quality are integral to value. Our commitment to be top lenders with sound credits in a diverse portfolio has helped generate consistent loan growth and a steady increase in net interest revenue in stable markets. We are committed region-wide to serving middle market and small business clients through strong local account managers with the flexibility to accommodate clients. We support our staff with centralized credit oversight that includes a strong commitment to quality loans. How do we measure our success?

- By 9.5 percent compound annual growth rate for loans over the past five years compared with 7.0 percent for peer banks,

- by 12.9 percent annual revenue growth in corporate banking since 2000, and

- by net charge-offs that average 31 basis points over the past five years.

Our entire loan portfolio—$7.9 billion at year-end 2004—is bolstered by quality service for energy clients, manufacturers and commercial real estate developers, among others. We also allow our clients to lock in cash flows through our energy hedging program and offer interest rate derivatives that allow clients to quickly and efficiently change the interest rate characteristics of their debt.

Our credit standards, which are applied consistently across the region, are among the most stable in the industry. Attention to the value and quality of our loan portfolio and prudent management of our credits has been developed through experiences in the best and worst of economic times.

While we have successfully applied our expertise regionally, we are not satisfied to rest on our accomplishments in Oklahoma. We are the premier bank in the state, but we continue to build on our leadership in every segment. Initially we benefited from disruptions created by mergers and consolidations, but as consolidation slows, our approach continues to generate new growth.

In 1998, we had 9.8 percent of statewide deposits, which was 3 percentage points higher than our nearest competitor. Through ongoing growth initiatives, our statewide deposit share has increased to 13.0 percent, which is more than twice the market share of our next largest competitor. Industry statistics show that we are also the leader in commercial and consumer banking, mortgage origination, trust and ATM/EFT. Our ability to compete against small community banks and large national banks in Oklahoma gives us confidence we can compete well in our regional markets. It is hard to win on the road if you cannot win at home. Our growth in Oklahoma, combined with our regional expansion, is a strong foundation as we strive to constantly add value.

EPILOGUE:
Value Through a Vision

In 2005, we continue to focus on creating value through superior performance for our shareholders. We plan to add products and services in Phoenix, which abounds with growth prospects among middle market companies, as well as small businesses served well by Valley Commerce. This planned acquisition includes a full-service location in the upscale Kierland section of Scottsdale, where we plan to introduce trust and investment services to affluent clients and market private financial services.

We are also continuing our strategic approach to branch expansion with the addition of eight new locations. These include six traditional branches in Dallas, Houston, Denver, Albuquerque, Bentonville and Oklahoma City. We also plan to open new supermarket locations in the Dallas suburb of Plano and in the Tulsa area.

We continue to aggressively reinvest in new technology, products and services. For example, all our markets will benefit from new offerings in Treasury Services and Retirement & Institutional Trust. Treasury Services is introducing an imaged wholesale lockbox project that gives clients quicker access to records. We are also enhancing fraud protection, introducing additional check image capabilities and implementing cutting-edge clearing solutions.

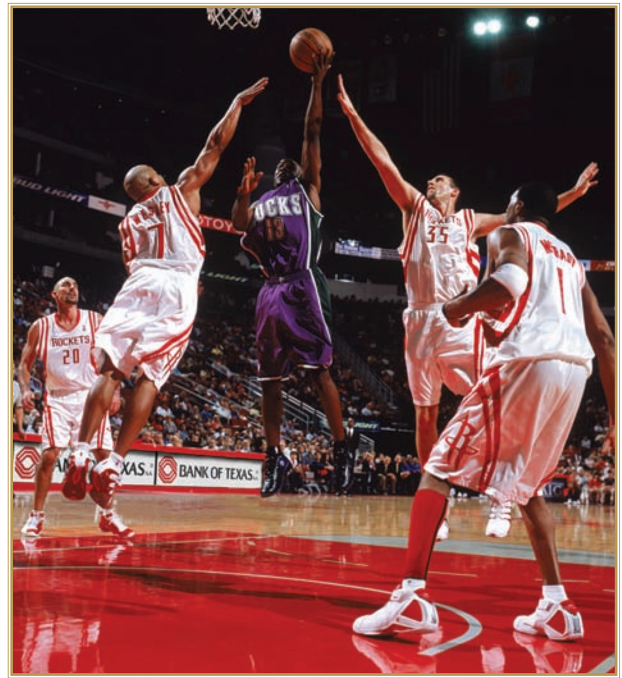
Retirement & Institutional Trust is already reaping benefits from our new managed allocation portfolios. We are also offering an "Autopilot" 401(k) program for plan sponsors that makes it easy to save for retirement by automatically enrolling eligible participants, increasing participant deferral contributions annually and investing and rebalancing plan accounts based on targeted retirement dates. New offerings also will reduce employers' workloads through a very successful program developed jointly by Retirement & Institutional Trust, BOSC and our American Performance Fund family.

These enhancements will contribute to the diversity of our fee and commission generating products and services. We will also introduce new lending capabilities through the initial thrust of a region-wide expansion of indirect auto lending and floor plan lending for auto dealers.

And while we continue to develop our revenue base and expand commercial and consumer banking through internal growth, we will look for new acquisitions to enhance our positions in existing markets and enter growing metropolitan areas where our products and services can make a difference for clients seeking relationship banking.

Despite our accomplishments over the past 14 years—indeed, because of them—we will not rest. Through our vision for success, we remain determined to stay on course and care for the long-term needs of our shareholders by creating value that lasts and keeps on growing, for them, for our clients, our employees and our communities.

BOK Financial's focus on building long-term value for investors, clients and communities has produced results: a $10,000 investment in 1991 was worth $248,773 at the end of 2004.



Performance off the court has led to attention on it for Bank of Texas. A partnership with the Houston Rockets includes a check card logo of the two-time NBA champion.

Bank of Texas has emerged as a strong financial institution in greater Houston through internal growth and acquisitions in the nation's fourth largest city.

Opportunity coupled with quality local banking and a commitment to value. That's how Bank of Albuquerque has emerged as a formidable competitor against some of the nation's largest banks.

The opening in 2004 of a downtown branch in Fort Worth marked Bank of Texas' 37th location statewide and a continuation of its expansion across the thriving Dallas-Fort Worth Metroplex. Additional locations are planned for 2005.

An expanded offering of products and services for middle market commercial, trust and private banking clients is fueling growth in Denver at Colorado State Bank and Trust.

Bank of Arkansas offers clients the best of both worlds—personal relationship banking and sophisticated products and services competitive with the largest institutions in the market.

A commitment to convenient banking throughout BOK Financial's markets has led to the dedication of 48 in-store locations and plans for more in 2005.

Adding value to the community includes a commitment to improving the quality of life. In Houston, Bank of Texas sponsored a benefit for Houston-area youth sports leagues that provided much needed field space for thousands of youngsters.

Community is an inclusive word at BOK Financial. In addition to sponsoring multicultural events, Bank of Albuquerque offers the best service in the market as a part of an initiative to serve the Hispanic population.

Mark Funke, president of Bank of Oklahoma in Oklahoma City, symbolizes the company's commitment to local leadership and community banking. Mark and his team continue to build on a reputation as the premier commercial bank in the market.

Bank of Oklahoma's sponsorship of the Tulsa Run is a part of an ongoing commitment to add value to the communities we serve.

A strong community spirit is demonstrated throughout our markets by outreaches such as a drive that helped collect more than 17,000 books to improve literacy for children and adults.

TABLE 1 CONSOLIDATED SELECTED FINANCIAL DATA

(Dollars In Thousands Except Per Share Data)

	December 31,				
	2004	2003	2002	2001	2000
Selected Financial Data					
For the year:					
Interest revenue	$ **614,284**	$ 565,173	$ 574,913	$ 654,633	$ 638,730
Interest expense	**191,041**	173,678	205,581	325,159	369,052
Net interest revenue	**423,243**	391,495	369,332	329,474	269,678
Provision for credit losses	**20,439**	35,636	33,730	37,610	17,204
Net income	**179,023**	158,360	147,871	114,439	98,665
Period-end:					
Loans, net of reserve	**7,820,349**	7,369,105	6,797,132	6,206,190	5,445,679
Assets	**14,395,414**	13,595,598	12,263,233	11,158,701	9,762,022
Deposits	**9,674,398**	9,219,863	8,128,525	6,905,744	6,046,005
Subordinated debenture	**151,594**	154,332	155,419	186,302	148,816
Shareholders' equity	**1,398,494**	1,228,630	1,099,526	832,866	706,793
Nonperforming assets[2]	**56,423**	59,867	56,574	50,708	43,599
Profitability Statistics					
Earnings per share (based on average equivalent shares):					
Basic	$ **3.00**	$ 2.67	$ 2.59	$ 2.02	$ 1.75
Diluted	**2.68**	2.38	2.30	1.81	1.57
Pro forma diluted earnings per share with FAS 142 and FAS 147	**2.68**	2.38	2.30	1.95	1.66
Percentages (based on daily averages):					
Return on average assets	**1.28%**	1.24%	1.31%	1.12%	1.13%
Return on average shareholders' equity	**13.80**	13.66	15.75	14.65	16.18
Average shareholders' equity to average assets	**9.25**	9.07	8.30	7.62	7.01
Common Stock Performance					
Per Share:					
Book value per common share	$ **23.28**	$ 20.60	$ 18.56	$ 14.62	$ 12.49
Market price: December 31 close	**48.76**	38.72	32.39	31.51	21.25
Market range – High trade	**49.18**	41.02	36.52	32.75	21.25
– Low trade	**37.29**	31.00	26.80	21.31	15.31
Selected Balance Sheet Statistics					
Period-end:					
Tier 1 capital ratio	**10.02%**	9.15%	8.98%	8.08%	8.06%
Total capital ratio	**11.67**	11.31	11.95	11.56	11.23
Leverage ratio	**7.94**	7.17	6.88	6.38	6.51
Reserve for loan losses to nonperforming loans	**206.26**	217.89	208.31	204.71	181.60
Reserve for loan losses to loans[1]	**1.38**	1.55	1.53	1.46	1.32
Combined reserves for credit losses to loans [1,4]	**1.61**	1.73	1.72	1.66	1.51
Miscellaneous (at December 31)					
Number of employees (full-time equivalent)	**3,548**	3,449	3,402	3,392	3,003
Number of banking locations	**149**	142	130	114	105
Number of TransFund locations	**1,389**	1,442	1,390	1,325	1,111
Mortgage loan servicing portfolio[3]	**$4,486,513**	$4,746,279	$5,754,548	$6,645,868	$6,874,995

[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 affiliates.
[4] Includes reserve for loan losses and reserve for off-balance sheet credit losses.

Management's Assessment of Operations and Financial Condition

OVERVIEW

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. The Company was incorporated in 1990 in Oklahoma and is headquartered in Tulsa, Oklahoma. Activities are governed by the Bank Holding Company Act of 1956, as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act. Principal subsidiaries are Bank of Oklahoma, N.A. ("BOk"), Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A. ("BOTX") 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.

Our overall strategic objective is to emphasize growth in long-term value by building on our leadership position in Oklahoma and expanding into high-growth markets in contiguous states. We have a solid position in Oklahoma and are the state's largest financial institution as measured by deposit market share. Since 1997, we have expanded into Dallas and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, and have recently announced plans to expand into Phoenix, Arizona.

Our primary focus is to provide a broad range of financial products and services, including loans and deposits, cash management services, fiduciary services, mortgage banking, and brokerage and trading services to middle-market businesses, financial institutions, and consumers. Our revenue sources are diversified. Approximately 42% of our revenue comes from commissions and fees.

Commercial banking is a significant part of our business. Our credit culture emphasizes building relationships by making high-quality loans and providing a full range of financial products and services to our customers.

Our acquisition strategy targets quality organizations that have demonstrated solid growth in their business lines. We provide additional growth opportunities by hiring talent to enhance competitiveness, adding locations, and broadening product offerings. Our operating philosophy embraces local decision-making through the boards of directors for each of our bank subsidiaries.

BOK Financial operates five principal lines of business: Oklahoma corporate banking, Oklahoma consumer banking, mortgage banking, wealth management, and regional banks. Mortgage banking activities include loan origination and servicing across all markets served by the Company. Wealth management provides brokerage and trading, private financial services and investment advisory services in all markets. It also provides fiduciary services in all markets except Colorado. Fiduciary services in Colorado are included in regional banks. Regional banks consist primarily of corporate and consumer banking activities in the respective local markets.

SUMMARY OF PERFORMANCE

BOK Financial's net income for 2004 totaled $179.0 million or $2.68 per diluted share, compared with $158.4 million or $2.38 per diluted share in 2003 and $147.9 million or $2.30 per diluted share in 2002. Prior years' earnings per share have been restated for a 3% stock dividend in 2004. Returns on average assets and shareholders' equity were 1.28% and 13.80%, respectively for 2004, compared with returns of 1.24% and 13.66%, respectively, for 2003, and 1.31% and 15.75%, respectively, for 2002. The decrease in return on equity between 2003 and 2002 resulted from a 24% increase in average equity due to retained earnings and a full year's effect of an acquisition-related stock issuance during the fourth quarter of 2002.

Growth in net income for 2004 was attributed to two primary factors, net interest revenue and provision for credit losses. Net interest revenue grew $31.7 million or 8% during 2004 due to increases in average loans and securities. The growth in net interest revenue also reflected a one basis point increase in net interest margin for the year. The provision for credit losses decreased $15.2 million compared to the previous year as credit quality continued to improve throughout 2004.

Fees and commissions revenue increased $6.3 million or 2% compared with last year and represented 42% of total revenue, excluding net securities and derivatives losses. Trust fees, deposit fees and transaction card revenue grew by a combined total of $30.9 million. This increased revenue was partially offset by a $24.1 million decrease in mortgage banking revenue.

Operating expenses increased $27.8 million or 7% compared with 2003 due primarily to increased personnel and data processing costs. Personnel costs increased $17.7 million, including $8.2 million from CSBT, which was acquired in September 2003. Additionally, stock-based compensation expense, which is based largely on the current market value of our common stock, increased $5.8 million. Data processing expense increased $6.6 million, including $4.6 million directly related to higher transaction card processing volumes.

Net income for the fourth quarter of 2004 totaled $46.6 million or 70 cents per diluted share compared with $35.3 million or

53 cents per diluted share for the fourth quarter of 2003. In addition to the effects of increased net interest revenue and credit quality, earnings for the fourth quarter of 2004 included an after-tax gain of $2.5 million or 4 cents per diluted share from the sale of equity securities that had been acquired in prior years from resolution of a problem loan.

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 most critical areas where these assumptions and estimates could 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. No accounting standards with significant effects on our financial condition or results of operations were initially adopted in 2004.

Reserves for Loan Losses and Off-Balance Sheet Credit Losses

Reserves for loan losses and off-balance sheet credit losses are assessed by management based on an ongoing evaluation of the probable estimated losses inherent in the portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed that includes reserves assigned to specific loans and commitments, 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.

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

All significant loans and commitments that exhibit weaknesses or deteriorating trends are reviewed at least 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.

General reserves for commercial and commercial real estate loan losses, and related commitments, are determined primarily through an internally developed migration analysis model. The purpose of this model is to determine the probability that each credit relationship 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 loss percentage. 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 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. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. A 50 basis point increase in mortgage interest rates is expected to increase the fair value of our servicing rights by $6.3 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our servicing rights by $10.4 million. Actual changes in fair values may differ from these expected changes.

Permanent impairment of mortgage servicing rights is evaluated quarterly. A strata is considered to be permanently impaired if the fair value does not exceed amortized cost after assuming a 300 basis point increase in mortage interest rates. The amortized cost of the asset is reduced to the calculated fair value through a charge against the valuation allowance.

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, which consist primarily of goodwill, core deposit intangible assets and other acquired intangibles, for each business unit are 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 a five-year period 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, 2004, Bank of Texas had $155 million or 70% of total goodwill and CSBT had $42 million or 19% of total goodwill. Because of the large concentration of goodwill in these business units, 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, commodity, and foreign exchange derivative contracts to our customers. All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate contracts used to manage our interest rate risk are provided either by third-party dealers in the contracts or by quotes provided by independent pricing services.

Interest rate, commodity and foreign exchange contracts used in our customer hedging programs are valued internally using a third-party provided pricing model. This model uses market inputs to estimate fair values. Changes in assumptions used in this pricing model could significantly affect the reported fair values of derivative assets and liabilities, though the net effect of these changes should not significantly affect the Company's earnings. Fair values determined by the internal model are corroborated by comparison against third-party dealer provided values monthly.

Assessment of Operations

NET INTEREST REVENUE

Tax-equivalent net interest revenue totaled $428.3 million for 2004 compared to $396.7 million for 2003. The increase was due primarily to a $885 million increase in average earning assets. The growth in average earning assets included a $355 million increase in securities and a $543 million increase in loans. This increase in average earning assets was funded primarily by a $428 million increase in interest-bearing liabilities and a $496 million increase in demand deposit accounts. 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 increased slightly during 2004. The net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets increased to 3.45% in 2004 compared with 3.44% in 2003. Growth in non-interest bearing funding sources, primarily demand deposits, increased the net interest margin eight basis points for the year. This increase was partially offset by a decrease in the spread between yields on average earning assets and the cost of interest bearing liabilities. The narrowed spread decreased the net interest margin by seven basis points compared with 2003.

TABLE 2 VOLUME/RATE ANALYSIS

(In Thousands)

	2004/2003			2003/2002		
		Change Due To[1]			Change Due To[1]	
	Change	**Volume**	**Yield/Rate**	Change	Volume	Yield/Rate
Tax-equivalent interest revenue:						
Securities	**$16,448**	**$16,607**	**$ (159)**	$ (8,583)	$31,722	$ (40,305)
Trading securities	**(65)**	**(38)**	**(27)**	(56)	129	(185)
Loans	**32,525**	**28,878**	**3,647**	(2,040)	39,229	(41,269)
Funds sold and resell agreements	**72**	**(91)**	**163**	(10)	149	(159)
Total	**48,980**	**45,356**	**3,624**	(10,689)	71,229	(81,918)
Interest expense:						
Transaction deposits	**4,171**	**2,305**	**1,866**	(7,927)	9,169	(17,096)
Savings deposits	**31**	**(19)**	**50**	(1,032)	60	(1,092)
Time deposits	**8,302**	**4,288**	**4,014**	(4,578)	12,034	(16,612)
Funds purchased and repurchase agreements	**5,550**	**868**	**4,682**	(9,628)	(157)	(9,471)
Other borrowings	**1,025**	**(743)**	**1,768**	(7,464)	(311)	(7,153)
Subordinated debenture	**(1,716)**	**(110)**	**(1,606)**	(1,274)	(1,622)	348
Total	**17,363**	**6,589**	**10,774**	(31,903)	19,173	(51,076)
Tax-equivalent net interest revenue	**31,617**	**$38,767**	**$ (7,150)**	21,214	$52,056	$ (30,842)
Decrease in tax-equivalent adjustment	**131**			949		
Net interest revenue	**$31,748**			$22,163		

	4th Qtr 2004/4th Qtr 2003		
		Change Due To[1]	
	Change	Volume	Yield/Rate
Tax-equivalent interest revenue:			
Securities	$ 4,355	$ 2,926	$ 1,429
Trading securities	(40)	(68)	28
Loans	15,233	6,856	8,377
Funds sold and resell agreements	105	20	85
Total	19,653	9,734	9,919
Interest expense:			
Transaction deposits	3,402	(120)	3,522
Savings deposits	(24)	(28)	4
Time deposits	4,492	1,653	2,839
Funds purchased and repurchase agreements	4,476	231	4,245
Other borrowings	1,888	(129)	2,017
Subordinated debenture	(287)	(28)	(259)
Total	13,947	1,579	12,368
Tax-equivalent net interest revenue	5,706	$ 8,155	$ (2,449)
Increase in tax-equivalent adjustment	(449)		
Net interest revenue	$ 5,257		

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

Management regularly models the effects of changes in interest rates on net interest revenue. This modeling indicates that the Company expects to benefit modestly from rising interest rates over a one-year forward-looking period. However, other factors may affect this general expectation. For example, throughout 2004, the spread between rates charged on loans and related funding sources narrowed due to competitive pressures. The result was that the loan portfolio's yield increased less than the increase in market interest rates. Additionally, we have a large portion of our securities portfolio in mortgage-backed securities. The yield on these securities is higher than alternative investments that fit our investment policy. However, the spread on mortgage-backed securities compared to other investments narrowed during the year, which resulted in a tax-equivalent yield on the securities portfolio that was unchanged compared to 2003.

Our overall objective is to manage the Company's balance sheet to be essentially neutral to changes in interest rates. Approximately 73% of our commercial loan portfolio is either variable rate or fixed rate that will reprice within one year. These loans are funded primarily by deposit accounts that are either non-interest-bearing, or that reprice more slowly than the loans. The result is a balance sheet that is asset sensitive, which means that assets generally reprice more quickly than liabilities. Among

the strategies that we use to achieve a rate-neutral position, we purchase fixed-rate, mortgage-backed securities and fund them with short-term borrowings. The average life of these securities is expected to be approximately 3 years based on a range of interest rate and prepayment assumptions. The funds borrowed to purchase these securities generally reprice within 90 days. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio.

