



**BOK FINANCIAL CORPORATION**  
2009 Annual Report



**Table of Contents:**

Letter to Our Shareholders	01
2009 Overview	03
Board of Directors	08
Corporate Information	10

## LETTER TO OUR SHAREHOLDERS

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In 2009, the banking industry continued to face severe recessionary headwinds. 140 banks and thrifts failed and others struggled to make a profit. In fact, nearly half of our peers reported losses for the year. Many banks accepted financial assistance from the federal government. Others, including 70% of our peers, issued additional capital, diluting their shareholders' interests. Despite this difficult environment, BOK Financial continued to produce superior returns for our shareholders.

We ended the year with over \$2 billion in shareholder's equity that was built on retained earnings, not government assistance. We were the largest commercial bank in the country that elected to not participate in the Treasury's Capital Purchase Program, an element of the Troubled Asset Relief Program (TARP). We had no need to raise external dilutive capital. Our capital ratios remain strong, as tangible common equity increased to 7.99%.

BOK Financial generated net income of \$201 million or \$2.97 per diluted share for 2009. Net interest revenue increased nearly 10%, bolstered by lower funding costs and improved loan pricing. Fees and commission revenue increased nearly 16%, with tremendous growth in mortgage banking and brokerage and trading revenue offsetting decreases in trust and other fee revenue. On the expense side, we implemented several non-personnel expense initiatives which are projected to save nearly \$9 million annually.

While there has been much speculation in many organizations regarding what went wrong, BOK Financial has continued to be a strong performer. We attribute our success to our adherence to our core strategies and outstanding execution by our talented employees. Though we are a complex organization offering many sophisticated services and products, our strategies are basic and direct.

Building diverse revenues is a key element to our strategy. Our particular combination of fee-based services helps produce relatively consistent earnings through economic cycles. This past year when low interest rates and declining market values put pressure on trust revenue, our mortgage banking revenue more than offset the decline. Historically, our fee revenue consistently represents at least 40% of total revenue.

A balanced strategy requires discipline. During the years prior to the recession when the economy was growing rapidly, BOK Financial limited growth in higher risk segments of the loan portfolio, helping limit portfolio risk. Many of our peers substantially increased their commercial real estate loan volumes, leading to a series of dramatic losses. Similarly, our pace of expansion has been measured. The result is controlled growth through moderate branching and opportunistic acquisitions.

Another key element of our strategy is our focus on talent. The best strategies are of little value, if you lack the talent to successfully execute. We have continued to recruit great talent over the years, and last year, took advantage of the disruption in the industry to add depth and expertise throughout the organization.

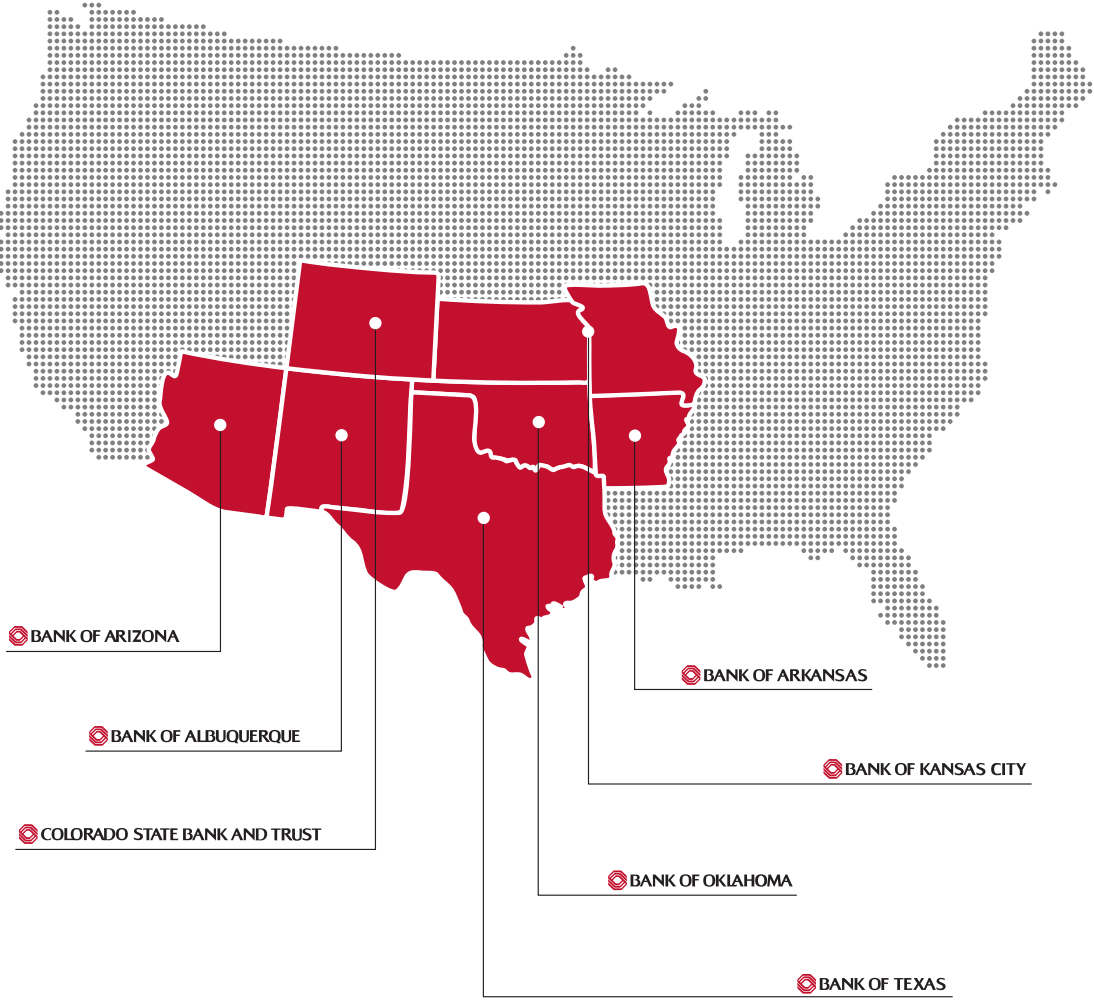
While we are not immune to declining property values and rising unemployment, we move quickly to identify and address potential credit problems, and work closely with customers to resolve issues. When we do end up with foreclosed assets, we look for the ideal time to sell assets rather than rushing to liquidate assets at a low point in the market. We are confident our approach to dealing with the economic realities will help us emerge from the recession earlier than the industry as a whole, and better positioned to fuel future economic growth.

2010 will be another challenging year. While the outlook has improved from a year ago, there is continued uncertainty about the pace of the recovery and the impact of regulatory reform. We face these challenges with confidence, knowing our core strategies will continue to serve us well in the future.

We want to express our appreciation to our loyal customers and talented employees, and for the support from our shareholders and the communities we serve.

  
George B. Kaiser  
Chairman

  
Stanley A. Lybarger  
President & CEO



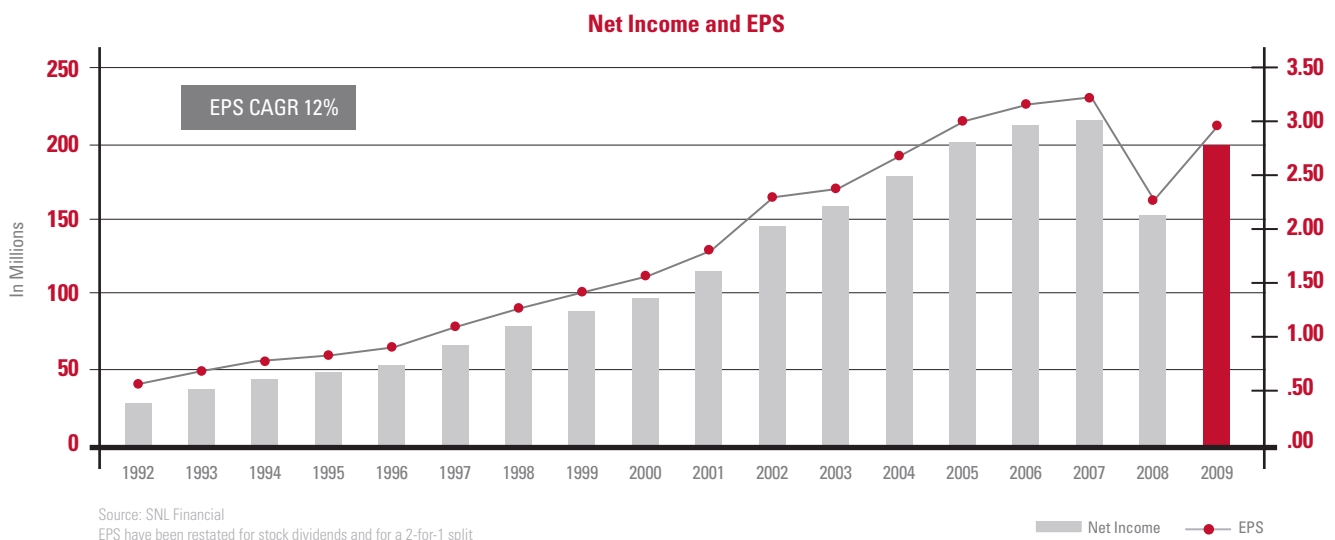
## CORPORATE PROFILE

BOK Financial Corporation (BOKF) is a financial holding company headquartered in Tulsa, Oklahoma, that provides commercial and consumer banking, investment and trust services, mortgage origination and servicing and one of the nation's largest electronic funds networks. BOKF operates seven banks with full service locations in eight states throughout the Midwest, Southwest and Rocky Mountain regions.

BOKF remains in a position of financial and organizational strength despite the continued recessionary environment. During 2009, we increased our dividend, opened five new branches, invested in service capabilities and recruited top talent to add depth and expertise throughout the organization. The following metrics highlight our financial performance for the year.

- Net income was \$200.6 million, up 31% from 2008.
- Non-interest income, up nearly 16%, continues to represent over 40% of total revenue.
- Tangible common equity was 7.99%.
- Shareholders' equity of \$2.2 billion is built on retained earnings, not government assistance.
- BOKF has a solid combined reserve for loan losses of 2.72%.
- Net charge-offs were 1.14% of average loans for 2009, a level comfortably below our peer median of 1.86%. We define our peers as the ten immediately larger and ten immediately smaller publicly traded U.S. bank holding companies based on total assets.

We attribute our success to the balanced strategy which has sustained us throughout varying economic cycles as indicated by the graph below. Key elements of the strategy include a strong stream of diversified fee revenue, controlled loan growth, disciplined branching and acquisition strategies and an exceptionally talented workforce. During the years prior to the recession when the economy was growing rapidly, BOKF deliberately grew the sectors of the loan portfolio proportionately, avoiding concentrations. BOKF's employees are dedicated to developing relationships with customers and providing unparalleled personalized service. This winning combination has consistently enhanced shareholder value.

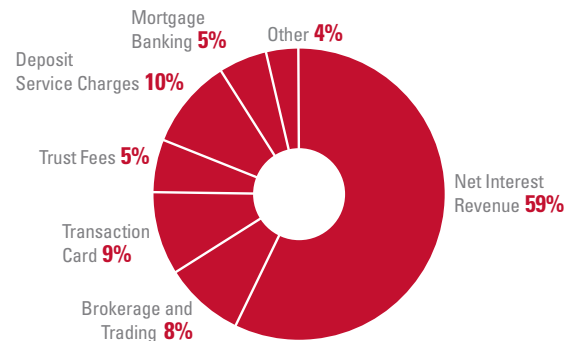


## OVERVIEW

All information is presented as of December 31, 2009.

- Assets of \$23.5 billion
- Loans of \$11.3 billion
- Combined reserves for credit losses of 2.72%
- Deposits of \$15.5 billion
- Shareholders' equity of \$2.2 billion
- Tangible common equity ratio of 7.99%
- Market cap of \$3.3 billion
- 197 Banking locations

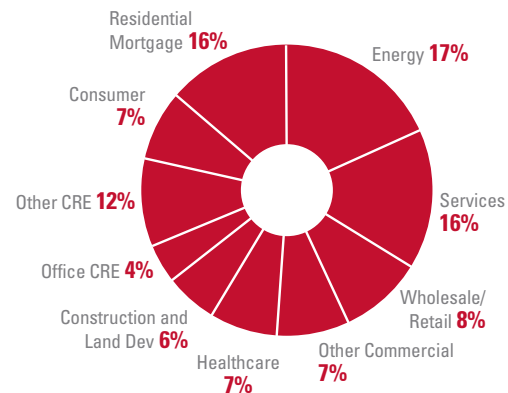
### Diverse Revenue



## LOANS

- Commercial and Industrial loan focus centered around strong middle-market customers
- Controlled Commercial Real Estate exposure consistently maintained below 25% of total loans
- Energy lending expertise dating back 100 years
- Regionally diverse portfolio, including 46% in Oklahoma, 29% in Texas, 8% in Colorado, 7% in New Mexico and the remaining 10% evenly distributed in Kansas, Arkansas and Arizona

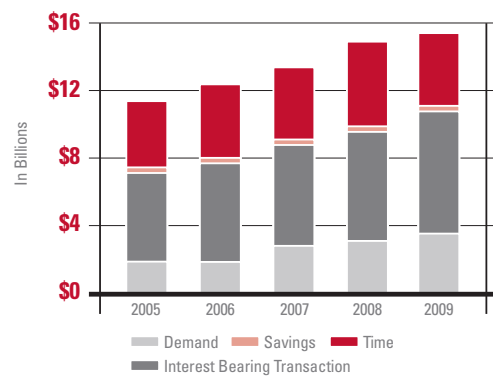
### Loans by Sector



## DEPOSITS

- Five year compound annual growth rate of 10%
- Regionally diverse portfolio including 56% in Oklahoma, 26% in Texas, 8% in New Mexico and 7% in Colorado
- Demand deposits represent 24% of total deposits
- 60% Consumer and Wealth Management deposits, 40% Commercial deposits

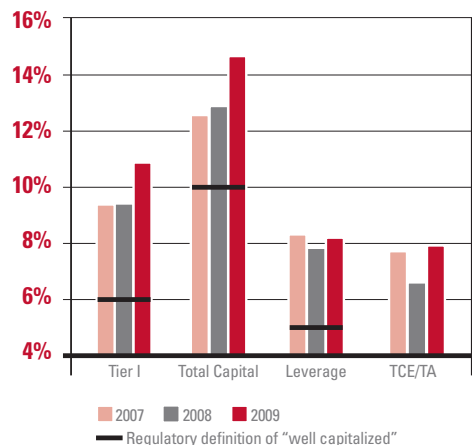
### Deposit Composition



## CAPITAL

- Capital consists almost entirely of common equity built with retained earnings, not hybrid forms of less secure capital
- Largest traditional commercial bank to decline participation in the U.S. Treasury's Troubled Asset Relief Plan (TARP)
- No need to support capital with dilutive common stock issuances
- Capital sufficient to support organic growth, maintain dividends and seek acquisitions

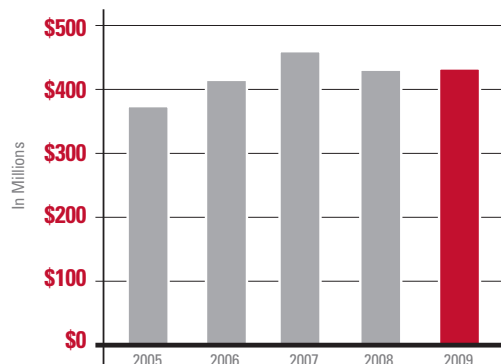
Capital Ratios



## COMMERCIAL

- Commercial banking continues to be the leading revenue generator
- Well established local management reduces turnaround time for loans to commercial customers
- Talented relationship managers tailor products to customers' unique business needs
- Broad array of fee businesses including treasury management, international and financial risk management

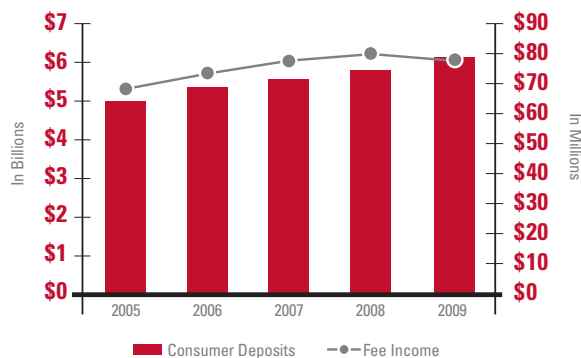
Commercial Revenue



## CONSUMER

- Consumers served through 123 traditional branches and 56 supermarket branches
- Strong branch network with 71 in Oklahoma metropolitan markets, 33 in Dallas, 15 in Houston, 22 in Albuquerque and 15 in Denver
- Over \$3 billion of mortgage loans were funded in 2009; 46% were originated in our market states outside of Oklahoma
- Top-tier mortgage servicer of \$7.4 billion mortgage loans including loans serviced for affiliates

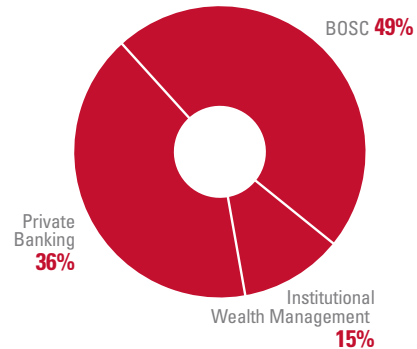
Deposits and Fee Income



## WEALTH MANAGEMENT

- BOSC, our broker-dealer, provides retail brokerage and institutional trading and investment banking services
- Private Banking consists of personalized banking, trust and investment services
- Institutional Wealth Management consists of Corporate Trust and retirement and employee benefit services
- Trust assets total \$30 billion including \$10.8 billion in discretionary assets

### Wealth Management Revenue

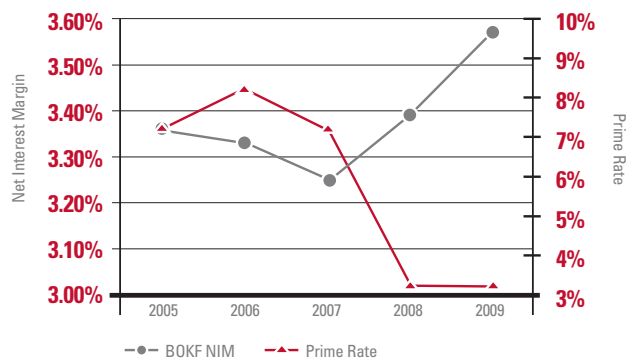


## BALANCE SHEET MANAGEMENT

Our strategy of maintaining an essentially neutral interest rate risk position has produced strong net interest revenue and relatively stable net interest margin over time.

- The fixed-rate investment portfolio, consisting of largely U.S. government agency mortgage-backed securities, helps to offset the inherent asset sensitivity of the balance sheet
- 64% of the commercial and commercial real estate loan portfolios re-price within one year
- Strong bank liquidity driven by 73% loan to deposit ratio, minimal reliance on brokered funds and significant secured borrowing capacity
- Limited usage of derivatives to manage balance sheet risk position; customer derivative positions are offset by contracts with high quality counterparties

### Stable NIM

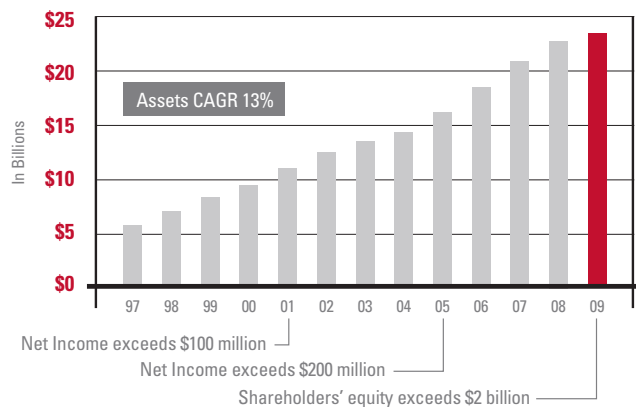


## REGIONAL EXPANSION

Our philosophy has been to seek out top quality banks with proven performance in high growth metropolitan markets that are within close proximity of Oklahoma.

- Began regional expansion in 1997 with the purchase of two banks in the Dallas market
- Acquired and integrated 12 institutions with total assets of \$2.7 billion in four states over the past 12 years
- Built on existing strengths and customer base of purchased banks
- Continue to seek franchise-building acquisition opportunities in our existing markets

### Total Assets



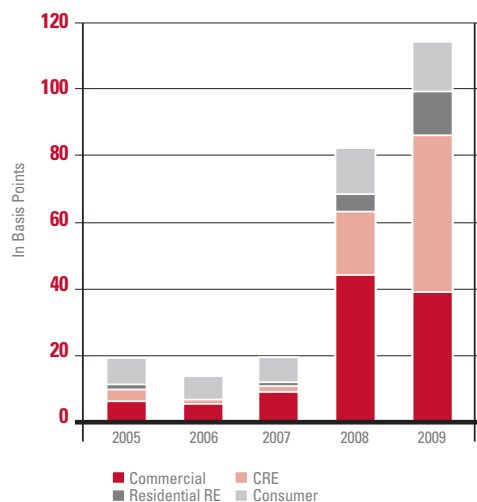


## ASSET QUALITY

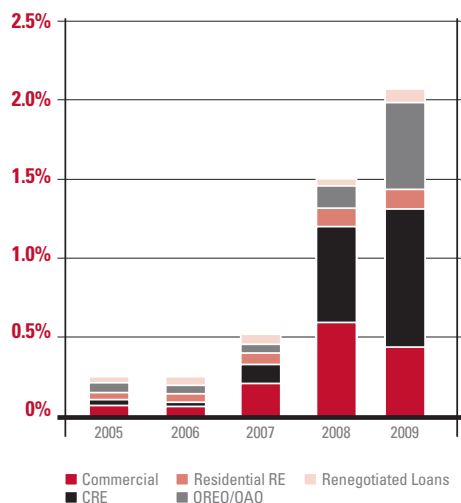
All subsidiary banks operate under the same credit policy and are subject to centralized credit administration and oversight.