We also use derivative instruments to manage our interest rate risk. We have interest rate swaps with a combined notional amount of $539 million that convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives, which generally have been designated as fair value hedges, is to reduce the asset-sensitive nature of our balance sheet. We also have interest rate swaps with a notional amount of $100 million that convert prime-based loans to fixed rate. The purpose of these derivatives, which have been designated as cash flow hedges, also is to reduce the asset-sensitive nature of our balance sheet.

The effectiveness of these strategies is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 2 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

Fourth quarter 2004 net interest revenue

Tax-equivalent net interest revenue for the fourth quarter of 2004 totaled $108.1 million, compared to $102.4 million for the fourth quarter of 2003. The increase was due to growth in average earning assets, which increased $832 million or 7%. Net interest margin declined two basis points to 3.38% as rising interest rates affected funding sources more than earning assets. As previously noted, the Company expects to benefit modestly from rising interest rates over a forward-looking one-year period. However, the net interest margin may decrease as rates rise over shorter time periods. Also, competitive and other factors may affect the amount of benefit derived from rising rates.

2003 Net interest revenue

Tax-equivalent net interest revenue for 2003 was $396.7 million, a $21.2 million or 6% increase from 2002. This increase was due to growth in average earning assets. As shown in Table 2, net interest revenue increased $52.1 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 $30.8 million decrease due to falling yields and rates. Net interest margin for 2003 was 3.44%, down 27 basis points from 3.71% in 2002. This reduction in net interest margin reflected both a decrease in the spreads between earning assets and interest bearing liabilities as interest rates fell and a reduction in the portion of earning assets funded by non-interest bearing sources.

OTHER OPERATING REVENUE

Other operating revenue increased $4.0 million compared with last year due to a $6.3 million increase in fees and commission revenue, partially offset by an increase in net losses on securities and derivatives. Diversified sources of fees and commission revenue are a significant part of our business strategy and represented 42% of total revenue, excluding gains and losses on securities and derivatives. A diversified source of fee revenues can provide an offset to adverse changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into new markets. However, increased competition and saturation in our existing markets could affect the rate of future increases.

Table 3 Other Operating Revenue

(In Thousands)

	Years ended December 31,				
	2004	2003	2002	2001	2000
Brokerage and trading revenue	**$ 41,107**	$ 41,152	$ 26,290	$ 19,974	$ 15,146
Transaction card revenue	**64,816**	57,352	52,213	44,231	38,902
Trust fees and commissions	**57,532**	45,763	40,092	40,567	39,316
Service charges and fees on deposit accounts	**93,712**	82,042	67,632	51,284	42,932
Mortgage banking revenue	**28,189**	52,336	48,910	50,155	37,179
Leasing revenue	**3,118**	3,508	3,330	3,745	4,244
Other revenue	**24,091**	24,065	19,094	19,507	17,965
Total fees and commissions	**312,565**	306,218	257,561	229,463	195,684
Gain on sale of assets	**887**	822	1,157	557	381
Gain (loss) on securities, net	**(3,088)**	7,188	58,704	30,640	2,059
Gain (loss) on derivatives, net	**(1,474)**	(9,375)	5,236	(3,812)	–
Total other operating revenue	**$308,890**	$304,853	$322,658	$256,848	$198,124

Fees and Commissions Revenue

Brokerage and trading revenue was slightly reduced compared with 2003. Revenue from securities trading activities declined $5.2 million, or 18%. The dollar volume and number of transactions processed both increased. However, the mix of products sold shifted to lower-margin securities compared to the previous year. The decrease in securities trading revenue was partially offset by a $3.8 million increase in customer hedging revenue. Volatility in the energy markets during 2004 prompted our energy customers to more actively hedge their gas and oil production.

Transaction card revenue increased $7.5 million or 13% due to growth in merchant discount fees, ATM fees and check card revenue. Revenue growth from each of these activities was due to growth in transaction volume. During 2004, one of our customers was acquired by another financial institution, which reduced the number of ATMs serviced by TransFund. This will reduce our short-term revenue growth from TransFund.

Trust fees increased $11.8 million or 26%, including a $4.9 million increase from the CSBT acquisition. The fair value of all trust relationships managed by the Company, which is the basis for a significant portion of trust fees increased to $24.6 billion at December 31, 2004 compared with $21.3 billion at December 31, 2003.

Service charges on deposit accounts increased $11.7 million, or 14% compared with 2003. Approximately $11.3 million of this increase was due to growth in overdraft fees. Account service charge revenue increased 2% in 2004 after growing by 10% in the previous year. The lower growth rate reflected the change in earnings credit available to commercial deposit customers as interest rates rose.

Mortgage banking revenue, which is discussed more fully in the Line of Business - Mortgage Banking section of this report decreased $24.1 million, or 46% compared with 2003. Much of the mortgage banking revenue in 2003 was generated by refinancing activity. Loan refinancing was significantly reduced in 2004 due to rising mortgage interest rates.

Securities and Derivatives

BOK Financial realized net losses on securities of $3.1 million in 2004 compared to net gains of $7.2 million last year. These amounts included net losses on securities held as economic hedges of the mortgage servicing rights of $4.9 million in 2004, compared with net gains on hedge securities of $4.0 million in 2003. The Company's use of securities as an economic hedge of mortgage servicing rights is more-fully discussed in the Line of Business - Mortgage Banking section of this report.

Net gains of $1.8 million were realized during 2004 on sales of securities, excluding the mortgage servicing hedge. This is compared with net gains of $3.2 million realized in 2003. The Company buys and sells securities as necessary to maximize the portfolio's total return and to manage prepayment or extension risk.

During 2004, the Company recognized net losses of $1.3 million on derivatives used to manage interest rate risk and $208 thousand on derivatives used as an economic hedge of mortgage servicing rights. These losses are compared with net losses of $9.4 million in 2003. As more fully discussed in the Deposits and Borrowings and Capital sections of this report, the Company designated derivatives as fair value hedges of certain brokered certificates of deposit and subordinated debt in 2004. Net losses recognized included fair value adjustments for both the derivatives and the hedged liabilities. No derivatives were designated as fair value hedges in 2003.

Fourth quarter 2004 operating revenue

Other operating revenue for the fourth quarter of 2004 totaled $78.7 million, including net fees and commission revenue of $77.9 million and net gains on securities and derivatives of $793 thousand. Fees and commission revenue totaled $74.6 million and net losses on securities and derivatives totaled $3.2 million for the fourth quarter of 2003. Trust fees rose 14% to $14.8 million due to growth in the fair value of trust assets. Transaction card revenue increased 10% to $16.6 million due to growth in processing volumes. Growth in deposit fees totaled $991 thousand or 4%. Mortgage banking revenue decreased $1.2 million, or 16% due to reductions in both mortgage loan production and servicing revenue.

Net gains on securities sold during the fourth quarter of 2004 totaled $967 thousand, including net gains of $871 thousand on securities designated as economic hedges of the mortgage servicing portfolio. These results compare with net losses on securities sold during the fourth quarter of 2003 of $951 thousand, including $757 thousand of losses on securities used to hedge mortgage servicing rights.

Mark-to-market losses on derivative contracts totaled $174 thousand in the fourth quarter of 2004 compared with net losses of $2.3 million in 2003. Net losses on derivatives in the fourth quarter of 2004 included the mark-to-market adjustments of hedged liabilities.

2003 Other operating revenue

Operating revenue totaled $304.9 million in 2003, down $17.8 million, or 6% from 2002. Fees and commissions revenue increased $48.7 million, or 19% due to growth in all revenue components.

Brokerage and trading revenue was $41.2 million for 2003, compared with $26.3 million for the previous year. 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 growth in overdraft fees. 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.

Net gains on securities sold during 2003 totaled $7.2 million, compared with net gains of $58.7 million in 2002. These amounts included net gains on sales of securities held as economic hedges of 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 2003 and 2002. While securities were sold during 2003 to manage the portfolio's duration, consistently low interest rates presented fewer opportunities to recognize gains.

Derivative instruments, which we used primarily to manage interest rate risk, resulted in mark-to-market losses of $9.4 million in 2003 compared to gains of $5.2 million in 2002. We had not designated these derivatives as hedges for accounting purposes.

OTHER OPERATING EXPENSE

Other operating expense for 2004 totaled $441.2 million, a 7% increase from 2003. This increase resulted primarily from personnel and data processing expenses. Growth in personnel expenses were driven largely by the CSBT acquisition and stock-based compensation costs. The increase in data processing expenses included both transaction volume and system maintenance costs.

TABLE 4 OTHER OPERATING EXPENSE

(In Thousands)

	Years ended December 31,				
	2004	2003	2002	2001	2000
Personnel expense	**$240,661**	$222,922	$187,439	$166,864	$148,614
Business promotion	**15,618**	12,937	11,367	10,658	8,395
Contribution of stock to BOK Charitable Foundation	**5,561**	–	–	–	–
Professional fees and services	**15,487**	17,935	12,987	13,391	9,618
Net occupancy and equipment	**47,289**	45,967	42,347	42,764	35,447
Data processing and communications	**60,025**	53,398	45,912	39,763	35,111
Printing, postage and supplies	**14,034**	13,930	12,665	12,329	11,260
Net (gain) loss and operating expenses on repossessed assets	**(4,016)**	271	1,014	1,401	(1,283)
Amortization of intangible assets	**8,138**	8,101	7,638	20,113	15,478
Mortgage banking costs	**18,167**	40,296	42,271	30,261	22,274
Provision (recovery) for impairment of mortgage servicing rights	**(1,567)**	(22,923)	45,923	15,551	2,900
Other expense	**21,827**	20,604	19,991	18,968	17,412
Total	$441,224	$413,438	$429,554	$372,063	$305,226

Personnel Expense

Personnel expense increased $17.7 million or 8% to $240.7 million. Regular compensation expense totaled $146.7 million, an $8.0 million, or 6% increase over 2003. The increase in regular compensation expense was due to a 5% increase in average regular compensation per full-time equivalent employee and a 1% increase in average staffing. The CSBT acquisition increased regular compensation expense by $5.0 million and the average number of full-time equivalent employees by 80.

Incentive compensation increased $8.6 million, or 19% to $54.4 million. Stock-based compensation expense increased $5.9 million or 102%. Much of this expense is related to stock-based compensation that is recognized as liability awards. Compensation expense for these awards is based on the excess of the fair value of BOK Financial common stock over a set exercise price. Incentive compensation expense for these awards will vary directly with changes in the fair value of BOKF's common stock. Expense for other incentive compensation plans increased $2.7 million, or 7% primarily due to revenue growth.

Employee benefit expenses increased $1.9 million, or 5% to $37.8 million. Retirement benefit costs, including pension and employee thrift plans, increased $1.4 million, or 15%. Employee insurance costs, which includes medical costs increased $656 thousand, or 5%.

Data Processing and Communications Expense

Data processing and communication expenses increased $6.6 million, or 12% compared to 2003. This expense consists of two broad categories, data processing systems and transaction card processing. Transaction card processing costs increased $4.6 million or 25% due to growth in processing volumes. Data processing systems costs increased $2.0 million, or 6% due primarily to increased maintenance costs.

Other Operating Expenses

BOK Financial contributed appreciated securities to the BOk Charitable Foundation during 2004. The Foundation supports communities in the markets served by the Company. The cost-basis in these securities of $5.6 million was charged to operating expense. The after-tax cost of these contributions reduced net income by $1.1 million, or 2 cents per diluted share.

Business promotion expense increased $2.7 million or 21% compared with last year. Promotional activities in support of consumer banking initiatives accounted for $1.5 million of the increase. Much of the growth in promotional expenses was targeted at demand deposit growth through our consumer banking network during 2004.

Net gains from the sale of repossessed assets totaled $4.0 million in 2004, compared to net losses of $271 thousand in 2003. Gains in 2004 included $3.8 million from the sale of stock. This stock had been acquired several years ago as partial proceeds of the resolution of a troubled loan.

Mortgage banking expenses, including provision for impairment of mortgage servicing rights decreased $773 thousand, or 4%. These expenses are discussed more fully in the Line of Business - Mortgage Banking section of this report.

Fourth quarter 2004 Other operating expenses

Operating expenses for the fourth quarter of 2004 totaled $111.6 million, including the previously noted $3.8 million gain on the resolution of repossessed assets and $1.4 million of the contribution of appreciated securities to the BOk Charitable Foundation. Excluding these two items, operating expenses for the fourth quarter of 2004 totaled $114.0 million, a $4.8 million or 4% increase from the fourth quarter of 2003. Personnel costs increased $3.5 million or 6%. The increase in personnel expense was due primarily to a $3.2 million increase in stock-based compensation expense.

2003 Other operating expenses

Operating expenses for 2003 totaled $413.4 million, a 4% decrease from 2002. This decrease resulted from the provision for impairment of mortgage servicing rights. The mortgage servicing rights provision shifted from a $45.9 million expense in 2002 to a $22.9 million recovery in 2003 due to slower prepayment speeds. Excluding the effects of the provision for mortgage servicing rights, operating expenses increased $52.7 million, or 14%.

Personnel expenses increased $35.5 million, or 19%. Growth in personnel expenses included a 10% increase in regular compensation due to a 6% increase in average 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. Employee benefit expenses increased 27% to $35.9 million due primarily to a 49% increase in medical and insurance costs and a 21% increase in employee retirement expenses. Several actions were taken during the fourth quarter of 2003 that were intended to reduce future growth in personnel expenses, including a 5% reduction in staffing.

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 of $7.5 million, or 16% included $4.9 million of expenses associated with the conversion of our primary data processing systems which occurred in the fourth quarter of 2003.

INCOME TAXES

Income tax expense was $91.4 million for 2004, compared with $88.9 million for 2003 and $80.8 million in 2002. This represented 34%, 36% and 35% respectively, of book taxable income. Tax expense currently payable totaled $91.3 million in 2004 compared with $82.6 million in 2003 and $95.9 million in 2002.

Income tax expense for 2004 was reduced by $3.0 million due to the favorable resolution of state income tax issues and by $2.4 million from the contribution of appreciated securities to the BOk Charitable Foundation. Excluding these items, income tax expense would have been $96.9 million, or 36% of book taxable income.

TABLE 5 SELECTED QUARTERLY FINANCIAL DATA

(In Thousands Except Per Share Data)

	Fourth	Third	Second	First
	2004			
Interest revenue	**$163,087**	**$157,027**	**$147,833**	**$146,337**
Interest expense	**56,625**	**48,642**	**42,644**	**43,130**
Net interest revenue	**106,462**	**108,385**	**105,189**	**103,207**
Provision for credit losses	**4,439**	**4,986**	**3,987**	**7,027**
Net interest revenue after provision for credit losses	**102,023**	**103,399**	**101,202**	**96,180**
Other operating revenue	**77,921**	**78,919**	**80,074**	**76,538**
Gain (loss) on securities, net	**967**	**2,673**	**(11,005)**	**4,277**
Gain (loss) on derivatives, net	**(174)**	**(506)**	**201**	**(995)**
Other operating expense	**111,887**	**108,302**	**109,857**	**112,745**
Provision (recovery) for impairment of mortgage servicing rights	**(305)**	**5,900**	**(10,865)**	**3,703**
Income before taxes	**69,155**	**70,283**	**71,480**	**59,552**
Income tax expense	**22,599**	**22,501**	**25,947**	**20,400**
Net income	**$ 46,556**	**$ 47,782**	**$ 45,533**	**$ 39,152**
Earnings per share:				
Basic	**$ 0.78**	**$ 0.79**	**$ 0.76**	**$ 0.66**
Diluted	**$ 0.70**	**$ 0.72**	**$ 0.68**	**$ 0.59**
Average shares:				
Basic	**59,251**	**59,198**	**59,147**	**59,051**
Diluted	**66,895**	**66,803**	**66,720**	**66,672**

	2003			
Interest revenue	$143,883	$137,804	$141,534	$141,952
Interest expense	42,678	41,272	43,597	46,131
Net interest revenue	101,205	96,532	97,937	95,821
Provision for credit losses	8,001	8,220	9,503	9,912
Net interest revenue after provision for credit losses	93,204	88,312	88,434	85,909
Other operating revenue	74,730	80,611	78,403	73,296
Gain (loss) on securities, net	(951)	(12,007)	10,457	9,689
Loss on derivatives, net	(2,259)	(4,709)	(1,111)	(1,296)
Other operating expense	111,475	107,785	109,348	107,753
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	$ 0.59	$ 0.65	$ 0.69	$ 0.74
Diluted	$ 0.53	$ 0.58	$ 0.61	$ 0.65
Average shares:				
Basic	58,851	58,771	58,648	58,525
Diluted	66,530	66,634	66,506	66,390

LINES OF BUSINESS

BOK Financial operates five principal lines of business: Oklahoma corporate banking, Oklahoma consumer banking, mortgage banking, wealth management, and regional banking. Mortgage banking activities include loan origination and servicing across all markets served by the Company. Wealth management provides brokerage and trading, private financial services and investment advisory services in all markets. It also provides fiduciary services in all markets except Colorado. Fiduciary services in Colorado are included in regional banking. Regional banking consists primarily of corporate and consumer banking activities in the respective local markets. In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the overall liquidity needs and interest rate risk of the Company. Each line of business borrows funds from and provides funds to the funds management unit as needed to support their operations.

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.

Economic capital is assigned to the business units by a third-party developed capital allocation model that reflects management's assessment of risk. This model assigns capital based upon credit, operating, interest rate and market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Additional capital is assigned to the regional banking line of business based on our investment in those entities.

As shown in Table 6, the Oklahoma Corporate Banking segment has continued to be a stable source of earnings. Regional banking has increased its contribution to consolidated net income, especially in 2004. The growth of the regional banking segment is consistent with our corporate strategy of expansion into high growth markets outside of Oklahoma. The relationship between Mortgage Banking segment net income and consolidated net income returned to more historical levels after providing substantial earnings during the 2003 mortgage refinancing boom.

TABLE 6 NET INCOME BY LINE OF BUSINESS

(In Thousands)

	Years ended December 31,		
	2004	2003	2002
Oklahoma corporate banking	**$ 62,270**	$ 58,335	$ 57,137
Regional banking	**58,573**	42,510	37,754
Mortgage banking	**2,681**	28,401	1,558
Oklahoma consumer banking	**12,064**	9,162	6,395
Wealth management	**12,394**	13,261	7,195
Funds management and other	**31,041**	6,691	37,832
Total	**$179,023**	$158,360	$147,871

The variances in contribution to consolidated net income provided by funds management and other primarily reflect securities and derivatives gains and losses and the consolidated provision for credit losses over actual losses charged to the operating segments. Securities and derivatives activities attributable to funds management and other were net gains of $5.0 million in 2004, net losses of $6.7 million in 2003, and net gains of $33.3 million in 2002. The provision for credit losses attributable to funds management and other was $14.7 million in 2004, $24.3 million in 2003, and $22.0 million in 2002.

Oklahoma Corporate Banking

The Oklahoma Corporate Banking Division provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and certain relationships in surrounding states. In addition to serving the banking needs of small businesses, middle market and larger customers, the Oklahoma Corporate Banking Division has specialized groups that serve customers in the energy, agriculture, healthcare and banking/finance industries, and includes the TransFund network. The Oklahoma Corporate Banking Division contributed $62.3 million or 35% to consolidated net income for 2004. This compares to $58.3 million or 37% of consolidated net income for 2003. Growth in net income provided by the Oklahoma Corporate Banking Division came primarily from net interest revenue. Net interest revenue from external sources increased due to loan growth.

Operating expenses increased to $97.8 million for 2004 from $85.4 million for last year. This increase was due primarily to incentive compensation and transaction processing costs. Net loans charged off for the Oklahoma Corporate Banking Division totaled $9.0 million, a $1.4 million decrease from 2003. Average assets increased $503 million or 12% for 2004 due primarily to loan growth.

Table 7 Oklahoma Corporate Banking

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	$ **147,389**	$ 139,159	$ 149,385
NIR (expense) from internal sources	**(24,016)**	(24,133)	(40,632)
Total net interest revenue	**123,373**	115,026	108,753
Other operating revenue	**85,256**	76,212	69,166
Operating expense	**97,759**	85,442	77,931
Net loans charged off	**8,956**	10,318	6,475
Net income	**62,270**	58,335	57,137
Average assets	**$4,670,041**	$4,166,874	$3,823,116
Average economic capital	**312,530**	311,140	298,020
Return on assets	**1.33%**	1.40%	1.49%
Return on economic capital	**19.92**	18.75	19.17
Efficiency ratio	**46.86**	44.68	43.80

Oklahoma Consumer Banking

The Oklahoma 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 the Internet. Additionally, the division is a significant referral source for the Bank of Oklahoma Mortgage Division ("BOk Mortgage") and BOSC's retail brokerage division. The Oklahoma Consumer Banking Division contributed $12.1 million or 7% to consolidated net income for 2004. This compares to $9.2 million or 6% of consolidated net income for 2003. Other operating revenue growth from 2004 resulted largely from overdraft fees.

During 2004, the Oklahoma Consumer Banking Division added four new supermarket locations and completed a five-year strategic branch expansion plan. Growth initiatives focused on building customer relationships through sales promotions, Perfect Banking sales and service standards and free on-line Billpay services. Perfect Banking is the name we have given to our ongoing commitment to constantly improve the way we provide products and services so that we create lasting client value. These initiatives resulted in a 17% increase in checking accounts and a 162% increase in the number of on-line Billpay users.

Table 8 Oklahoma Consumer Banking

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	$ **(19,067)**	$ (17,146)	$ (18,036)
NIR (expense) from internal sources	**64,897**	58,290	61,616
Total net interest revenue	**45,830**	41,144	43,580
Other operating revenue	**56,920**	47,544	39,032
Operating expense	**76,042**	66,803	64,315
Net loans charged off	**6,963**	6,888	7,831
Net income	**12,064**	9,162	6,395
Average assets	**$2,746,047**	$2,524,743	$2,349,611
Average economic capital	**64,390**	58,000	60,910
Return on assets	**0.44%**	0.36%	0.27%
Return on economic capital	**18.74**	15.80	10.50
Efficiency ratio	**74.01**	75.32	77.85

Mortgage Banking

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of Bank of Oklahoma. 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, decreased $24.1 million or 46% compared with 2003. Mortgage banking activities contributed $2.7 million or 1% to consolidated net income in 2004 compared to $28.4 million or 18% in 2003. Rising mortgage interest rates during late 2003 and the first half of 2004 significantly decreased refinancing activity and loan production income.

Mortgage banking activities consisted of two sectors, loan production and loan servicing. The loan production sector generally performs best when mortgage rates are relatively low and loan origination volumes are high. Conversely, the loan servicing sector generally performs best when mortgage rates are relatively high and prepayments are low.

Table 9 Mortgage Banking

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 21,647**	$ 27,770	$ 32,199
NIR (expense) from internal sources	**(11,423)**	(9,415)	(13,713)
Total net interest revenue	**10,224**	18,355	18,486
Capitalized mortgage servicing rights	**11,365**	23,922	20,832
Other operating revenue	**22,055**	36,379	38,364
Operating expense	**35,415**	58,204	54,783
Provision (recovery) for impairment of mortgage servicing rights	**(1,567)**	(22,923)	45,923
Gain (loss) on financial instruments, net	**(5,068)**	4,025	25,826
Net income	**2,681**	28,401	1,558
Average assets	**$559,034**	$623,823	$671,798
Average economic capital	**27,270**	34,120	34,160
Return on assets	**0.48%**	4.55%	0.23%
Return on economic capital	**9.83**	83.24	4.56
Efficiency ratio	**81.53**	74.00	70.52

Loan Production Sector

Loan production revenue totaled $20.9 million in 2004, including $11.4 million of capitalized mortgage servicing rights, compared to loan production revenue of $33.8 million in 2003, including $23.9 million of capitalized mortgage servicing rights. The decrease in loan production revenue was due to decreased production volume. Mortgage loans funded totaled $633 million in 2004, including $416 million for home purchases and $217 million of refinanced loans. Mortgage loans funded in 2003 totaled $1.3 billion, including $457 million for home purchases and $859 million of refinanced loans. Approximately 71% of the loans funded during 2004 were in Oklahoma. The decreased volume of loans funded during 2004 resulted in pre-tax income from loan production of $6.7 million for 2004 compared with $32.0 million for the previous year end. The pipeline of mortgage loan applications totaled $189 million at December 31, 2004, compared to $208 million at December 31, 2003.

Loan Servicing Sector

The loan servicing sector had a pre-tax loss of $4.3 million for 2004 compared to a pre-tax income of $12.9 million for the same period of 2003. The comparison of operating results between the years was greatly affected by the effect of interest rates on prepayment speeds and the value of mortgage servicing rights. Mortgage interest rates were consistently low during 2004. In this rate environment, the fair value of our mortgage servicing rights was little-changed. The resulting recovery of provision for mortgage servicing rights was $1.6 million. In comparison, mortgage interest rates during 2003 were rising from historic lows. In that rate environment, the fair value of our mortgage servicing rights increased significantly. The increase in fair value resulted in a $22.9 million recovery of provision for mortgage servicing rights.

Servicing revenue totaled $17.8 million in 2004 compared to $21.8 million in 2003. The decrease in servicing revenue was due primarily to a lower outstanding principal balance of loans serviced. The average outstanding balance of loans serviced was $4.2 billion during 2004 compared to $4.9 billion during 2003. The decrease in loans serviced reflected both the continued refinancing of mortgage loans and our decision to curtail purchases of mortgage loan servicing. This decision also affected the geographic distribution of the loan servicing portfolio. Approximately 80% of loans serviced were in our primary market areas at December 31, 2004, compared to 72% at December 31, 2003.

Amortization of mortgage servicing rights, which is included in operating expense, was $15.8 million in 2004 compared to $35.6 million in 2003. Amortization expense is determined in proportion to the estimated future cash flows that will be generated by the mortgage servicing rights. The reduction in amortization expense in 2004 reflected an expectation of lower loan prepayment speeds.

The valuation allowance for impairment of mortgage servicing rights totaled $14 million at December 31, 2004 compared to $32 million at December 31, 2003. The valuation allowance was reduced by $17 million from the charge-off of servicing rights determined to be permanently impaired. As discussed in the Critical Accounting Policies section of this report, servicing rights are considered to be permanently impaired if the fair value does not exceed amortized costs after assuming a 300 basis point increase in mortgage interest rates. Note 8 to the Consolidated Financial Statements presents additional information about the fair value and amortized cost of servicing rights and 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. Additionally, interest rate derivative contracts may also be designated as an economic hedge of the risk of loss on mortgage servicing rights. Because the fair values of these instruments are expected to vary inversely to the fair value of the servicing rights, they are expected to partially offset risk. However, no special hedge accounting treatment is applicable to either the mortgage servicing rights or the financial instruments designated as an economic hedge. We may sell these securities when necessary to offset the impairment provision of the mortgage servicing rights. Derivative contracts used as an economic hedge of mortgage servicing rights are carried at fair value with changes in fair value recognized in earnings. During 2004, we recognized losses of $5.1 million from hedging activities compared to gains of $4.0 million in 2003.

This hedging strategy presents certain risks. A well-developed market determines the fair value for the securities and derivatives. 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, 2004, financial instruments with a fair value of $78 million and an unrealized gain of $523 thousand were held for the economic hedge program. This unrealized gain, 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 an economic hedge is modeled over a range of +/- 50 basis points. At December 31, 2004, the pre-tax results of this modeling on reported earnings were:

TABLE 10 INTEREST RATE SENSITIVITY - MORTGAGE SERVICING

(Dollars in Thousands)

	50 bp Increase	50 bp Decrease
Anticipated change in:		
Fair value of mortgage servicing rights	$6,270	$(10,362)
Fair value of hedging securities	(3,489)	4,799
Net	$2,781	$(5,563)

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 includes 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, Arkansas and New Mexico. Additionally, trust services include a nationally competitive, self-directed 401-(k) program and administrative and advisory services to the American Performance family of mutual funds. Brokerage and trading activities within the wealth management line of business consists 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 $12.4 million or 7% to consolidated net income for 2004. This compared to $13.3 million or 8% of consolidated net income for 2003.

Trust and private financial services provided $10.7 million of net income in 2004, a 40% increase over 2003. At December 31, 2004 and 2003, the wealth management line of business was responsible for trust assets with aggregate market values of $22.6 billion and $19.5 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 $8.2 billion of trust assets at December 31, 2004 compared to $8.1 billion of trust assets at December 31, 2003. Growth in the fair value of trust assets came primarily in non-managed assets, which increased by $1.5 billion, or 20%, and custodial assets which increased by $1.5 billion, or 41%.

Brokerage and trading activities provided $1.7 million of net income in 2004 compared to $5.7 million in the previous year. Operating revenue decreased $6.5 million or 14% due to reduction in trading revenue and financial advisory fees. The reduction in trading revenue resulted from a shift in the mix of products sold to lower-margin securities during 2004. This decrease in trading revenue was partially offset by fees generated by customer hedging activities.

Table 11 Wealth Management

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 4,001**	$ 1,966	$ 1,959
NIR (expense) from internal sources	**8,888**	8,968	8,182
Total net interest revenue	**12,889**	10,934	10,141
Other operating revenue	**91,533**	91,587	70,001
Operating expense	**84,062**	80,428	67,911
Net income	**12,394**	13,261	7,195
Average assets	**$754,774**	$731,070	$556,109
Average economic capital	**84,820**	69,690	60,880
Return on assets	**1.64%**	1.81%	1.29%
Return on economic capital	**14.61**	19.03	11.82
Efficiency ratio	**80.50**	78.45	84.74

Regional Banking

Regional banking consists primarily of the corporate and commercial banking services provided by Bank of Texas, Bank of Albuquerque, Bank of Arkansas, and Colorado State Bank and Trust in their respective markets. It also includes fiduciary services provided by Colorado State Bank and Trust. Small businesses and middle-market corporations are the regional banks' primary customer focus. Regional banks contributed $58.6 million or 33% to consolidated net income during 2004. This compares with $42.5 million or 27% of consolidated net income in 2003. Growth in net income contributed by the regional banks came primarily from operations in Texas and New Mexico. Net income for 2004 in Texas and New Mexico increased $12.8 million and $3.2 million, respectively, from the previous year.

Growth in net income from Texas operations resulted from an increase in net interest revenue, combined with a reduction in operating expenses. Average earning assets increased $278 million, including $98 million of loans and $180 million of funds sold to the funds management unit. The growth in average earning assets was funded by a $165 million increase in interest-bearing deposits and a $101 million increase in demand deposits. Personnel expenses decreased $1.2 million due to lower regular and incentive compensation costs.

Bank of Texas shared some of the Consumer Banking Division's initiatives during 2004. Seven new supermarket branches were added in Texas. The Perfect Banking sales and service program which had been adopted in Oklahoma in 2003 was launched in Texas in 2004. This program resulted in a 65% increase in sales points, one of the measures we use to track branch performance.

The increase in net income from New Mexico operations was also based largely on an increase in net interest revenue, combined with an increase in operating revenue. Average earning assets increased $102 million, including $44 million of loans and $61 million of funds sold to the funds management unit. This growth in average earning assets was partially offset by a reduction in securities. Average deposits in the New Mexico market increased $102 million, including $74 million of interest-bearing deposits and $28 million of demand deposits. The increase in operating revenue was due primarily to growth in deposit fees.

Table 12 Bank of Texas

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 122,552**	$ 108,408	$ 94,731
NIR (expense) from internal sources	**(7,322)**	(6,949)	(9,133)
Total net interest revenue	**115,230**	101,459	85,598
Other operating revenue	**25,408**	21,591	17,732
Operating expense	**74,837**	76,330	62,206
Gains on sales of financial instruments, net	**–**	56	1,461
Net loans charged off	**3,928**	4,301	2,614
Net income	**40,256**	27,493	25,822
Average assets	**$3,224,721**	$2,946,553	$2,452,877
Average economic capital	**168,430**	166,870	126,160
Average invested capital	**335,520**	333,960	293,250
Return on assets	**1.25%**	0.93%	1.05%
Return on economic capital	**23.90**	16.48	20.47
Return on average invested capital	**12.00**	8.23	8.81
Efficiency ratio	**53.21**	63.00	61.14

Table 13 Bank of Albuquerque

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 46,845**	$ 42,046	$ 37,505
NIR (expense) from internal sources	**(5,033)**	(4,315)	(4,663)
Total net interest revenue	**41,812**	37,731	32,842
Other operating revenue	**14,561**	10,789	8,330
Operating expense	**31,869**	29,730	25,835
Gains on sales of financial instruments, net	**–**	283	2,726
Net loans charged off	**1,471**	1,326	1,101
Net income	**14,074**	10,844	10,364
Average assets	**$1,652,006**	$1,550,241	$1,335,814
Average economic capital	**73,270**	66,070	56,740
Average invested capital	**92,360**	85,160	75,830
Return on assets	**0.85%**	0.70%	0.78%
Return on economic capital	**19.21**	16.41	18.27
Return on average invested capital	**15.24**	12.73	13.67
Efficiency ratio	**56.53**	61.84	63.32

Table 14 Bank of Arkansas

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 9,046**	$ 8,700	$ 9,422
NIR (expense) from internal sources	**(2,170)**	(2,148)	(2,713)
Total net interest revenue	**6,876**	6,552	6,709
Other operating revenue	**1,394**	1,205	1,207
Operating expense	**4,115**	3,894	3,451
Gains on sales of financial instruments, net	**–**	–	18
Net loans charged off	**(26)**	661	2,300
Net income	**2,555**	1,957	1,334
Average assets	**$273,700**	$288,030	$278,094
Average economic capital	**11,450**	10,720	10,740
Average invested capital	**11,450**	10,720	10,740
Return on assets	**0.93%**	0.68%	0.48%
Return on economic capital	**22.31**	18.26	12.42
Return on average invested capital	**22.31**	18.26	12.42
Efficiency ratio	**49.76**	50.20	43.60

Table 15 Colorado State Bank and Trust

(Dollars in Thousands)

	Years ended December 31,		
	2004	2003	2002
NIR (expense) from external sources	**$ 23,875**	***	***
NIR (expense) from internal sources	**(7,245)**	***	***
Total net interest revenue	**16,630**	***	***
Other operating revenue	**8,160**	***	***
Operating expense	**21,890**	***	***
Net loans charged off	**136**	***	***
Net income	**1,688**	***	***
Average assets	**$680,840**	***	***
Average economic capital	**27,560**	***	***
Average invested capital	**69,550**	***	***
Return on assets	**0.25%**	***	***
Return on economic capital	**6.12**	***	***
Return on average invested capital	**2.43**	***	***
Efficiency ratio	**88.30**	***	***

*** Data not meaningful due to acquisition of Colorado State Bank and Trust in September 2003.

Assessment of Financial Condition

Securities

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.

The amortized cost of available for sale securities at December 31, 2004 increased $104 million compared with the previous year-end. Mortgage-backed securities increased $132 million and represented 97% of total available for sale securities. The increase in securities reflected an increase in available funds due to strong deposit growth during 2004. As previously discussed in the Net Interest Revenue section of this report, we hold mortgage-backed securities as part of our overall interest rate risk management strategy.

The primary risk of holding mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling both before making an investment and throughout the life of the security. The expected duration of the mortgage-backed securities portfolio was 3.3 years at December 31, 2004 compared to 3.0 years at December 31, 2003. This increase in duration reflected the slower anticipated prepayments of the loans represented by these securities as interest rates rose.

Table 16 Securities

(Dollars in Thousands)

	December 31,					
	2004		2003		2002	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment:						
Municipal and other tax-exempt	**$ 216,986**	**$ 218,465**	$ 184,192	$ 187,354	$ 191,305	$ 195,266
Mortgage-backed U.S. agency securities	**1,287**	**1,336**	2,296	2,418	4,380	4,618
Other debt securities	**2,821**	**2,835**	1,463	1,484	2,265	2,269
Total	**$ 221,094**	**$ 222,636**	$ 187,951	$ 191,256	$ 197,950	$ 202,153
Available for sale:						
U.S. Treasury	**$ 27,119**	**$ 27,062**	$ 44,679	$ 45,424	$ 31,013	$ 32,233
Municipal and other tax-exempt	**414**	**404**	3,271	3,257	11,465	11,511
Mortgage-backed securities:						
U.S. agencies	**3,067,611**	**3,052,375**	3,514,158	3,518,926	3,005,698	3,067,148
Other	**1,423,613**	**1,418,770**	845,430	848,911	727,088	732,542
Total mortgage-backed securities	**4,491,224**	**4,471,145**	4,359,588	4,367,837	3,732,786	3,799,690
Other debt securities	**515**	**528**	1,140	1,177	138	139
Equity securities and mutual funds	**90,343**	**94,051**	96,460	101,173	87,434	89,770
Total	**$4,609,615**	**$4,593,190**	$4,505,138	$4,518,868	$3,862,836	$3,933,343

Net unrealized losses on available for sale securities totaled $16 million at December 31, 2004 compared with net unrealized gains of $14 million at December 31, 2003 due primarily to rising interest rates. The aggregate gross amount of unrealized losses at December 31, 2004 totaled $32 million. Management evaluated the securities with unrealized losses to determine if we believed 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 intent and ability to hold the securities until the fair values exceed amortized cost. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary.

LOANS

The aggregate loan portfolio at December 31, 2004 totaled $7.9 billion, a $445 million or 6% increase since last year.

The commercial loan portfolio increased $239 million during 2004. Much of this increase was focused in the services portion of the portfolio, which increased $231 million. Services comprised 20% of the total loan portfolio and included $281 million of loans to nursing homes, $143 million of loans to medical facilities, and $30 million to the hotel industry. Energy loans totaled $1.2 billion or 15% of total loans. Outstanding energy loans decreased $8 million during 2004. High energy prices provided cash flow to the industry which reduced outstanding loan balances during the first half of the year. Outstanding energy loan balances increased $143 million during the second half of the year. Approximately $985 million 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 $217 million of loans to the cattle industry. Other notable loan concentrations by primary industry of the borrowers are presented in Table 17.

TABLE 17 LOANS

(In Thousands)

	December 31,				
	2004	2003	2002	2001	2000
Commercial:					
Energy	**$1,223,195**	$1,231,599	$1,132,178	$ 987,556	$ 837,223
Manufacturing	**484,423**	482,657	501,506	467,260	421,046
Wholesale/retail	**699,318**	668,202	627,422	600,470	499,017
Agriculture	**262,436**	228,222	186,976	170,861	185,407
Services	**1,615,071**	1,383,835	1,249,622	1,084,480	963,171
Other commercial and industrial	**291,393**	342,187	292,094	364,123	342,169
Total commercial	**4,575,836**	4,336,702	3,989,798	3,674,750	3,248,033
Commercial real estate:					
Construction and land development	**457,399**	436,087	356,227	327,455	311,700
Multifamily	**231,985**	271,119	307,119	291,687	271,459
Other real estate loans	**931,726**	922,886	772,492	722,633	687,335
Total commercial real estate	**1,621,110**	1,630,092	1,435,838	1,341,775	1,270,494
Residential mortgage:					
Secured by 1-4 family residential properties	**1,198,918**	1,015,643	929,759	703,080	638,044
Residential mortgages held for sale	**40,262**	56,543	133,421	166,093	48,901
Total residential mortgage	**1,239,180**	1,072,186	1,063,180	869,173	686,945
Consumer	**492,841**	444,909	412,167	409,680	312,390
Total	**$7,928,967**	$7,483,889	$6,900,983	$6,295,378	$5,517,862

Table 18 Loan Maturity and Interest Rate Sensitivity at December 31, 2004

(In Thousands)

		Remaining Maturities of Selected Loans		
	Total	Within 1 Year	1-5 Years	After 5 Years
Loan maturity:				
Commercial	$4,575,836	$1,594,786	$2,441,860	$ 539,190
Commercial real estate	1,621,110	590,991	833,203	196,916
Total	$6,196,946	$2,185,777	$3,275,063	$ 736,106
Interest rate sensitivity for selected loans with:				
Predetermined interest rates	$1,962,583	$ 288,659	$1,376,026	$ 297,898
Floating or adjustable interest rates	4,234,363	1,897,118	1,899,037	438,208
Total	$6,196,946	$2,185,777	$3,275,063	$ 736,106

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. At December 31, 2004, the outstanding principal balance of these loans totaled $729 million, including $726 million to borrowers with local market relationships. BOK Financial is the agent lender in approximately 37% of these loans. The Company's lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer.

Commercial real estate loans totaled $1.6 billion or 20% of the loan portfolio at December 31, 2004. The outstanding balance of commercial real estate loans decreased $9 million from the previous year end. Construction and land development included $349 million for single family residential lots and premises, up $69 million, or 25% since December 31, 2003. This growth resulted from expanded builder loans, primarily in New Mexico and Arizona. The major components of other commercial real estate loans were retail facilities - $312 million and office buildings $343 million. Commercial real estate loans secured by office buildings increased $53 million during the past year.

Residential mortgage loans, excluding loans held for sale, included $352 million of home equity loans, $304 million of loans held for business relationship purposes, $237 million of adjustable rate mortgages and $279 million of loans held for community development. Community development loans increased $177 million during 2004 as part of the Company's ongoing efforts to more directly serve its local communities. Consumer loans included $234 million of indirect automobile loans. Substantially all of these loans were purchased from dealers in Oklahoma.

While the Company continued to increase geographic diversification through expansion into Texas, New Mexico and Colorado, geographic concentration subjects the loan portfolio to the general economic conditions in Oklahoma. Table 19 presents the distribution of the major loan categories among our primary market areas.