- In response to economic conditions, we quickly moved problem credits to our special assets department for assessment and planned resolution
- Our strategy focuses on maximizing long-term economic recoveries of problem assets; we do not sell distressed assets at discounted prices
- Non-accruing loans totaled \$339 million or 3.0% of total loans
- Real estate and other repossessed assets totaled \$129 million; 40% are assets located in the distressed Arizona market
- Combined reserve for loan losses represents 2.72% of total loans or 90% coverage of non-performing loans
- Net charge offs have stabilized over the last three quarters at approximately \$35 million per quarter or 1.19% annualized; the loan loss reserve would cover more than eight quarters of this stabilized charge-off rate
- Performing loans greater than 90 days past due total only \$10 million, showing steady improvement over the last three quarters

### Net Charge-Offs



### Nonperforming Assets/Assets



## CREDIT RATINGS

	Fitch	Moody's	Standard & Poor's	DBRS
BOK Financial Corp.				
Long-Term Rating	A-	A2	BBB+	A (low)
Outlook	Stable	Negative	Stable	Stable
Bank of Oklahoma, N.A.				
Long-Term Rating	A-	A1	A-	A
Short-Term Rating	F1	P-1	A-2	R-1 (low)

## BOK FINANCIAL CORPORATION BOARD OF DIRECTORS



**Gregory S. Allen**<sup>1</sup>  
President & CEO  
Advance Food Co., Inc.



**V. Burns Hargis**<sup>1</sup>  
President  
Oklahoma State University



**C. Fred Ball, Jr.**  
Senior Chairman  
Bank of Texas, N.A.



**E. Carey Joullian, IV**<sup>1</sup>  
Chairman, President & CEO  
Mustang Fuel Corporation



**Sharon J. Bell**<sup>1</sup>  
Managing Partner  
Rogers & Bell



**George B. Kaiser**<sup>1</sup>  
Chairman  
BOK Financial Corporation and  
Bank of Oklahoma, N.A.



**Peter C. Boylan, III**<sup>1</sup>  
CEO  
Boylan Partners, LLC



**Robert J. LaFortune**  
Personal Investments



**Chester Cadieux, III**<sup>1</sup>  
Chairman & CEO  
QuikTrip Corporation



**Stanley A. Lybarger**  
President & CEO  
BOK Financial Corporation and  
Bank of Oklahoma, N.A.



**Joseph W. Craft, III**<sup>1</sup>  
President & CEO  
Alliance Resource Partners



**Steven J. Malcolm**<sup>1</sup>  
Chairman, President & CEO  
The Williams Companies, Inc.



**William E. Durrett**  
Senior Chairman  
American Fidelity Corp.



**EC Richards**<sup>1</sup>  
Manager  
Core Investment Capital, LLC



**John Gibson**<sup>1</sup>  
CEO  
ONEOK, Inc.



**David F. Griffin**<sup>1</sup>  
President & General Manager  
Griffin Communications, L.L.C.

## EXTERNAL MEMBERS OF THE SUBSIDIARY BANKS' BOARDS OF DIRECTORS

### Bank of Albuquerque

**Adelmo Archuleta**  
Owner, Professional Engineer  
Molzen-Corbin & Associates

**Suzanne Barker-Kalangis, Esq.**  
Executive Director  
Thornburg Charitable Foundation

**Rudy A. Davalos**  
Chairman of the Executive Board  
New Mexico Bowl

**William E. Garcia**  
Retired Senior Manager, Public Affairs  
Intel Corporation

**Robert M. Goodman**  
Retired, Vice Chairman  
Bank of Albuquerque, N.A.

**Thomas D. Growney**  
President  
Tom Growney Equipment, Inc.

**Michael D. Sivage**  
Chief Executive Officer  
STH Investments, Inc.

### Bank of Arizona

**Sam K. Campana**  
Executive Director  
Audubon Arizona

**Shelley M. Cohn**

**Dennis J. Cornelius**  
Cornelius Korte Shum, LLC

**Susan M. Haugland**  
President  
Bestbill®

**Scott P. LeMarr**  
President  
Palo Cristi Investments

**Kathleen S. Pushor**  
President  
Inner Capital

**Andrew Spillum, CPA**  
Partner  
Eide Bailly CPA's &  
Business Advisors

### Bank of Arkansas

**George C. Faucette, Jr.**  
Owner  
Coldwell Banker Faucette  
Real Estate Company

**Dr. Stephen Lee Goss**  
Physician Executive  
Mercy Health Systems of  
Northwest Arkansas

### Bank of Kansas City

**Donald O. Borgman**  
Retired

**Lorelei M. Dean**  
President  
Dean Machinery

**Timothy A. Johnson**  
Director of Finance  
Garmin International

**Susan Stanton**  
President & CEO  
Kansas City Public Television

### Bank of Texas\*

**Jan Hart Black**  
Former President  
Dallas Regional Chamber of Commerce

**Joe Colonna**  
Partner  
HM Capital Partners

**David R. Corrigan**  
CEO  
Corrigan Investments, Inc.

**H. Lynn Craft**  
President & CEO  
Baptist Foundation of Texas

**Charles W. Eisemann**  
Personal Investments

**Douglas D. Hawthorne**  
President & CEO  
Texas Health Resources

**Bill D. Henry**  
Chairman & CEO  
McQuery Henry Bowles Troy, LLP

**Albert W. Niemi, Jr.**  
Dean, Cox School of Business  
Southern Methodist University

**Charles J. O'Connell**  
Community Volunteer - Houston

**Whit Perryman**  
CEO  
Vermeer Equipment of Texas, Inc.

**Jeff Springmeyer**  
President  
Geophysical Pursuit, Inc.

**Jere W. Thompson, Jr.**  
CEO  
Ambit Energy

**Robert B. Trainer, Jr.**  
Chief Financial Officer  
Gyrodota, Inc.

**Tom E. Turner**  
Chairman Emeritus  
Bank of Texas, N.A. - Dallas

**John C. Vogt**  
Personal Investments

**Mark D. Walker**  
Partner  
Weaver, LLP

### Colorado State Bank and Trust

**George P. Caulkins, III**  
Principal  
Greendeck Capital

**Ralph W. Christie, Jr.**  
Chairman, President & CEO  
Merrick & Company

**Polly B. Lestikow**  
President  
Closet Factory

**Richard H. Lewis**  
Personal Investments

**James M. Mulligan**  
Of Counsel  
Snell & Wilmer

**Jeff S. Potter**  
CEO  
Exclusive Resorts

## SHAREHOLDER INFORMATION

### Corporate Headquarters:

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

### Independent Auditors:

Ernst & Young LLP  
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  
(918) 583-9922

### Common Shares:

Traded NASDAQ National Market  
NASDAQ Symbol: BOKF  
Number of common shareholders of record at  
December 31, 2009: 932

### Market Makers:

Archipelago Stock Exchange  
Automated Trading Desk  
Barclays Capital Inc./Le  
Bats Trading, Inc.  
BMO Capital Markets Corp.  
Cantor, Fitzgerald & Co.  
Chicago Board Options Exchang  
Citadel Securities LLC  
Citigroup Global Markets Inc.  
Cowen and Company, LLC  
Credit Suisse Securities USA  
Deutsche Banc Alex Brown  
Domestic Securities, Inc.  
E\*Trade Capital Markets Llc  
FBR Capital Markets & Co.  
Goldman, Sachs & Co.  
Howe Barnes Investments Inc  
Hudson Securities, Inc.  
Int'l Securities Exchange  
J.P. Morgan Securities Inc.  
Jefferies & Company, Inc.  
JMP Securities LLC  
Keefe, Bruyette & Woods, Inc.  
Knight Equity Markets, L.P.  
Merrill Lynch, Pierce, Fenner

Morgan Stanley & Co., Inc.  
MPName  
NASDAQ Execution Services LLC  
Octeg, LLC  
Pershing Advisor Solution LLC  
Piper Jaffray & Co.  
RBC Capital Markets Corp  
Sandler O'Neill & Partners  
Stephens Inc.  
Sterne, Agee & Leach, Inc.  
Stifel Nicolaus & Co.  
SunTrust Capital Markets Inc  
Susquehanna Capital Group  
Susquehanna Financial Group,  
Thomas Weisel Partners  
Timber Hill Inc.  
UBS Securities LLC  
Vandham Securities  
Virtu Financial BD LLC  
Wells Fargo Securities, LLC.

### Transfer Agent, Registrar and Dividend Disbursing Agent

Wells Fargo Shareowner Services  
P.O. Box 64874  
St. Paul, MN 55164-0874  
1-800-468-9716  
[www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices)

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 Susie Hinkle, Vice President, (918) 588-6752.

Information about BOK Financial Corporation is also readily available at: [www.bokf.com](http://www.bokf.com)

Registered shareholders of BOK Financial Corporation stock may reinvest dividends and purchase additional shares through the BOK Financial Corporation Dividend Reinvestment Plan. Certain restrictions apply. Shareholders may obtain a plan brochure by writing to Wells Fargo Shareowner Services, P.O. Box 64856, St. Paul, MN 55164-0856, by calling 1-800-468-9716 or by visiting [www.shareowneronline.com](http://www.shareowneronline.com).

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

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**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2009

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-19341

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

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Oklahoma  
(State or other jurisdiction of incorporation or organization)

73-1373454  
(IRS Employer Identification No.)

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

74192  
(Zip code)

(918) 588-6000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately \$945,143,201 (based on the June 30, 2009 closing price of Common Stock of \$37.67 per share). As of January 31, 2010, there were 67,809,896 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2010 Annual Meeting of Shareholders.

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**BOK FINANCIAL CORPORATION  
ANNUAL REPORT ON FORM 10-K  
INDEX**

<b><u>ITEM</u></b>		<b><u>PAGE</u></b>
<b>PART I</b>		
1.	Business	1
1A.	Risk Factors	6
1B.	Unresolved Staff Comments	9
2.	Properties	9
3.	Legal Proceedings	9
4.	Submission of Matters to a Vote of Security Holders	9
<b>PART II</b>		
5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	10
6.	Selected Financial Data	11
7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	12
7A.	Quantitative and Qualitative Disclosures About Market Risk	62
8.	Financial Statements and Supplementary Data	64
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	122
9A.	Controls and Procedures	122
9B.	Other Information	122
<b>PART III</b>		
10.	Directors, Executive Officers and Corporate Governance	123
11.	Executive Compensation	123
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	123
13.	Certain Relationships and Related Transactions, and Director Independence	123
14.	Principal Accountant Fees and Services	123
<b>PART IV</b>		
15.	Exhibits, Financial Statement Schedules	123
	Signatures	130
	Chief Executive Officer Section 302 Certification, Exhibit 31.1	132
	Chief Financial Officer Section 302 Certification, Exhibit 31.2	133
	Section 906 Certifications, Exhibit 32	134

## **PART I**

### **ITEM 1. BUSINESS**

#### **General**

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

#### **Description of Business**

BOK Financial is a financial holding company whose activities are limited by the Bank Holding Company Act of 1956 (“BHCA”), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act. BOK Financial offers full service banking in Oklahoma, Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Northwest Arkansas, Denver, Colorado, Phoenix, Arizona, and Kansas City, Kansas/Missouri. Principal subsidiaries are Bank of Oklahoma, N.A. (“BOK”), Bank of Texas, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., and Bank of Kansas City, N.A. (collectively, the “Banks”). Other subsidiaries include BOSC, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on the Company’s financial statements.

Our overall strategic objective is to emphasize growth in long-term value by building on our leadership position in Oklahoma and expanding into high-growth markets. We have a solid position in Oklahoma and are the state’s second largest financial institution as measured by deposit market share. Since 1997, we have expanded into Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona, and Kansas City, Kansas/Missouri. We are currently exploring opportunities for further growth in these markets.

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 40% of our 2009 revenue came 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 energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning activities.

In a more normal operating environment 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 for each of our bank subsidiaries while adhering to common standards. In the current distressed operating environment we are actively looking to participate in FDIC-assisted acquisitions in existing markets.

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

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

#### **Operating Segments**

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

## Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of December 31, 2009.

BOK is the largest banking subsidiary of BOK Financial and has the second largest market share in Oklahoma with 11% of the state's total deposits. In the Tulsa and Oklahoma City areas, BOK has 24% and 8% of the market share, respectively. BOK competes with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources. BOK also competes with regional and locally owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

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

## Employees

As of December 31, 2009, BOK Financial and its subsidiaries employed 4,355 full-time equivalent employees. None of the Company's employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

## Supervision and Regulation

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

During 2009, legislation was proposed in Congress to restructure and strengthen supervision and regulation of the financial services industry in the United States. It is generally probable that laws and regulations affecting banks will increase and become more restrictive and costly. The likelihood and timing of any specific new proposals or legislation and the impact they might have on the Company and its subsidiaries cannot be predicted at this time.

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

### *General*

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

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



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

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

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

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

### *Capital Adequacy and Prompt Corrective Action*

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

The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Core capital (Tier 1) includes common shareholders’ equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution’s Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2009, BOK Financial’s Tier 1 and total capital ratios under these guidelines were 10.86% and 14.43%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial’s leverage ratio at December 31, 2009 was 8.05%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the “FDICIA”), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet

minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2009.

The federal regulatory authorities' risk-based capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. In 2004, the BIS published a new capital accord to replace its 1988 capital accord, with an update in November 2005 ("Basel II"). Basel II provides two approaches for setting capital standards for credit risk — an internal ratings-based approach tailored to individual institutions' circumstances (which for many asset classes is itself broken into a "foundation" approach and an "advanced or A-IRB" approach, the availability of which is subject to additional restrictions) and a standardized approach that bases risk weightings on external credit assessments to a much greater extent than permitted in existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures.

In 2009, BIS announced enhancements to the Basel II framework. In general, these enhancements involve higher capital requirements, further supervisory review and guidance, and increased disclosures. Higher capital requirements would apply to certain items such as liquidity facilities and other off-balance sheet exposures. Reputation risk has been added as a specific risk management topic. In addition, future capital requirements will likely include stress tests of relevant values such as credit performance, interest rate moves and funding sources.

It is generally probable that the announced enhancements to the Basel II framework, along with changes in laws and regulations affecting banks in the United States will increase capital requirements. The likelihood and timing of any specific changes and the impact they might have on the Company and its subsidiaries cannot be predicted at this time.

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

### *Deposit Insurance*

Substantially all of the deposits held by the Banks are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating ("CAMELS rating"). As of January 1, 2007, the previous nine risk categories utilized in the risk matrix were condensed into four risk categories, which continue to be distinguished by capital levels and supervisory ratings. For large Risk Category 1 institutions (generally those with assets in excess of \$10 billion) that have long-term debt issuer ratings, including Bank of Oklahoma, assessment rates are determined from weighted-average CAMELS component ratings and long-term debt issuer ratings. The minimum annualized assessment rate for large institutions is 12 basis points per \$100 of deposits and the maximum annualized assessment rate for large institutions is 50 basis points per \$100 of deposits. Quarterly assessment rates for large institutions in Risk Category 1 may vary within this range depending upon changes in CAMELS component ratings and long-term debt issuer ratings.

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

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

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

## *Dividends*

The primary source of liquidity for BOK Financial is dividends from the Banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. Based on the most restrictive limitations, the Banks had excess regulatory capital and could declare up to \$225 million of dividends without regulatory approval as of December 31, 2009. BOK Financial management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory standards. Under this policy, the Banks could declare dividends of up to \$190 million as of December 31, 2009. These amounts are not necessarily indicative of amounts that may be available to be paid in future periods.

## *Source of Strength Doctrine*

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

## **Governmental Policies and Economic Factors**

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

In response to a significant ongoing recession in business activity which began in 2007, the U.S. government enacted various programs and continues to enact programs to stimulate the economy. These programs include the Trouble Assets Relief Program ("TARP"), which provided capital to eligible financial institutions and other sectors of the domestic economy, and the TLGP, which expanded insurance coverage to a larger amount of deposit account balances and other qualifying debt issued by eligible financial institutions. In addition, the government recently enacted economic stimulus legislation, which increases government spending and reduces certain taxes. The long-term effects of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

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

The Sarbanes-Oxley Act (the "Act") addresses many aspects of financial reporting, corporate governance and public company disclosure. Among other things, the Act establishes a comprehensive framework for the oversight of public company auditing and for strengthening the independence of auditors and audit committees. Under the Act, audit committees are responsible for the appointment, compensation and oversight of the work of the auditors. The non-audit services that can be provided to a company by its auditor are limited. Audit committee members are subject to specific rules addressing their independence. The Act also requires enhanced and accelerated financial disclosures, and it establishes various responsibility measures, such as requiring the chief executive officer and chief financial officer to certify to the quality of the company's financial reporting. The Act imposes restrictions on and accelerated reporting requirements for certain insider trading activities. It imposes a variety of penalties for fraud and other violations and creates a federal felony for securities fraud. Various sections of the Act are applicable to BOK Financial.

## Foreign Operations

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

### ITEM 1A. RISK FACTORS

Since 2007, the United States economy has been in recession. Business activity across a wide range of industries and geographic regions has decreased and unemployment has increased significantly. The financial services industry and capital markets have been adversely affected by significant declines in asset values, rising delinquencies and defaults, and restricted liquidity. Numerous financial institutions have either failed or required a significant amount of government assistance due to credit losses and liquidity shortages. Although there are indications that the economy has stabilized, there is no assurance that conditions will improve in the near term. Continued recession in the economy could adversely affect our credit quality, financial condition and results of operations.

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

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

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

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

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

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

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

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

BOK Financial's business is highly sensitive to:

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

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

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

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

In an effort to reduce interest rates and stimulate the housing market, the Federal Reserve Bank has purchased a significant amount of mortgage-backed securities. The Federal Reserve Bank has announced that it will curtail purchases in 2010 which may result in rising interest rates and lower fair values of our mortgage-backed securities.

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

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

***Market disruptions could impact BOK Financial's funding sources.***

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

***Substantial competition could adversely affect BOK Financial.***

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

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

***Banking regulations could adversely affect BOK Financial.***

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

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

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

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

The trend toward increasingly extensive regulation is likely to continue and become more costly in the future. Laws, regulations or policies currently affecting BOK Financial and its subsidiaries may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, BOK Financial's business may be adversely affected by any future changes in laws, regulations, policies or interpretations. For example, recently approved changes to regulations are expected to significantly reduce fees we can charge overdrawn deposit accounts beginning in the second half of 2010.

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

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

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

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

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

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

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

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

BOK Financial and its subsidiaries own and lease improved real estate that is carried at \$207 million, net of depreciation and amortization. The Company's principal offices are located in leased premises in the Bank of Oklahoma Tower, Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma, Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona, and Kansas City, Kansas/Missouri. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma, Dallas, Texas, and Albuquerque, New Mexico. The Company's facilities are suitable for their respective uses and present needs.

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

**ITEM 3. LEGAL PROCEEDINGS**

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

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended December 31, 2009.

## PART II

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

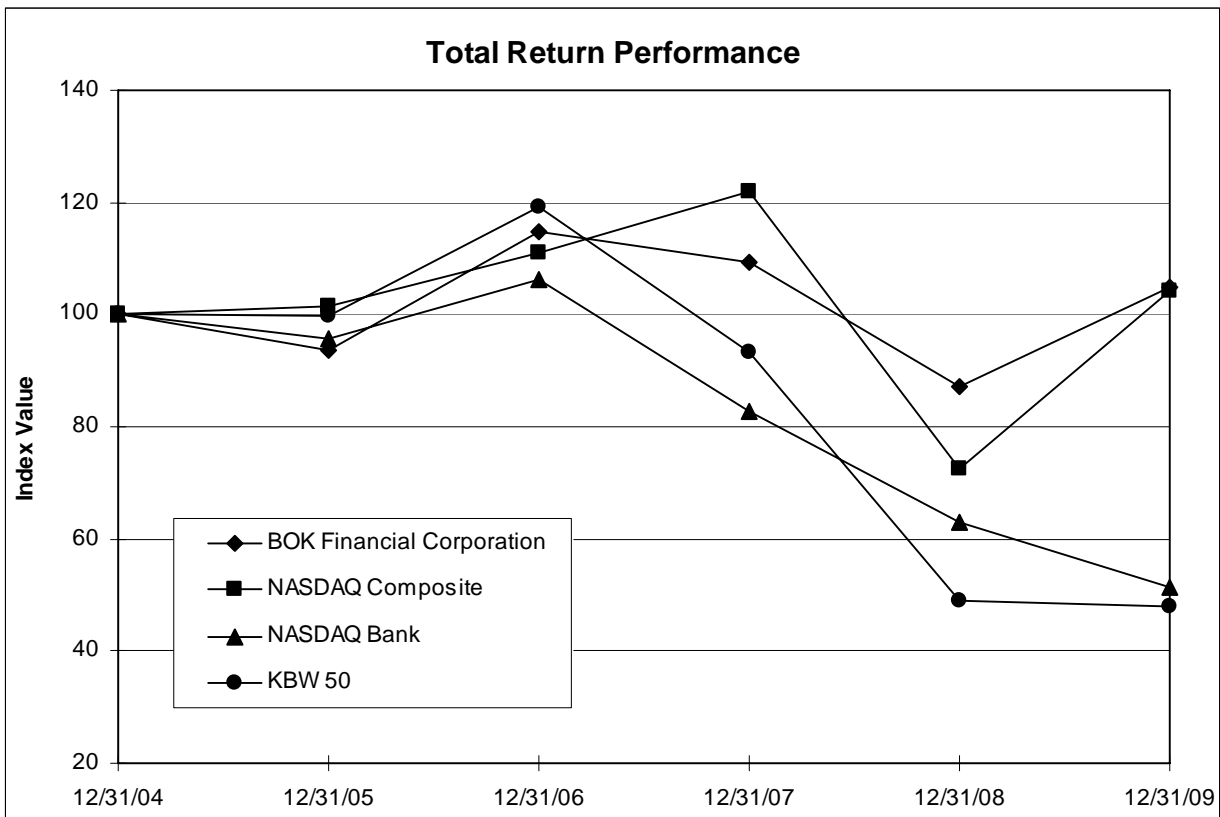
BOK Financial's \$0.00006 par value common stock is traded on the Nasdaq Stock Market under the symbol BOKF. As of January 31, 2010, common shareholders of record numbered 942 with 67,809,896 shares outstanding.

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

	First	Second	Third	Fourth
2009:				
Low	\$22.95	\$34.46	\$34.81	\$41.87
High	40.71	43.02	48.10	47.91
Cash dividends	0.225	0.24	0.24	0.24
2008:				
Low	\$46.82	\$49.11	\$38.61	\$38.40
High	55.23	60.74	53.94	54.42
Cash dividends	0.20	0.225	0.225	0.225

#### Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2004 and ending December 31, 2009.\*



Index	Period Ending					
	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
BOK Financial Corporation	100.00	93.79	114.77	109.47	87.10	104.85
NASDAQ Composite	100.00	101.37	111.03	121.92	72.49	104.31
NASDAQ Bank Index	100.00	95.67	106.20	82.76	62.96	51.31
KBW 50	100.00	99.82	119.18	93.19	48.88	48.02

\* Graph assumes value of an investment in the Company's Common Stock for each index was \$100 on December 31, 2004. The KBW 50 Bank index is the Keefe, Bruyette & Woods, Inc. index, which is available only for calendar quarter end periods. During the periods shown, a 3% dividend was paid in shares of BOK Financial Common Stock on May 31, 2004. Cash dividends on Common Stock, which were first paid in 2005, are assumed to have been reinvested in BOK Financial Common Stock.