Table 19 Loans by Principal Market Area

(In Thousands)

	December 31,				
	2004	2003	2002	2001	2000
Oklahoma:					
Commercial	**$2,847,470**	$2,802,852	$2,677,616	$2,576,808	$2,476,389
Commercial real estate	**744,724**	789,868	763,469	739,419	768,232
Residential mortgage	**901,648**	699,274	656,391	476,023	409,494
Residential mortgage held for sale	**40,262**	56,543	133,421	166,093	48,901
Consumer	**367,947**	324,305	294,404	314,060	250,298
Total Oklahoma	**$4,902,051**	$4,672,842	$4,525,301	$4,272,403	$3,953,314
Texas:					
Commercial	**$1,120,069**	$ 963,340	$ 866,905	$ 775,788	$ 549,505
Commercial real estate	**459,067**	477,561	455,364	380,602	299,357
Residential mortgage	**191,296**	204,481	192,575	136,181	122,082
Consumer	**86,732**	101,269	104,353	85,347	53,397
Total Texas	**$1,857,164**	$1,746,651	$1,619,197	$1,377,918	$1,024,341
Albuquerque:					
Commercial	**$ 354,904**	$ 297,896	$ 286,622	$ 219,257	$ 167,023
Commercial real estate	**224,707**	175,745	150,293	136,425	118,492
Residential mortgage	**63,043**	66,179	76,020	85,309	101,920
Consumer	**13,260**	11,070	11,399	8,200	6,107
Total Albuquerque	**$ 655,914**	$ 550,890	$ 524,334	$ 449,191	$ 393,542
Northwest Arkansas:					
Commercial	**$ 61,934**	$ 63,480	$ 63,113	$ 72,728	$ 50,680
Commercial real estate	**74,478**	75,452	66,712	85,329	84,413
Residential mortgage	**11,238**	6,245	4,773	5,567	4,548
Consumer	**3,858**	2,671	2,011	2,073	2,588
Total Northwest Arkansas	**$ 151,508**	$ 147,848	$ 136,609	$ 165,697	$ 142,229
Colorado[1]:					
Commercial	**$ 191,459**	$ 209,134	$ 95,542	$ 30,169	$ 4,436
Commercial real estate	**118,134**	111,466	–	–	–
Residential mortgage	**31,693**	39,464	–	–	–
Consumer	**21,044**	5,594	–	–	–
Total Colorado	**$ 362,330**	$ 365,658	$ 95,542	$ 30,169	$ 4,436
Total BOK Financial loans	**$7,928,967**	$7,483,889	$6,900,983	$6,295,378	$5,517,862

[1] Includes Denver loan production office

Loan Commitments

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $3.5 billion and standby letters of credit which totaled $414 million at December 31, 2004. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Table 20 Off-Balance Sheet Credit Commitments as of December 31, 2004

(In Thousands)

	2004	2003	2002	2001	2000
Loan commitments	**$3,459,425**	$2,964,694	$2,884,011	$2,461,141	$2,239,533
Standby letters of credit	**414,228**	374,550	290,069	248,960	173,455
Total	**$3,873,653**	$3,339,244	$3,174,080	$2,710,101	$2,412,988

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. Programs to assist customers in managing their interest rate, foreign exchange and other commodity risks were added 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 BOk of changes in commodity prices, interest rates, or foreign exchange rates. The counterparty contracts are identical to the customer contracts, except for a fixed pricing spread or a fee paid to BOk as compensation for administrative costs, credit risk and profit.

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

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

A deterioration of the credit standing of one or more of the parties to these contracts may result in BOK Financial recognizing a loss as the fair value of the affected contracts may no longer move in tandem with the offsetting contracts. This could occur if the credit standing of the party deteriorated such that either the fair value of underlying collateral no longer supported the contract or the party's ability to provide margin collateral was impaired. No credit losses have been incurred since inception of this program.

Derivative contracts are carried at fair value. At December 31, 2004, the fair values of derivative contracts reported as assets under these programs totaled $379 million. This included energy contracts with fair values of $363 million, interest rate contracts with fair values of $4 million, and foreign exchange contracts with fair values of $11 million. The aggregate fair values of derivative contracts reported as liabilities totaled $380 million. Approximately 58% of the values of asset contracts was with customers. The credit risk of these contracts is generally backed by energy production. The remaining 42% was with counterparties. The maximum net exposure to any single customer or counterparty totaled $41 million.

SUMMARY OF LOAN LOSS EXPERIENCE

The reserve for loan losses, which is available to absorb losses inherent in the loan portfolio, totaled $109 million at December 31, 2004 compared to $115 million at December 31, 2003. These amounts represented 1.38% and 1.55% of outstanding loans, excluding loans held for sale, at December 31, 2004 and 2003, 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 206% of outstanding balance of nonperforming loans at year-end 2004 compared to 218% at year-end 2003. Net loans charged off during 2004 decreased to $22 million in 2004 compared to $25 million in the previous year. Net commercial loans charged-off during 2004 totaled $12 million, a $3.8 million decrease from 2003. Table 21 provides statistical information regarding the reserve for loan losses for the past five years.

TABLE 21 SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in Thousands)

	Years ended December 31,				
Reserve for loan losses:	**2004**	2003	2002	2001	2000
Beginning balance	**$ 114,784**	$ 103,851	$ 89,188	$ 72,183	$ 65,473
Loans charged off:					
Commercial	**13,921**	16,331	13,326	18,042	7,747
Commercial real estate	**971**	88	286	71	1,176
Residential mortgage	**1,465**	1,721	412	308	285
Consumer	**13,328**	13,335	11,881	6,827	5,593
Total	**29,685**	31,475	25,905	25,248	14,801
Recoveries of loans previously charged off:					
Commercial	**2,283**	887	1,276	1,151	1,126
Commercial real estate	**30**	53	118	653	428
Residential mortgage	**243**	83	146	57	157
Consumer	**5,171**	5,102	3,436	2,727	2,307
Total	**7,727**	6,125	4,976	4,588	4,018
Net loans charged off	**21,958**	25,350	20,929	20,660	10,783
Provision for loan losses	**15,792**	34,000	34,228	35,365	17,493
Additions due to acquisitions	**–**	2,283	1,364	2,300	–
Ending balance	**$ 108,618**	$ 114,784	$ 103,851	$ 89,188	$ 72,183
Reserve for off-balance sheet credit losses:					
Beginning balance	**$ 13,855**	$ 12,219	$ 12,717	$ 10,472	$ 10,761
Provision for off-balance sheet credit losses	**4,647**	1,636	(498)	2,245	(289)
Ending balance	**$ 18,502**	$ 13,855	$ 12,219	$ 12,717	$ 10,472
Total provision for credit losses	**$ 20,439**	$ 35,636	$ 33,730	$ 37,610	$ 17,204
Reserve for loan losses to loans outstanding at year-end[1]	**1.38%**	1.55%	1.53%	1.46%	1.32%
Net charge-offs to average loans[1]	**0.29**	0.36	0.33	0.35	0.22
Total provision for credit losses to average loans[1]	**0.27**	0.50	0.54	0.63	0.35
Recoveries to gross charge-offs	**26.03**	19.46	19.21	18.17	27.15
Reserve for loan losses as a multiple of net charge-offs	**4.95x**	4.53x	4.96x	4.32x	6.69x
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	**0.48%**	0.41%	0.38%	0.47%	0.43%
Combined reserves for credit losses to loans outstanding at year-end[1]	**1.61%**	1.73%	1.72%	1.66%	1.51%
Problem Loans:					
Loans past due (90 days)	**$ 7,649**	$ 14,944	$ 8,117	$ 8,108	$ 15,467
Nonaccrual[2]	**52,660**	52,681	49,855	43,540	39,661
Renegotiated	**–**	–	–	27	87
Total	**$ 60,309**	$ 67,625	$ 57,972	$ 51,675	$ 55,215
Foregone interest on nonaccrual loans[2]	**$ 4,617**	$ 4,821	$ 4,770	$ 5,163	$ 3,803

[1] Excludes residential mortgage loans held for sale.

[2] Interest collected and recognized on nonaccrual loans was not significant in 2004 and previous years disclosed.

The Company has historically considered the credit risk from loan commitments and letters of credit in its evaluation of the adequacy of the reserve for loan losses. During 2004, we adopted the preferred presentation method and separated the reserve for off-balance sheet credit risk from the reserve for loan losses. Table 21 presents the trend of reserves for off-balance sheet credit losses and the relationship between the reserve and credit commitments. It also presents the relationship between the combined reserve for credit losses and outstanding loans for comparison with peer banks and others who have not adopted the preferred presentation. The provision for credit losses included the combined charge to expense for both the reserve for loan losses and the reserve for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the reserve for loan losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts.

Specific impairment reserves are determined through evaluation of estimated future cash flows and collateral value. At December 31, 2004, specific impairment reserves totaled $7 million on total impaired loans of $45 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, 2004, the ranges of potential losses for the more significant factors were:

General economic conditions - $7 million to $11 million

Concentration in large loans - $2 million to $3 million

Allocation of the loan loss reserve to the major loan categories is presented in Table 22.

The provision for credit losses totaled $20.4 million, a $15.2 million decrease from 2003. Factors which contributed to the lower provision included an improvement in credit quality as indicated by our commerical loan migration analysis model and a reduction in the outstanding balances of criticized loans. Additionally, the number of past due consumer loans and net losses incurred were reduced during the year. These factors were partially offset by concerns about the effect of changes in interest rates and energy prices on the commercial real estate and commercial loan portfolios.

TABLE 22 LOAN LOSS RESERVE ALLOCATION

(Dollars in Thousands)

	December 31,									
	2004		2003		2002		2001		2000	
	Reserve[2]	% of Loans[1]	Reserve[2]	% of Loans[1]	Reserve[2]	% of Loans[1]	Reserve[2]	% of Loans[1]	Reserve[2]	% of Loans[1]
Loan category:										
Commercial	**$ 52,325**	**58.00%**	$ 58,993	58.39%	$ 56,474	58.95%	$51,803	59.95%	$47,504	59.39%
Commercial real estate	**21,317**	**20.55**	16,395	21.95	16,037	21.22	14,000	21.89	10,865	23.23
Residential mortgage	**5,904**	**15.20**	6,797	13.67	3,956	13.74	3,612	11.47	1,736	11.67
Consumer	**12,034**	**6.25**	16,132	5.99	13,922	6.09	6,318	6.69	6,146	5.71
Nonspecific allowance	**17,038**	**–**	16,467	–	13,462	–	13,455	–	5,932	–
Total	**$108,618**	**100.00%**	$114,784	100.00%	$103,851	100.00%	$89,188	100.00%	$72,183	100.00%

[1] Excludes residential mortgage loans held for sale.
[2] Specific allocation for the loan concentration risks are included in the appropriate category.

NONPERFORMING ASSETS

Information regarding nonperforming assets, which totaled $56 million at December 31, 2004 and $60 million at December 31, 2003 is presented in Table 23. Nonperforming assets included nonaccrual and renegotiated loans and excluded loans 90 days or more past due but still accruing interest. Nonaccrual loans totaled $53 million at December 31, 2004 and 2003. Newly identified nonaccruing loans totaled $47 million during the year. Nonaccruing loans decreased $13 million for loans charged off and foreclosed, and $28 million for cash payments received. Additionally, nonaccruing loans decreased $6 million due to loans returned to accruing status after a period of satisfactory performance.

TABLE 23 NONPERFORMING ASSETS

(Dollars in Thousands)

	December 31,				
	2004	2003	2002	2001	2000
Nonperforming loans					
Nonaccrual loans:					
Commercial	$ **33,195**	$ 41,360	$ 39,114	$ 35,075	$ 37,146
Commercial real estate	**10,144**	2,311	3,395	3,856	161
Residential mortgage	**8,612**	7,821	5,950	4,140	1,855
Consumer	**709**	1,189	1,396	469	499
Total nonaccrual loans	**52,660**	52,681	49,855	43,540	39,661
Renegotiated loans	**–**	–	–	27	87
Total nonperforming loans	**52,660**	52,681	49,855	43,567	39,748
Other nonperforming assets	**3,763**	7,186	6,719	7,141	3,851
Total nonperforming assets	$ **56,423**	$ 59,867	$ 56,574	$ 50,708	$ 43,599
Ratios:					
Reserve for loan losses to nonperforming loans	**206.26%**	217.89%	208.31%	204.71%	181.60%
Nonperforming loans to period-end loans[2]	**0.67**	0.71	0.74	0.71	0.73
Loans past due (90 days)[1]	$ **7,649**	$ 14,944	$ 8,117	$ 8,108	$ 15,467
[1] Includes residential mortgages guaranteed by agencies of the U.S. Government.	$ 2,308	$ 4,132	$ 4,956	$ 6,222	$ 7,616

[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 borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in Nonperforming Assets. Known information does, however, cause management concerns as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $49 million at December 31, 2004 and $56 million at December 31, 2003. The current composition of potential problem loans by primary industry included healthcare - $10 million, energy - $10 million and manufacturing - $10 million.

DEPOSITS

Deposit accounts represent our primary funding source. We compete for retail and commercial deposits by offering a broad range of products and services and focusing on customer convenience. Retail deposit growth is supported through our Perfect Banking program, free checking and on-line Billpay services, an extensive network of branch locations and ATMs and a 24-hour Express Bank call center. Commercial deposit growth is supported by offering treasury management and lockbox services.

Average deposits increased $895 million or 10% during 2004. Core deposits, which we define as deposits of less than $100,000, excluding public funds and brokered deposits, increased 7% to $4.6 billion. Growth in average core deposits resulted from initiatives such as free on-line Billpay, free checking and Perfect Banking. Public funds and brokered deposits averaged $998 million for 2004, an increase of 74% compared with 2003 averages. The remaining average deposits, which were comprised of accounts with balances in excess of $100,000, increased 5% to $3.5 billion.

TABLE 24 MATURITY OF DOMESTIC CDS AND PUBLIC FUNDS IN AMOUNTS OF $100,000 OR MORE

(In Thousands)

	December 31,	
	2004	2003
Months to maturity:		
3 or less	$ **412,455**	$ 545,555
Over 3 through 6	**183,723**	300,094
Over 6 through 12	**264,101**	171,258
Over 12	**1,388,014**	1,093,750
Total	**$2,248,293**	$2,110,657

During the first half of 2004, the Company raised $342 million in fixed rate, brokered certificates of deposits. These deposits generally replaced other time deposits as they matured. The weighted-average interest rate paid on these certificates is 2.89%. Interest rate swaps with a total notional amount of $342 million have been designated as fair value hedges of these certificates. The purpose of these swaps is to hedge against changes in fair value due to changes in interest rates by modifying the certificates from fixed rate to floating rates based on changes in LIBOR. We receive a weighted average fixed rate of 3.01% on these swaps and currently pay a floating rate of 2.40%.

The distribution of deposit accounts among our principal markets is shown in Table 25.

TABLE 25 DEPOSITS BY PRINCIPAL MARKET AREA

(In Thousands)

	December 31,				
	2004	2003	2002	2001	2000
Oklahoma:					
Demand	**$1,095,228**	$1,025,483	$1,044,628	$ 992,663	$ 937,163
Interest-bearing:					
Transaction	**2,291,089**	2,246,675	1,897,353	1,650,269	1,407,083
Savings	**87,597**	98,611	103,749	101,433	93,598
Time	**2,505,849**	2,403,293	2,334,949	2,041,025	2,036,274
Total interest-bearing	**4,884,535**	4,748,579	4,336,051	3,792,727	3,536,955
Total Oklahoma	**$5,979,763**	$5,774,062	$5,380,679	$4,785,390	$4,474,118
Texas:					
Demand	**$ 617,808**	$ 421,292	$ 394,164	$ 305,745	$ 250,347
Interest-bearing:					
Transaction	**1,119,893**	1,213,777	953,550	670,728	406,446
Savings	**30,331**	35,702	33,071	28,918	22,910
Time	**571,993**	505,463	510,512	451,031	303,203
Total interest-bearing	**1,722,217**	1,754,942	1,497,133	1,150,677	732,559
Total Texas	**$2,340,025**	$2,176,234	$1,891,297	$1,456,422	$ 982,906
Albuquerque:					
Demand	**$ 136,599**	$ 106,050	$ 79,953	$ 57,648	$ 45,803
Interest-bearing:					
Transaction	**320,118**	370,294	295,174	224,265	161,027
Savings	**17,885**	20,728	26,704	26,848	25,843
Time	**411,939**	317,924	287,607	241,549	250,876
Total interest-bearing	**749,942**	708,946	609,485	492,662	437,746
Total Albuquerque	**$ 886,541**	$ 814,996	$ 689,438	$ 550,310	$ 483,549
Northwest Arkansas:					
Demand	**$ 14,489**	$ 16,351	$ 12,949	$ 10,634	$ 10,453
Interest-bearing:					
Transaction	**26,882**	28,411	18,025	14,452	11,114
Savings	**1,434**	1,341	1,214	1,035	1,030
Time	**99,677**	105,598	134,923	87,501	82,835
Total interest-bearing	**127,993**	135,350	154,162	102,988	94,979
Total Northwest Arkansas	**$ 142,482**	$ 151,701	$ 167,111	$ 113,622	$ 105,432
Colorado:					
Demand	**$ 62,995**	$ 79,424	$ –	$ –	$ –
Interest-bearing:					
Transaction	**189,106**	162,651	–	–	–
Savings	**19,092**	18,347	–	–	–
Time	**54,394**	42,448	–	–	–
Total interest-bearing	**262,592**	223,446	–	–	–
Total Colorado	**$ 325,587**	$ 302,870	$ –	$ –	$ –

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, 2004. Interest is based on either LIBOR plus a defined margin that is determined by the principal balance outstanding and our credit rating or a base rate. 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, 2004.

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 $161 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 $98 million under this policy.

Equity capital for BOK Financial increased $170 million to $1.4 billion during 2004. Retained earnings provided $179 million to this increase, partially offset by a $20 million increase in net unrealized losses on available for sale securities. The remaining increase in capital during 2004 resulted primarily from employee stock options.

Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends. The Board of Directors has authorized a share repurchase program. The maximum of 191,058 common shares may be repurchased.

During 2004 and 2003, 3% dividends payable in shares of BOK Financial's common stock were declared and paid. The shares issued were valued at $66 million and $58 million, respectively, based on current stock prices when declared. No cash dividends were paid on 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 16 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 included 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 a $150 million, 10-year, 7.125% fixed rate subordinated debenture. Interest rate swaps were used as a fair value hedge to convert the fixed interest on the debenture 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 swaps were 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. Amortization of this gain reduces the cost of the debt by 102 basis points.

During 2004, a $150 million notional amount interest rate swap was designated as a hedge of changes in fair value of the subordinated debt due to changes in interest rates. The Company receives a fixed rate of 3.165% and pays a variable rate based on 1-month LIBOR, 2.40% at December 31, 2004. Semi-annual swap settlements coincide with interest payments on the subordinated debenture. The interest rate swap terminates on August 15, 2007, the maturity date of the subordinated debenture.

Off-Balance Sheet Arrangements

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 over 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 210,069. 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, the Company's ability to pay cash to satisfy any price guarantee obligations is limited by applicable banking capital and dividend regulations.

We will have no obligation to issue additional common shares or pay cash to satisfy any benchmark price protection obligation if the market value per share of BOK Financial common stock remains above the highest benchmark price of $42.53. The closing price of the Company's common stock on December 31, 2004 was $48.76. At a market price of $40.00 per common share, the maximum obligation under this agreement would be to issue 13,802 additional shares or to pay $552 thousand.

AGGREGATE CONTRACTUAL OBLIGATIONS

BOK Financial has numerous contractual obligations in the normal course of business. These obligations included time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers, to purchase securities and to make other investments, 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, 2004.

TABLE 26 CONTRACTUAL OBLIGATIONS AS OF DECEMBER 31, 2004

(In Thousands)

	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Time deposits	$ 753,551	$1,926,008	$ 286,952	$ 146,390	$3,112,901
Other borrowings	715,788	306,607	10,708	1,469	1,034,572
Subordinated debenture	10,688	167,367	-	-	178,055
Operating lease obligations	13,565	24,652	20,267	36,573	95,057
Derivative contracts	258,100	111,280	9,510	1,106	379,996
Data processing contracts	13,554	24,237	18,388	4,973	61,152
Total	$1,765,246	$2,560,151	$ 345,825	$ 190,511	$4,861,733

Loan commitments	$3,459,425
Standby letters of credit	575,872
Obligations to purchase when-issued securities	14,785
Unfunded third-party private equity investments	13,869
Purchase obligation for Valley Commerce Bancorp, Ltd.	32,000

Payments on time deposits and other borrowed funds include interest which has been calculated from rates at December 31, 2004. 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 original terms exceeding one year are presented in Table 26. 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 minimum lease payments and exclude related costs such as utilities and property taxes.

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.

Derivative contracts represent obligations under our customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on these obligations.

The Company has commitments to make investments through its BOK Financial Private Equity Fund. These commitments generally reflect customer investment obligations.

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 rates, 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 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 - 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 approximately 3.3 years while the related funds borrowed have an average life of approximately 90 days.

BOK Financial also uses interest rate swaps in managing its interest rate sensitivity. During 2004 and 2003, net interest revenue increased $9.9 million and $14.0 million, respectively, from periodic settlements of these contracts. These 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 $1.3 million was recognized in 2004 compared to a net loss of $9.4 million in 2003 from adjustments of these swaps and hedged liabilities 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. 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 included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, 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 27 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 27 Interest Rate Sensitivity

(Dollars in Thousands)

	200 bp Increase		100 bp Decrease		Most Likely	
	2004	2003	**2004**	2003	**2004**	2003
Anticipated impact over the next twelve months on net interest revenue	**$ 7,969**	$ 7,213	**$ (4,683)**	$ (3,921)	**$ 5,893**	$ 1,688
	1.8%	1.6%	**(1.0)%**	(0.9)%	**1.3%**	0.4%

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, or precisely predict the impact of higher or lower interest rates on net interest revenue. 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, 2004, the VAR was $227 thousand. The greatest value at risk during 2004 was $1.5 million.

RECENTLY ISSUED ACCOUNTING STANDARDS

Financial Accounting Standards Board

Statement of Financial Accounting Standards 123R, "Share-Based Payments"

In December 2004, the FASB revised Statement No. 123, "Accounting for Stock-Based Compensation," by issuing FAS 123R. FAS 123R requires companies to recognize in their income statements the grant-date fair value of stock options and other equity-based compensation issued to their employees. Previously, FAS 123 recommended, but did not require income statement recognition of the fair value of equity-based compensation. FAS 123R requires that share-based payments that may be settled in cash be carried at current fair value. Fair value is determined at each balance sheet date until the award is settled. Changes in fair value are recognized in the current period. Share-based payments that will be settled in equity instruments are measured at grant-date fair value and not remeasured for subsequent changes in fair value. Compensation expense is generally recognized over the vesting period for awards that will be settled in equity instruments. FAS 123R is effective for interim periods beginning on or after June 15, 2005.

The Company previously adopted the preferred income statement recognition methods of the original FAS 123. Management does not expect FAS 123R to have a significant effect on its financial statements.

American Institute of Certified Public Accountants

Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"

SOP 03-3 addresses accounting for differences between contractual and expected cash flows of certain acquired loans and debt securities when the differences are due, at least in part, to credit quality. SOP 03-3 is applicable to loans and debt securities acquired individually, in pools or as part of a business combination. It is not applicable to loans originated by the lender. The yield that may be accreted to income is limited to the excess of estimated undiscounted cash flows over the investor's investment in the asset. Subsequent increases in expected cash flows should be recognized prospectively through a yield adjustment. Subsequent decreases in expected cash flows should be recognized as impairment. SOP 03-3 prohibits the carry-over or creation of valuation allowances related to acquired assets, including assets acquired in a business combination that have evidence of deterioration since origination. SOP 03-3 is effective for loans and debt securities acquired in fiscal years beginning after December 15, 2004. The guidance provided by SOP 03-3 is not expected to have a significant effect on future financial statements.

Emerging Issues Task Force

Issue 03-1, "The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments"

EITF 03-1 provides guidance for determining when an investment is impaired, for evaluating whether the impairment is other-than-temporary and for measuring impairment. An asset is considered impaired when its fair value is less than cost. The criteria for evaluating whether the impairment is other-than-temporary includes the nature of the asset, whether the asset can be prepaid by the issuer in a manner that the investor will not recover its investment, the severity and duration of the impairment and the investor's ability and intent to hold the asset until the fair value recovers. Impairment is measured as the difference between fair value and cost. If the impairment is considered other-than-temporary, a new cost basis is established through a direct write-down of the asset.

In September 2004, the FASB agreed to reconsider EITF 03-1 and all other guidance on disclosing, measuring and recognizing other-than-temporary impairment of debt and equity securities. Until the reconsideration of EITF 03-1 is complete, we are unable to evaluate the effect on future financial statements. The disclosure requirements of EITF 03-1 remain in effect. Guidance for determining other-than-temporary impairment continues to be provided by the Securities and Exchange Commission's Staff Accounting Bulletin No. 59.

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.

LEGAL NOTICE

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

Report of Management on Financial Statements

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

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, conducted an assessment of internal control over financial reporting as of December 31, 2004. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. In establishing internal control over financial reporting, management assesses risk and designs controls to prevent or detect financial reporting misstatements that may be consequential to a reader. Management also assesses the impact of any internal control deficiencies and oversees the effort to continuously improve internal control over financial reporting. Because of inherent limitations, it is possible that internal controls may not prevent or detect misstatements and it is possible that internal controls may vary over time based on changing conditions. There have been no material changes in internal controls subsequent to December 31, 2004.

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

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on that assessment and criteria, management has determined that the Company has maintained effective internal control over financial reporting as of December 31, 2004.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report, has issued an audit report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. Their report, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, is included in this annual report.

Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm

Report on Consolidated Financial Statements

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation as of December 31, 2004 and 2003, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOK Financial Corporation at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of BOK Financial Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

March 11, 2005

Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm

Report on Effectiveness of Internal Control over Financial Reporting

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that BOK Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BOK Financial Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that BOK Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, BOK Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2004 consolidated financial statements of BOK Financial Corporation and our report dated March 11, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

March 11, 2005

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands Except Share And Per Share Data)

	2004	2003	2002
Interest Revenue			
Loans	$ 408,115	$ 375,788	$ 377,708
Taxable securities	197,884	180,581	186,902
Tax-exempt securities	7,359	7,898	9,359
Total securities	205,243	188,479	196,261
Trading securities	573	625	653
Funds sold and resell agreements	353	281	291
Total interest revenue	614,284	565,173	574,913
Interest Expense			
Deposits	144,433	131,929	145,466
Borrowed funds	38,847	32,272	49,364
Subordinated debenture	7,761	9,477	10,751
Total interest expense	191,041	173,678	205,581
Net Interest Revenue	423,243	391,495	369,332
Provision for Credit Losses	20,439	35,636	33,730
Net Interest Revenue After Provision for Credit Losses	402,804	355,859	335,602
Other Operating Revenue			
Brokerage and trading revenue	41,107	41,152	26,290
Transaction card revenue	64,816	57,352	52,213
Trust fees and commissions	57,532	45,763	40,092
Service charges and fees on deposit accounts	93,712	82,042	67,632
Mortgage banking revenue	28,189	52,336	48,910
Leasing revenue	3,118	3,508	3,330
Other revenue	24,091	24,065	19,094
Total fees and commissions	312,565	306,218	257,561
Gain on sale of assets	887	822	1,157
Gain (loss) on securities, net	(3,088)	7,188	58,704
Gain (loss) on derivatives, net	(1,474)	(9,375)	5,236
Total other operating revenue	308,890	304,853	322,658
Other Operating Expense			
Personnel	240,661	222,922	187,439
Business promotion	15,618	12,937	11,367
Contribution of stock to BOK Charitable Foundation	5,561	–	–
Professional fees and services	15,487	17,935	12,987
Net occupancy and equipment	47,289	45,967	42,347
Data processing and communications	60,025	53,398	45,912
Printing, postage and supplies	14,034	13,930	12,665
Net (gains) losses and operating expenses on repossessed assets	(4,016)	271	1,014
Amortization of intangible assets	8,138	8,101	7,638
Mortgage banking costs	18,167	40,296	42,271
Provision (recovery) for impairment of mortgage servicing rights	(1,567)	(22,923)	45,923
Other expense	21,827	20,604	19,991
Total other operating expense	441,224	413,438	429,554
Income Before Taxes	270,470	247,274	228,706
Federal and state income tax	91,447	88,914	80,835
Net Income	$ 179,023	$ 158,360	$ 147,871
Earnings Per Share:			
Basic	$ 3.00	$ 2.67	$ 2.59
Diluted	$ 2.68	$ 2.38	$ 2.30
Average Shares Used in Computation:			
Basic	59,128,395	58,699,951	56,613,689
Diluted	66,732,496	66,509,121	64,353,558

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets
(In Thousands Except Share Data)

	December 31, 2004	December 31, 2003
Assets		
Cash and due from banks	$ 503,715	$ 629,480
Funds sold and resell agreements	27,376	14,432
Trading securities	9,692	7,823
Securities:		
Available for sale	4,080,696	3,833,449
Available for sale securities pledged to creditors	512,494	685,419
Investment (fair value: 2004 - $222,636; 2003 - $191,256)	221,094	187,951
Total securities	4,814,284	4,706,819
Loans	7,928,967	7,483,889
Less reserve for loan losses	(108,618)	(114,784)
Loans, net of reserve	7,820,349	7,369,105
Premises and equipment, net	172,643	175,901
Accrued revenue receivable	79,644	74,980
Intangible assets, net	242,594	250,686
Mortgage servicing rights, net	45,678	48,550
Real estate and other repossessed assets	3,763	7,186
Bankers' acceptances	31,799	30,884
Receivable on unsettled security transactions	56,873	–
Derivative contracts	380,051	149,100
Other assets	206,953	130,652
Total assets	$14,395,414	$13,595,598
Liabilities and Shareholders' Equity		
Noninterest-bearing demand deposits	$ 1,927,119	$ 1,648,600
Interest-bearing deposits:		
Transaction	3,947,088	4,021,808
Savings	156,339	174,729
Time	3,643,852	3,374,726
Total deposits	9,674,398	9,219,863
Funds purchased and repurchase agreements	1,555,507	1,609,668
Other borrowings	1,015,000	1,016,650
Subordinated debenture	151,594	154,332
Accrued interest, taxes and expense	71,062	85,409
Bankers' acceptances	31,799	30,884
Due on unsettled security transactions	–	8,259
Derivative contracts	387,292	149,326
Other liabilities	110,268	92,577
Total liabilities	12,996,920	12,366,968
Shareholders' equity:		
Preferred stock	12	12
Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: 2004 - 60,420,811; 2003 - 58,055,697)	4	4
Capital surplus	631,747	546,594
Retained earnings	809,261	698,052
Treasury stock (shares at cost: 2004 - 998,393; 2003 - 848,892)	(30,905)	(24,491)
Accumulated other comprehensive income (loss)	(11,625)	8,459
Total shareholders' equity	1,398,494	1,228,630
Total liabilities and shareholders' equity	$ 14,395,414	$13,595,598

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	2004	2003	2002
Cash Flows From Operating Activities:			
Net income	**$ 179,023**	$ 158,360	$ 147,871
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**20,439**	35,636	33,730
Provision (recovery) for mortgage servicing rights impairment	**(1,567)**	(22,923)	45,923
Unrealized (gains) losses from derivatives	**6,124**	5,888	(5,112)
Depreciation and amortization	**47,298**	64,425	65,790
Tax benefit on exercise of stock options	**4,609**	1,325	5,482
Stock-based compensation	**11,306**	5,746	4,124
Net (accretion) amortization of securities discounts and premiums	**(3,116)**	8,965	5,818
Net gain on sale of assets	**(11,678)**	(44,426)	(83,501)
Contribution of stock to BOK Charitable Foundation	**5,561**	–	–
Mortgage loans originated for resale	**(635,624)**	(1,314,453)	(1,014,009)
Proceeds from sale of mortgage loans held for resale	**666,549**	1,420,475	1,073,044
Change in trading securities	**(1,869)**	(2,713)	5,217
Change in accrued revenue receivable	**(4,664)**	(2,962)	(2,776)
Change in other assets	**(48,766)**	(28,442)	(12,452)
Change in accrued interest, taxes and expense	**(14,722)**	11,366	7,029
Change in other liabilities	**39,218**	(13,906)	8,010
Net cash provided by operating activities	**258,121**	282,361	284,188
Cash Flows From Investing Activities:			
Proceeds from sales of available for sale securities	**2,652,554**	5,089,734	6,873,320
Proceeds from maturities of investment securities	**61,583**	65,504	139,591
Proceeds from maturities of available for sale securities	**1,036,014**	2,410,213	1,802,845
Purchases of investment securities	**(94,947)**	(55,678)	(96,627)
Purchases of available for sale securities	**(3,800,015)**	(8,145,655)	(8,985,019)
Loans originated or acquired net of principal collected	**(554,128)**	(741,405)	(586,281)
Payments on derivative asset contracts	**(9,368)**	(41,226)	(12,912)
Net change in other investment assets	**3,208**	(3,849)	43
Proceeds from disposition of assets	**69,320**	65,989	58,390
Purchases of assets	**(34,404)**	(62,926)	(46,729)
Cash and cash equivalents of subsidiaries and branches acquired and sold, net	**–**	2,123	46,295
Net cash used by investing activities	**(670,183)**	(1,417,176)	(807,084)
Cash Flows From Financing Activities:			
Net change in demand deposits, transaction deposits and savings accounts	**185,409**	984,603	604,771
Net change in certificates of deposit	**269,126**	107,522	395,740
Net change in other borrowings	**(55,811)**	65,610	(165,744)
Change in amount receivable (due) on unsettled security transactions	**(65,132)**	74,160	(297,055)
Pay down of other borrowings	**–**	(95,000)	(10,095)
Issuance of preferred, common and treasury stock, net	**7,132**	4,627	4,172
Pay down of subordinated debenture	**–**	–	(30,000)
Net change in derivative margin accounts	**(50,202)**	(31,763)	(5,148)
Proceeds from derivative liability contracts	**10,259**	45,538	3,162
Dividends paid	**(1,540)**	(785)	(30)
Net cash provided by financing activities	**299,241**	1,154,512	499,773
Net increase (decrease) in cash and cash equivalents	**(112,821)**	19,697	(23,123)
Cash and cash equivalents at beginning of period	**643,912**	624,215	647,338
Cash and cash equivalents at end of period	**$ 531,091**	$ 643,912	$ 624,215
Cash paid for interest	**$ 192,187**	$ 176,225	$ 208,612
Cash paid for taxes	**95,282**	81,596	81,154
Net loans transferred to repossessed real estate	**6,013**	6,378	4,550
Payment of dividends in common stock	**65,899**	58,300	53,165
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, 2001	250,000	$25	51,737	$3
Comprehensive income:				
Net income	-	-	-	-
Other comprehensive loss, net of tax:				
Unrealized gain on securities	-	-	-	-
Total comprehensive income				
Exercise of stock options	-	-	695	-
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	-	-	-	-
Total comprehensive income				
Exercise of stock options	-	-	603	-
Tax benefit on exercise of stock options	-	-	-	-
Stock-based compensation	-	-	-	-
Cash dividends 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
Comprehensive income:				
Net income	-	-	-	-
Other comprehensive loss, net of tax:				
Unrealized loss on securities	-	-	-	-
Total comprehensive income				
Exercise of stock options	-	-	**616**	-
Conversion of preferred stock to common	**(25)**	-	-	-
Tax benefit on exercise of stock options	-	-	-	-
Stock-based compensation	-	-	-	-
Cash dividends on preferred stock	-	-	-	-
Dividends paid in shares of common stock	-	-	**1,749**	-
December 31, 2004	**249,975**	**$12**	**60,421**	**$4**

	December 31,		
	2004	2003	2002
[1] Changes in other comprehensive income:			
Unrealized gains (losses) on securities	**$ (31,806)**	$ (46,884)	$ 119,609
Unrealized losses on cash flow hedges	**(1,625)**	-	-
Tax benefit (expense) on unrealized gains (losses)	**11,303**	16,858	(44,390)
Reclassification adjustment for (gains) losses realized and included in net income	**3,088**	(7,188)	(58,704)
Reclassification adjustment for tax expense (benefit) on realized (gains) losses	**(1,044)**	2,585	20,781
Net change in unrealized gains (losses)	**$ (20,084)**	$ (34,629)	$ 37,296

See accompanying notes to consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)[1]	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total
$ 5,792	$335,443	$504,101	541	$(12,498)	$ 832,866
-	-	147,871	-	-	147,871
37,296	-	-	-	-	37,296
					185,167
-	8,515	-	125	(4,343)	4,172
-	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
-	10,953	-	145	(6,326)	4,627
-	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
-	-	**179,023**	-	-	**179,023**
(20,084)	-	-	-	-	**(20,084)**
					158,939
-	**12,507**	-	**122**	**(5,375)**	**7,132**
-	-	-	-	-	-
-	**4,609**	-	-	-	**4,609**
-	**1,099**	-	-	-	**1,099**
-	-	**(1,875)**	-	-	**(1,875)**
-	**66,938**	**(65,939)**	**27**	**(1,039)**	**(40)**
$(11,625)	**$631,747**	**$809,261**	**998**	**$(30,905)**	**$1,398,494**

Notes to Consolidated Financial Statements

(1) SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The consolidated financial statements would also include the assets, liabilities, non-controlling interests and results of operations of variable interest entities ("VIEs") when BOK Financial is determined to be the primary beneficiary. Variable interest entities are generally defined in FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities," as entities that either do not have sufficient equity to finance their activities without support from other parties or whose equity investors lack a controlling financial interest. BOK Financial has limited interests in VIEs in its operations.

Nature of Operations

BOK Financial, through its subsidiaries, provides a wide range of financial services to commercial and industrial customers, other financial institutions and consumers throughout Oklahoma, Northwest Arkansas, Dallas and Houston, Texas, 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 loan collectibility, 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

Intangible assets, which result from business combinations, are accounted for under the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and No. 147, "Acquisitions of Certain Financial Institutions."

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

The fair value of BOK Financial's 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 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, prospects for recovery and management's intent and ability to hold the security until the fair value exceeds amortized cost. 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 may be used by the Company as part of its interest rate risk management programs or may be offered to customers to assist with their hedging strategies. All derivative instruments are carried at fair value. Changes in fair value are generally reported in income as they occur.

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

In certain circumstances, interest rate swaps may be designated as fair value hedges and may qualify for hedge accounting. In these circumstances, changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are also reported in other operating revenue – gains or losses on derivatives, and may partially or completely offset the change in fair value of the interest rate swap. Fair value hedges are considered to be effective if the cumulative fair value adjustment of the interest rate swap is within a range of 80% to 120% of the change in fair value of the hedged asset or liability.

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

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

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

Derivative contracts are also offered to customers to assist in hedging their risks of adverse changes in commodity 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 customers 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 and included in other operating revenue – brokerage and trading revenue.

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 and Off-Balance Sheet Credit Losses

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

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. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

Permanent impairment of mortgage servicing rights is evaluated quarterly. A strata is considered to be permanently impaired if the fair value does not exceed amortized cost after assuming a 300 basis point increase in mortgage interest rates. The amortized cost of the asset is reduced to the calculated fair value through a charge against the valuation allowance.

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. The fair value of the originated servicing rights is determined at closing based upon relative fair value. Purchased mortgage servicing rights are recorded at cost.

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.

Current income tax expense is based on an effective tax rate that considers statutory federal and state income tax rates and permanent differences between income and expense recognition for financial reporting and income tax purposes. The amount of current income tax expense recognized in any period may differ from amounts reported to taxing authorities. These differences are recorded as current income tax liabilities. Income tax expense may be reduced when amounts accrued are determined to no longer represent liabilities of the Company. Income tax expense was reduced $3.0 million in 2004 from the resolution of state income tax issues.

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.

Stock Compensation Plans

BOK Financial has various stock compensation plans for its employees. 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.

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.

Other Operating Revenue

Fees and commissions revenue is recognized at the time the related services are provided or products are sold and may be accrued when necessary. Accrued fees and commissions are reversed against revenue if amounts are subsequently deemed to be uncollectible.

Effect of Pending Statements of Financial Accounting Standards

Financial Accounting Standards Board Statement of Financial Accounting Standards 123R, "Share-Based Payments"

In December 2004, the FASB revised Statement No. 123, "Accounting for Stock-Based Compensation," by issuing FAS 123R. FAS 123R requires companies to recognize in income statements the grant-date fair value of stock options and other equity-based compensation issued to employees. Previously, FAS 123 recommended, but did not require income statement recognition of the fair value of equity-based compensation. FAS 123R requires that share-based payments that may be settled in cash be carried at current fair value. Fair value is determined at each balance sheet date until the award is settled. Changes in fair value are recognized in the current period. Share-based payments that will be settled in equity instruments are measured at grant-date fair value and not remeasured for subsequent changes in fair value. Compensation expense is generally recognized over the vesting period for awards that will be settled in equity instruments. FAS 123R is effective for interim periods beginning on or after June 15, 2005.

The Company previously adopted the preferred income statement recognition methods of the original FAS 123. Management does not expect FAS 123R to have a significant effect on its financial statements.

American Institute of Certified Public Accountants Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"

SOP 03-3 addresses accounting for differences between contractual and expected cash flows of certain acquired loans and debt securities when the differences are due, at least in part, to credit quality. SOP 03-3 is applicable to loans and debt securities acquired individually, in pools or as part of a business combination. It is not applicable to loans originated by the lender. The yield that may be accreted to income is limited to the excess of estimated undiscounted cash flows over the investor's investment in the asset. Subsequent increases in expected cash flows should be recognized prospectively through a yield adjustment. Subsequent decreases in expected cash flows should be recognized as impairment. SOP 03-3 prohibits the carry-over or creation of valuation allowances related to acquired assets, including assets acquired in a business combination that have evidence of deterioration since origination. SOP 03-3 is effective for loans and debt securities acquired in fiscal years beginning after December 15,

2004. The guidance provided by SOP 03-3 is not expected to have a significant effect on future financial statements.

Emerging Issues Task Force

Issue 03-1, "The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments"

EITF 03-1 provides guidance for determining when an investment is impaired, for evaluating whether the impairment is other-than-temporary and for measuring impairment. An asset is considered impaired when its fair value is less than cost. The criteria for evaluating whether the impairment is other-than-temporary includes the nature of the asset, whether the asset can be prepaid by the issuer in a manner that the investor will not recover its investment, the severity and duration of the impairment and the investor's ability and intent to hold the asset until the fair value recovers. Impairment is measured as the difference between fair value and cost. If the impairment is considered other-than-temporary, a new cost basis is established through direct write-down of the asset.