The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended December 31, 2009.

<b>Period</b>	<b>Total Number of Shares Purchased (2)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans</b>
October 1, 2009 to October 31, 2009	3,520	\$ 46.18	–	1,215,927
November 1, 2009 to November 30, 2009	9,896	45.23	–	1,215,927
December 1, 2009 to December 31, 2009	66,314	47.48	–	1,215,927
<b>Total</b>	<b>79,730</b>		<b>–</b>	

- (1) On April 26, 2005, the Company’s board of directors authorized the Company to repurchase up to two million shares of the Company’s common stock. As of December 31, 2009, the Company had repurchased 784,073 shares under this plan.
- (2) The Company routinely repurchases mature shares from employees to cover the exercise price and taxes in connection with employee stock option exercises.

## **ITEM 6. SELECTED FINANCIAL DATA**

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

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

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

	<b>December 31,</b>				
	<b>2009</b>	2008	2007	2006	2005
<b>Selected Financial Data</b>					
For the year:					
Interest revenue	\$ 914,569	\$ 1,061,645	\$ 1,160,737	\$ 986,429	\$ 769,934
Interest expense	204,205	414,783	616,252	499,741	320,593
Net interest revenue	710,364	646,862	544,485	486,688	449,341
Provision for credit losses	195,900	202,593	34,721	18,402	12,441
Fees and commissions revenue	480,512	415,194	405,622	371,696	344,864
Net income	200,578	153,232	217,664	212,977	201,505
Period-end:					
Loans	11,279,698	12,876,006	11,940,570	10,651,178	9,088,312
Assets	23,516,831	22,734,648	20,667,701	18,059,624	16,327,069
Deposits	15,518,228	14,982,607	13,459,291	12,386,705	11,375,318
Subordinated debentures	398,539	398,407	398,273	297,800	295,964
Shareholders' equity	2,205,813	1,846,257	1,935,384	1,721,022	1,539,154
Nonperforming assets <sup>2</sup>	484,295	342,291	104,159	44,343	40,017
<b>Profitability Statistics</b>					
Earnings per share (based on average equivalent shares):					
Basic	\$ 2.96	\$ 2.27	\$ 3.24	\$ 3.19	\$ 3.14
Diluted	2.96	2.27	3.22	3.16	3.01
Percentages (based on daily averages):					
Return on average assets	0.87%	0.71%	1.14%	1.27%	1.29%
Return on average shareholders' equity	9.66	7.87	12.01	13.23	13.78
Average shareholders' equity to average assets	8.98	9.01	9.53	9.58	9.38
<b>Common Stock Performance</b>					
Per Share:					
Book value per common share <sup>5</sup>	\$ 32.53	\$ 27.36	\$ 28.75	\$ 25.66	\$ 23.07
Market price: December 31 close	47.52	40.40	51.70	54.98	45.43
Market range – High close	48.13	60.84	55.57	54.98	49.31
– Low close	22.98	38.48	47.47	44.43	39.79
Cash dividends declared	0.945	0.875	0.75	0.55	0.30
Dividend payout ratio	31.93%	38.55%	23.29%	17.41%	9.97%
<b>Selected Balance Sheet Statistics</b>					
Period-end:					
Tier 1 capital ratio	10.86%	9.40%	9.38%	9.78%	9.84%
Total capital ratio	14.43	12.81	12.54	11.58	12.10
Leverage ratio	8.05	7.89	8.20	8.79	8.30
Tangible common equity ratio <sup>1</sup>	7.99	6.64	7.72	8.22	7.94
Reserve for loan losses to nonperforming loans	82.22	74.49	133.79	305.37	329.34
Reserve for loan losses to loans	2.59	1.81	1.06	1.03	1.14
Combined reserves for credit losses to loans <sup>4</sup>	2.72	1.93	1.24	1.22	1.37
<b>Miscellaneous (at December 31)</b>					
Number of employees (full-time equivalent)	4,355	4,300	4,110	3,958	3,825
Number of banking locations	197	195	189	163	150
Number of TransFund locations	1,896	1,933	1,822	1,649	1,421
Trust assets	\$30,385,365	\$30,454,512	\$36,288,592	\$31,704,091	\$ 28,464,745
Mortgage loan servicing portfolio <sup>3</sup>	7,366,780	5,983,824	5,481,736	4,988,611	4,492,524

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

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

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

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

<sup>5</sup> Conversion of Series A preferred stock added 6.9 million common shares outstanding in 2005.

## 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, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona and Kansas City, Kansas/Missouri. 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 of 1999. Principal banking subsidiaries are Bank of Oklahoma, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A. and Bank of Kansas City, N.A. Other subsidiaries include BOSCO, 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 second largest financial institution as measured by deposit market share. At December 31, 2009, 46% of our outstanding loans and 56% of our deposits are attributed to the Oklahoma market. Since 1997, we have expanded into Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona and Kansas City, Kansas/Missouri. At December 31, 2009, 29% of our outstanding loans and 26% of our deposits are attributed to Texas. None of our other regional markets provide more than 10% of our outstanding loans or deposits. Our acquisition strategy targets quality organizations that have demonstrated solid growth in their business lines. We provide additional growth opportunities by hiring talent to enhance competitiveness, adding locations, and broadening product offerings. Our operating philosophy embraces local decision-making in each of our geographic markets while adhering to common Company standards. We also consider acquisitions of distressed financial institutions in existing markets when opportunities become available.

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Products and services include loans and deposits, cash management services, fiduciary services, mortgage banking, and brokerage and trading services to middle-market businesses, financial institutions, and consumers. Commercial banking 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. Energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning activities. Our revenue sources are diverse. Historically, fees and commissions revenue provide 40% - 45% of our total revenue. Approximately 40% of our revenue came from commissions and fees in 2009.

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund electronic funds network. Consumer banking includes retail lending and deposit services, and all mortgage banking activities. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

The recession continued to dampen the economy and the financial services industry in 2009. Civilian unemployment rates climbed from just over 7% at the beginning of the year to over 10% by year-end. Credit losses which first were largely concentrated in residential construction loans in the Arizona market spread to other commercial real estate and commercial loans across all markets. In response, the U.S. government has provided significant liquidity to the economy. Interest rates we paid remained at historic lows throughout the year. Along with tax credits available to first-time home buyers, the low interest rates stimulated mortgage lending activity. Interest rates decreased which increased the fair value of many financial instruments, such as mortgage-backed securities. After reaching highs of over \$140 per barrel in 2008, oil prices dropped to under \$40 per barrel in early 2009 and natural gas prices remained low throughout most of 2009.

## Performance Summary

BOK Financial's net income for 2009 totaled \$201 million or \$2.96 per diluted share compared to \$153 million or \$2.27 per diluted share in 2008.

Highlights of 2009 included:

- Net interest revenue increased \$64 million or 10% over 2008. Average earning assets were up \$1.5 billion or 8%. Net interest margin was 3.57% for 2009, up 12 basis points over 2008.
- Fees and commissions revenue totaled \$481 million for 2009 and \$415 million for 2008. Net credit losses on derivative contracts related to two bankrupt counterparties reduced fees and commissions revenue by \$54 million in 2008. Mortgage banking revenue increased \$34 million compared to 2008.
- Operating expenses, excluding changes in the fair value of mortgage servicing rights, totaled \$709 million, up \$81 million from the prior year. Personnel costs, FDIC insurance expenses, mortgage banking costs and net losses and expenses of repossessed assets increased over the prior year.
- Combined reserves for credit losses totaled \$306 million or 2.72% of outstanding loans at December 31, 2009, up from \$248 million or 1.93% of outstanding loans at December 31, 2008. Provision for credit losses and net charge-offs were \$196 million and \$138 million, respectively for 2009 and \$203 million and \$102 million, respectively for 2008.
- Nonperforming assets totaled \$484 million or 4.24% of outstanding loans and repossessed assets at December 31, 2009, up from \$342 million or 2.65% of outstanding loans and repossessed assets at December 31, 2008. Repossessed assets increased \$100 million and nonaccruing loans increased \$39 million over last year.
- Available for sale securities totaled \$8.9 billion at December 31, 2009, up \$2.5 billion since the prior year due to purchases of residential mortgage-backed securities issued by U.S. government agencies. Other than temporary impairment charges on certain privately-issued residential mortgage backed securities reduced pre-tax net income by \$34 million during 2009.
- Outstanding loan balances were \$11.3 billion at December 31, 2009, down \$1.6 billion from the prior year. Most major loan categories decreased during 2009 due to reduced customer demand and normal repayment trends.
- Tangible common equity and Tier 1 capital ratios were 7.99% and 10.86%, respectively, at December 31, 2009 and 6.64% and 9.40%, respectively, at December 31, 2008. Growth in the tangible common equity ratio was due largely to a \$211 million after-tax increase in the fair value of available for sale securities. The Company evaluated and elected not to participate in the U.S. Treasury's TARP Capital Purchase Program.

Net income for the fourth quarter of 2009 totaled \$43 million or \$0.63 per diluted share compared with \$35 million or \$0.52 per diluted share for the fourth quarter of 2008.

Highlights of the fourth quarter of 2009 included:

- Net interest revenue totaled \$184 million, up \$8.0 million over the fourth quarter of 2008. Net interest margin was 3.64% for the fourth quarter of 2009 and 3.57% for the fourth quarter of 2008.
- Net loans charged off and provision for credit losses were \$35 million and \$49 million, respectively for the fourth quarter of 2009. Net loans charged off and provision for credit losses were \$34 million and \$73 million, respectively for the fourth quarter of 2008.
- Fees and commissions revenue totaled \$116 million, up \$5 million over the fourth quarter of 2008, primarily due to higher mortgage banking revenue partially offset by a decrease in brokerage and trading revenue.
- Other than temporary impairment charges on certain privately-issued residential mortgage backed securities reduced pre-tax net income by \$14 million during the fourth quarter of 2009.
- Other operating expense, excluding changes in the fair value of mortgage servicing rights, increased \$23 million over the prior year. Mortgage banking costs, personnel expense, net losses and operating expenses on repossessed assets and FDIC insurance costs increased over the fourth quarter of 2008.

## **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. Actual results could differ significantly from these estimates. Application of these critical accounting policies and estimates has been discussed with the appropriate committees of the Board of Directors. Additional accounting policies are described in Note 1 to the Consolidated Financial Statements.

### **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 quarterly evaluation of the probable estimated losses inherent in the portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed 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. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses during 2009.

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

Specific reserves for impairment are determined through evaluation of estimated future cash flows, collateral values and historical statistics. Loans are considered to be impaired when it is probable that we will not be able to collect all amounts due according to the contractual terms of the loan agreements. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. Generally, all nonaccruing commercial and commercial real estate loans are considered impaired. Substantially all impaired loans are collateralized. Collateral includes real property, inventory, accounts receivable, operating equipment, interest in mineral rights and other property. Collateral may also include personal guaranties by borrowers and related parties.

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

Impaired loans are charged-off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower based on an evaluation of available cash resources or collateral value. No reserves are attributed to the remaining balance of loans that have been charged-down to amounts management expects to recover. Collateral values are generally evaluated annually, or more frequently for certain collateral types or collateral located in certain distressed markets.

General reserves for unimpaired loans are based on migration models. Separate migration models are used to determine general reserves for commercial and commercial real estate loans, residential mortgage loans, and consumer loans. All commercial and commercial real estate loans are risk-graded based on an evaluation of the borrowers' ability to repay the loans. Migration factors are determined for each risk-grade to determine the inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for the migration factors. Greater emphasis is placed on losses incurred in more recent periods. The higher of current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade. The general reserve for residential mortgage loans is based on an eight-quarter average percent of loss. The general reserve for consumer loans is based on an eight-quarter average percent of loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans.

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, concentrations in large credits and overall growth in the loan portfolio. Evaluation of nonspecific factors considers the effect of the duration of the business cycle on migration factors. Nonspecific factors also consider current economic conditions and other relevant factors. A range of potential losses is determined for each factor identified.

A separate reserve for off-balance sheet credit risk is maintained. The provision for credit losses includes 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 after funds are advanced against outstanding commitments and after the exhaustion of collection efforts.

We also maintain a separate credit loss reserve for residential mortgage loans sold with recourse. This reserve is based on the same migration model used for on-balance sheet residential mortgage loans. Migration factors are separately determined from historic loss trends for these loans. We use an eight-quarter aggregate accumulation of net losses as a basis for the migration factors. Greater emphasis is placed on losses incurred in more recent periods. The provision for losses on mortgage loans sold with recourse is included in mortgage banking costs on the Consolidated Statement of Earnings.

### **Valuation of Mortgage Servicing Rights**

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

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

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our servicing rights by \$5.6 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our servicing rights by \$9.7 million.

### **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 as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units for 2010 through 2015 and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our reporting units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. Critical assumptions in our evaluation were a 12.00% average expected long-term growth rate, a 0.74% volatility factor for BOK Financial common stock, a 10.60% discount rate and a 9.86% market risk premium.

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

The fair value, carrying value and related goodwill of reporting units for which goodwill was attributed as of our annual impairment test performed on October 1, 2009 is as follows (in thousands):

	Fair Value	Carrying Value <sup>1</sup>	Goodwill
Commercial:			
Oklahoma	\$ 580,129	\$ 351,259	\$ 5,140
Texas	484,261	432,167	196,183
New Mexico	82,646	76,794	11,094
Colorado	117,977	103,798	39,458
Arizona	89,520	73,714	14,853
Consumer:			
Oklahoma	394,559	133,248	1,683
Texas	96,275	60,543	27,567
New Mexico	73,037	18,934	2,874
Colorado	19,937	15,709	6,899
Arizona	1,184	1,652	228
Wealth Management:			
Oklahoma	248,328	102,415	1,350
Texas	65,333	41,352	16,372
New Mexico	19,221	7,910	1,305
Colorado	42,820	20,214	9,254
Arizona	9,197	7,964	1,569

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

Based on the results of the test performed as of October 1, 2009, the Company recorded an impairment charge of \$228 thousand related to the consumer banking segment in the Arizona market.

Approximately \$240 million or 72% of total goodwill was attributed to the Texas market and \$56 million or 17% of total goodwill was attributed to the Colorado market. Because of the large concentration of goodwill in the Texas and Colorado markets, the fair value determined by the discounted future earnings method was corroborated by comparison to the multiple of the market capitalization over tangible book value or net assets less intangibles of publicly traded banks of similar size and characteristics in our geographical footprint. This valuation method corroborated fair values determined by the discounted future earnings method.

As of December 31, 2009, the market value of BOK Financial common stock, a primary assumption in our goodwill impairment analysis, was approximately 3% above the market value used in our most recent annual evaluation. The market value is influenced by factors affecting the overall economy and the regional banks sector of the market. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock declines or sooner if we incur significant unanticipated operating losses or if other factors indicate a significant decline in the value of our reporting units. The effect of a 10% negative change in the market value of our common stock on September 30, 2009 was simulated. This simulation indicated that an additional impairment of \$2.3 million is possible. Other factors that could affect future impairment analyses include credit losses that exceed projected amounts or failure to meet growth projections.

Consistent with plans when we first acquired Valley Commerce Bank in Phoenix, Arizona, our objective is to focus on growth in commercial and small business lending in the Arizona market. As discussed more fully in the Lines of Business section of this report, we have made changes in our Arizona operations to achieve this objective. Future goodwill impairment in the Arizona commercial reporting unit will depend largely on our ability to meet growth projections for this market.

Intangible assets with finite lives, such as core deposit intangible assets, are amortized using accelerated methods over their estimated useful lives. Core deposit intangible assets generally have a weighted average life of five years based on the expected lives of the acquired deposit accounts. Such assets are reviewed for impairment whenever events indicate that the remaining carrying amount may not be recoverable.

## Valuation of Derivative Instruments

We use interest rate derivative instruments to manage our interest rate risk. We also offer interest rate, commodity, and foreign exchange derivative contracts to our customers. All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices in an active market for identical instruments. Fair values for over-the-counter interest rate contracts used to manage our interest rate risk are provided either by third-party dealers in the contracts or by quotes provided by independent pricing services. Information used by these third-party dealers or independent pricing services to determine fair values are considered significant other observable inputs. Fair

values for interest rate, commodity and foreign exchange contracts used in our customer hedging programs are based on valuations generated internally by third-party provided pricing models. These models use significant other observable market inputs to estimate fair values. Changes in assumptions used in these pricing models could significantly affect the reported fair values of derivative assets and liabilities, though the net effect of these changes should not significantly affect earnings.

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

## **Valuation of Securities**

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

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

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on this evaluation, we determined that the results represent prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market.

A portion of our securities portfolio is comprised of debt securities for which third-party services have discontinued providing price information due primarily to a lack of observable inputs and other relevant data. Management estimates the fair value of these securities based on significant unobservable inputs, including projected cash flows discounted at rates indicated by comparison to securities with similar credit and liquidity risk.

## **Other-Than-Temporary Impairment**

On a quarterly basis, the Company evaluates impaired debt and equity securities to determine if impairments are temporary or other-than-temporary.

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

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

We also consider the adjusted loan-to-value ratio and credit enhancement coverage ratio as part of our assessment of cash flows available to recover the amortized cost of our securities. Adjusted loan-to-value ratio is an estimate of the collateral value available to support the realizable value of the security. We calculate the adjusted loan-to-value ratio for each security using loan-level data. The original loan-to-value ratio is adjusted for market-specific home price depreciation and credit enhancement on the specific tranche of each security we own. The credit enhancement coverage ratio is an estimate of currently remaining subordinated tranches available to absorb losses on pools of loans that support the security. We believe that an adjusted loan-to-value ratio above 85% or a credit enhancement coverage ratio below 1.5 times to be additional indicators that an impairment may be other than temporary.



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

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

We performed a sensitivity analysis of all privately issued mortgage-backed securities rated below AAA. Significant assumptions of this analysis included an increase in the unemployment rate to 12% over the next twelve months, decreasing to 8.5% thereafter and an additional 20% house price depreciation. The results of this analysis indicated \$20 million to \$25 million of credit losses in addition to credit losses recognized in 2009 are possible.

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

## **Income Taxes**

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

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

Deferred tax assets and liabilities are determined based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

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

## **Pensions**

The Company offers a defined-benefit, cash-balance pension plan to all employees who satisfied certain age and length of service requirements. Pension plan benefits were curtailed as of April 1, 2006. No participants may be added to the plan and no additional service benefits will be accrued. Interest continues to accrue on employees' account balances at 5.25%. Accounting for this plan requires management to make assumptions regarding the expected long-term rate of return on plan assets and the discount rate. Changes in these assumptions affect pension liability and pension expense. Management, in consultation with independent actuaries, bases its assumptions on currently available information.

All plan assets are invested in the Cavanal Hill Balanced Fund. The expected long-term return on plan assets is based on this fund's life-to-date performance, adjusted for any known or expected changes in the fund's compositions or objectives. The expected return on plan assets was 7.00% for 2008 and 2007, and 5.25% for 2009.

The discount rate, which is used to determine the present value of our obligation to provide future benefits to plan participants and the related interest cost, is based on a spot-rate yield curve of high-quality fixed income securities such as AA rated industrial and utility bonds. A weighted average discount rate is determined by matching expected future cash outflows from the plan to interest rates at various spots along the yield curve. This method of determining the discount rate

is expected to better represent the cost of future cash flows as the static participant pool decreases over time. The discount rate was 5.15% at December 31, 2009 and 6.50% at December 31, 2008. A 25 basis point decrease in the discount rate increases the pension liability by approximately \$873 thousand or 2% and has no significant effect on pension expense because of the curtailment of benefits.

## **Stock-Based Compensation**

Stock-based compensation consists of stock options and non-vested shares awarded officers and employees of the Company. Awards may be granted on a discretionary basis as described in the employee stock option plan or as required by employment agreements and incentive compensation plans with certain executive officers. Accounting for stock-based compensation requires management to make assumptions regarding the valuation of financial instruments for which there are no readily available market values, achievement of specified performance conditions and expected forfeiture rates.

The majority of our stock options have graded vesting. One-seventh of the options awarded vest annually starting one year after the grant date. Options expire three years after vesting. Each tranche of these options are considered a separate award when determining fair value.

We use the Black-Scholes option pricing model. This model requires assumptions of expected volatility of our stock price and expected term between grant date and exercise date, along with other inputs to determine fair value. Assumptions used to determine the fair value of stock options are considered significant other observable inputs. Expected volatility is based on historical changes in our stock price measured over a period that approximates the expected term of our stock options. Expected term and forfeitures are based on historical trends. Information about assumptions used to value stock options can be found in Note 12 to the Consolidated Financial Statements. Non-vested shares, which cliff-vest five years after the grant date, are valued at the grant-date market price for BOK Financial common stock.

Stock options are generally granted annually. Certain key terms and conditions of the awards, such as vesting periods and expiration dates, are defined by the stock option plan document. The number of options to be awarded to each individual employee is recommended by management and approved by the Independent Compensation Committee of the Board of Directors prior to setting the exercise price. The exercise price of the options is the closing price for the Company's common stock on the second business Friday of January, which is the grant date.

Executive incentive plans and individual employment agreements include performance conditions that may increase or decrease the number of awards granted based on future events. Unrecognized compensation cost, which generally will be recognized as expense over the service period, based on the probable outcome of these conditions is \$16 million. Future compensation cost ranges from approximately \$6 million if none of the performance conditions are met to \$19 million if all of the performance conditions are met.

## **Assessment of Operations**

### **Net Interest Revenue**

Tax-equivalent net interest revenue totaled \$718 million for 2009 compared with \$655 million for 2008. Net interest revenue growth was driven primarily by a \$1.5 billion increase in average earning assets and a 12 basis point increase in net interest margin.

Average earning assets increased \$1.5 billion or 8% compared to 2008, primarily due to a \$1.8 billion increase in average securities. We purchased U.S. government agency issued residential mortgage-backed securities to supplement earnings during a period of declining loan demand. Average loans, net of allowance for loan losses, decreased \$465 million primarily due to decreases in commercial, commercial real estate and consumer loans partially offset by growth in residential mortgage loans.