In September 2004, the FASB agreed to reconsider EITF 03-1 and all other guidance on disclosing, measuring and recognizing other-than-temporary impairment of debt and equity securities. Until the reconsideration of EITF 03-1 is complete, we are unable to evaluate the effects on future financial statements. The disclosure requirements of EITF 03-1 remain in effect. Guidance for determining other-than-temporary impairment continues to be provided by the Securities and Exchange Commission's Staff Accounting Bulletin No. 59.

(2) ACQUISITIONS

On September 10, 2003, BOK Financial paid $77.9 million in cash for all the 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 16.

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	20,809	8,568
Total assets acquired	354,385	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	35,897	17,533
Less purchase price	77,928	67,745
Goodwill	$ 42,031	$ 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 2002:

Condensed Consolidated Pro Forma Statements of Earnings

(In Thousands Except Per Share Data)
(Unaudited)

	Year ended December 31,	
	2003	2002
Net interest revenue	$400,159	$389,648
Provision for credit losses	35,941	35,162
Net interest revenue after provision for credit losses	364,218	354,486
Other operating revenue	311,373	332,052
Other operating expense	428,490	452,654
Income before taxes	247,101	233,884
Federal and state income tax	88,914	80,825
Net income	$158,187	$ 153,059
Earnings per share:		
Basic net income	$ 2.67	$ 2.61
Diluted net income	2.38	2.31
Average shares:		
Basic	58,700	58,102
Diluted	66,509	66,301

On December 21, 2004, BOK Financial announced it entered into an agreement to acquire Phoenix-based Valley Commerce Bancorp Ltd. and its Valley Commerce Bank subsidiary for $32 million cash. Total consolidated assets and net assets of Valley Commerce Bancorp Ltd. were $141 million and $13 million, respectively, at December 31, 2004. This transaction is expected to be completed in April 2005, subject to regulatory approval.

(3) SECURITIES

Investment Securities

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

	December 31,							
	2004				2003			
	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	**$216,986**	**$218,465**	**$2,501**	**$(1,022)**	$184,192	$187,354	$4,049	$(887)
Mortgage-backed U.S. agency securities	**1,287**	**1,336**	**49**	**-**	2,296	2,418	122	-
Other debt securities	**2,821**	**2,835**	**14**	**-**	1,463	1,484	21	-
Total	**$221,094**	**$222,636**	**$2,564**	**$(1,022)**	$187,951	$191,256	$4,192	$(887)

The amortized cost and fair values of investment securities at December 31, 2004, 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	$46,214	$138,870	$24,996	$6,906	$216,986	2.99
Fair value	46,254	140,027	25,365	6,819	218,465	
Nominal yield[1]	5.54	5.02	6.03	6.07	5.28	
Other debt securities:						
Amortized cost	$ 2,021	$ 100	$ 700	$ -	$ 2,821	2.45
Fair value	2,021	106	708	-	2,835	
Nominal yield	2.28	7.00	5.37	-	3.21	
Total fixed maturity securities:						
Amortized cost	$48,235	$138,970	$25,696	$6,906	$ 219,807	2.98
Fair value	48,275	140,133	26,073	6,819	221,300	
Nominal yield	5.41	5.02	6.02	6.07	5.26	
Mortgage-backed securities:						
Amortized cost					$ 1,287	[2]
Fair value					1,336	
Nominal yield[3]					6.45	
Total investment securities:						
Amortized cost					$221,094	
Fair value					222,636	
Nominal yield					5.26	

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

2 The average expected lives of mortgage-backed securities were 6.28 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,							
	2004				2003			
	Amortized Cost	**Fair Value**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss
U.S. Treasury	**$ 27,119**	**$ 27,062**	**$ 31**	**$ (88)**	$ 44,679	$ 45,424	$ 746	$ (1)
Municipal and other tax-exempt	**414**	**404**	**1**	**(11)**	3,271	3,257	6	(20)
Mortgage-backed securities:								
U. S. agencies	**3,067,611**	**3,052,375**	**8,079**	**(23,315)**	3,514,158	3,518,926	28,962	(24,194)
Other	**1,423,613**	**1,418,770**	**2,378**	**(7,221)**	845,430	848,911	5,996	(2,515)
Total mortgage-backed securities	**4,491,224**	**4,471,145**	**10,457**	**(30,536)**	4,359,588	4,367,837	34,958	(26,709)
Other debt securities	**515**	**528**	**13**	**-**	1,140	1,177	37	-
Equity securities and mutual funds	**90,343**	**94,051**	**3,708**	**-**	96,460	101,173	5,450	(737)
Total	**$4,609,615**	**$4,593,190**	**$14,210**	**$(30,635)**	$4,505,138	$4,518,868	$41,197	$(27,467)

The amortized cost and fair values of available for sale securities at December 31, 2004, 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	$16,054	$ 11,065	$ -	$ -	$ 27,119	0.99
Fair value	16,057	11,005	-	-	27,062	
Nominal yield	2.21	2.75	-	-	2.43	
Municipal and other tax-exempt:						
Amortized cost	$ -	$ 99	$ 315	$ -	$ 414	5.43
Fair value	-	100	304	-	404	
Nominal yield[1]	-	4.67	2.65	-	3.13	
Other debt securities:						
Amortized cost	$ 374	$ 75	$ 66	$ -	$ 515	1.57
Fair value	383	79	66	-	528	
Nominal yield[1]	6.05	6.23	5.85	-	6.05	
Total fixed maturity securities:						
Amortized cost	$16,428	$ 11,239	$ 381	$ -	$ 28,048	1.07
Fair value	16,440	11,184	370	-	27,994	
Nominal yield	2.35	2.80	3.20	-	2.51	
Mortgage-backed securities:						
Amortized cost					$ 4,491,224	[2]
Fair value					4,471,145	
Nominal yield[4]					4.35	
Equity securities and mutual funds:						
Amortized cost					$ 90,343	[3]
Fair value					94,051	
Nominal yield					2.64	
Total available-for-sale securities:						
Amortized cost					$ 4,609,615	
Fair value					4,593,190	
Nominal yield					4.30	

[1] Calculated on a taxable equivalent basis using a 39% effective tax rate.
[2] The average expected lives of mortgage-backed securities were 3.26 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, 2004, there were outstanding commitments to buy $15 million of securities that have not yet been issued. As of December 31, 2004, these commitments are not reflected in BOK Financial's balance sheet 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):

	2004	2003	2002
Proceeds	**$2,652,554**	$5,089,734	$6,873,320
Gross realized gains	**10,452**	30,373	85,346
Gross realized losses	**13,540**	23,185	26,642
Related federal and state income tax expense (benefit)	**(1,044)**	2,585	20,781

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of $2.6 billion and $2.1 billion at December 31, 2004 and 2003, respectively, have been pledged as collateral for repurchase agreements, public and trust funds on deposit and for other purposes as required by law. The secured parties do not have the right to sell or repledge these securities.

Net unrealized losses on securities totaled $15 million at December 31, 2004 compared with net unrealized gains of $17 million at December 31, 2003 due primarily to rising interest rates. The aggregate gross amount of unrealized losses at December 31, 2004 totaled $32 million. 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 ability and intent to hold the securities until the fair values exceed amortized cost. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary.

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	$ 49,805	$ 331	$ 42,470	$ 691	$ 92,275	$ 1,022
Available for sale:						
U. S. Treasury	21,978	88	-	-	21,978	88
Municipal and other tax-exempt	-	-	304	11	304	11
Mortgage-backed securities:						
U. S. agencies	1,139,652	8,236	742,421	15,079	1,882,073	23,315
Other	610,811	6,534	137,188	687	747,999	7,221
Total	$1,822,246	$ 15,189	$ 922,383	$ 16,468	$2,744,629	$31,657

(4) DERIVATIVES

The fair values of derivative contracts at December 31, 2004 were (in thousands):

	Assets	Liabilities
Customer Risk Management Programs:		
Interest rate contracts	$ 4,116	$ 5,526
Energy contracts	363,388	362,761
Cattle contracts	708	1,138
Foreign exchange contracts	10,569	10,571
Total Customer Derivatives	378,781	379,996
Interest Rate Risk Management Programs:		
Interest rate risk management	953	7,296
Mortgage servicing rights	317	–
Total Derivative Contracts	$380,051	$387,292

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. We also have programs to assist customers in managing their interest rate and foreign exchange risks and a specialized program for customers with loans secured by cattle. 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 commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to the customer contracts, except for a fixed pricing spread or a fee paid to BOK Financial as compensation for administrative costs, credit risks and profit.

Interest Rate Risk Management Programs

BOK Financial uses interest rate swaps to assist in managing its interest rate sensitivity. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed rate liabilities to floating rate based on LIBOR, or specific prime-based loans to fixed rate. Interest rate swaps are designated as fair value or cash flow hedges when the specific criteria required by generally accepted accounting principles are met. These criteria include requirements that derivatives are highly effective in offsetting changes in fair value or cash flow of the hedged assets or liabilities.

The following table details interest rate swaps and, when applicable, the associated hedged assets or liabilities at December 31, 2004 (dollars in thousands):

	Hedged Asset / Liability				Interest Rate Swap				
			Weighted Average			Weighted Average			
Maturity	Description	Amount	Fixed Rate (Paid)	Floating Rate Received[2]	Notional Amount	Fixed Rate Received (Paid)	Floating Rate Received (Paid)[1]	Positive Fair Value	Negative Fair Value
Fair value hedges:									
2005	Certificates of deposit	$ 84,606	(1.933)%	– %	$ 85,000	2.113%	(2.400)%	$ –	$ 157
2006	Certificates of deposit	74,980	(2.313)	–	75,000	2.400	(2.400)	–	781
2007	Certificates of deposit	50,000	(2.960)	–	50,000	3.085	(2.400)	–	480
2007	Subordinated debt	150,000	(7.125)	–	150,000	3.165	(2.400)	–	1,540
2008	Certificates of deposit	21,980	(3.000)	–	22,000	3.093	(2.400)	–	404
2009	Certificates of deposit	69,932	(4.009)	–	70,000	4.133	(2.400)	953	251
2010	Certificates of deposit	9,878	(3.624)	–	10,000	3.657	(2.400)	–	184
2011	Certificates of deposit	29,779	(3.983)	–	30,000	4.013	(2.400)	–	231
	Total fair value hedges	491,155			492,000			953	4,028
Cash flow hedges:									
2008	Prime rate loans	100,000	–	5.250	100,000	5.926	(5.250)[2]	–	1,625
	Total cash flow hedges	100,000			100,000			–	1,625
Not designated as hedges:									
2006		–	–	–	13,246	(5.425)	2.400	–	418
2011		–	–	–	33,332	(5.359)	2.400	–	1,225
	Total	$591,155			$638,578			$ 953	$ 7,296

[1] Floating rates are based on 30-day LIBOR, unless otherwise noted.
[2] Floating rate based on prime.

During 2004 and 2003, net interest revenue was increased by $9.9 million and $14.7 million, respectively, from the settlement of amounts receivable or payable on interest rate swaps.

In addition, BOK Financial has an option to enter into an interest rate swap that is part of the mortgage servicing rights hedging program. The notional amount of this derivative contract is $50 million. On October 15, 2005, we have the right to enter into an interest rate swap where we receive a fixed rate of 4.05% and pay a variable rate based on LIBOR. If we choose to exercise the option, the resulting swap will expire in 2015. This contract is carried at fair value and is not designated as a hedge for accounting purposes.

(5) Loans

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

	December 31,							
	2004				2003			
	Fixed Rate	Variable Rate	Non-accrual	Total	Fixed Rate	Variable Rate	Non-accrual	Total
Commercial	$1,580,239	$2,962,402	$ 33,195	$4,575,836	$1,603,095	$2,692,247	$ 41,360	$4,336,702
Commercial real estate	376,290	1,234,676	10,144	1,621,110	446,751	1,181,030	2,311	1,630,092
Residential mortgage	687,574	502,732	8,612	1,198,918	522,240	485,582	7,821	1,015,643
Residential mortgage held for sale	40,262	-	-	40,262	56,543	-	-	56,543
Consumer	309,461	182,671	709	492,841	298,465	145,255	1,189	444,909
Total	$2,993,826	$4,882,481	$ 52,660	$7,928,967	$2,927,094	$4,504,114	$ 52,681	$7,483,889
Loans past due (90 days)				$ 7,649				$ 14,944
Foregone interest on nonaccrual loans				$ 4,617				$ 4,821

Approximately 59% of the commercial and consumer loan portfolios and approximately 75% 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 15% of total loans as of December 31, 2004. Other notable segments include wholesale/retail, $699 million; manufacturing, $484 million; agriculture, $262 million, which includes $217 million of loans to the cattle industry; and services, $1.6 billion, which includes nursing homes of $281 million, healthcare of $143 million and hotels of $30 million.

Approximately 39% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 31% of commercial real estate loans are secured by property located in Texas. The major components of these properties are multifamily residences, $232 million; construction and land development, $457 million; retail facilities, $312 million; and office buildings, $343 million.

During 2004, interest rate swaps with $100 million notional amounts were designated cash flow hedges of prime-based loans. The objective of the hedge is to protect against the variability of interest cash flows on the first $100 million of then existing prime-based loans. The Company receives settlements based on a fixed rate of 5.93% and pays settlements based on the U.S. prime rate. Amounts due are settled monthly. The amounts related to these swaps included in accumulated other comprehensive income that are expected to be reclassified into earnings during 2005 based on the current interest rate environment is not material to the Company's operating results.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2004, outstanding commitments totaled $3.5 billion. Because some commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BOK Financial uses the same credit policies in making commitments as it does loans.

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

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At December 31, 2004, outstanding standby letters of credit totaled $414 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, 2004, outstanding commercial letters of credit totaled $7 million.

Reserves for Credit Losses

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

	2004	2003	2002
Beginning balance	**$114,784**	$103,851	$ 89,188
Provision for loan losses	**15,792**	34,000	34,228
Loans charged off	**(29,685)**	(31,475)	(25,905)
Recoveries	**7,727**	6,125	4,976
Addition due to acquisitions	**-**	2,283	1,364
Ending balance	**$108,618**	$114,784	$103,851

The activity in the reserve for off-balance sheet credit losses is summarized as follows (in thousands):

	2004	2003	2002
Beginning balance	**$13,855**	$12,219	$12,717
Provision for off-balance sheet credit losses	**4,647**	1,636	(498)
Ending balance	**$18,502**	$13,855	$12,219
Provision for credit losses	**$20,439**	$35,636	$33,730

Impaired Loans

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

	December 31,		
	2004	2003	2002
Investment in loans impaired under FAS 114 (all of which were on a nonaccrual basis)	**$45,424**	$46,990	$44,912
Loans with specific reserves for loss	**14,881**	18,947	4,685
Specific reserve balance	**6,994**	6,377	2,269
No specific related reserve for loss	**30,543**	28,043	40,227
Average recorded investment in impaired loans	**46,386**	47,415	41,828

Interest income recognized on impaired loans during 2004, 2003 and 2002 was not significant.

(6) Premises and Equipment

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

	December 31,	
	2004	2003
Land	**$ 40,479**	$ 40,098
Buildings and improvements	**135,932**	126,665
Software	**27,515**	26,338
Furniture and equipment	**100,447**	95,833
Subtotal	**304,373**	288,934
Less accumulated depreciation	**131,730**	113,033
Total	**$172,643**	$175,901

Depreciation expense of premises and equipment was $23.4 million, $22.4 million and $20.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(7) Intangible Assets

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

	December 31,	
	2004	2003
Core deposit premiums	**$ 86,257**	$ 86,257
Less accumulated amortization	**71,158**	64,012
Net core deposit premiums	**15,099**	22,245
Other identifiable intangible assets	**11,526**	11,526
Less accumulated amortization	**4,249**	3,257
Net other identifiable intangible assets	**7,277**	8,269
Goodwill	**273,353**	273,307
Less accumulated amortization	**53,135**	53,135
Net goodwill	**220,218**	220,172
Total intangible assets, net	**$242,594**	$250,686

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
2005	$ 5,175	$ 962	$ 6,137
2006	3,628	796	4,424
2007	2,935	763	3,698
2008	1,552	780	2,332
2009	1,216	804	2,020
Thereafter	593	3,172	3,765
	$15,099	$7,277	$22,376

The net amortized cost of intangible assets at December 31, 2004 is assigned to reporting units as follows (in thousands):

Core deposit premiums:		
Bank of Albuquerque	$	503
Bank of Texas		7,007
Colorado State Bank and Trust		7,589
	$	15,099
Other identifiable intangible assets:		
Bank of Oklahoma	$	197
Colorado State Bank and Trust		7,080
	$	7,277
Goodwill:		
Bank of Oklahoma	$	8,173
Bank of Texas		154,741
Bank of Albuquerque		15,273
Colorado State Bank and Trust		42,031
	$	220,218

(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 $40 million and $57 million, and outstanding mortgage loan commitments totaled $189 million and $208 million at December 31, 2004 and 2003, 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, 2004, the unrealized loss on forward sales contracts used to hedge the mortgage pipeline was approximately $119 thousand.

At December 31, 2004, BOK Financial owned the rights to service 56,062 mortgage loans with outstanding principal balances of $4.5 billion, including $655 million serviced for affiliates, and held related funds of $67 million for investors and borrowers. The weighted average interest rate and remaining term was 6.27% and 270 months, respectively. Mortgage loans sold with recourse totaled $32 million at December 31, 2004. 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.

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 2002, 2003 and 2004 are as follows (in thousands):

	Capitalized Mortgage Servicing Rights			Valuation	Hedging	
	Purchased	Originated	Total	Allowance	Loss[2]	Net
Balance at December 31, 2001	$ 55,056	$ 53,611	$108,667	$ (18,451)	$ 8,580	$ 98,796
Additions, net	(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
Additions, net	-	**11,365**	**11,365**	-	-	**11,365**
Amortization expense	**(4,695)**	**(10,753)**	**(15,448)**	-	**(356)**	**(15,804)**
Write-off	**(6,291)**	**(7,012)**	**(13,303)**	**16,656**	**(3,353)**	-
Recovery of impairment	-	-	-	**1,567**	-	**1,567**
Balance at December 31, 2004	**$ 11,394**	**$ 48,056**	**$ 59,450**	**$ (13,772)**	**$ -**	**$ 45,678**
Estimated fair value of mortgage servicing rights at:						
December 31, 2002[1]	$ 17,311	$ 20,477	$ 37,788			$ 37,788
December 31, 2003[1]	$ 12,625	$ 36,564	$ 49,189			$ 49,189
December 31, 2004[1, 3]	**$ 9,338**	**$ 36,985**	**$ 46,323**			**$ 46,323**

[1] Excludes approximately $1.1 million, $1.4 million and $2 million at December 31, 2004, 2003 and 2002, respectively, of loan servicing rights on mortgage loans originated prior to the adoption of FAS 122.

[2] Hedging loss represents the deferred loss on a derivatives-based hedging program prior to the adoption of FAS 133.

[3] Fair value of mortgage servicing rights is based on numerous assumptions primarily related to mortgage interest rates. At December 31, 2004, management estimates that a 50 basis point increase in mortgage interest rates will increase the fair value of mortgage servicing rights by $6.3 million and a 50 basis point decrease in mortgage interest rates will reduce the fair value of mortgage servicing rights by $10.4 million.

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, 2004 was 9.71%.

Prepayment rate - Annual prepayment estimates ranging from 10.55% to 34.54% 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, 2004 was 4.52%.

Stratification of the mortgage loan-servicing portfolio, outstanding principal of loans serviced, and related hedging information by interest rate at December 31, 2004 follows (in thousands):

	< 5.51%	5.51% - 6.50%	6.51% - 7.50%	=> 7.51%	Total
Cost less accumulated amortization	$ 13,807	$ 23,266	$ 17,096	$ 5,281	$ 59,450
Fair value	$ 12,378	$ 17,679	$ 11,856	$ 4,410	$ 46,323
Impairment[2]	$ 1,628	$ 5,588	$ 5,242	$ 1,314	$ 13,772
Outstanding principal of loans serviced[1]	$ 938,400	$ 1,421,900	$ 1,027,300	$ 358,000	$ 3,745,600

[1] Excludes outstanding principal of $655 million for loans serviced for affiliates and $86 million of mortgage loans 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):

	2004	2003	2002
Transaction deposits	**$ 35,517**	$ 31,346	$ 39,273
Savings	**975**	944	1,976
Time:			
Certificates of deposits under $100,000	**41,978**	39,098	50,036
Certificates of deposits $100,000 and over	**53,918**	48,181	42,291
Other time deposits	**12,045**	12,360	11,890
Total time	**107,941**	99,639	104,217
Total	**$144,433**	$131,929	$145,466

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2004 and 2003 were $2.2 billion and $2.1 billion, respectively.

Time deposit maturities are as follows: 2005 - $1.3 billion, 2006 - $422 million, 2007 - $808 million, 2008 - $232 million, 2009 - $330 million, and $577 million thereafter.

During the first half of 2004, the Company raised $342 million in fixed rate, brokered certificates of deposits. These deposits generally replaced other time deposits as they matured. The weighted average interest rate paid on these certificates is 2.89%. Interest rate swaps have been designated as hedges of each of these certificates. The purpose of these swaps is to hedge against changes in fair value due to changes in interest rates by modifying the certificates from fixed rate to floating rates based on changes in LIBOR. We receive a weighted average fixed rate of 3.01% on these swaps and currently pay a floating rate of 2.40%.

Interest expense on time deposits during 2004 and 2003 was reduced by the net accrued settlement from interest rate swaps of $7.9 million and $14.0 million, respectively.

(10) Other Borrowings

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

	December 31								
	2004			2003			2002		
	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End
Parent Company:									
Revolving, unsecured line	**$ 95,000**	**2.91%**	**$ 95,000**	$ 95,000	1.75%	$ 95,000	$ 85,000	2.17%	$ 95,000
Subordinated debenture	–	–	–	–	–	–	–	–	30,000
Other	–	–	–	–	–	–	–	–	95
Total parent company	**95,000**	**2.91**		95,000	1.75		85,000	2.17	
Subsidiary Banks:									
Funds purchased and repurchase agreements	**1,555,507**	**2.18**	**1,900,810**	1,609,668	1.37	1,904,269	1,567,686	1.67	1,895,315
Federal Home Loan Bank advances	**894,354**	**2.31**	**899,350**	899,426	1.21	974,729	973,454	1.48	1,036,387
Subordinated debenture	**151,594**	**5.18**	**154,230**	154,332	6.02	155,345	155,419	6.19	156,229
Other	**25,646**	**0.98**	**28,748**	22,224	1.58	29,116	29,568	1.49	29,853
Total subsidiary banks	**2,627,101**	**2.39**		2,685,650	1.58		2,726,127	1.86	
Total other borrowings	**$2,722,101**	**2.41**		$2,780,650	1.74		$2,811,127	1.93	

Aggregate annual principal repayments of long-term debt at December 31, 2004 are as follows (in thousands):

	Parent Company	Subsidiary Banks
2005	$ -	$2,257,446
2006	95,000	205,124
2007	-	153,537
2008	-	1,934
2009	-	8,049
Thereafter	-	1,011
Total	$95,000	$2,627,101

Funds purchased generally mature within one to ninety days from the transaction date. At December 31, 2004, securities sold under agreements to repurchase totaled $822 million with related accrued interest payable of $556 thousand.

Additional information relating to repurchase agreements at December 31, 2004 is as follows (dollars in thousands):

Security Sold/Maturity	Amortized Cost	Market Value	Repurchase Liability[1]	Average Rate
U.S. Agency Securities:				
Overnight	$ 424,984	$ 422,652	$ 437,457	2.19%
Term of 30 to 90 days	517,925	512,494	384,628	2.33
Total Agency Securities	$ 942,909	$ 935,146	$ 822,085	2.25%

[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.

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, 2004 pursuant to the Federal Home Loan Bank's collateral policies is $434 million.

BOK Financial has a revolving, unsecured credit agreement from certain banks at December 31, 2004 of $125 million. Interest is based upon either a base rate or LIBOR 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 monthly. 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, 2004.

In 1997, BOk issued a $150 million 7.125% fixed rate subordinated debenture that matures in 2007. Interest rate swaps were used as a fair value hedge to convert the fixed interest on the debenture to a LIBOR-based floating rate. This required BOk to adjust the carrying value of the subordinated debenture to fair value. In 2001, those 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. Amortization of this adjustment reduces the cost of the debt by 102 basis points.

During 2004, a $150 million notional amount interest rate swap was designated as a hedge of changes in fair value of the subordinated debt due to changes in interest rates. The Company receives a fixed rate of 3.165% and pays a variable rate based on 1-month LIBOR, or 2.40% at December 31, 2004. Semi-annual swap settlements coincide with interest payments on the subordinated debenture. The interest rate swap terminates on August 15, 2007, the maturity date of the subordinated debenture.

(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,	
	2004	2003
Deferred tax liabilities:		
Available for sale securities mark-to-market	**$ -**	$ 5,300
Pension contributions in excess of book expense	**9,400**	10,800
Valuation adjustments	**29,300**	26,300
Mortgage servicing rights	**20,200**	24,200
Lease financing	**15,800**	16,900
Other	**4,500**	3,600
Total deferred tax liabilities	**79,200**	87,100
Deferred tax assets:		
Available for sale securities mark-to-market	**6,400**	-
Stock-based compensation	**3,900**	3,500
Credit loss reserves	**48,500**	48,900
Valuation adjustments	**13,200**	20,400
Deferred book income	**22,400**	19,700
Deferred compensation	**8,300**	4,300
Other	**12,100**	14,400
Total deferred tax assets	**114,800**	111,200
Deferred tax assets in excess of deferred tax liabilities	**$ 35,600**	$ 24,100

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,		
	2004	2003	2002
Current:			
Federal	**$ 84,514**	$ 77,015	$ 89,879
State	**6,743**	5,551	6,011
Total current	**91,257**	82,566	95,890
Deferred:			
Federal	**161**	5,369	(12,978)
State	**29**	979	(2,077)
Total deferred	**190**	6,348	(15,055)
Total income tax	**$ 91,447**	$ 88,914	$ 80,835

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,		
	2004	2003	2002
Amount:			
Federal statutory tax	**$ 94,671**	$ 86,538	$ 79,903
Tax exempt revenue	**(2,705)**	(2,815)	(3,233)
Effect of state income taxes, net of federal benefit	**4,220**	4,110	2,482
Intangible amortization	**397**	763	914
Charitable contribution	**(2,446)**	-	-
Utilization of tax credits	**(784)**	(794)	(937)
Reduction of tax accrual	**(3,000)**	-	-
Other, net	**1,094**	1,112	1,706
Total	**$ 91,447**	$ 88,914	$ 80,835

Due to the favorable resolution of certain state tax issues for the tax period ended December 31, 2000, BOK Financial reduced its tax accrual by $3 million, which was credited against current federal income tax expense in 2004.

	Years ended December 31,		
	2004	2003	2002
Percent of pretax income:			
Federal statutory rate	**35%**	35%	35%
Tax-exempt revenue	**(1)**	(1)	(1)
Effect of state income taxes, net of federal benefit	**2**	2	1
Intangible amortization	**-**	-	-
Charitable contribution	**(1)**	-	-
Utilization of tax credits	**-**	-	-
Reduction of tax accrual	**(1)**	-	-
Other, net	**-**	-	-
Total	**34%**	36%	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,	
	2004	2003
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 37,773	$ 30,606
Service cost	6,096	5,178
Interest cost	2,314	2,015
Actuarial loss	2,262	2,161
Benefits paid	(3,757)	(2,187)
Projected benefit obligation at end of year[1,2]	$ 44,688	$ 37,773
Change in plan assets:		
Plan assets at fair value at beginning of year	$ 43,275	$ 30,945
Actual return on plan assets	4,002	7,286
Company contributions	8,726	7,231
Benefits paid	(3,757)	(2,187)
Plan assets at fair value at end of year	$ 52,246	$ 43,275
Reconciliation of prepaid (accrued) and total amount recognized:		
Benefit obligation	$(44,688)	$(37,773)
Fair value of assets	52,246	43,275
Funded status of the plan	7,558	5,502
Unrecognized net loss	14,226	13,387
Unrecognized prior service cost	443	503
Prepaid pension costs	$ 22,227	$ 19,392
Components of net periodic benefit costs:		
Service cost	$ 6,096	$ 5,178
Interest cost	2,314	2,015
Expected return on plan assets	(3,639)	(2,957)
Amortization of unrecognized amounts:		
Net loss	1,060	818
Prior service cost	60	60
Net periodic pension cost	$ 5,891	$ 5,114

[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:	2004	2003
Discount rate	5.75%	6.25%
Expected return on plan assets	8.00%	7.50%
Rate of compensation increase	5.25%	5.25%

As of December 31, 2004, expected future benefit payments related to the Pension Plan were as follows (in thousands):

2005	$ 1,311
2006	1,208
2007	1,989
2008	2,250
2009	3,090
2010 through 2014	16,501
	$ 26,349

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 8.62%. The maximum and minimum required Pension Plan contributions for 2004 were $2.2 million and $0, respectively. Amounts contributed to the Pension Plan during 2004 included $1.0 million attributable to the current year and $7.7 million attributable to 2003.

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 $3.9 million, $3.6 million and $3.1 million for 2004, 2003 and 2002, 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 $2.2 million at December 31, 2004. 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 $58.1 million in 2004, $52.0 million in 2003 and $32.1 million in 2002 for such awards.

(13) Stock Compensation 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 for the Chief Executive Officer and other senior executives by an independent compensation committee of the Board of Directors. Other stock-based compensation awards are approved by the independent compensation committee upon recommendation of 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 2002, 2003 and 2004 under these plans:

	Number	Weighted-Average Exercise Price
Options outstanding at December 31, 2001	3,591,373	$ 18.17
Options awarded	174,258	31.28
Options exercised	(491,952)	13.31
Options forfeited	(40,104)	19.89
Options expired	(5)	5.96
Options outstanding at December 31, 2002	3,233,570	19.66
Options awarded	889,343	32.60
Options exercised	(672,457)	16.74
Options forfeited	(61,941)	23.07
Options expired	(53)	18.73
Options outstanding at December 31, 2003	3,388,462	23.58
Options awarded	**857,951**	**40.37**
Options exercised	**(693,199)**	**19.65**
Options forfeited	**(212,844)**	**27.15**
Options expired	**(2,322)**	**14.94**
Options outstanding at December 31, 2004	**3,338,048**	**$ 28.53**
Options vested at December 31, 2004	**980,493**	**$ 20.40**

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
$8.18 - $9.69	77,458	1.25	$9.30	77,458	$9.30
16.17	145,632	1.92	16.17	142,560	16.17
17.37 - 19.02	950,979	3.07	18.05	476,849	18.19
28.27 - 31.00	1,101,827	4.42	29.70	283,626	29.28
37.21 - 37.65	226,656	1.00	37.43	–	–
37.74	611,338	6.00	37.74	–	–
45.43 - 49.09	224,158	2.00	47.81	–	–

Stock-based compensation expense included in reported pre-tax net income for the years ended December 31, 2004, 2003 and 2002 was $11.3 million, $5.7 million and $4.1 million, respectively.

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:

	2004	2003	2002
Average risk-free interest rate	**3.27%**	2.57%	1.59%
Dividend yield	**None**	None	None
Volatility factors	**.168**	.178	.190
Weighted-average expected life	**4.9 years**	7 years	2 years
Weighted-average fair value	**$ 8.53**	$ 6.66	$ 4.18

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, 2004, a total of 44,738 nonvested common shares have been awarded, including 24,800 awarded in 2004.

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.

This stock-based compensation 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. The total deferred compensation liability attributed to these arrangements was $16.5 million for 2004 and $6.8 million for 2003.

During January 2005, BOK Financial awarded the following stock-based compensation:

	Number	Exercise Price	Fair Value / Award
Equity awards:			
Stock options	493,235	$ 47.34	$ 10.94
Nonvested stock	5,036	–	47.34
Total Equity awards	498,271		
Liability awards:			
Stock options	187,207	47.34	10.94
Nonvested stock	7,892	–	47.34
Total Liability awards	195,099		
Total stock-based awards	693,370		

(14) Related Parties

In compliance with applicable regulations, the Company may extend credit to certain executive officers, directors, principal shareholders and their affiliates (collectively referred to as "related parties") in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements. The Company's loans to related parties do not involve more than the normal credit risk and there are no non-accrual or impaired related party loans outstanding at December 31, 2004 or 2003.

Activity in loans to related parties is summarized as follows (in thousands):

	2004	2003
Beginning balance	**$ 119,873**	$ 83,189
Advances	**434,242**	122,685
Payments	**(442,834)**	(86,001)
Adjustments[1]	**(6,436)**	–
Ending balance	**$ 104,845**	$119,873

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

BOK Investment Advisors, Inc. ("BOKIA"), a wholly-owned subsidiary of BOk, serves as investment advisor to American Performance Funds ("AP Funds"). AP Funds is a diversified, open-ended, investment company established in 1987 as a business trust under the Investment Act of 1940. BOk serves as custodian for AP Funds. Effective July 1, 2004, BOKIA began serving as the AP Funds administrator. BOK Financial offers the AP Funds products to customers and employees, in the ordinary course of business, through its brokerage and trading, employee benefit plan and trust services as well as to the public.

Certain related parties are customers of the Company for services other than loans, including consumer banking, corporate banking, risk management, wealth management, brokerage and trading, or fiduciary/trust services. The Company engages in transactions with related parties in the ordinary course of business in compliance with applicable regulation. There are no other material related party transactions that require disclosure.

(15) 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 2014 and 2024. Annual base rent is $3.3 million. BOk subleases portions of its space for annual rents of $370 thousand in 2005 and $213 thousand in years 2006 through 2009. Net rent expense on this lease was $2.9 million in years 2004, 2003 and 2002. Total rent expense for BOK Financial was $14.3 million in 2004, $13.0 million in 2003 and $12.4 million in 2002.

At December 31, 2004, future minimum lease payments for equipment and premises under operating leases were as follows: $13.6 million in 2005, $13.0 million in 2006, $11.6 million in 2007, $10.7 million in 2008, $9.6 million in 2009, and a total of $36.3 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. There were no expenditures related to this guarantee in 2004. Expenditures totaled $3.2 million in 2003 and $373 thousand in 2002.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. These balances were approximately $334 million and $303 million at December 31, 2004 and 2003, respectively.

BOSC, Inc., a wholly-owned subsidiary of BOK Financial, is an introducing broker to Pershing, LLC for retail equity investment transactions. As such, it has indemnified Pershing, LLC against losses due to a customer's failure to settle a transaction or to repay a margin loan. All unsettled transactions and margin loans are secured as required by applicable regulation. The amount of customer balances subject to indemnification totaled $2.9 million at December 31, 2004.

BOK Private Equity, LLC, indirectly a wholly-owned subsidiary of BOK Financial, is the general partner in BOK Private Equity Fund, LP ("the Fund"). The Fund provides alternative investment opportunities to certain customers, some of which are related parties, through limited partnerships. The Fund generally invests in distressed assets, asset buy-out or venture capital limited partnerships or limited liability companies. The general partner has contingent obligations through the Fund to make additional investments totaling $13.9 million as of December 31, 2004.

(16) 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 249,974,544 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 36 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the $0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is $15 million. In 2004 and 2003, cash dividends declared on preferred stock totaled $1.9 million and $750 thousand, respectively. During 2003 and 2002, 23,214 shares and 47,961 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, based on average market price, as defined, for a 65 business day period preceding declaration. 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. 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 2004, 2003 and 2002, 3% dividends payable in shares of BOK Financial common stock were declared and paid. The shares issued were valued at $66 million, $58 million and $52 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.

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 210,069. The guaranteed price for each anniversary period is $37.67 for 2005, $40.10 for 2006 and $42.53 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 banking regulations and state corporate law. Generally, dividends declared during a calendar year are limited to net profits, as defined, for the year plus retained profits for the preceding two years. The amounts of dividends are further restricted by minimum capital requirements. Pursuant to the most restrictive of the regulations at December 31, 2004, BOK Financial's subsidiary banks could declare dividends up to $161 million without prior 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. As of December 31, 2004, the subsidiary banks could declare dividends of up to $98 million under this policy. During 2004, the subsidiary banks did not declare any dividends. The subsidiary banks declared and paid dividends of $66 million in 2003 and $40 million in 2002.

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, 2004, these loans had no outstanding balance. As of December 31, 2003, these loans totaled $10 million. Total loan commitments to affiliates at December 31, 2004 were $108 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 $23 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 credit losses subject to certain limitations. All of BOK Financial's banking subsidiaries exceeded the regulatory definition of well capitalized.

	December 31,			
	2004		2003	
	Amount	**Ratio**	Amount	Ratio
(Dollars in thousands)				
Total Capital (to Risk Weighted Assets):				
Consolidated	**$ 1,329,431**	**11.67%**	$ 1,157,782	11.31%
BOk	**1,016,351**	**11.13**	900,888	11.06
Bank of Texas	**235,921**	**11.41**	201,984	11.13
Bank of Albuquerque	**103,573**	**15.34**	91,412	17.35
Bank of Arkansas	**16,162**	**20.37**	15,218	21.56
Colorado State Bank and Trust	**36,015**	**14.50**	26,222	10.19
Tier I Capital (to Risk Weighted Assets):				
Consolidated	**$ 1,140,654**	**10.02%**	$ 935,932	9.15%
BOk	**867,335**	**9.50**	718,538	8.82
Bank of Texas	**211,641**	**10.24**	179,256	9.88
Bank of Albuquerque	**95,443**	**14.14**	84,811	16.10
Bank of Arkansas	**15,164**	**19.11**	14,328	20.30
Colorado State Bank and Trust	**32,891**	**13.24**	22,997	8.94
Tier I Capital (to Average Assets):				
Consolidated	**$ 1,140,654**	**7.94%**	$ 935,932	7.17%
BOk	**867,335**	**7.29**	718,538	6.69
Bank of Texas	**211,641**	**7.62**	179,256	7.22
Bank of Albuquerque	**95,443**	**6.69**	84,811	6.37
Bank of Arkansas	**15,164**	**8.97**	14,328	7.82
Colorado State Bank and Trust	**32,891**	**8.73**	22,997	6.86

(17) 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,		
	2004	2003	2002
Numerator:			
Net income	$ **179,023**	$ 158,360	$ 147,871
Preferred stock dividends	**(1,875)**	(1,500)	(1,500)
Numerator for basic earnings per share - income available to common stockholders	**177,148**	156,860	146,371
Effect of dilutive securities:			
Preferred stock dividends	**1,875**	1,500	1,500
Numerator for diluted earnings per share - income available to common stockholders after assumed conversion	$ **179,023**	$ 158,360	$ 147,871
Denominator:			
Denominator for basic earnings per share - weighted average shares	**59,128,395**	58,699,951	56,613,689
Effect of dilutive securities:			
Employee stock compensation plans[1]	**669,857**	776,891	773,628
Convertible preferred stock	**6,921,083**	6,921,164	6,921,164
Tanglewood market value guarantee (see Note 16)	**13,161**	111,115	45,077
Dilutive potential common shares	**7,604,101**	7,809,170	7,739,869
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	**66,732,496**	66,509,121	64,353,558
Basic earnings per share	**$3.00**	$2.67	$2.59
Diluted earnings per share	**$2.68**	$2.38	$2.30
[1]Excludes employee stock options with exercise prices greater than the current market price.	**31,970**	26,943	86,215

(18) Reportable Segments

BOK Financial operates five principal lines of business: Oklahoma corporate banking, Oklahoma consumer banking, mortgage banking, wealth management, and regional banking. Mortgage banking activities include loan origination and servicing across all markets served by the Company. Wealth management provides brokerage and trading, private financial services and investment advisory services in all markets. It also provides fiduciary services in all markets except Colorado. Fiduciary services in Colorado are included in regional banks. Regional banking consists primarily of corporate and consumer banking activities in the respective local markets. 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 Oklahoma Corporate Banking segment provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and certain relationships in surrounding states. Oklahoma Corporate Banking also includes our TransFund unit, which provides ATM and merchant deposit services. The Oklahoma 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 Online Banking. 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 financial services, including trust and private financial services and brokerage and trading services. This segment 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 primarily provided to clients in Oklahoma, Texas, Arkansas and New Mexico. Regional banking includes 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 Banking 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 Oklahoma Corporate Banking and Consumer Banking segments. Regional Banking is 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 rates are generally based on the applicable LIBOR or interest rate swap rates, adjusted for prepayment risk. This method of transfer pricing funds that support assets of the operating lines of business tends to insulate them from interest rate risk.

The value of funds provided by the operating lines of business to the funds management unit is 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 accounting policies, except that 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. Management uses a third-party developed capital allocation model. This model assigns capital based upon credit, operating, interest rate and market risk inherent in the 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. Additional capital is assigned to the regional banking line of business based on BOK Financial's investment in those entities.