Growth in average earning assets was funded primarily by an \$888 million increase in interest-bearing deposits and a \$647 million increase in demand deposit account balances. Average interest-bearing transaction accounts were up \$751 million and average time deposits were up \$130 million.

Borrowed funds declined \$333 million compared to 2008, including a \$230 million decrease in borrowings to fund average margin assets. Margin assets are placed by the Company to secure its obligations under various derivative contracts and are generally reported as a reduction of the derivative liabilities which they secure on the Company's consolidated balance sheet. Fees earned on margin assets are included in fees and commissions revenue while the related cost of funds reduces net interest revenue. 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.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets, increased to 3.57% in 2009 compared with 3.45% in 2008 due primarily to lower funding costs.

The cost of interest-bearing liabilities was 1.21% for 2009, down 134 basis points from 2008. The cost of interest bearing deposits decreased 123 basis points to 1.38% and the cost of funds purchased and other borrowings decreased 160 basis points to 0.81%. Rates paid on funding sources decreased in 2009 due to market conditions. In addition, we reduced certain types of higher-costing time deposits during the year to lower our funding costs.

The tax-equivalent yield on earning assets was 4.59% for 2009, down 105 basis points from 2008. Loan yields decreased 118 basis points from 2008 to 4.65%; however, loan spreads continue to improve. The securities portfolio yield was 4.36%, down 80 basis points from 2008. Our securities portfolio re-prices as cash flow received is reinvested as current market rates. The resulting change in yield of the securities portfolio occurs more slowly than changes in market rates.

Our overall objective is to manage the Company's balance sheet to be relatively neutral to changes in interest rates. Approximately two-thirds of our commercial and commercial real estate loan portfolios are either variable rate or fixed rate that will re-price within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that re-price more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally re-price more quickly than liabilities. Among the strategies that we use to achieve a relatively rate-neutral position, we purchase fixed-rate, mortgage-backed securities and fund them with market rate sensitive liabilities. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio. We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of \$40 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives is to position our balance sheet to be relatively neutral to changes in interest rates. Net interest revenue increased \$13 million in 2009 and \$7.0 million in 2008 from periodic settlements of derivative contracts. This increase in net interest revenue contributed 6 basis points and 4 basis points to net interest margin in 2009 and 2008, respectively. Derivative contracts are carried on the balance sheet at fair value. Changes in the fair value of these contracts are reported as derivative gains or losses in the Consolidated Statement of Earnings.

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

Table 2 Volume/Rate Analysis  
(In Thousands)

	2009/2008			2008/2007		
	Change	Change Due To <sup>1</sup>		Change	Change Due To <sup>1</sup>	
		Volume	Yield/Rate		Volume	Yield/Rate
Tax-equivalent interest revenue:						
Securities	\$ 14,359	\$ 70,709	\$ (56,350)	\$ 59,749	\$ 45,461	\$ 14,288
Trading securities	(1,235)	851	(2,086)	2,987	2,986	1
Loans	(158,854)	(12,458)	(146,396)	(159,817)	78,623	(238,440)
Funds sold and resell agreements	(1,500)	(314)	(1,186)	(2,903)	(304)	(2,599)
<b>Total</b>	<b>(147,230)</b>	<b>58,788</b>	<b>(206,018)</b>	<b>(99,984)</b>	<b>126,766</b>	<b>(226,750)</b>
Interest expense:						
Transaction deposits	(69,796)	9,924	(79,720)	(73,214)	12,679	(85,893)
Savings deposits	(62)	30	(92)	(823)	(50)	(773)
Time deposits	(54,704)	3,924	(58,628)	(49,785)	(664)	(49,121)
Funds purchased and repurchase agreements	(53,016)	(8,843)	(44,173)	(72,976)	11,273	(84,249)
Other borrowings	(33,036)	5,982	(39,018)	(2,032)	34,907	(36,939)
Subordinated debentures	36	9	27	(2,639)	195	(2,834)
<b>Total</b>	<b>(210,578)</b>	<b>11,026</b>	<b>(221,604)</b>	<b>(201,469)</b>	<b>58,340</b>	<b>(259,809)</b>
Tax-equivalent net interest revenue	63,348	<u>\$ 47,762</u>	<u>\$ 15,586</u>	101,485	<u>\$ 68,426</u>	<u>\$ 33,059</u>
Change in tax-equivalent adjustment	154			892		
<b>Net interest revenue</b>	<b>\$ 63,502</b>			<b>\$ 102,377</b>		

	4th Qtr 2009 / 4th Qtr 2008		
	Change	Change Due To <sup>1</sup>	
		Volume	Yield/Rate
Tax-equivalent interest revenue:			
Securities	\$ (5,332)	\$ 20,375	\$ (25,707)
Trading securities	(371)	(161)	(210)
Loans	(31,837)	(15,655)	(16,182)
Funds sold and resell agreements	(76)	(22)	(54)
<b>Total</b>	<b>(37,616)</b>	<b>4,537</b>	<b>(42,153)</b>
Interest expense:			
Transaction deposits	(12,069)	4,236	(16,305)
Savings deposits	56	13	43
Time deposits	(22,390)	(7,250)	(15,140)
Funds purchased and repurchase agreements	(5,631)	(1,433)	(4,198)
Other borrowings	(5,799)	894	(6,693)
Subordinated debentures	53	9	44
<b>Total</b>	<b>(45,780)</b>	<b>(3,531)</b>	<b>(42,249)</b>
Tax-equivalent net interest revenue	8,164	<u>\$ 8,068</u>	<u>\$ 96</u>
Change in tax-equivalent adjustment	(133)		
<b>Net interest revenue</b>	<b>\$ 8,031</b>		

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

#### Fourth Quarter 2009 Net Interest Revenue

Tax-equivalent net interest revenue for the fourth quarter of 2009 totaled \$187 million compared with \$179 million for the fourth quarter of 2008. Average earning assets increased \$894 million or 5%, including a \$2.3 billion increase in average securities. Average loans, net of allowance for loan losses, decreased \$1.3 billion compared to the fourth quarter of 2008. Average balances in all major loan categories decreased as a result of reduced customer demand and normal repayment trends. Growth in average earning assets was funded primarily by a \$954 million increase in average demand deposits. Average interest-bearing deposits increased by \$523 million offset by a \$527 million decrease in other borrowings.

Net interest margin was 3.64% for the fourth quarter of 2009 and 3.57% for the fourth quarter of 2008. Growth in the net interest margin was due primarily to lower funding costs.

#### 2008 Net Interest Revenue

Tax-equivalent net interest revenue for 2008 was \$655 million for 2008 compared with \$554 million for 2007. Average earning assets increased \$2.0 billion, including a \$1.2 billion increase in average outstanding loans, net of allowance for loan losses, and a \$838 million increase in average securities. Growth in the securities portfolio generally consisted of highly-rated, fixed-rate mortgage backed securities issued by U.S. government agencies. As shown in Table 2, net interest revenue increased \$68 million due to changes in earning assets and interest bearing liabilities and increased \$33 million due to changes in interest yields and rates. The increase in net interest margin reflected a widening of the spread between LIBOR and the federal funds rates in the second half of 2008. LIBOR is the basis for interest earned on many of our loans. The federal funds rate is the basis for interest paid on many of our interest-bearing liabilities. The widening spread increased net interest margin by approximately 7 basis points in 2008. This spread largely narrowed to its historically

normal level by the end of 2008. Market uncertainty increased yields on mortgage-backed securities despite falling interest rates. The average yield on our securities portfolio for 2008 increased 22 basis points compared with 2007. The increase in net interest margin from widened spreads was partially offset by a reduction in the benefit from non-interest bearing funding sources. This benefit decreased from 69 basis points in 2007 to 36 basis points in 2008. Very low market interest rates, especially in the second half of 2008 reduced the benefit of non-interest bearing funding sources. Also, an increase in average margin assets funded by interest-bearing liabilities decreased net interest margin by 5 basis points.

## Other Operating Revenue

Other operating revenue increased \$64 million compared with 2008 due to a \$65 million increase in fees and commissions revenue. Mortgage banking revenue was up \$34 million over last year. Trust fees and commissions were down \$13 million and margin asset fees were down \$8 million from 2008. Brokerage and trading revenue increased \$49 million over 2008. Net credit losses on derivative contracts with two bankrupt counterparties reduced brokerage and trading revenue and total fees and commissions by \$54 million in 2008.

Net gains on securities, derivatives and other assets increased \$28 million, offset by a \$29 million increase in other-than-temporary impairment charges recognized in earnings.

Table 3 Other Operating Revenue  
(In Thousands)

	Years ended December 31,				
	2009	2008	2007	2006	2005
Brokerage and trading revenue	\$ 91,677	\$ 42,804 <sup>1</sup>	\$ 62,542	\$ 53,413	\$ 48,024
Transaction card revenue	105,517	100,153	90,425	78,622	72,036
Trust fees and commissions	66,177	78,979	78,231	71,037	65,187
Deposit service charges and fees	115,791	117,528	109,218	102,436	98,361
Mortgage banking revenue	64,980	30,599	22,275	26,996	30,681
Bank-owned life insurance	10,239	10,681	10,058	2,558	62
Margin asset fees	236	8,548	4,800	10,166	5,504
Other revenue	25,895	25,902	28,073	26,468	25,009
<b>Total fees and commissions</b>	<b>480,512</b>	<b>415,194</b>	<b>405,622</b>	<b>371,696</b>	<b>344,864</b>
Gain (loss) on other assets, net	4,134	(9,406)	2,404	1,499	7,798
Gain (loss) on derivatives, net	(3,365)	1,299	2,282	(622)	1,179
Gain (loss) on available for sales securities, net	59,320	9,196	(276)	152	(1,700)
Gains on Mastercard and Visa IPO securities	–	6,799	1,075	–	–
Gain (loss) on mortgage hedge securities	(13,198)	10,948	(486)	(1,102)	(5,195)
<b>Gain (loss) on securities, net</b>	<b>46,122</b>	<b>26,943</b>	<b>313</b>	<b>(950)</b>	<b>(6,895)</b>
Total other-than-temporary impairment losses	(129,154)	(5,306)	(8,641)	–	–
Portion of loss recognized in other comprehensive income	(94,741)	–	–	–	–
<b>Net impairment losses recognized in earnings</b>	<b>(34,413)</b>	<b>(5,306)</b>	<b>(8,641)</b>	<b>–</b>	<b>–</b>
<b>Total other operating revenue</b>	<b>\$ 492,990</b>	<b>\$ 428,724</b>	<b>\$ 401,980</b>	<b>\$ 371,623</b>	<b>\$ 346,946</b>

<sup>1</sup> Includes net derivative credit losses of \$54 million.

## Fees and Commissions Revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 40% of total revenue, excluding provision for credit losses and gains and losses on asset sales, securities and derivatives. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into markets outside of Oklahoma. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue decreased \$5.1 million compared with 2008, excluding derivative credit losses from 2008 revenue. Customer hedging revenue decreased \$15 million or 70% compared to 2008. Lower commodity prices during 2009 reduced the level of customer hedging activity, compared with the strong market volatility experienced in both crude oil and natural gas in 2008. Securities trading revenue increased \$7.8 million or 16% over the prior year. Increased mortgage lending activity increased the level of securities transactions by our mortgage banking customers. Investment banking revenue increased \$3.1 million or 69% over 2008. Retail brokerage revenue decreased \$631 thousand or 3%.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of ATM locations and the number of merchants served. Transaction card revenue increased \$5.4 million or 5% over 2008 primarily due to a \$4.1 million increase in ATM network revenue and a \$1.3 million increase in check card revenue. The number of check card transactions processed during 2009 increased 8% over 2008. The number of TransFund ATM locations totaled 1,896 at December 31, 2009, down 2% compared to last year primarily due to consolidation of some financial institution sites. Merchant discount revenue for 2009 totaled \$28 million, up less than 1% over 2008.

Trust fees decreased \$13 million or 16%. During 2009, approximately \$4.7 million of fees related to administration of the Cavanal Hill Funds and our cash management sweep fund were voluntarily waived in order to maintain positive yields on these funds in the current low short-term interest rate environment. The remaining decline is primarily due to decreases in the fair value of all trust assets administered by the Company, which is the basis for a significant portion of trust fees and commissions revenue. Due to the market conditions present in 2009, the fair value of trust assets remained below prior year levels for the majority of the year. The fair value of trust assets administered by the Company totaled \$30.4 billion at December 31, 2009 compared with \$30.5 billion at December 31, 2008.

Deposit service charges and fees declined \$1.7 million, or 1% compared with 2008 primarily related to a decrease in overdraft fees. Overdraft fees declined \$1.8 million to \$74 million due to a 6% decrease in transaction volume, partially offset by a 4% increase in the average per item fee charged. Commercial account service charge revenue increased slightly over prior year to \$37 million. The increase was primarily related to a partial pass-through of the FDIC special assessment during 2009. Customers kept greater commercial account balances to offset the decrease in the earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balances. Service charges on retail deposit accounts decreased 15% to \$4.4 million due to continued migration to service-charge free checking products.

Changes in Federal banking regulations effective in the second half of 2010 are expected to significantly reduce overdraft fee revenue. The full effect of these regulations cannot be quantified at this time.

Mortgage banking revenue increased \$34 million or 112% over 2008. Revenue from originating and marketing mortgage loans increased \$32 million compared to the prior year. Mortgage loans originated for sale in the secondary market totaled \$2.8 billion compared to \$1.2 billion in 2008. Mortgage loan originations slowed in the latter half of 2009, but remained well above historical levels due to government initiatives to lower national mortgage interest rates and to stimulate housing markets. Mortgage loan servicing revenue totaled \$20 million or 0.32% of loans serviced for others in 2009 and \$18 million or 0.35% of loans serviced for others in 2008. The average outstanding balance of loans serviced for others was \$5.9 billion for 2009 and \$5.0 billion for 2008. Growth in mortgage loans serviced for others was due to retaining mortgage servicing rights from mortgage loans originated. No mortgage loan servicing rights were purchased in 2008 or 2009.

Margin assets which are held primarily as part of the Company's customer derivatives programs averaged \$192 million for 2009 and \$422 million for 2008. The decrease in revenue earned on margin assets is offset by an increase in net interest revenue due to lower costs to fund the margin assets. Margin asset fees totaled \$236 thousand for 2009 and \$8.5 million for 2008.

#### *Net gains on securities, derivatives and other assets*

Mortgage hedge securities held as an economic hedge of the changes in fair value of mortgage servicing rights are carried at fair value. Changes in fair value of these securities are recognized in earnings as they occur. For 2009, losses on our mortgage hedge securities of \$13 million were partially offset with gains on the change in the fair value of our mortgage servicing rights of \$12 million.

We recognized \$59 million of net gains on sales of available for sale securities in 2009. These securities were generally sold either because they had reached their maximum potential total return or to mitigate extension exposure from rising interest rates.

As more fully described in the Financial Condition – Securities section of this report, we recognized \$34 million of other-than-temporary impairment charges against earnings in 2009 on certain privately issued residential mortgage-backed securities and preferred stocks. We recognized \$5.3 million of other-than-temporary impairment charges against earnings in 2008 related to the preferred stocks.

Net losses on derivatives totaled \$3.4 million for 2009 compared to net gains on derivatives of \$1.3 million for 2008. Net gains or losses on derivatives consist of fair value adjustments of all derivatives used to manage interest rate risk and certain liabilities we have elected to carry at fair value. Derivative instruments generally consist of interest rate swaps where we pay a variable rate based on LIBOR and receive a fixed rate. The fair value of these swaps generally decreases as interest rate rise resulting in a loss to the Company and increases in value as interest rates fall resulting in a gain to the Company. Certain certificates of deposit have been designated as reported at fair value. This determination is made when

the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. As interest rates fall, the fair value of these fixed-rate certificates of deposit generally increases and we recognize a loss. Conversely, as interest rates rise, the fair value of these fixed-rate certificates of deposit generally decreases and we recognize a gain.

Net gains on other assets is primarily due to a \$5.1 million improvement in the fair value of our private equity funds; \$3.4 million of the improvement is allocated to limited partners through Net income (loss) attributable to non-controlling interest on the Statement of Earnings.

#### *Fourth Quarter 2009 Other Operating Revenue*

Other operating revenue for the fourth quarter of 2009 totaled \$108 million compared to \$121 million for the fourth quarter of 2008. Fees and commission revenue increased \$5.0 million or 5% compared with the fourth quarter of 2008. Mortgage banking revenue increased \$6.2 million over the same period last year. Mortgage loans funded totaled \$560 million in the fourth quarter of 2009, up from \$215 million in the fourth quarter of 2008. Brokerage and trading revenue decreased \$3.3 million or 14% due primarily to lower securities trading revenue. Derivative fees and commission revenue decreased on lower volume due to less market volatility in 2009 compared to 2008. Transaction card revenue increased \$1.1 million or 4% compared to the previous year due primarily to higher ATM fees and debit card processing volumes. Merchant discount fees were flat compared to prior year.

Trust revenue decreased \$651 thousand or 4% compared with the fourth quarter of 2008 due largely to the voluntary waiver of \$1.7 million of fees related to the administration of the Cavanal Hill Funds and our cash management sweep fund. In addition, the fair value of trust assets was down less than 1% compared to the prior year. Deposit service charges and fees increased \$262 thousand or 1% due to a \$1.1 million increase in overdraft fees as a result of an increase in the per item fee and marginally higher transaction volume, offset by a \$624 thousand decrease in commercial account activity charges.

Net securities gains for the fourth quarter of 2009 totaled \$7.3 million compared with \$20 million in the fourth quarter of 2008.

#### *2008 Other Operating Revenue*

Other operating revenue totaled \$429 million for 2008, up \$27 million over 2007. Fees and commissions revenue increased \$9.6 million and net gains on securities, derivatives and other assets increased \$17 million. Fees and commissions revenue was reduced by \$54 million from net credit losses on derivative contracts with two bankrupt counterparties during 2008. Excluding these credit losses, brokerage and trading revenue performed well including a \$26 million increase in securities trading revenue, a \$7.3 million increase in revenue from customer hedging activities and a \$2.8 million increase in retail brokerage revenue. Transaction card revenue increased \$9.7 million or 11% due to increases in check card revenue, ATM fees and merchant discount revenue. Trust fees and commissions increased \$748 thousand or 1%. Service charges on deposit accounts increased \$8.3 million or 8% due to a 23% increase in commercial account service charge revenue and a 2% increase in overdraft fees. Mortgage banking revenue increased \$8.3 million or 37% over 2007 due to increases in originating and marketing mortgages and mortgage loan servicing revenue. Margin asset fees totaled \$8.5 million for 2008, due to an increase in margin assets primarily held as part of the Company's customer derivatives programs.

Net securities gains totaled \$27 million for 2008. Other-than-temporary impairment charges of \$5.3 million and \$8.6 million were recognized in 2008 and 2007, respectively, on our holdings of variable-rate, perpetual preferred stocks.

## Other Operating Expense

Other operating expense totaled \$697 million for 2009, up \$34 million over 2008. Personnel expenses increased \$28 million or 8% over the previous year. Non-personnel expenses, excluding changes in the fair value of mortgage servicing rights, increased \$53 million or 19% primarily due to an increase in FDIC assessments, mortgage banking costs and net losses and operating expenses related to repossessed assets. Changes in the fair value of mortgage servicing rights decreased other operating expenses \$47 million compared to 2008.

Table 4 Other Operating Expense  
(In Thousands)

	Years ended December 31,				
	2009	2008	2007	2006	2005
Personnel expense	\$ 380,517	\$ 352,947	\$ 328,705	\$ 296,260	\$ 258,971
Business promotion	19,582	23,536	21,888	19,351	17,964
Professional fees and services	30,243	27,045	22,795	17,744	16,596
Net occupancy and equipment	65,715	60,632	57,284	52,188	50,195
Insurance	24,040	11,988	3,017	4,270	2,436
FDIC special assessment	11,773	—	—	—	—
Data processing and communications	81,291	78,047	72,733	66,926	67,026
Printing, postage and supplies	15,960	16,433	16,570	15,862	15,066
Net (gains) losses and operating expenses of repossessed assets	11,401	1,019	691	474	572
Amortization of intangible assets	6,970	7,661	7,358	5,327	6,943
Mortgage banking costs	36,304	22,513	13,111	12,898	16,822
Change in fair value of mortgage servicing rights	(12,124)	34,515	2,893	(3,009)	—
Recovery for impairment of mortgage servicing rights	—	—	—	—	(3,915)
Visa retrospective responsibility obligation	—	(2,767)	2,767	—	—
Other expense	25,061	28,835	25,175	24,016	20,430
<b>Total</b>	<b>\$ 696,733</b>	<b>\$ 662,404</b>	<b>\$ 574,987</b>	<b>\$ 512,307</b>	<b>\$ 469,106</b>

## Personnel Expense

Personnel expense totaled \$381 million for 2009 and \$353 million for 2008. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, totaled \$232 million, up \$12 million or 6% over 2008. The increase in regular compensation was primarily due to an increase in the average regular compensation per full time equivalent employee. Average staffing levels increased 6% compared with 2008.

Table 5 Personnel Expense  
(In Thousands)

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Regular compensation	\$ 231,897	\$ 219,629	\$ 206,857	\$ 185,466	\$ 165,529
Incentive compensation:					
Cash-based	80,582	79,215	62,657	54,093	44,726
Stock-based	10,572	3,962	8,763	11,111	5,097
Total incentive compensation	91,154	83,177	71,420	65,204	49,823
Employee benefits	57,466	50,141	47,929	45,590	43,619
Workforce reduction costs, net	—	—	2,499	—	—
<b>Total personnel expense</b>	<b>\$ 380,517</b>	<b>\$ 352,947</b>	<b>\$ 328,705</b>	<b>\$ 296,260</b>	<b>\$ 258,971</b>
Average staffing (full-time equivalent)	4,403	4,140	4,106	3,828	3,677

Incentive compensation increased \$8.0 million or 10% to \$91 million. Cash-based incentive compensation is either intended to provide current rewards to employees who generate long-term business opportunities to the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation for 2009 increased \$1.4 million or 2% over the previous year. The increase in cash-based incentive compensation over 2008 included a \$5.2 million or 18% increase in sales commissions related to brokerage and trading revenue offset by decreased cash-based incentive compensation for other business lines.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense related to liability awards increased \$7.7 million compared with 2008. This increase reflected changes in the market value of BOK Financial common stock and other investments. The year-end



closing market price per share of BOK Financial common stock increased \$7.12 during 2009 and decreased \$11.30 during 2008. Compensation expense for equity awards decreased \$1.0 million compared with 2008. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value.

Employee benefit expense totaled \$57 million, a \$7.3 million or 15% increase over 2008 primarily due to increased expense related to medical insurance costs, employee retirement plans and payroll taxes. Employee medical insurance costs were up \$2.5 million or 15%. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. Pension expense increased \$3.1 million from 2008 due to changes in the expected return on plan assets and discount rate.

#### *Mortgage Banking Costs*

Mortgage banking costs, excluding changes in the fair value of mortgage servicing rights, totaled \$36 million in 2009 and \$23 million in 2008. Expense recognized for actual prepayments of mortgage loans serviced totaled \$21 million in 2009 and \$12 million in 2008. Low mortgage interest rates and other incentives to stimulate the housing market caused an increase in loan prepayments in 2009. We also maintain a reserve for losses on mortgage loans sold with recourse. Provision for losses on these loans totaled \$12 million in 2009 and \$8.6 million in 2008. Loans sold with recourse are more fully discussed in the Loan Commitments section of this report.

Changes in the fair value of mortgage servicing rights due to anticipated prepayment speeds and other assumptions are also included in other operating expense. Changes in fair value of mortgage servicing rights decreased operating expense \$12 million in 2009 and increased operating expense \$35 million in 2008.

We maintain a portfolio of mortgage-backed securities as an economic hedge against changes in the fair value of mortgage servicing rights. Losses on these securities totaled \$13 million in 2009 which largely offset the decrease in operating expense. Gains on securities designated as an economic hedge totaled \$11 million in 2008. Government programs to lower mortgage interest rates significantly increased anticipated prepayment speeds in the fourth quarter of 2008 which limited the effectiveness of our hedge.

#### *Deposit Insurance Expense*

Deposit insurance expense totaled \$35 million for 2009, including a \$12 million special assessment, compared to \$11 million of total deposit insurance expense for 2008. In addition to the special assessment, the increase was due to an 8 basis point increase in the average assessment rate and a \$1.5 billion increase in average assessable deposits.

#### *Other Operating Expenses*

All other operating expenses totaled \$257 million for 2009, up \$16 million or 7% over 2008. Net losses and operating expenses on repossessed assets increased \$10 million and net occupancy and equipment expense increased \$5.1 million. Net losses and operating expenses on repossessed assets increased primarily due to a \$100 million increase in real estate and other repossessed assets during 2009.

#### *Fourth Quarter 2009 Operating Expenses*

Other operating expense totaled \$176 million for the fourth quarter of 2009, down \$9.0 million compared to the fourth quarter of 2008. Changes in the fair value of mortgage servicing rights reduced operating expenses by \$32 million compared with the fourth quarter of 2008. Excluding the change in fair value of mortgage servicing rights, other operating expenses increased \$23 million or 14%. Mortgage banking costs increased \$6.5 million due to increased losses on loans previously sold with recourse and loan servicing costs. Personnel expense increased \$6.0 million due largely to changes in the cost of liability-based stock compensation. Net losses and operating expenses on repossessed assets increased \$4.1 million and deposit insurance expense increased \$3.2 million.

#### *2008 Operating Expenses*

Other operating expense for 2008 totaled \$662 million, an \$87 million or 13% increase over 2007. Personnel expense increased \$24 million. Mortgage banking expenses including changes in the fair value of our mortgage servicing rights and losses on mortgage loans previously sold with recourse increased \$41 million. All other operating expenses increased \$22 million.

Regular compensation expense totaled \$220 million, up \$13 million, or 6% over 2007. Incentive compensation increased \$12 million, or 16% to \$83 million. Expense for cash-based incentive compensation plans increased \$17 million or 26% including a \$13 million or 84% increase in sales commissions related to brokerage and trading revenue. Stock-based compensation expense decreased \$4.8 million, reflecting changes in the market value of BOK Financial common stock

which decreased \$11.30 during 2008. Compensation expense for equity awards increased \$538 thousand or 8% over 2007. Employee benefit expenses increased \$2.2 million or 5% to \$50 million.

Mortgage banking costs, including changes in the fair value of mortgage servicing rights and provision for losses on mortgage loans sold with recourse increased \$41 million over 2007. The fair value of mortgage servicing rights decreased \$35 million in 2008 as anticipated prepayment speeds increased significantly in the fourth quarter of 2008 in response to government programs to lower mortgage interest rates. A disconnection between current yield on our portfolio of mortgage-backed securities held as an economic hedge against the fair value of our servicing rights and mortgage loan commitment rates limited the effectiveness of our hedge.

All other operating expenses in 2008 increased \$22 million or 10% over 2007, primarily due to a \$9.0 million increase in FDIC insurance premiums in addition to increases in professional fees related to legal and other loan collection costs and data processing and communications costs due to higher processing volumes.

## **Income Taxes**

Income tax expense was \$107 million for 2009, \$65 million for 2008 and \$116 million for 2007. This represented 34%, 31% and 34%, respectively, of book taxable income. Tax expense currently payable totaled \$129 million in 2009, \$116 million in 2008, and \$129 million in 2007.

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

Net deferred tax assets totaled \$107 million at December 31, 2009 and \$219 million at December 31, 2008. The decrease was due primarily to the tax effect of unrealized losses on available for sale securities and provision for credit losses in excess of net loans charged off. We have evaluated the recoverability of our net deferred tax asset based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

Reserves for uncertain tax positions totaled \$12 million at December 31, 2009 and \$13 million at December 31, 2008. BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations.

Income tax expense for the fourth quarter of 2009 totaled \$25 million or 37% of book taxable income compared to \$10 million or 26% of book taxable income for the fourth quarter of 2008. Excluding the previously mentioned tax benefit from the contribution of appreciated securities and quarterly adjustments to the annual effective tax rate, income tax expense for the fourth quarter of 2008 would have been \$15 million or 33% of book taxable income.

Table 6 Selected Quarterly Financial Data  
(In Thousands, Except Per Share Data)

	Fourth	Third	Second	First
	2009			
Interest revenue	\$ 224,411	\$ 226,246	\$ 230,685	\$ 233,227
Interest expense	39,933	45,785	55,105	63,382
Net interest revenue	184,478	180,461	175,580	169,845
Provision for credit losses	48,620	55,120	47,120	45,040
Net interest revenue after provision for credit losses	135,858	125,341	128,460	124,805
Fees and commissions revenue	115,949	119,956	123,100	121,507
Gain (loss) on other assets, net	(205)	3,223	973	143
Loss on derivatives, net	(370)	(294)	(1,037)	(1,664)
Gain on securities, net	7,277	12,266	6,471	20,108
Total other-than-temporary impairment losses	(67,390)	(6,133)	(1,263)	(54,368)
Portion of loss recognized in other comprehensive income	(52,902)	(2,752)	279	(39,366)
Net impairment losses recognized in earnings	(14,488)	(3,381)	(1,542)	(15,002)
Other operating expense	181,722	175,751	183,635	167,749
Change in fair value of mortgage servicing rights	(5,285)	2,981	(7,865)	(1,955)
Income before taxes	67,584	78,379	80,655	84,103
Income tax expense	24,780	24,772	28,315	28,838
Net income before non-controlling interest	42,804	53,607	52,340	55,265
Net income attributable to non-controlling interest	33	2,947	225	233
Net income attributable to BOK Financial Corp.	\$ 42,771	\$ 50,660	\$ 52,115	\$ 55,032
Earnings per share:				
Basic	\$ 0.63	\$ 0.75	\$ 0.77	\$ 0.81
Diluted	\$ 0.63	\$ 0.75	\$ 0.77	\$ 0.81
Average shares:				
Basic	67,446	67,392	67,345	67,316
Diluted	67,600	67,514	67,448	67,387
2008				
Interest revenue	\$ 262,160	\$ 263,358	\$ 260,086	\$ 276,041
Interest expense	85,713	99,010	101,147	128,913
Net interest revenue	176,447	164,348	158,939	147,128
Provision for credit losses	73,001	52,711	59,310	17,571
Net interest revenue after provision for credit losses	103,446	111,637	99,629	129,557
Fees and commissions revenue	110,930	126,658	63,749	113,857
Gain (loss) on other assets, net	(7,420)	(841)	(1,149)	4
Gain (loss) on derivatives, net	(2,219)	4,366	(2,961)	2,113
Gain (loss) on securities, net	20,156	2,103	(5,242)	9,926
Total other-than-temporary impairment losses	–	–	–	(5,306)
Portion of loss recognized in other comprehensive income	–	–	–	–
Net impairment losses recognized in earnings	–	–	–	(5,306)
Other operating expense	159,010	158,736	158,501	151,642
Change in fair value of mortgage servicing rights	26,432	5,554	767	1,762
Income (loss) before taxes	39,451	79,633	(5,242)	96,747
Income tax expense (benefit)	10,363	22,958	(2,862)	34,450
Net income (loss) before non-controlling interest	29,088	56,675	(2,380)	62,297
Net income (loss) attributable to non-controlling interest	(6,355)	(10)	(1,219)	32
Net income (loss) attributable to BOK Financial Corp.	\$ 35,443	\$ 56,685	\$ (1,161)	\$ 62,265
Earnings (loss) per share:				
Basic	\$ 0.53	\$ 0.84	\$ (0.02)	\$ 0.92
Diluted	\$ 0.52	\$ 0.84	\$ (0.02)	\$ 0.92
Average shares:				
Basic	67,294	67,263	67,452	67,202
Diluted	67,456	67,432	67,452	67,504

## Lines of Business

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

In addition to our lines of business, we have a funds management unit. The primary purpose of this unit is to manage our overall liquidity needs and interest rate risk. Each line of business borrows funds from and provides funds to the funds management unit as needed to support their operations. Operating results for funds management and other include the effect of interest rate risk positions and risk management activities, securities gains and losses including impairment charges, the provision for credit losses in excess of net loans charged off, tax planning strategies and certain executive compensation costs that are not attributed to the lines of business. Funds management and other also included the FDIC special assessment charge in the second quarter of 2009. Regular FDIC insurance assessments are charged to the business units.

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

Economic capital is assigned to the business units by a 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. Average invested capital includes economic capital and amounts we have invested in the lines of business.

As shown in Table 7, net income attributed to our lines of business decreased \$46 million or 34% from the prior year. Credit losses attributed to the business units decreased their pre-tax income by \$35 million. In addition, less net interest revenue was attributed to the lines of business and more net interest revenue was attributed to the funds management unit. Total tax-equivalent net interest revenue recognized by the lines of business in 2009 decreased \$45 million from 2008 and tax-equivalent net interest revenue recognized by the funds management unit increased \$108 million. Lower market interest rates decreased the transfer pricing credit provided to business units that generate lower-costing funds for the Company. This tends to shift revenue from units that provide funds. In addition, net interest revenue in the business units was reduced by a decrease in average loan balances and increased in the funds management unit due to growth in the securities portfolio.

Table 7 Net Income by Line of Business  
(In Thousands)

	Years ended December 31,		
	2009	2008	2007
Commercial banking	\$ 57,536	\$ 79,799	\$ 150,537
Consumer banking	20,987	25,749	57,251
Wealth management	11,037	29,737	25,622
Subtotal	89,560	135,285	233,410
Funds management and other	111,018	17,947	(15,746)
Total	\$ 200,578	\$ 153,232	\$ 217,664

## Commercial Banking

Commercial banking contributed \$58 million to consolidated net income for 2009, down from \$80 million in 2008. The decrease in commercial banking net income was largely due to a \$25 million decrease in net interest revenue and a \$19 million increase in net loans charged-off partially offset by a \$27 million increase in other operating revenue. Other operating revenue attributed to commercial banking was reduced by \$41 million of net credit losses on a customer's derivatives position in 2008.

Table 8 Commercial Banking  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
NIR (expense) from external sources	\$ 345,375	\$ 451,624	\$ 526,225
NIR (expense) from internal sources	(52,598)	(134,191)	(200,390)
Total net interest revenue	292,777	317,433	325,835
Other operating revenue	133,703	107,185	131,081
Operating expense	224,065	216,655	201,876
Net loans charged off	100,749	81,966	9,747
Gains on financial instruments, net	-	4,689	1,075
Gains (losses) on repossessed assets, net	(7,500)	(82)	10
Income before taxes	94,166	130,604	246,378
Federal and state income tax	36,630	50,805	95,841
Net income	\$ 57,536	\$ 79,799	\$ 150,537
Average assets	\$ 10,116,014	\$ 11,049,565	\$ 9,646,637
Average loans	9,184,600	9,684,461	8,795,426
Average deposits	5,365,180	4,559,653	4,146,378
Average invested capital	1,042,101	1,103,656	1,095,314
Return on assets	0.57%	0.72%	1.56%
Return on invested capital	5.52	7.23	13.74
Efficiency ratio	52.54	51.02	44.18
Net charge-offs to average loans	1.10	0.85	0.11

Net interest revenue decreased \$25 million or 8% compared with 2008. The decreased internal transfer pricing credit provided to the commercial banking unit on \$5.4 billion of average deposits sold to the funds management unit reduced net interest revenue by approximately \$40 million. In addition, the average outstanding balance of loans attributed to commercial banking decreased \$500 million in 2009 on reduced customer demand and normal repayment trends, which decreased net interest revenue by \$12 million. This decrease in net interest revenue was partially offset by loan spreads which improved 22 basis points, increasing net interest revenue by \$21 million.

Other operating revenue excluding the previously noted credit losses on derivative contracts, decreased \$15 million or 10%. Derivative fees and commissions were down \$10 million on lower transaction volumes due to lower commodity price volatility in 2009 compared to 2008. Revenue from margin assets was down \$8.0 million due to a decrease in margin assets held as part of our customer derivative programs. Transaction card revenues were up \$4.2 million over 2008. Service charges on commercial deposit accounts were flat with the prior year. Operating expenses were up \$7.4 million or 3% due primarily to increased FDIC insurance expense as a result of an increase in commercial deposit balances and the regular assessment rate in addition to higher professional fees to collect problem assets.

The average outstanding balance of loans attributed to commercial banking was \$9.2 billion compared to \$9.7 billion for 2008. Average commercial banking division loans decreased \$500 million or 5% compared to 2008. See Loans section following for additional discussion of changes in commercial and commercial real estate loans which primarily attributed to the commercial banking segment. Net commercial banking loans charged off increased \$19 million in 2009 to \$101 million or 1.10% of average loans attributed to this line of business. Net commercial banking loans charged off in 2008 totaled \$82 million or 0.85% of average loans attributable to this line of business and included a \$26 million energy loan and an \$11 million recovery on two loans charged off in 2001 and 2005. The increase in net loans charged off was primarily due to increased losses on commercial real estate loans.

Average deposits attributed to commercial banking were \$5.4 billion for 2009, up \$806 million or 18% over 2008. Average balances attributed to our commercial and industrial customers increased \$574 million or 69%. Average balances attributed to our small business customers increased \$137 million or 8% and average deposit balances attributed to our energy

customers increased \$32 million or 7%. Treasury services account balances increased \$41 million or 3% and average deposit balances of our commercial real estate customers increased \$17 million or 8%.

### Consumer Banking

Consumer banking services are provided through four primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and On-line internet banking. We currently have 197 consumer banking locations, including branch banking locations and mortgage lending offices. Our consumer banking locations are primarily distributed 85 in Oklahoma, 48 in Texas, 22 in New Mexico and 15 in Colorado.

Consumer banking contributed \$21 million to consolidated net income in 2009, down from \$26 million in 2008. The decrease in consumer banking net income was largely due to a decrease in net interest revenue, partially offset by higher mortgage revenues and expenses and changes in the fair value of mortgage servicing rights, net of economic hedge.

Table 9 Consumer Banking  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
NIR (expense) from external sources	\$ 57,893	\$ 32,076	\$ (7,807)
NIR (expense) from internal sources	73,565	118,728	163,028
Total net interest revenue	131,458	150,804	155,221
Other operating revenue	182,895	148,885	144,585
Operating expense	256,337	219,024	193,600
Net loans charged off	24,366	16,726	9,233
Increase (decrease) in fair value of mortgage servicing rights	12,124	(34,515)	(2,893)
Gains (losses) on financial instruments, net	(13,198)	12,525	(486)
Gains on repossessed assets, net	1,773	193	107
Income before taxes	34,349	42,142	93,701
Federal and state income tax	13,362	16,393	36,450
Net income	\$ 20,987	\$ 25,749	\$ 57,251
Average assets	\$ 6,149,598	\$ 5,764,667	\$ 5,509,485
Average loans	2,447,625	2,508,788	2,270,859
Average deposits	6,048,201	5,678,166	5,442,666
Average invested capital	225,540	207,586	180,393
Return on assets	0.34%	0.45%	1.04%
Return on invested capital	9.31	12.40	31.74
Efficiency ratio	81.54	73.08	64.58
Net charge-offs to average loans	1.00	0.67	0.41
Banking locations (period-end)	197	195	189
Mortgage loan servicing portfolio	7,366,780	5,983,824	5,481,736
Mortgage loan fundings	2,828,260	1,018,246	919,823

Net interest revenue from consumer banking activities decreased \$19 million or 13% from 2008. Historically low short-term interest rates decreased the internal transfer pricing credit provided to the consumer banking division for funds sold to our funds management unit by \$39 million. This decrease was partially offset by additional net interest revenue generated by asset growth

Other operating revenue increased \$34 million or 23% over 2008 primarily due to increased mortgage banking revenue. Loan funding volumes were up due to government initiatives to lower national mortgage interest rates and stimulate housing markets. Deposit service charges were down \$2.2 million or 3% compared to the prior year and transaction card revenues increased \$1.2 million or 4% over 2008.

Operating expenses increased \$37 million or 17% over 2008. Personnel expense increased \$7.6 million or 11% due primarily to branch expansion in Arizona, Colorado and Texas. Mortgage banking expenses increased \$9.3 million due to the effect of accelerated actual loan repayments on the value of our mortgage servicing rights. FDIC insurance premiums increased \$5.5 million primarily due to increased deposit balances and FDIC regular assessment rates. In addition, facilities and other operating expenses increased due to branch expansion in Arizona, Colorado and Texas.

Our Consumer Banking division originates, markets and services conventional and government-sponsored mortgage loans for all of our geographical markets. During 2009, we funded \$3.0 billion of mortgage loans compared to \$1.0 billion in 2008. Approximately 54% of our mortgage loans funded was in the Oklahoma market, 14% in the Texas market and 12% in the Colorado market. Revenue from mortgage loan origination and marketing activities totaled \$45 million in 2009 and \$13 million in 2008. As of December 31, 2009, we also service \$7.4 billion of mortgage loans, including \$828 million of loans serviced for affiliates. Approximately 95% of the mortgage loans serviced was to borrowers in our primary geographical market areas. Mortgage loan servicing revenue totaled \$20 million in 2009 and \$18 million in 2008.

Changes in fair value of our mortgage loan servicing rights, net of securities held as an economic hedge, reduced consumer banking net income by \$656 thousand in 2009 and reduced consumer banking net income by \$14 million in 2008.

The interest rate sensitivity of our mortgage servicing rights and securities held as an economic hedge is modeled over a range of +/- 50 basis points. At December 31, 2009, a 50 basis point increase in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedging by \$3.6 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedging by \$1.4 million. Modeling changes in the value of our servicing rights due to changes in interest rates assumes stable relationships between mortgage commitment rates and discount rates and assumed prepayment speeds and actual prepayment speeds. Changes in market conditions can cause variations from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

Average consumer deposits increased \$370 million or 7% over 2008. Interest-bearing transaction accounts were up \$199 million or 9% and time deposits were up \$106 million or 4%. Average demand deposit accounts increased \$57 million or 8%. Movement of funds among the various types of consumer deposits was largely based on interest rates and product features offered.

### *Wealth Management*

The Wealth Management division contributed \$11 million to net income in 2009, compared to \$30 million in 2008. The decrease in net income was due primarily to increased operating expenses and net loans charged off.

Table 10 Wealth Management  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
NIR (expense) from external sources	\$ 25,899	\$ 12,617	\$ 8,562
NIR (expense) from internal sources	18,746	32,853	37,627
Total net interest revenue	44,645	45,470	46,189
Other operating revenue	156,360	156,133	130,681
Operating expense	171,543	149,966	133,436
Net loans charged off	11,399	2,961	1,513
Gains (losses) on financial instruments, net	—	(7)	13
Income before taxes	18,063	48,669	41,934
Federal and state income tax	7,026	18,932	16,312
Net income	\$ 11,037	\$ 29,737	\$ 25,622
Average assets	\$ 3,032,007	\$ 2,193,386	\$ 1,743,943
Average loans	1,059,342	933,020	910,391
Average deposits	2,958,549	2,100,237	1,653,606
Average invested capital	194,731	183,845	171,159
Return on assets	0.36%	1.36%	1.47%
Return on invested capital	5.67	16.18	14.97
Efficiency ratio	85.34	74.39	75.44
Net charge-offs (annualized) to average loans	1.08	0.32	0.17
Trust assets	\$ 30,385,365	\$ 30,454,512	\$ 36,288,592

Net interest revenue decreased \$825 thousand or 2%. Lower internal funds transfer credit provided for deposits sold to the funds management unit decreased net interest revenue by \$19 million. This was primarily offset by increased deposit volume as well as increased loan volume and yields.

Other operating revenue increased \$227 thousand from the prior year. Increased trading and brokerage revenue due to higher level of securities transactions by our mortgage banking customers and increased investment banking were offset by declines in trust fees and commissions due to fee waivers and decreases in the fair value of trust assets.

Operating expenses increased \$22 million or 14% over 2008. Personnel expense was up \$16 million or 16%, primarily due to increased staffing and incentive compensation related to penetration in markets outside of Oklahoma. Non-personnel operating expenses increased \$5.8 million or 11% compared with 2008 primarily due to increased FDIC insurance premiums as a results of an increase in the FDIC regular assessment rate and increased deposit balances.

Average loans by the wealth management division increased \$126 million or 14% to \$1.1 billion at December 31, 2009. Net loans charged off in 2009 were \$11 million compared to \$3.0 million in 2008.

The Wealth Management division provided \$3.0 billion of average deposits in 2009, an increase of \$858 million or 41% over \$2.1 billion in average deposits in 2008. Wealth management deposits are largely sold to the funds management unit and increased primarily due to an increase in time deposits and interest bearing transaction accounts. Interest-bearing transaction accounts averaged \$1.9 billion for 2009, an increase of \$406 million or 28% over 2008. The growth in interest bearing transaction account reflects continued movement of customer funds from money market products that were not on the Company's balance sheet to deposits as well as high net worth customer relationship growth. Average time deposits were \$828 million, up \$439 million or 38% over last year. Time deposits grew during 2009 primarily due to product offerings to institutional customers.