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

(In Thousands)	Oklahoma Corporate Banking	Oklahoma Consumer Banking	Mortgage Banking	Wealth Management	Regional Banking	All Other/ Eliminations	Total
Year ended December 31, 2004							
Net interest revenue/(expense) from external sources	$ 147,389	$ (19,067)	$ 21,647	$ 4,001	$ 202,318	$ 66,955	$ 423,243
Net interest revenue/(expense) from internal sources	(24,016)	64,897	(11,423)	8,888	(21,770)	(16,576)	-
Total net interest revenue	123,373	45,830	10,224	12,889	180,548	50,379	423,243
Provision for credit losses	8,956	6,963	340	23	5,509	(1,352)	20,439
Other operating revenue	85,256	56,920	22,055	91,533	49,523	(3,200)	302,087
Capitalized mortgage servicing rights	-	-	11,365	-	-	-	11,365
Financial instruments gains/(losses)	-	-	(5,068)	-	-	506	(4,562)
Operating expense	97,759	76,042	35,415	84,062	132,711	16,802	442,791
Recovery for impairment of mortgage servicing rights	-	-	(1,567)	-	-	-	(1,567)
Income taxes	39,644	7,681	1,707	7,943	33,278	1,194	91,447
Net income	$ 62,270	$ 12,064	$ 2,681	$ 12,394	$ 58,573	$ 31,041	$ 179,023
Average assets	$4,670,041	$2,746,047	$559,034	$754,774	$5,831,267	$(534,276)	$14,026,887
Average economic capital	312,530	64,390	27,270	84,820	280,710	527,837	1,297,557
Average invested capital	-	-	-	-	508,880	-	-
Performance measurements:							
Return on assets	1.33%	0.44%	0.48%	1.64%	1.00%	-	1.28%
Return on economic capital	19.9	18.74	9.83	14.61	20.87	-	13.80
Return on invested capital	-	-	-	-	11.51	-	-
Efficiency ratio	46.86	74.01	81.53	80.50	57.68	-	60.11

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$372,864	$316,652	$424,422	$147,982	$14,561,163
Unallocated items:					
Tax-equivalent adjustment	5,039	-	-	5,039	-
Funds management	56,563	(3,465)	12,161	19,092	1,588,393
All others (including eliminations), net	(11,223)	265	4,641	6,910	(2,122,669)
BOK Financial consolidated	$423,243	$313,452	$441,224	$179,023	$14,026,887

[1] Excluding financial instrument gains/(losses)

(In Thousands)	Oklahoma Corporate Banking	Oklahoma Consumer Banking	Mortgage Banking	Wealth Management	Regional Banking	All Other/ Eliminations	Total
Year ended December 31, 2003							
Net interest revenue/(expense) from external sources	$ 139,159	$ (17,1467)	$ 27,770	$ 1,966	$ 170,611	$ 69,135	$ 391,495
Net interest revenue/(expense) from internal sources	(24,133)	58,290	(9,415)	8,968	(16,593)	(17,117)	-
Total net interest revenue	115,026	41,144	18,355	10,934	154,018	52,0189	391,495
Provision for credit losses	10,318	6,888	917	390	6,429	10,694	35,636
Other operating revenue	76,212	47,544	36,379	91,587	35,996	(4,600)	283,118
Capitalized mortgage servicing rights	-	-	23,922	-	-	-	23,922
Financial instruments gains/(losses)	-	-	4,025	-	339	(6,551)	(2,187)
Operating expense	85,442	66,803	58,204	80,428	117,001	28,483	436,361
Recovery for impairment of mortgage servicing rights	-	-	(22,923)	-	-	-	(22,923)
Income taxes	37,143	5,835	18,082	8,442	24,413	(5,001)	88,914
Net income	$ 58,335	$ 9,162	$ 28,401	$ 13,261	$ 42,510	$ 6,691	$ 158,360
Average assets	$4,166,874	$2,524,743	$623,823	$731,070	$5,084,224	$(351,318)	$12,779,416
Average economic capital	311,140	58,000	34,120	69,690	273,600	413,0067	1,159,556
Average invested capital	-	-	-	-	459,780	-	-
Performance measurements:							
Return on assets	1.40%	0.36%	4.55%	1.81%	0.84%	-	1.24%
Return economic capital	18.75	15.80	83.24	19.03	15.54	-	13.66
Return on invested capital	-	-	-	-	9.25	-	-
Efficiency ratio	44.68	75.32	74.00	78.45	62.35	-	62.47

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$339,477	$311,640	$384,955	$151,669	$13,130,734
Unallocated items:					
Tax-equivalent adjustment	5,170	-	-	5,170	-
Funds management	59,571	(6,520)	13,848	5,048	1,378,433
All others (including eliminations), net	(12,723)	1,920	14,635	(3,527)	(1,729,751)
BOK Financial consolidated	$391,495	$307,040	$413,438	$158,360	$12,779,416

[1] Excluding financial instrument gains/(losses)

(In Thousands)	Oklahoma Corporate Banking	Oklahoma Consumer Banking	Mortgage Banking	Wealth Management	Regional Banking	All Other/ Eliminations	Total
Year ended December 31, 2002							
Net interest revenue/(expense) from external sources	$ 149,385	$ (18,036)	$ 32,199	$ 1,959	$ 144,008	$ 59,817	$ 369,332
Net interest revenue/(expense) from internal sources	(40,632)	61,616	(13,713)	8,182	(17,493)	2,040	-
Total net interest revenue	108,753	43,580	18,486	10,141	126,515	61,857	369,332
Provision for credit losses	6,475	7,831	252	363	6,015	12,794	33,730
Other operating revenue	69,166	39,032	38,364	70,001	27,274	(6,609)	237,228
Capitalized mortgage servicing rights	-	-	20,832	-	-	-	20,832
Financial instruments gains	-	-	25,826	-	4,205	34,567	64,598
Operating expense	77,931	64,315	54,783	67,911	92,503	26,188	383,631
Provision for impairment of mortgage servicing rights	-	-	45,923	-	-	-	45,923
Income taxes	36,376	4,071	992	4,673	21,722	13,001	80,835
Net income	$ 57,137	$ 6,395	$ 1,558	$ 7,195	$ 37,754	$ 37,832	$ 147,871
Average assets	$3,823,116	$2,349,611	$671,798	$556,109	$4,121,026	$(216,871)	$11,304,789
Average economic capital	298,020	60,910	34,160	60,880	193,640	291,228	938,838
Average invested capital	-	-	-	-	379,820	-	-
Performance measurements:							
Return on assets	1.49%	0.27%	0.23%	1.29%	0.92%	-	1.31%
Return on economic capital	19.17	10.50	4.56	11.82	19.50	-	15.75
Return on invested capital	-	-	-	-	9.94	-	-
Efficiency ratio	43.80	77.85	70.52	84.74	60.95	-	61.15

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue[1]	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$307,475	$264,669	$403,366	$110,039	$11,521,660
Unallocated items:					
Tax-equivalent adjustment	6,119	-	-	6,119	-
Funds management	72,804	(7,245)	12,317	39,546	662,837
All others (including eliminations), net	(17,066)	636	13,871	(7,833)	(879,708)
BOK Financial consolidated	$369,332	$258,060	$429,554	$147,871	$11,304,789

[1] Excluding financial instrument gains/(losses)

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying values and estimated fair values of financial instruments as of December 31, 2004 and 2003 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Repricing (in years)	Discount Rate	Estimated Fair Value
2004:					
Cash and cash equivalents	**$ 531,091**				**$ 531,091**
Securities	**4,823,976**				**4,825,518**
Loans:					
Commercial	**4,575,836**	**2.71 – 15.00%**	**0.41**	**2.45 – 6.68%**	**4,778,495**
Commercial real estate	**1,621,110**	**3.50 – 15.00**	**1.08**	**5.65 – 7.60**	**1,606,153**
Residential mortgage	**1,198,918**	**2.82 – 7.96**	**4.17**	**5.36 – 6.44**	**1,154,226**
Residential mortgage – held for sale	**40,262**	**–**	**–**	**–**	**40,262**
Consumer	**492,841**	**2.65 – 21.00**	**2.29**	**4.83 - 8.75**	**471,863**
Total loans	**7,928,967**				**8,050,999**
Reserve for loan losses	**(108,618)**				**–**
Net loans	**7,820,349**				**8,050,999**
Derivative instruments with positive fair value	**380,051**				**380,051**
Deposits with no stated maturity	**6,030,546**				**6,030,546**
Time deposits	**3,643,852**	**0.55 – 7.33**	**2.34**	**2.40 – 3.75**	**3,639,345**
Other borrowings	**2,570,507**	**2.26 – 5.51**	**0.05**	**1.43 – 4.38**	**2,571,259**
Subordinated debt	**151,594**	**5.25**	**2.60**	**5.14**	**153,565**
Derivative instruments with negative fair value	**387,292**				**387,292**
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	(114,784)				–
Net loans	7,369,105				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	0.05	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

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, commodity and foreign exchange contracts are based on valuations provided either by third-party dealers in the contracts, quotes provided by independent pricing services, or a third-party provided pricing model.

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 $28 million and $30 million at December 31, 2004 and 2003, 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 Standards 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, 2004 and 2003.

(20) PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

BALANCE SHEETS
(In Thousands)

	December 31, 2004	2003
Assets		
Cash and cash equivalents	$ 13,230	$ 10,881
Securities - available for sale	11,170	16,657
Investment in subsidiaries	1,470,405	1,296,749
Other assets	2,184	1,750
Total assets	$ 1,496,989	$ 1,326,037
Liabilities and Shareholders' Equity		
Other borrowings	$95,000	$95,000
Other liabilities	3,495	2,407
Total liabilities	98,495	97,407
Preferred stock	12	12
Common stock	4	4
Capital surplus	631,747	546,594
Retained earnings	809,261	698,052
Treasury stock	(30,905)	(24,491)
Accumulated other comprehensive income (loss)	(11,625)	8,459
Total shareholders' equity	1,398,494	1,228,630
Total liabilities and shareholders' equity	$ 1,496,989	$ 1,326,037

STATEMENTS OF EARNINGS
(In Thousands)

	2004	2003	2002
Dividends, interest and fees received from subsidiaries	$ 127	$ 66,165	$42,821
Other operating revenue	35	431	441
Total revenue	162	66,596	43,262
Interest expense	2,185	1,771	3,453
Professional fees and services	486	545	433
Contribution of stock to BOK Charitable Foundation	4,125	-	-
Other operating expense	2	(4)	205
Total expense	6,798	2,312	4,091
Income (loss) before taxes and equity in undistributed income of subsidiaries	(6,636)	64,284	39,171
Federal and state income tax credit	(3,953)	(678)	(1,879)
Income (loss) before equity in undistributed income of subsidiaries	(2,683)	64,962	41,050
Equity in undistributed income of subsidiaries	181,706	93,398	106,821
Net income	$ 179,023	$ 158,360	$ 147,871

STATEMENTS OF CASH FLOWS

(In Thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net income	**$ 179,023**	$ 158,360	$ 147,871
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	**(181,706)**	(93,398)	(106,821)
Tax benefit on exercise of stock options	**4,609**	1,325	5,482
Contribution of stock to BOK Charitable Foundation	**4,125**	-	-
Writedown of equity securities	**410**	-	-
Change in other assets	**(5,138)**	(944)	(104)
Change in other liabilities	**713**	272	(930)
Net cash provided by operating activities	**2,036**	65,615	45,498
Cash flows from investing activities:			
Purchases of available for sale securities	**(53)**	(27)	(568)
Investment in subsidiaries	**(5,250)**	(85,015)	(5,482)
Net cash used by investing activities	**(5,303)**	(85,042)	(6,050)
Cash flows from financing activities:			
Increase in other borrowings	**-**	105,000	-
Pay down of other borrowings	**-**	(95,000)	(40,095)
Issuance of preferred, common and treasury stock, net	**7,132**	4,627	4,172
Cash dividends	**(1,540)**	(785)	(30)
Other	**24**	-	-
Net cash provided (used) by financing activities	**5,616**	13,842	(35,953)
Net change in cash and cash equivalents	**2,349**	(5,585)	3,495
Cash and cash equivalents at beginning of period	**10,881**	16,466	12,971
Cash and cash equivalents at end of period	**$ 13,230**	$ 10,881	$ 16,466
Payment of dividends in common stock	$ 65,899	$ 58,300	$ 53,165
Cash paid for interest	1,882	1,947	3,482
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)	2004		
	Average Balance	Revenue/ Expense[1]	Yield/ Rate
Assets			
Taxable securities[3]	$ 4,656,108	$ 197,884	4.26%
Tax-exempt securities[3]	207,376	11,672	5.64
Total securities[3]	4,863,484	209,556	4.32
Trading securities	16,025	629	3.93
Funds sold and resell agreements	19,944	353	1.77
Loans[2]	7,644,049	408,785	5.35
Less reserve for loan losses	116,076	-	-
Loans, net of reserve	7,527,973	408,785	5.43
Total earning assets[3]	12,427,426	619,323	4.99
Cash and other assets	1,599,461		
Total assets	$ 14,026,887		
Liabilities and Shareholders' Equity			
Transaction deposits	$ 3,863,276	$ 35,517	0.92%
Savings deposits	169,556	975	0.58
Time deposits	3,584,496	107,941	3.01
Total interest-bearing deposits	7,617,328	144,433	1.90
Funds purchased and repurchase agreements	1,611,771	21,140	1.31
Other borrowings	1,007,237	17,707	1.76
Subordinated debenture	152,983	7,761	5.07
Total interest-bearing liabilities	10,389,319	191,041	1.84
Demand deposits	1,805,558		
Other liabilities	534,453		
Shareholders' equity	1,297,557		
Total liabilities and shareholders' equity	$ 14,026,887		
Tax-equivalent Net Interest Revenue[3]		$ 428,282	3.15%
Tax-equivalent Net Interest Revenue to Earning Assets[3]			3.45
Less tax-equivalent adjustment[1]		5,039	
Net Interest Revenue		423,243	
Provision for credit losses		20,439	
Other operating revenue		308,890	
Other operating expense		441,224	
Income before taxes		270,470	
Federal and state income tax		91,447	
Net Income		$ 179,023	

[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.

2003 Average Balance	2003 Revenue/ Expense[1]	2003 Yield/ Rate	2002 Average Balance	2002 Revenue/ Expense[1]	2002 Yield/ Rate
$ 4,316,303	$ 180,581	4.22%	$ 3,756,666	$ 186,902	5.22%
191,982	12,527	6.59	208,503	14,789	7.09
4,508,285	193,108	4.32	3,965,169	201,691	5.32
16,975	694	4.09	14,215	750	5.28
26,330	281	1.07	16,024	291	1.82
7,101,543	376,260	5.30	6,401,510	378,300	5.91
110,791	-	-	97,766	-	-
6,990,752	376,260	5.38	6,303,744	378,300	6.00
11,542,342	570,343	4.96	10,299,152	581,032	5.74
1,237,074			1,005,637		
$ 12,779,416			$ 11,304,789		
$ 3,605,539	$ 31,346	0.87%	$ 2,798,639	$ 39,273	1.40%
172,938	944	0.55	165,988	1,976	1.19
3,439,361	99,639	2.90	3,057,645	104,217	3.41
7,217,838	131,929	1.83	6,022,272	145,466	2.42
1,537,100	15,590	1.01	1,549,021	25,218	1.63
1,051,685	16,682	1.59	1,058,717	24,146	2.28
154,940	9,477	6.12	181,911	10,751	5.91
9,961,563	173,678	1.74	8,811,921	205,581	2.33
1,309,744			1,185,891		
348,553			368,139		
1,159,556			938,838		
$ 12,779,416			$ 11,304,789		
	$ 396,665	3.22%		$ 375,451	3.41%
		3.44			3.71
	5,170			6,119	
	391,495			369,332	
	35,636			33,730	
	304,853			322,658	
	413,438			429,554	
	247,274			228,706	
	88,914			80,835	
	$ 158,360			$ 147,871	

QUARTERLY FINANCIAL SUMMARY - UNAUDITED

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months Ended					
	December 31, 2004			September 30, 2004		
Assets	Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate
Taxable securities[3]	**$ 4,709,193**	**$ 50,200**	**4.25%**	$ 4,652,435	$ 50,847	4.34%
Tax-exempt securities[3]	**219,873**	**2,951**	**5.37**	215,190	2,951	5.46
Total securities[3]	**4,929,066**	**53,151**	**4.30**	4,867,625	53,798	4.39
Trading securities	**10,208**	**107**	**4.17**	14,956	77	2.05
Funds sold and resell agreements	**31,994**	**170**	**2.11**	23,334	91	1.55
Loans[2]	**7,873,974**	**111,292**	**5.62**	7,656,588	104,181	5.41
Less reserve for loan losses	**114,106**	**-**	**-**	115,504	-	-
Loans, net of reserve	**7,759,868**	**111,292**	**5.71**	7,541,084	104,181	5.50
Total earning assets[3]	**12,731,136**	**164,720**	**5.15**	12,446,999	158,147	5.05
Cash and other assets	**1,858,345**			1,630,890		
Total assets	**$ 14,589,481**			$14,077,889		
Liabilities and Shareholders' Equity						
Transaction deposits	**$ 3,841,742**	**$ 10,779**	**1.12%**	$ 3,931,166	$ 9,280	0.94%
Savings deposits	**160,404**	**231**	**0.57**	169,398	266	0.62
Time deposits	**3,662,455**	**29,586**	**3.21**	3,712,161	27,667	2.97
Total interest-bearing deposits	**7,664,601**	**40,596**	**2.11**	7,812,725	37,213	1.89
Funds purchased and repurchase agreements	**1,747,391**	**8,397**	**1.91**	1,458,245	5,048	1.38
Other borrowings	**1,005,679**	**5,703**	**2.26**	1,003,050	4,615	1.83
Subordinated debenture	**152,634**	**1,929**	**5.03**	152,333	1,766	4.61
Total interest-bearing liabilities	**10,570,305**	**56,625**	**2.13**	10,426,353	48,642	1.86
Demand deposits	**1,938,205**			1,839,311		
Other liabilities	**712,981**			516,715		
Shareholders' equity	**1,367,990**			1,295,510		
Total liabilities and shareholders' equity	**$ 14,589,481**			$14,077,889		
Tax-equivalent Net Interest Revenue[3]		**$ 108,095**	**3.02%**		$109,505	3.19%
Tax-equivalent Net Interest Revenue to Earning Assets[3]			**3.38**			3.50
Less tax-equivalent adjustment[1]		**1,633**			1,120	
Net Interest Revenue		**106,462**			108,385	
Provision for credit losses		**4,439**			4,986	
Other operating revenue		**78,714**			81,086	
Other operating expense		**111,582**			114,202	
Income before taxes		**69,155**			70,283	
Federal and state income tax		**22,599**			22,501	
Net Income		**$ 46,556**			$ 47,782	
Earnings Per Average Common Share Equivalent:						
Net income:						
Basic		**$ 0.78**			$ 0.79	
Diluted		**$ 0.70**			$ 0.72	

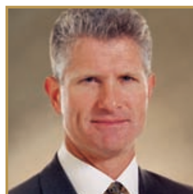
1 Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.

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, 2004			March 31, 2004			December 31, 2003		
Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate	Average Balance	Revenue/ Expense[1]	Yield/ Rate
$ 4,667,360	$ 49,321	4.24%	$ 4,594,690	$ 47,516	4.22%	$ 4,421,278	$ 45,838	4.08%
200,380	2,884	5.79	193,808	2,886	5.99	189,829	2,958	6.19
4,867,740	52,205	4.30	4,788,498	50,402	4.29	4,611,107	48,796	4.17
23,513	219	3.75	15,499	226	5.86	17,325	147	3.37
16,284	53	1.31	7,995	39	1.96	26,730	65	0.96
7,548,257	96,445	5.14	7,494,713	96,867	5.20	7,359,126	96,059	5.18
117,109	-	-	117,644	-	-	115,590	-	-
7,431,148	96,445	5.22	7,377,069	96,867	5.28	7,243,536	96,059	5.26
12,338,685	148,922	4.85	12,189,061	147,534	4.89	11,898,698	145,067	4.82
1,529,841			1,357,791			1,342,042		
$ 13,868,526			$ 13,546,852			$13,240,740		
$ 3,859,706	$ 7,875	0.82%	$3,819,981	$ 7,583	0.80%	$3,886,546	$ 7,377	0.75%
173,566	235	0.54	174,958	243	0.56	179,867	255	0.56
3,565,324	25,697	2.90	3,395,785	24,991	2.96	3,442,358	25,094	2.89
7,598,596	33,807	1.79	7,390,724	32,817	1.79	7,508,771	32,726	1.73
1,565,922	3,731	0.96	1,675,722	3,964	0.95	1,679,540	3,921	0.93
1,009,871	3,376	1.34	1,010,414	4,013	1.60	1,031,414	3,815	1.47
152,799	1,730	4.55	154,175	2,336	6.09	154,524	2,216	5.69
10,327,188	42,644	1.66	10,231,035	43,130	1.70	10,374,249	42,678	1.63
1,799,249			1,643,638			1,370,088		
466,981			421,311			298,287		
1,275,108			1,250,868			1,198,116		
$ 13,868,526			$ 13,546,852			$ 13,240,740		
	$ 106,278	3.19%		$ 104,404	3.19%		$ 102,389	3.19%
		3.46			3.46			3.40
	1,089			1,197			1,184	
	105,189			103,207			101,205	
	3,987			7,027			8,001	
	69,270			79,820			71,520	
	98,992			116,448			109,215	
	71,480			59,552			55,509	
	25,947			20,400			20,207	
	$ 45,533			$ 39,152			$ 35,302	
	$ 0.76			$ 0.66			$ 0.59	
	$ 0.68			$ 0.59			$ 0.53	

BOK Financial Corporation Board of Directors



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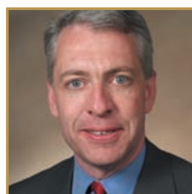

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BOK Financial Corporation

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Chief Financial Officer
BOK Financial Corporation

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Southern Methodist University

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John C. Vogt
Investments

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Chairman
Bank of Texas, N.A. - Houston

1 Park Cities Bancshares, Inc. only

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

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CSBT

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W. Jeffrey Pickryl
Sr. Executive Vice President
BOK Financial Corporation

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:
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1700 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, 2004: 1,253

Market Makers:
Advest, Inc.
Archipelago Exchange
Boston Stock Exchange
Brokerage America, Inc.
Citigroup Global Markets, Inc.
Credit Suisse First Boston
Friedman, Billings Pamsey & Co., Inc.
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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**

The BOK Financial Corporation Story
2004 Annual Report