At December 31, 2009 and 2008, Wealth Management was responsible for trust assets with aggregate fair values of \$30.4 billion and \$30.5 billion, respectively, under various fiduciary arrangements. The decrease in fair value of trust assets was due primarily to general market conditions. We have sole or joint discretionary authority over \$10.8 billion of trust assets at December 31, 2009 compared to \$11.5 billion at December 31, 2008. The fair value of non-managed assets totaled \$12.3 billion at December 31, 2009, down from \$11.3 billion at December 31, 2008. The fair value of assets held in safekeeping totaled \$7.2 billion at December 31, 2009 and \$7.7 billion at December 31, 2008.

### *Geographic Market Distribution*

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

Table 11 Net Income by Geographic Region  
(In Thousands)

	Years ended December 31,		
	2009	2008	2007
Oklahoma	\$ 85,774	\$ 70,516	\$ 141,812
Texas	17,011	42,526	53,806
New Mexico	6,142	14,657	18,728
Arkansas	10,636	9,389	4,775
Colorado	(7,811)	7,617	13,783
Arizona	(28,149)	(8,082)	4,092
Kansas/Missouri	6,433	537	(381)
Subtotal	<b>90,036</b>	137,160	236,615
Funds management and other	<b>110,542</b>	16,072	(18,951)
Total	<b>\$ 200,578</b>	\$ 153,232	\$ 217,664



## Oklahoma Market

Oklahoma is a significant market to the Company. Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Approximately 51% of our average loans, 52% of our average deposits and 43% of our consolidated net income is attributed to the Oklahoma market. In addition, all of our mortgage servicing activity and 77% of our trust assets are attributed to the Oklahoma market.

Table 12 Oklahoma  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
Net interest revenue	\$ 235,581	\$ 245,328	\$ 260,840
Other operating revenue	316,541	280,323	294,569
Operating expense	374,860	348,677	310,038
Net loans charged off	35,762	44,783	11,146
Increase (decrease) in fair value of mortgage servicing rights	12,124	(34,515)	(2,893)
Gains (losses) on financial instruments, net	(13,198)	17,207	602
Gains (losses) on repossessed assets, net	(42)	528	164
Income before taxes	140,384	115,411	232,098
Federal and state income tax	54,610	44,895	90,286
Net income	\$ 85,774	\$ 70,516	\$ 141,812
Average assets	\$ 8,841,130	\$ 8,105,136	\$ 7,356,038
Average loans	6,088,634	6,427,544	6,331,536
Average deposits	7,888,821	6,780,539	5,999,478
Average invested capital	728,567	788,573	826,533
Return on assets	0.97%	0.87%	1.93%
Return on invested capital	11.77	8.94	17.16
Efficiency ratio	67.89	66.33	55.82
Net charge-offs to average loans	0.59	0.70	0.18

Net income generated in the Oklahoma market in 2009 increased \$15 million or 22% over 2008.

Net interest revenue decreased \$9.7 million or 4% from 2008 due to a \$339 million decrease in average loans, offset by improving interest spreads on loans. The benefit to net interest revenue from average deposit growth of \$1.1 billion compared to the prior year was offset by lower internal funds transfer credit provided for funds sold to the funds management unit.

Other operating revenue, excluding \$41 million of net credit losses on certain customer derivative contracts in 2008 decreased \$5.1 million or 2% due primarily to lower derivative and related margin interest fees, lower trust fees due to fee waivers and a decline in the fair value of trust assets. Increased mortgage banking revenue provided a partial offset.

Operating expense increased \$26 million or 8% due primarily to higher personnel costs and mortgage banking costs. FDIC insurance premiums were also higher as a result of an increase in the regular assessment rate and deposit balances.

Changes in the fair value of mortgage servicing rights, net of changes in the fair value of financial instruments designated as an economic hedge, decreased pre-tax income by \$1.1 million in 2009 and \$24 million in 2008. Net gains on financial instruments also included \$6.8 million from the partial redemption of stock received from the Visa, Inc. initial public offering in 2008.

Net loans charged-off totaled \$36 million or 0.59% of average loans in 2009 and \$45 million or 0.70% of average loans in 2008. Net loans charged-off in 2008, excluding \$26 million from the SemGroup charge-off and two recoveries that are not expected to recur, totaled \$30 million or 0.47% of average loans. Net charge-offs increased in all loan categories.

## Texas Market

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

Table 13 Texas  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
Net interest revenue	\$ 134,651	\$ 153,278	\$ 150,658
Other operating revenue	51,219	45,348	44,177
Operating expense	134,341	115,754	108,278
Net loans charged off	23,607	16,544	2,438
Gains (losses) on repossessed assets, net	(1,343)	119	(47)
Income before taxes	26,579	66,447	84,072
Federal and state income tax	9,568	23,921	30,266
Net income	\$ 17,011	\$ 42,526	\$ 53,806
Average assets	\$ 4,168,652	\$ 3,911,535	\$ 3,473,968
Average loans	3,607,661	3,625,751	3,037,589
Average deposits	3,701,415	3,222,986	2,959,111
Average invested capital	536,416	536,239	511,888
Return on assets	0.41%	1.09%	1.55%
Return on invested capital	3.17	7.93	10.51
Efficiency ratio	72.28	58.28	55.57
Net charge-offs to average loans	0.65	0.46	0.08

Net income in the Texas market decreased by \$26 million compared to 2008 primarily due to decreased net interest revenue and increased operating expenses.

Net interest revenue decreased \$19 million or 12% compared to 2008. Average outstanding loans decreased \$18 million or less than 1% compared to 2008. Average deposits increased \$478 million or 15%. The benefit of an increase in average deposits was offset by the decrease in average loans and reduced benefit from funds sold to the funds management unit.

Other operating revenue increased \$5.9 million or 13% compared to 2008 primarily related to increased mortgage banking revenue, transaction card revenue and deposit service charges, partially offset by a decrease in brokerage and trading revenue. Operating expenses increased \$19 million or 16% over last year primarily related to higher personnel costs and FDIC insurance premiums as a result of an increase in the FDIC regular assessment rate and deposit balances.

Net loans charged-off totaled \$24 million or 0.65% of average loans in 2009 and \$17 million or 0.46% of average loans in 2008.

## Other Markets

Net income attributed to our New Mexico market totaled \$6.1 million or 3% of consolidated net income for 2009, down from \$15 million in 2008. The decrease in net income attributed to New Mexico resulted from a decrease in net interest revenue, an increase in net loans charged off and an increase in operating expenses in 2009 compared to 2008. Net interest revenue decreased due to the lower internal funds transfer credit provided for funds sold to the funds management unit and decreased loan balances. Higher operating expenses were primarily related to increased FDIC insurance expense due to increased deposit balances and regular assessment rates. Average deposits increased \$111 million over 2008. Net loans charged off in 2009 totaled \$7.1 million or 0.88% of average loans.

Net income in the Arkansas market increased to \$10.6 million in 2009 from \$9.4 million in 2008 due primarily to growth in securities trading revenue at our Little Rock office, offset by higher personnel costs. Average deposits in our Arkansas market were up \$82 million or 112% over the prior year primarily related to commercial banking deposits. Consumer and wealth management deposits also increased over 2008.

We incurred a net loss of \$7.8 million in the Colorado market compared to net income of \$7.6 million in 2008. The decrease in net income was primarily related to increased net loans charged off and higher FDIC insurance premiums. Net loans charged-off totaled \$25 million or 2.75% of average loans in 2009 and \$8.1 million or 0.95% of average loans in

2008. Net loans charged off included \$12 million of commercial real estate loans and \$5.7 million of service sector commercial loans. Average loans increased \$49 million compared to the prior year and average deposits increased \$79 million. At December 31, 2009, nonperforming loans in the Colorado market totaled \$60 million or 6.91% of total loans consisting primarily of nonaccruing residential construction and land development loans.

The Arizona market experienced a net loss of \$28 million in 2009 and \$8.1 million in 2008. These losses were largely due to an increase in net loans charged-off and decreased net interest revenue. In addition, operating expenses were up due to increased losses on repossessed assets. Net loans charged-off totaled \$40 million or 7.04% of average loans in 2009 and \$18 million or 3.07% of average loans in 2008. Average loans declined \$25 million compared to the prior year due primarily to decreases in commercial real estate loans. Average deposits grew by \$56 million. At December 31, 2009, nonperforming loans in the Arizona market totaled \$85 million or 17.09% of total loans consisting primarily of nonaccruing residential construction and land development loans.

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

The Kansas/Missouri market experienced net income growth of \$5.9 million primarily due to a \$6.2 million decrease in net loans charged off and a \$6.4 million increase in other operating revenue, offset by a \$3.2 million increase in operating expenses. Brokerage and trading revenue grew \$5.7 million over last year. Personnel costs related to this revenue growth were up \$1.3 million. Total average deposits increased \$121 million over 2008 and average loans decreased \$38 million compared to the prior year.

Table 14 New Mexico  
(Dollars in Thousands)

	<b>Years ended December 31,</b>		
	<b>2009</b>	2008	2007
Net interest revenue	<b>\$ 32,775</b>	\$ 39,673	\$ 45,583
Other operating revenue	<b>23,959</b>	23,788	24,127
Operating expense	<b>38,632</b>	35,753	35,412
Net loans charged off	<b>7,125</b>	3,715	3,646
Gains (losses) on repossessed assets, net	<b>(925)</b>	(5)	-
Income before taxes	<b>10,052</b>	23,988	30,652
Federal and state income tax	<b>3,910</b>	9,331	11,924
Net income	<b>\$ 6,142</b>	\$ 14,657	\$ 18,728
Average assets	<b>\$ 1,248,607</b>	\$ 1,141,031	\$ 1,187,667
Average loans	<b>810,867</b>	841,353	817,118
Average deposits	<b>1,146,942</b>	1,036,209	1,082,883
Average invested capital	<b>97,655</b>	110,333	114,498
Return on assets	<b>0.49%</b>	1.28%	1.58%
Return on invested capital	<b>6.29</b>	13.28	16.36
Efficiency ratio	<b>68.09</b>	56.34	50.80
Net charge-offs to average loans	<b>0.88</b>	0.44	0.45

Table 15 Arkansas  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
Net interest revenue	\$ 11,751	\$ 11,784	\$ 10,075
Other operating revenue	37,119	29,104	17,214
Operating expense	27,378	22,027	18,237
Net loans charged off	3,665	3,253	1,238
Losses on repossessed assets, net	(419)	(242)	—
Income before taxes	17,408	15,366	7,814
Federal and state income tax	6,772	5,977	3,039
Net income	\$ 10,636	\$ 9,389	\$ 4,775
Average assets	\$ 425,071	\$ 446,101	\$ 367,731
Average loans	409,339	434,339	358,387
Average deposits	155,981	73,605	68,659
Average invested capital	32,584	30,290	27,185
Return on assets	2.50%	2.10%	1.30%
Return on invested capital	32.64	31.00	17.56
Efficiency ratio	56.02	53.87	66.83
Net charge-offs to average loans	0.90	0.75	0.35

Table 16 Colorado  
(Dollars in Thousands)

	Years ended December 31,		
	2009	2008	2007
Net interest revenue	\$ 34,966	\$ 37,009	\$ 36,544
Other operating revenue	18,237	16,600	16,276
Operating expense	40,032	32,997	29,985
Net loans charged off	25,000	8,145	276
Losses on repossessed assets, net	(955)	—	—
Income (loss) before taxes	(12,784)	12,467	22,559
Federal and state income tax (benefit)	(4,973)	4,850	8,776
Net income (loss)	\$ (7,811)	\$ 7,617	\$ 13,783
Average assets	\$ 1,217,498	\$ 1,138,363	\$ 1,076,661
Average loans	908,949	859,490	738,503
Average deposits	1,137,893	1,058,816	992,844
Average invested capital	135,101	126,337	109,407
Return on assets	(0.64)%	0.67%	1.28%
Return on invested capital	(5.78)	6.03	12.60
Efficiency ratio	75.24	61.55	56.77
Net charge-offs to average loans	2.75	0.95	0.04

Table 17 Arizona  
(Dollars in Thousands)

	<b>Years ended December 31,</b>		
	<b>2009</b>	2008	2007
Net interest revenue	<b>\$ 11,174</b>	\$ 18,608	\$ 19,292
Other operating revenue	<b>3,384</b>	1,300	2,294
Operating expense	<b>18,851</b>	14,740	13,301
Net loans charged off	<b>39,733</b>	18,109	1,588
Losses on repossessed assets, net	<b>(2,044)</b>	(287)	-
Income (loss) before taxes	<b>(46,070)</b>	(13,228)	6,697
Federal and state income tax (benefit)	<b>(17,921)</b>	(5,146)	2,605
Net income (loss)	<b>\$ (28,149)</b>	\$ (8,082)	\$ 4,092
Average assets	<b>\$ 631,680</b>	\$ 612,785	\$ 539,251
Average loans	<b>564,730</b>	589,363	519,209
Average deposits	<b>182,209</b>	126,313	122,617
Average invested capital	<b>82,997</b>	78,425	46,685
Return on assets	<b>(4.46)%</b>	(1.32)%	0.76%
Return on invested capital	<b>(33.92)</b>	(10.31)	8.77
Efficiency ratio	<b>129.49</b>	74.04	61.62
Net charge-offs to average loans	<b>7.04</b>	3.07	0.31

Table 18 Kansas/Missouri  
(Dollars in Thousands)

	<b>Years ended December 31,</b>		
	<b>2009</b>	2008	2007
Net interest revenue	<b>\$ 7,927</b>	\$ 7,692	\$ 4,151
Other operating revenue	<b>19,876</b>	13,456	6,533
Operating expense	<b>16,358</b>	13,165	11,144
Net loans charged off	<b>917</b>	7,103	163
Income (loss) before taxes	<b>10,528</b>	880	(623)
Federal and state income tax (benefit)	<b>4,095</b>	343	(242)
Net income (loss)	<b>\$ 6,433</b>	\$ 537	\$ (381)
Average assets	<b>\$ 310,648</b>	\$ 341,383	\$ 179,992
Average loans	<b>299,861</b>	338,047	178,161
Average deposits	<b>158,665</b>	37,964	16,936
Average invested capital	<b>23,145</b>	23,970	13,790
Return on assets	<b>2.07%</b>	0.16%	(0.21)%
Return on invested capital	<b>27.79</b>	2.24	(2.76)
Efficiency ratio	<b>58.84</b>	62.25	104.31
Net charge-offs to average loans	<b>0.31</b>	2.10	0.09

## Assessment of Financial Condition

### Securities

Investment securities, which consist primarily of Oklahoma municipal bonds, are carried at cost and adjusted for amortization of premiums or accretion of discounts. At December 31, 2009, investment securities were carried at \$240 million and had a fair value of \$247 million.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled \$8.9 billion at December 31, 2009, up \$2.1 billion compared with December 31, 2008. In this period of declining loan demand and readily-available liquidity, we increased our available for sale portfolio to supplement earnings by recognizing attractive spreads over funding costs on these securities. Credit risk is controlled by investing in securities fully backed by U.S. government agencies and interest rate risk is mitigated by investing in short-duration securities that would have limited extension exposure from rising interest rates. At December 31, 2009, residential mortgage-backed securities represented 97% of total available for sale securities. We hold no debt securities of corporate issuers or mortgage-backed securities holding pools of commercial real estate loans. A summary of our securities follows in Table 19. Additional details regarding securities concentrations appears in Note 2 to the Consolidated Financial Statements.

Table 19 Securities  
(Dollars in Thousands)

	December 31,					
	2009		2008		2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment:						
Municipal and other tax-exempt	\$ 232,568	\$ 238,847	\$ 235,791	\$ 239,178	\$ 242,274	\$ 243,061
Other debt securities	7,837	7,857	6,553	6,591	5,675	5,727
<b>Total</b>	<b>\$ 240,405</b>	<b>\$ 246,704</b>	<b>\$ 242,344</b>	<b>\$ 245,769</b>	<b>\$ 247,949</b>	<b>\$ 248,788</b>
Available for sale:						
U.S. Treasury	\$ 6,998	\$ 7,020	\$ 6,987	\$ 7,126	\$ 6,961	\$ 7,088
Municipal and other tax-exempt	61,268	62,201	19,537	20,163	26,478	26,578
Mortgage-backed securities:						
U.S. agencies	7,645,817	7,809,328	4,900,895	4,972,928	3,838,219	3,817,939
Private issue	961,378	792,362	1,636,934	1,241,238	1,664,537	1,641,189
<b>Total mortgage-backed securities</b>	<b>8,607,195</b>	<b>8,601,690</b>	<b>6,537,829</b>	<b>6,214,166</b>	<b>5,502,756</b>	<b>5,459,128</b>
Other debt securities	17,174	17,147	37	36	42	41
Federal Reserve Banks	32,526	32,526	32,380	32,380	31,299	31,299
Federal Home Loan Banks	78,999	78,999	61,760	61,760	57,265	57,265
Perpetual preferred stocks	19,224	22,275	32,472	21,701	32,778	32,778
Other equity securities and mutual funds	35,414	50,165	31,421	34,119	30,347	36,363
<b>Total</b>	<b>\$ 8,858,798</b>	<b>\$ 8,872,023</b>	<b>\$ 6,722,423</b>	<b>\$ 6,391,451</b>	<b>\$ 5,687,926</b>	<b>\$ 5,650,540</b>
Mortgage trading:						
Mortgage-backed U.S. agency securities	\$ 288,076	\$ 285,950	\$ 386,571	\$ 399,211	\$ 153,920	\$ 154,701

A 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 of risk both before making an investment and throughout the life of the security. The expected duration of the mortgage-backed securities portfolio was approximately 2.3 years at December 31, 2009. Management estimates that the expected duration would extend to approximately 3.4 years assuming a 300 basis point immediate rate shock. The effect of falling interest rates from current low levels is not expected to be significant.

Mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. The Company mitigates this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are either fully or partially guaranteed. At December 31, 2009, approximately \$7.6 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these mortgage-backed securities totaled \$7.8 billion at December 31, 2009.

We also hold amortized cost of \$961 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$792 million at December 31, 2009. Approximately \$589 million of these privately issued mortgage-backed securities were rated below investment grade at December 31, 2009. The unrealized loss on the below investment grade securities totaled

\$129 million. The amortized cost of our privately issued residential mortgage-backed securities decreased \$676 million during 2009 due primarily to cash received. The unrealized loss on these securities decreased \$227 million in 2009.

Our portfolio of privately issued residential mortgage-backed securities consists primarily of amortized cost of \$699 million of Jumbo-A mortgage loans and \$262 million of Alt-A mortgage loans. Jumbo-A mortgage loans generally meet government agency underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Credit risk on residential mortgage-backed securities originated by these issuers is mitigated by investment in senior tranches with additional collateral support. None of these securities are backed by sub-prime mortgage loans, collateralized debt obligations or collateralized loan obligations. Approximately 89% of the Alt-A residential mortgage-backed securities are credit enhanced with additional collateral support and 100% of our Alt-A residential mortgage-backed securities originated in 2007 and 2006 have additional collateral support. Approximately 84% of our Alt-A residential mortgage-backed securities represented pools of fixed-rate mortgage loans. None of the adjustable rate mortgages are payment option ARMs. Approximately 28% of our Jumbo-A residential mortgage-backed securities represents pools of fixed rate mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

Our portfolio of available for sale securities also included preferred stocks issued by six financial institutions. These preferred stocks have certain debt-like features such as a quarterly dividend based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. At December 31, 2009, these stocks have an aggregate carrying value of \$19 million and an aggregate fair value of \$22 million.

The aggregate gross amount of unrealized losses on available for sale securities totaled \$191 million at December 31, 2009. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the consolidated financial statements. Other-than-temporary impairment charges of \$34 million were recognized in earnings in 2009 including credit losses of \$25 million on certain privately issued residential mortgage-backed securities we do not intend to sell, \$8.0 million on perpetual preferred stocks with carrying values we do not expect to fully recover, and \$1.3 million on certain residential mortgage-backed securities we intend to sell.

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

We also maintain a separate trading portfolio acquired with the intent to sell at a profit to the Company that are also carried at fair value with changes in fair value recognized in current period income.

### **Bank-Owned Life Insurance**

We have approximately \$247 million invested in bank-owned life insurance at December 31, 2009. These investments are expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$229 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of the life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At December 31, 2009, cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately \$223 million. As the underlying fair value of the investments held in a separate account at December 31, 2009 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a highly-rated, domestic financial institution. The remaining cash surrender value of \$18 million primarily represented the cash surrender value of policies held in the general accounts and amounts due from various insurance companies.

### **Loans**

The aggregate loan portfolio before allowance for loan losses totaled \$11.3 billion at December 31, 2009, a \$1.6 billion or 12% decrease since December 31, 2008.

Table 20 Loans  
(In Thousands)

	<b>December 31,</b>				
	<b>2009</b>	2008	2007	2006	2005
<b>Commercial:</b>					
Energy	\$1,911,994	\$2,311,813	\$1,954,967	\$1,763,180	\$1,399,417
Services	1,807,824	2,038,451	1,733,569	1,555,141	1,425,821
Wholesale/retail	921,830	1,165,099	1,084,379	932,531	793,032
Manufacturing	404,061	497,957	493,185	609,571	514,792
Healthcare	792,538	777,154	685,131	602,273	520,309
Agriculture	160,549	197,629	240,469	321,380	291,858
Other commercial and industrial	209,044	423,500	569,884	424,808	354,706
Total commercial	<u>6,207,840</u>	<u>7,411,603</u>	<u>6,761,584</u>	<u>6,208,884</u>	<u>5,299,935</u>
<b>Commercial real estate:</b>					
Construction and land development	645,295	926,226	1,007,414	889,925	638,366
Retail	423,260	371,228	423,118	374,294	305,217
Office	463,316	459,357	421,163	420,914	499,174
Multifamily	360,436	316,596	214,388	239,000	204,620
Industrial	146,707	149,367	154,255	146,406	90,601
Other real estate loans	452,420	478,474	502,746	376,001	251,924
Total commercial real estate	<u>2,491,434</u>	<u>2,701,248</u>	<u>2,723,084</u>	<u>2,446,540</u>	<u>1,989,902</u>
<b>Residential mortgage:</b>					
Permanent mortgage	1,303,340	1,273,275	1,092,382	867,748	807,509
Home equity	490,282	479,299	442,223	388,511	361,822
Total residential mortgage	<u>1,793,622</u>	<u>1,752,574</u>	<u>1,534,605</u>	<u>1,256,259</u>	<u>1,169,331</u>
<b>Consumer:</b>					
Indirect automobile	454,508	692,615	625,203	465,622	358,144
Other consumer	332,294	317,966	296,094	273,873	271,000
Total consumer	<u>786,802</u>	<u>1,010,581</u>	<u>921,297</u>	<u>739,495</u>	<u>629,144</u>
Total	<u>\$11,279,698</u>	<u>\$12,876,006</u>	<u>\$11,940,570</u>	<u>\$10,651,178</u>	<u>\$9,088,312</u>

The decline in outstanding loan balances was broadly distributed among the various segments of the portfolio and across geographic markets. Generally, the decline in outstanding loan balances was due to reduced customer demand in response to current economic conditions, normal repayment trends and management decisions to mitigate credit risk by exiting certain loan types. A breakdown by geographical market follows on Table 21.



Table 21 Loans by Principal Market Area  
(In Thousands)

	December 31,				
	2009	2008	2007	2006	2005
<b>Oklahoma:</b>					
Commercial	\$ 2,649,252	\$ 3,356,520	\$ 3,224,013	\$ 3,186,085	\$ 3,059,441
Commercial real estate	820,578	843,576	885,866	979,251	859,829
Residential mortgage	1,228,822	1,196,924	1,080,483	896,567	842,456
Consumer	451,829	579,809	576,070	512,032	466,180
Total Oklahoma	<u>\$ 5,150,481</u>	<u>\$ 5,976,829</u>	<u>\$ 5,766,432</u>	<u>\$ 5,573,935</u>	<u>\$ 5,227,906</u>
<b>Texas:</b>					
Commercial	\$ 2,017,081	\$ 2,353,860	\$ 1,997,659	\$ 1,722,627	\$ 1,356,611
Commercial real estate	735,338	825,769	830,980	670,635	569,921
Residential mortgage	313,113	315,438	278,842	213,801	199,726
Consumer	170,062	212,820	142,958	95,652	89,017
Total Texas	<u>\$ 3,235,594</u>	<u>\$ 3,707,887</u>	<u>\$ 3,250,439</u>	<u>\$ 2,702,715</u>	<u>\$ 2,215,275</u>
<b>New Mexico:</b>					
Commercial	\$ 341,802	\$ 418,732	\$ 473,262	\$ 411,272	\$ 383,325
Commercial real estate	305,061	286,574	252,884	257,079	232,564
Residential mortgage	86,415	98,018	84,336	75,159	65,784
Consumer	17,473	18,616	16,105	13,256	15,137
Total New Mexico	<u>\$ 750,751</u>	<u>\$ 821,940</u>	<u>\$ 826,587</u>	<u>\$ 756,766</u>	<u>\$ 696,810</u>
<b>Arkansas:</b>					
Commercial	\$ 103,443	\$ 103,446	\$ 106,328	\$ 95,483	\$ 79,719
Commercial real estate	132,436	134,015	124,317	94,395	75,483
Residential mortgage	16,849	16,875	16,393	23,076	13,044
Consumer	124,265	175,647	163,626	86,017	25,659
Total Arkansas	<u>\$ 376,993</u>	<u>\$ 429,983</u>	<u>\$ 410,664</u>	<u>\$ 298,971</u>	<u>\$ 193,905</u>
<b>Colorado:</b>					
Commercial	\$ 545,724	\$ 660,546	\$ 490,373	\$ 451,046	\$ 270,108
Commercial real estate	239,970	261,820	252,537	193,747	133,537
Residential mortgage	66,504	53,875	26,556	15,812	21,918
Consumer	17,362	16,141	16,457	26,591	27,871
Total Colorado	<u>\$ 869,560</u>	<u>\$ 992,382</u>	<u>\$ 785,923</u>	<u>\$ 687,196</u>	<u>\$ 453,434</u>
<b>Arizona:</b>					
Commercial	\$ 199,143	\$ 211,356	\$ 157,341	\$ 96,453	\$ 50,489
Commercial real estate	227,249	319,525	342,673	207,035	115,697
Residential mortgage	65,047	62,123	46,269	31,280	26,102
Consumer	3,461	6,075	5,522	5,947	5,280
Total Arizona	<u>\$ 494,900</u>	<u>\$ 599,079</u>	<u>\$ 551,805</u>	<u>\$ 340,715</u>	<u>\$ 197,568</u>
<b>Kansas/Missouri:</b>					
Commercial	\$ 351,395	\$ 307,143	\$ 312,608	\$ 245,918	\$ 100,242
Commercial real estate	30,802	29,969	33,827	44,398	2,871
Residential mortgage	16,872	9,321	1,726	564	301
Consumer	2,350	1,473	559	–	–
Total Kansas/Missouri	<u>\$ 401,419</u>	<u>\$ 347,906</u>	<u>\$ 348,720</u>	<u>\$ 290,880</u>	<u>\$ 103,414</u>
Total BOK Financial loans	<u>\$11,279,698</u>	<u>\$12,876,006</u>	<u>\$11,940,570</u>	<u>\$10,651,178</u>	<u>\$ 9,088,312</u>

### Commercial

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

The commercial loan portfolio decreased \$1.2 billion during 2009 to \$6.2 billion at December 31, 2009. The change in outstanding commercial loans was primarily related to a \$400 million decrease in energy sector loans, a \$243 million decrease in wholesale/retail sector loans, \$231 million decrease in service sectors loans and a \$214 million decrease in other commercial and industrial loans. Commercial loan origination activity has slowed to less than amounts necessary to offset normal repayment trends in the portfolio. In general, loan demand has softened due to lower working capital needs

and less capital project spending by our customers. The commercial sector of our loan portfolio is distributed as follows in Table 22.

Table 22 Commercial Loans by Principal Market Area  
(In Thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Energy	\$ 894,001	\$ 725,468	\$ 1,554	\$ 3,052	\$ 274,854	\$ 905	\$ 12,160	\$ 1,911,994
Services	516,548	627,778	203,552	26,542	175,967	128,275	129,162	1,807,824
Wholesale/retail	471,303	256,967	45,880	55,303	24,121	35,986	32,270	921,830
Manufacturing	202,677	131,111	42,831	1,522	15,528	6,180	4,212	404,061
Healthcare	445,993	231,148	27,467	16,096	46,943	24,085	806	792,538
Agriculture	27,093	4,892	124	284	223	–	127,933	160,549
Other commercial and industrial	91,637	39,717	20,394	644	8,088	3,712	44,852	209,044
Total commercial loans	\$ 2,649,252	\$ 2,017,081	\$ 341,802	\$ 103,443	\$ 545,724	\$ 199,143	\$ 351,395	\$ 6,207,840

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

Energy loans totaled \$1.9 billion or 17% of total loans. Outstanding energy loans decreased \$400 million during 2009 primarily due to lower customer loan demand as a result of low commodity prices which has led to curtailed exploration and production of oil and gas reserves and reduced borrowing capacity based upon collateral values. Approximately \$1.5 billion of energy loans was to oil and gas producers, down from \$2.0 billion at December 31, 2008. Approximately 52% of the committed production loans are secured by properties primarily producing natural gas and 48% are secured by properties primarily producing oil. The energy category also included \$74 million of loans to borrowers that provide services to the energy industry, \$224 million of loans to borrowers engaged in wholesale or retail energy sales and \$26 million of loans to borrowers that manufacture equipment for the energy industry.

The services sector of the loan portfolio totaled \$1.8 billion or 16% of total loans and consists of a large number of loans to a variety of businesses, including communications, gaming and transportation services. Approximately \$1.0 billion of the services category is made up of loans with individual balances of less than \$10 million. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business. Loans in this sector may also be secured by personal guarantees of the owners or related parties. Outstanding loans to the service sector of the loan portfolio decreased \$231 million during 2009 due to reduced loan demand as a result of general economic conditions.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with three or more non-affiliated banks as participants. At December 31, 2009, the outstanding principal balance of these loans totaled \$1.6 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 20% of our shared national credits, based on dollars committed. We hold shared national credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, grading of shared national credits is provided annually by banking regulators. Risk grading provided by the regulators in the third quarter of 2009 did not differ significantly from management's assessment.

### *Commercial Real Estate*

Commercial real estate represents loans for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes within our geographical footprint. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project

and a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Commercial real estate loans totaled \$2.5 billion or 22% of the loan portfolio at December 31, 2009. Over the past five years, the percentage of commercial real estate loans to our total loan portfolio ranged from 20% to 23%. The outstanding balance of commercial real estate loans decreased \$210 million from the previous year. The commercial real estate sector of our loan portfolio is distributed as follows in Table 23.

Table 23 Commercial Real Estate Loans by Principal Market Area  
(In Thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Construction and land development	\$ 182,742	\$ 161,989	\$ 73,895	\$ 17,127	\$ 133,291	\$ 70,002	\$ 6,249	\$ 645,295
Retail	148,705	117,992	59,371	19,326	9,914	54,270	13,682	423,260
Office	114,749	151,804	77,908	16,812	62,641	38,841	561	463,316
Multifamily	120,301	141,957	20,585	56,189	4,869	9,935	6,600	360,436
Industrial	70,200	39,044	22,004	688	1,064	13,620	87	146,707
Other real estate loans	183,881	122,552	51,298	22,294	28,191	40,581	3,623	452,420
<b>Total commercial real estate loans</b>	<b>\$ 820,578</b>	<b>\$ 735,338</b>	<b>\$ 305,061</b>	<b>\$ 132,436</b>	<b>\$ 239,970</b>	<b>\$ 227,249</b>	<b>\$ 30,802</b>	<b>\$ 2,491,434</b>

Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased \$281 million during the year to \$645 million at December 31, 2009 due to payments, transfers to other real estate owned and charge-offs. This sector of the loan portfolio is expected to continue to decrease as construction projects currently in process are completed. This decrease was partially offset by a \$52 million increase in loans secured by retail facilities and a \$44 million increase in loans secured by multifamily residential properties.

#### *Residential Mortgage and Consumer*

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second-mortgage on the customer's primary residence. Consumer loans include direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as other unsecured loans. Consumer loans also include indirect automobile loans made through primary dealers. Residential mortgage and consumer loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability.

Residential mortgage loans totaled \$1.8 billion, up \$41 million or 2% since December 31, 2008. Permanent 1-4 family mortgage loans increased \$30 million and home equity loans increased \$11 million. In general, we sell the majority of our conforming fixed-rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market.

The permanent mortgage loan portfolio is primarily composed of various mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals or certain professionals. The aggregate outstanding balance of loans in these programs at December 31, 2009 is \$1.3 billion. Jumbo loans may be fixed or variable rate and are fully amortizing. Jumbo loans generally conform to government sponsored entity standards, with exception that the loan size exceeds maximums required under these standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ratios ("LTV") are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable rate fully amortizing loans tailored to the needs of certain health-care professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter. The maximum loan amount of any of our residential mortgage loan products is \$4 million.

Approximately \$110 million or 8% of permanent mortgage loans at December 31, 2009 consist of first lien, fixed rate residential mortgage loans originated under various community development programs. These loans were underwritten to standards approved by various U.S. government agencies under these programs and include full documentation. However,

these loans do have a higher risk of delinquency and losses given default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

The composition of residential mortgage and consumer loans at December 31, 2009 is as follows in Table 24.

Table 24 Residential Mortgage and Consumer Loans by Principal Market Area  
(In Thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Residential mortgage:								
Permanent mortgage	\$ 927,316	\$ 227,276	\$ 20,317	\$ 12,206	\$ 47,725	\$ 55,612	\$ 12,888	\$ 1,303,340
Home equity	301,506	85,837	66,098	4,643	18,779	9,435	3,984	490,282
Total residential mortgage	\$ 1,228,822	\$ 313,113	\$ 86,415	\$ 16,849	\$ 66,504	\$ 65,047	\$ 16,872	\$ 1,793,622
Consumer:								
Indirect automobile	\$ 273,728	\$ 62,367	\$ -	\$ 118,413	\$ -	\$ -	\$ -	\$ 454,508
Other consumer	178,101	107,695	17,473	5,852	17,362	3,461	2,350	332,294
Total consumer	\$ 451,829	\$ 170,062	\$ 17,473	\$ 124,265	\$ 17,362	\$ 3,461	\$ 2,350	\$ 786,802

Indirect automobile loans decreased \$238 million since December 31, 2008, primarily due to the previously-disclosed decision by the Company to exit the business in the first quarter of 2009 in favor of a customer-focused direct lending approach.

Table 25 Loan Maturity and Interest Rate Sensitivity at December 31, 2009  
(In Thousands)

	Total	Remaining Maturities of Selected Loans		
		Within 1 Year	1-5 Years	After 5 Years
Loan maturity:				
Commercial	\$ 6,207,840	\$ 1,913,696	\$ 3,369,187	\$ 924,957
Commercial real estate	2,491,434	1,066,644	1,131,022	293,768
Total	\$ 8,699,274	\$ 2,980,340	\$ 4,500,209	\$ 1,218,725
Interest rate sensitivity for selected loans with:				
Predetermined interest rates	\$ 3,770,541	\$ 633,971	\$ 2,401,217	\$ 735,353
Floating or adjustable interest rates	4,928,733	2,346,369	2,098,992	483,372
Total	\$ 8,699,274	\$ 2,980,340	\$ 4,500,209	\$ 1,218,725

## Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled \$5.0 billion and standby letters of credit which totaled \$588 million at December 31, 2009. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately \$3.7 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at December 31, 2009.

Table 26 Off-Balance Sheet Credit Commitments  
(In Thousands)

	As of December 31,				
	2009	2008	2007	2006	2005
Loan commitments	\$ 5,001,338	\$ 5,015,660	\$ 5,345,736	\$ 5,318,257	\$ 4,349,114
Standby letters of credit	588,091	598,618	555,758	527,627	558,907
Mortgage loans sold with recourse	330,963	391,188	392,534	329,713	248,150

We also have off-balance sheet commitments for residential mortgage loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs and

sold to U.S. government agencies. These loans were underwritten to standards approved by the agencies, including full documentation. However, these loans have a higher risk of delinquency and losses from default than traditional residential mortgage loans. A separate recourse reserve is maintained as part of other liabilities. At December 31, 2009, the principal balance of loans sold subject to recourse obligations totaled \$331 million.

Substantially all of these loans are to borrowers in our primary markets including \$233 million to borrowers in Oklahoma, \$36 million to borrowers in Arkansas, \$19 million to borrowers in New Mexico, \$16 million to borrowers in the Kansas/Missouri area and \$15 million to borrowers in Texas. The separate reserve for this off-balance commitment totaled \$14 million at December 31, 2009. Approximately 5.22% of the loans sold with recourse with an outstanding principal balance of \$17 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 5.55% with an outstanding principal balance of \$18 million were past due 30 to 89 days. The provision for loan losses on loans sold with recourse, which is included in mortgage banking costs, was \$12 million for 2009 and \$8.6 million for 2008. Net losses charged against the reserve totaled \$7.2 million for 2009 and \$3.4 million for 2008.

## **Customer Derivative Programs**

We offer programs that permit our customers to hedge various risks, including fluctuations in energy, cattle and other agricultural product prices, interest rates and foreign exchange rates, or to take positions in derivative contracts. Each of these programs work essentially the same way. Derivative contracts are executed between the customers and the Company. Offsetting contracts are executed between the Company and selected counterparties to minimize the risk to us of changes in commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to the customer contracts, except for a fixed pricing spread or a fee paid to us as compensation for administrative costs, credit risk and profit.

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

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

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

Derivative contracts are carried at fair value. At December 31, 2009, the net fair values of derivative contracts reported as assets under these programs totaled \$355 million, down from \$656 million at December 31, 2008 primarily due to cash settlements and reduced transactions volumes. At December 31, 2009, derivative contracts carried as assets included energy contracts with fair values of \$174 million, interest rate contracts with fair values of \$110 million and foreign exchange contracts with fair values of \$64 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled \$363 million.

At December 31, 2009, total derivative assets were reduced by \$13 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$55 million of cash collateral delivered to counterparties related to instruments executed with the same counterparty under a master netting agreement as permitted by generally accepted accounting principles.

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at December 31, 2009 is included in Table 27.

Table 27 Fair Value of Derivative Contracts by Category of Debtor  
(In Thousands)

Customers	\$ 152,698
Energy companies	87,562
Banks	65,721
Exchanges	34,018
Other	2,219
<b>Fair value of customer hedge asset derivative contracts, net</b>	<b>\$ 342,218</b>

At December 31, 2009, the largest net reported amount due from a single counterparty, a domestic subsidiary of a major energy company, was \$84 million. This amount was offset by \$70 million in letters of credit issued by multiple independent financial institutions.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceed established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to \$22 per barrel of oil would increase the fair value of derivative assets by \$437 million. An increase in prices equivalent to \$122 per barrel of oil would decrease the fair value of derivative assets by \$253 million as current prices move closer to the fixed prices embedded in our existing contracts. Further increases in prices equivalent to \$142 per barrel of oil would increase the fair value of our derivative assets by \$417 million. Liquidity requirements of this program are also affected by our credit rating. A decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$204 million.

### Summary of Loan Loss Experience

We maintain separate reserves for loan losses and reserves for off-balance sheet credit risk. The combined allowance for loan and off-balance sheet credit losses totaled \$306 million or 2.72% of outstanding loans and 90% of nonaccruing loans at December 31, 2009. At December 31, 2008, the combined allowance for loan and off-balance sheet credit losses totaled \$248 million or 1.93% of outstanding loans and 83% of nonaccruing loans at December 31, 2008. The reserve for loan losses totaled \$292 million or 2.59% of outstanding loans at December 31, 2009 and \$233 million or 1.81% of outstanding loans at December 31, 2008. The reserve for off-balance sheet credit commitments was \$14 million at December 31, 2009 and \$15 million at December 31, 2008. The decrease in the reserve for off-balance sheet credit commitments is due largely to changes in risk factors and the funding of existing commitments.

Table 28 Summary of Loan Loss Experience  
(Dollars in Thousands)

	Years ended December 31,				
	2009	2008	2007	2006	2005
<b>Reserve for loan losses:</b>					
Beginning balance	<b>\$233,236</b>	\$126,677	\$109,497	\$103,876	\$108,618
Loans charged off:					
Commercial	<b>49,725</b>	74,976	14,380	10,517	9,670
Commercial real estate	<b>57,313</b>	19,141	1,795	87	2,619
Residential mortgage	<b>16,672</b>	7,223	1,709	1,265	1,212
Consumer	<b>24,789</b>	20,871	13,733	12,127	12,257
Total	<b>148,499</b>	122,211	31,617	23,996	25,758
Recoveries of loans previously charged off:					
Commercial	<b>2,546</b>	13,379	4,534	5,405	4,071
Commercial real estate	<b>461</b>	332	110	327	117
Residential mortgage	<b>929</b>	366	309	161	180
Consumer	<b>6,744</b>	6,413	5,558	5,638	5,176
Total	<b>10,680</b>	20,490	10,511	11,531	9,544
Net loans charged off	<b>137,819</b>	101,721	21,106	12,465	16,214
Provision for loan losses	<b>196,678</b>	208,280	34,758	18,086	10,401
Additions due to acquisitions	-	-	3,528	-	1,071
Ending balance	<b>\$292,095</b>	\$233,236	\$126,677	\$109,497	\$103,876
<b>Reserve for off-balance sheet credit losses:</b>					
Beginning balance	<b>\$15,166</b>	\$20,853	\$20,890	\$20,574	\$18,502
Provision for off-balance sheet credit losses	<b>(778)</b>	(5,687)	(37)	316	2,040
Additions due to acquisitions	-	-	-	-	32
Ending balance	<b>\$14,388</b>	\$15,166	\$20,853	\$20,890	\$20,574
<b>Total provision for credit losses</b>	<b>\$195,900</b>	\$202,593	\$34,721	\$18,402	\$12,441
Reserve for loan losses to loans outstanding at year-end	<b>2.59%</b>	1.81%	1.06%	1.03%	1.14%
Net charge-offs to average loans	<b>1.14</b>	0.81	0.19	0.13	0.19
Total provision for credit losses to average loans	<b>1.61</b>	1.62	0.31	0.19	0.15
Recoveries to gross charge-offs	<b>7.19</b>	16.77	33.24	48.05	37.05
Reserve for loan losses as a multiple of net charge-offs	<b>2.12x</b>	2.29x	6.00x	8.78x	6.41x
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	<b>0.26%</b>	0.27%	0.35%	0.36%	0.42%
Combined reserves for credit losses to loans outstanding at year-end	<b>2.72%</b>	1.93%	1.24%	1.22%	1.37%
<b>Problem Loans:</b>					
Loans past due (90 days)	<b>\$ 10,308</b>	\$ 19,123	\$ 5,575	\$ 5,945	\$ 8,708
Nonaccrual <sup>1</sup>	<b>339,355</b>	300,073	84,290	26,055	25,162
Renegotiated <sup>2</sup>	<b>15,906</b>	13,039	10,394	9,802	6,379
Total	<b>\$365,569</b>	\$332,235	\$100,259	\$ 41,802	\$ 40,249
Foregone interest on nonaccrual loans <sup>1</sup>	<b>\$ 17,015</b>	\$ 8,391	\$ 3,011	\$ 2,130	\$ 2,515

<sup>1</sup> Interest collected and recognized on nonaccrual loans was not significant in 2009 and previous years disclosed.

<sup>2</sup> Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.

#### Allowance for Loan Losses

The adequacy of the allowance for loan losses is assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio. The allowance consists of specific reserves attributed to impaired loans, general reserves based on migration factors and non-specific reserves based on general economic, risk concentration and related factors. An independent Credit Administration department is responsible for performing this evaluation for the entire company to ensure that the methodology is applied consistently. For 2009, there have been no material changes in the approach or techniques utilized in developing the allowance for loan losses.

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

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

Impaired loans are charged-off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower based on an evaluation of available cash resources or collateral value. No reserves are attributed to the remaining balance of loans that have been charged-down to amounts management expects to recover. Impaired loans totaled \$317 million at December 31, 2009 and \$270 million at December 31, 2008. At December 31, 2009, \$204 million of impaired loans had specific reserves of \$36 million and \$113 million of impaired loans had no specific reserves because they had been charged down to amounts we expect to recover. Impaired loans with no specific reserves had aggregate gross outstanding principal balances of \$230 million. Cumulative life-to-date charge-offs of impaired loans with no specific reserves at December 31, 2009 totaled \$117 million, including \$85 million charged off in 2009. At December 31, 2008, \$194 million of impaired loans had \$29 million of specific reserves and \$76 million had no specific reserves because they had been charged down to amounts we expect to recover.

General reserves for unimpaired loans are based on migration models. Separate migration models are used to determine general reserves for commercial and commercial real estate loans, residential mortgage loans, and consumer loans. All commercial and commercial real estate loans are risk-graded based on an evaluation of the borrowers' ability to repay the loans. Migration factors are determined for each risk-grade to determine the inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for the migration factors. Greater emphasis is placed on losses incurred in more recent periods. The higher of current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade. The general reserve for residential mortgage loans is based on an eight-quarter average percent of loss. The general reserve for consumer loans is based on an eight-quarter average percent of loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans. The aggregate amount of general reserves determined by migration factors for all unimpaired loans totaled \$238 million at December 31, 2009 and \$182 million at December 31, 2008.

Nonspecific reserves are maintained for risks beyond factors specific to a particular loan or identified by the migration models. These factors include trends in the economy in our primary lending areas, conditions in certain industries where we have a concentration and overall growth in the loan portfolio. Evaluation of nonspecific factors considers the effect of the duration of the business cycle on migration factors. Nonspecific factors also consider current economic conditions and other relevant factors. Nonspecific reserves totaled \$18 million at December 31, 2009 and \$23 million at December 31, 2008.

An allocation of the loan loss reserve by loan category follows in Table 29.

Table 29 Loan Loss Reserve Allocation  
(Dollars in Thousands)

Loan category:	December 31,									
	2009		2008		2007		2006		2005	
	Reserve <sup>2</sup>	% of Loans <sup>1</sup>	Reserve <sup>2</sup>	% of Loans <sup>1</sup>	Reserve <sup>2</sup>	% of Loans <sup>1</sup>	Reserve <sup>2</sup>	% of Loans <sup>1</sup>	Reserve <sup>2</sup>	% of Loans <sup>1</sup>
Commercial	\$ 121,320	55.04%	\$ 100,743	57.56%	\$ 49,961	56.07%	\$ 44,151	58.29%	\$ 43,915	58.32%
Commercial real estate	104,208	22.09	75,555	20.98	40,807	22.89	30,838	22.97	25,529	21.89
Residential mortgage	27,863	15.90	14,017	13.61	6,156	13.38	4,663	11.80	5,302	12.87
Consumer	20,452	6.97	19,819	7.85	9,962	7.66	11,784	6.94	10,929	6.92
Nonspecific allowance	18,252	—	23,102	—	19,791	—	18,061	—	18,201	—
<b>Total</b>	<b>\$ 292,095</b>	<b>100.00%</b>	<b>\$ 233,236</b>	<b>100.00%</b>	<b>\$ 126,677</b>	<b>100.00%</b>	<b>\$ 109,497</b>	<b>100.00%</b>	<b>\$ 103,876</b>	<b>100.00%</b>

<sup>1</sup> Excludes residential mortgage loans held for sale.

<sup>2</sup> Specific allocation for the loan concentration risks is included in the appropriate category.

The provision for loan losses is the amount necessary to maintain the allowance for loan losses at an amount determined by management to be adequate based on its evaluation. The provision for loan losses totaled \$197 million for 2009 compared to \$208 million for 2008. Factors considered in determining the provision for credit losses for 2009 included trends of net charge-offs, nonperforming loans and risk grading.

#### *Net Loans Charged Off*

Loans are charged off against the allowance for loan losses when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral



value. Collateral values are generally evaluated annually, or more frequently for certain collateral types or collateral located in certain distressed markets. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified.

Net loans charged off during 2009 totaled \$138 million compared to \$102 million in the previous year. The ratio of net loans charged off to average outstanding loans was 1.14% for 2009 compared with 0.81% for 2008. Net loans charged off in 2008 included a \$26 million charge-off from the SemGroup credit and recoveries of \$7.1 million from a loan charged off in 2005 and \$4.0 million from a loan charged off in 2001. Net charge-offs for 2009 were up \$51 million over 2008 excluding these significant items.

Net loans charged off by category and principal market area during 2009 follow in Table 30.

Table 30 Net Loans Charged Off by Category and Principal Market Area  
(Dollars in Thousands)

	Oklahoma	Texas	Colorado	Arkansas	New Mexico	Arizona	Kansas/ Missouri	Total
2009:								
Commercial	\$ 18,861	\$ 8,851	\$ 12,214	\$ 79	\$ 2,882	\$ 3,416	\$ 876	\$ 47,179
Commercial real estate	2,435	5,155	11,884	369	2,805	34,191	13	56,852
Residential mortgage	7,857	4,005	610	190	1,112	1,969	-	15,743
Consumer	8,231	5,363	287	2,998	981	182	3	18,045
<b>Net loans charged off</b>	<b>\$ 37,384</b>	<b>\$ 23,374</b>	<b>\$ 24,995</b>	<b>\$ 3,636</b>	<b>\$ 7,780</b>	<b>\$ 39,758</b>	<b>\$ 892</b>	<b>\$137,819</b>
2008:								
Commercial	\$ 33,748	\$ 10,462	\$ 7,468	\$ 150	\$ 941	\$ 1,725	\$ 7,103	\$ 61,597
Commercial real estate	3,693	1,014	404	17	1,826	11,855	-	18,809
Residential mortgage	2,843	1,701	(3)	35	87	2,194	-	6,857
Consumer	7,536	2,992	109	2,993	799	26	3	14,458
<b>Net loans charged off</b>	<b>\$ 47,820</b>	<b>\$ 16,169</b>	<b>\$ 7,978</b>	<b>\$ 3,195</b>	<b>\$ 3,653</b>	<b>\$ 15,800</b>	<b>\$ 7,106</b>	<b>\$101,721</b>

Excluding the impact of these significant items from 2008, net commercial loans charged off during 2009 were largely unchanged. Net commercial loans charged off in 2009 included \$18 million from the service sector of the loan portfolio, \$13 million from the energy sector of the loan portfolio and \$7.6 million from the wholesale / retail sector of the loan portfolio.

Net commercial real estate loans charged off during 2009 increased \$38 million over the prior year. Net charge-offs increased \$22 million in the Arizona market and \$11 million in the Colorado market. Net commercial real estate loan charge-offs in 2009 included \$45 million from the land and residential construction sector of the loan portfolio, primarily composed of \$26 million in the Arizona market and \$11 million in the Colorado market.

Residential mortgage net charge-offs increased \$8.9 million over the prior year including \$7.9 million in the Oklahoma market, \$4.0 million in the Texas market and \$2.0 million in the Arizona market. Consumer loan net charge-offs, which include indirect auto loan and deposit account overdraft losses, increased \$3.6 million over the previous year. Net charge-offs of indirect auto loans totaled \$9.7 million for 2009 and \$8.6 million for 2008.

The Company considers the credit risk from loan commitments and letters of credit in its evaluation of the adequacy of the reserve for loan losses. A separate reserve for off-balance sheet credit risk is maintained. Table 28 presents the trend of reserves for off-balance sheet credit losses and the relationship between the reserve and loan commitments. 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.

## Nonperforming Assets

Table 31 Nonperforming Assets  
(Dollars in Thousands)

	December 31,				
	2009	2008	2007	2006	2005
Nonperforming loans					
Nonaccrual loans:					
Commercial	<b>\$101,384</b>	\$ 134,846	\$ 42,981	\$ 10,737	\$ 11,673
Commercial real estate	<b>204,924</b>	137,279	25,319	4,771	5,370
Residential mortgage	<b>29,989</b>	27,387	15,272	10,325	7,347
Consumer	<b>3,058</b>	561	718	222	772
Total nonaccrual loans	<b>339,355</b>	300,073	84,290	26,055	25,162
Renegotiated loans <sup>2</sup>	<b>15,906</b>	13,039	10,394	9,802	6,379
Total nonperforming loans	<b>355,261</b>	313,112	94,684	35,857	31,541
Other nonperforming assets	<b>129,034</b>	29,179	9,475	8,486	8,476
Total nonperforming assets	<b>\$484,295</b>	\$342,291	\$104,159	\$44,343	\$ 40,017
Nonaccrual loans by principal market:					
Oklahoma	<b>\$ 83,176</b>	\$ 108,367	\$ 47,977	\$ 17,683	\$ 16,857
Texas	<b>66,892</b>	42,934	4,983	6,096	5,475
New Mexico	<b>26,693</b>	16,016	11,118	871	928
Arkansas	<b>13,820</b>	3,263	1,635	267	-
Colorado <sup>3</sup>	<b>60,082</b>	32,415	9,222	1,138	1,902
Arizona	<b>84,559</b>	80,994	9,355	-	-
Kansas/Missouri	<b>4,133</b>	16,084	-	-	-
Total nonaccrual loans	<b>\$339,355</b>	\$300,073	\$ 84,290	\$ 26,055	\$ 25,162
Nonaccrual loans by loan portfolio sector:					
Commercial:					
Energy	<b>\$ 22,692</b>	\$ 49,364	\$ 529	\$ 535	\$ 75
Manufacturing	<b>15,765</b>	7,343	9,915	101	1,113
Wholesale / retail	<b>12,057</b>	18,773	3,792	2,457	3,036
Agriculture	<b>65</b>	680	380	93	268
Services	<b>30,926</b>	36,873	25,468	5,759	5,213
Healthcare	<b>13,103</b>	12,118	2,301	1,600	1,942
Other	<b>6,776</b>	9,695	596	192	26
Total commercial	<b>101,384</b>	134,846	42,981	10,737	11,673
Commercial real estate:					
Land development and construction	<b>109,779</b>	76,082	13,466	2,031	2,081
Retail	<b>26,236</b>	15,625	5,259	-	-
Office	<b>25,861</b>	7,637	1,013	732	-
Multifamily	<b>26,540</b>	24,950	3,998	320	668
Industrial	<b>279</b>	6,287	-	-	-
Other commercial real estate	<b>16,229</b>	6,698	1,583	1,688	2,621
Total commercial real estate	<b>204,924</b>	137,279	25,319	4,771	5,370
Residential mortgage:					
Permanent mortgage	<b>28,314</b>	26,233	14,541	9,923	6,844
Home equity	<b>1,675</b>	1,154	731	402	503
Total residential mortgage	<b>29,989</b>	27,387	15,272	10,325	7,347
Consumer	<b>3,058</b>	561	718	222	772
Total nonaccrual loans	<b>\$339,355</b>	\$300,073	\$ 84,290	\$ 26,055	\$25,162
Ratios:					
Reserve for loan losses to nonperforming loans	<b>82.22%</b>	74.49%	133.79%	305.37%	329.34%
Nonperforming loans to period-end loans	<b>3.15</b>	2.43	0.79	0.34	0.35
Loans past due (90 days) <sup>1</sup>	<b>\$10,308</b>	\$19,123	\$ 5,575	\$ 5,945	\$ 8,708

<sup>1</sup> Includes residential mortgages guaranteed by agencies of the U.S. Government.

<sup>2</sup> Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates.

<sup>3</sup> Includes loans subject to First United Bank sellers escrow.

Nonperforming assets totaled \$484 million or 4.24% of outstanding loans and repossessed assets at December 31, 2009, up \$142 million since December 31, 2008. In addition to \$339 million of nonaccruing loans, nonperforming assets included \$16 million of restructured residential mortgage loans and \$129 million of real estate and other repossessed assets. Approximately \$13 million of the restructured residential mortgage loans are guaranteed by agencies of the U.S. government. Nonperforming assets included \$4.3 million of loans and repossessed assets acquired with First United Bank in the second quarter of 2007. The Company will be reimbursed by the sellers up to \$4.1 million for any losses incurred during a three-year period after the acquisition date. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to increase. A rollforward of nonperforming assets for the year ended December 31, 2009 follows in Table 32.

Table 32 Rollforward of Nonperforming Assets  
(Dollars in Thousands)

	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Beginning balance	\$ 300,073	\$ 13,039	\$ 29,179	\$ 342,291
Additions	350,578	-	-	350,578
Payments	(72,625)	-	-	(72,625)
Charge-offs / Write-offs	(101,146)	-	(9,935)	(111,081)
Foreclosures	(119,596)	-	119,596	-
Sales	-	-	(17,854)	(17,854)
Return to accrual	(8,832)	-	-	(8,832)
Other, net	(9,097)	2,867	8,048	1,818
Ending balance	\$ 339,355	\$ 15,906	\$ 129,034	\$ 484,295

This distribution of nonaccruing loans among our various markets follows in Table 33.

Table 33 Nonaccruing Loans by Principal Market  
(Dollars in Thousands)

	December 31, 2009		December 31, 2008		Change	
	Amount	% of outstanding loans	Amount	% of outstanding loans	Amount	% of outstanding loans
Oklahoma	\$ 83,176	1.61%	\$ 108,367	1.81%	\$ (25,191)	(20) b.p.
Texas	66,892	2.07	42,934	1.16	23,958	91
New Mexico	26,693	3.56	16,016	1.95	10,677	161
Arkansas	13,820	3.67	3,263	0.76	10,557	291
Colorado	60,082	6.91	32,415	3.27	27,667	364
Arizona	84,559	17.09	80,994	13.52	3,565	357
Kansas / Missouri	4,133	1.03	16,084	4.62	(11,951)	(359)
Total	339,355	3.01%	\$ 300,073	2.33%	\$ 39,282	68 b.p.

The decrease in nonaccruing loans attributed to the Oklahoma market during 2009 included \$13 million of proceeds from the partial sale of SemGroup bankruptcy claims and \$21 million in cash and an equity interest received to partially satisfy bankruptcy claims against SemGroup. Cash received totaled \$7 million and the equity interest was valued at \$14 million. We continue to hold a \$12 million nonaccruing loan to the entity created when SemGroup exited bankruptcy. With the exception of Oklahoma and Kansas/Missouri, nonaccruing loans grew in all geographies during 2009. The 68 basis point increase in the ratio of nonaccruing loans to period end loans was also impacted by a \$1.6 billion decrease in period end loans at December 31, 2009 compared to December 31, 2008.

### Commercial

Nonaccruing commercial loans totaled \$101 million or 1.63% of total commercial loans at December 31, 2009 and \$135 million or 1.82% of total commercial loans at December 31, 2008. Newly identified nonaccruing commercial loans in 2009 totaled approximately \$88 million primarily in the energy and service sector of the portfolio. This was primarily offset by a \$34 million decrease in energy loans related to SemGroup item previously discussed and approximately \$39 million of charge-offs and \$32 million of payments in addition to approximately \$8 million transferred to real estate owned and other repossessed assets. The distribution of nonaccruing commercial loans among our various markets was as follows in Table 34.

Table 34 Nonaccruing Commercial Loans by Principal Market  
(Dollars in Thousands)

	December 31, 2009		December 31, 2008		Change	
	Amount	% of outstanding loans	Amount	% of outstanding loans	Amount	% of outstanding loans
Oklahoma	\$ 36,990	1.40%	\$ 74,717	2.23%	\$ (37,727)	(83) b.p.
Texas	32,591	1.62	20,472	0.87	12,119	75
New Mexico	14,365	4.20	4,564	1.09	9,801	311
Arkansas	434	0.42	148	0.14	286	28
Colorado	8,132	1.49	21,922	3.32	(13,790)	(183)
Arizona	8,804	4.42	2,117	1.00	6,687	342
Kansas / Missouri	68	0.02	10,906	3.55	(10,838)	(353)
<b>Total commercial</b>	<b>\$ 101,384</b>	<b>1.63%</b>	<b>134,846</b>	<b>1.82%</b>	<b>\$ (33,462)</b>	<b>(19) b.p.</b>

Approximately \$31 million or 1.71% of all loans in the services sector of the loan portfolio and \$23 million or 1.19% of the energy sector of the loan portfolio were nonaccruing at December 31, 2009. Nonaccruing services sector loans were down \$5.9 million and nonaccruing energy sector loans were down \$27 million from December 31, 2008. In addition, nonaccruing loans in the manufacturing sector of the portfolio increased \$8.4 million to \$16 million or 3.90% of all loans to the manufacturing sector and nonaccruing loans to the wholesale / retail sector of the loan portfolio decreased \$6.7 million from December 31, 2008 to \$12 million or 1.31% of all loans in the wholesale /retail sector of the loan portfolio at December 31, 2009.

#### Commercial Real Estate

Nonaccruing commercial real estate loans totaled \$205 million or 8.23% of outstanding commercial real estate loans at December 31, 2009 compared to \$137 million or 5.08% of outstanding commercial real estate loans at December 31, 2008. Nonaccruing commercial real estate loans increased approximately \$226 million during 2009 related to newly identified commercial real estate loans, primarily in the construction and land development sector. This was partially offset by transfers to other real estate owned and charge-offs.

Table 35 Nonaccruing Commercial Real Estate Loans by Principal Market  
(Dollars in Thousands)

	December 31, 2009		December 31, 2008		Change	
	Amount	% of outstanding loans	Amount	% of outstanding loans	Amount	% of outstanding loans
Oklahoma	\$ 30,524	3.72%	\$ 22,837	2.71%	\$ 7,687	101 b.p.
Texas	24,163	3.29	14,014	1.70	10,149	159
New Mexico	10,101	3.31	8,404	2.93	1,697	38
Arkansas	11,727	8.85	1,919	1.43	9,808	742
Colorado	51,661	21.53	10,008	3.82	41,653	1,771
Arizona	73,106	32.17	76,208	23.85	(3,102)	832
Kansas / Missouri	3,641	11.82	3,889	12.98	(248)	(116)
<b>Total commercial real estate</b>	<b>\$ 204,923</b>	<b>8.23%</b>	<b>\$ 137,279</b>	<b>5.08%</b>	<b>\$ 67,644</b>	<b>315 b.p.</b>

Nonaccruing commercial real estate loans are primarily concentrated in the Arizona and Colorado markets. Approximately \$73 million or 36% of nonaccruing commercial real estate loans are in Arizona and consist primarily of \$34 million of nonaccruing residential construction and land development loans, \$19 million of nonaccruing loans secured by retail facilities and \$10 million of nonaccruing loans secured by office buildings. Nonaccruing commercial real estate decreased \$3 million compared to the prior year primarily due to charge-offs and transfers to other real estate owned. Nonaccruing commercial real estate loans in the Colorado market were \$52 million or 25% of total nonaccruing commercial real estate loans, composed primarily of \$42 million of nonaccruing residential construction and land development loans and \$9 million of nonaccruing loans secured by office buildings. The majority of the increase in nonaccruing commercial real estate loans in Colorado was composed of \$14 million related to a single loan secured by residential construction and land development properties and \$9 million related to a single loan secured by an office building.

The increase in nonaccruing commercial real estate loans included \$34 million from nonaccruing residential construction and land development loans, \$18 million from nonaccruing loans secured by office buildings and \$11 million from nonaccruing loans secured by retail facilities. The increase in nonaccruing residential construction and land development loans included \$37 million in the Colorado market and \$10 million in the Texas market, offset by a \$17 million decrease in the Arizona market. The increase in nonaccruing loans secured by retail facilities included \$7 million in the Arizona market and \$5 million in the New Mexico market. The increase in loans secured by office building included \$7 million in the Arizona market, \$7 million in the Colorado market and \$5 million in the Arkansas market.

#### *Residential Mortgage and Consumer*

Nonaccruing residential mortgage loans primarily consist of permanent residential mortgage loans which totaled \$30 million or 1.67% of outstanding residential mortgage loans at December 31, 2009, a \$2.6 million increase over December 31, 2008. Home equity loans continued to perform well with only \$1.7 million or 0.34% of total home equity loans in nonaccruing status. The distribution of nonaccruing residential mortgage loans among our various markets is included in Table 36.

Table 36 Nonaccruing Residential Mortgage Loans by Principal Market  
(Dollars in Thousands)

	<u>December 31, 2009</u>		<u>December 31, 2008</u>		<u>Change</u>	
	<u>Amount</u>	<u>% of outstanding loans</u>	<u>Amount</u>	<u>% of outstanding loans</u>	<u>Amount</u>	<u>% of outstanding loans</u>
Oklahoma	\$ 14,650	1.19%	\$ 10,704	0.89%	\$ 3,946	30 b.p.
Texas	9,320	2.98	8,066	2.56	1,254	42
New Mexico	2,168	2.51	3,016	3.08	(848)	57
Arkansas	620	3.68	1,196	7.09	(576)	(341)
Colorado	291	0.44	447	0.83	(156)	(39)
Arizona	2,517	3.87	2,668	4.29	(151)	(42)
Kansas / Missouri	423	2.51	1,290	13.84	(867)	(1,133)
<b>Total residential mortgage loans</b>	<b>\$ 29,989</b>	<b>1.67%</b>	<b>\$ 27,387</b>	<b>1.56%</b>	<b>\$ 2,602</b>	<b>11 b.p.</b>

In addition to nonaccruing residential mortgage and consumer loans, payments of residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage and consumer loans past due is included in the following Table 37. Residential mortgage loans less than 90 days past due increased \$3.4 million and residential mortgage loans past due 90 days or more increased \$72 thousand during 2009. Consumer loans past due 30 to 89 days decreased \$408 thousand primarily due to a decrease in other consumer loans offset by an increase in indirect automobile loans. Consumer loans past due 90 days or more increased \$2.2 million, primarily due to a \$2.9 million increase in other consumer loans offset by a \$654 thousand decrease indirect automobile loans.

Table 37 Residential Mortgage and Consumers Loans Past Due  
(Dollars in Thousands)

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>90 Days or More</u>	<u>30 to 89 Days</u>	<u>90 Days or More</u>	<u>30 to 89 Days</u>
Permanent mortgage	\$ 1,532	\$ 23,489	\$ 1,370	\$ 20,422
Home equity	24	2,049	114	1,723
<b>Total residential mortgage</b>	<b>\$ 1,556</b>	<b>\$ 25,538</b>	<b>\$ 1,484</b>	<b>\$ 22,145</b>
Consumer:				
Indirect automobile	\$ 537	\$ 23,191	\$ 1,191	\$22,082
Other consumer	3,297	1,612	395	3,129
<b>Total consumer</b>	<b>\$ 3,834</b>	<b>\$ 24,803</b>	<b>\$ 1,586</b>	<b>\$ 25,211</b>

Real estate and other repossessed assets totaled \$129 million at December 31, 2009, up from \$29 million at December 31, 2008. The distribution of real estate and other repossessed assets attributed by geographical market is included in the following Table 38.

Table 38 Real Estate and Other Repossessed Assets by Principal Market  
(Dollars in Thousands)

	Oklahoma	Texas	Colorado	Arkansas	New Mexico	Arizona	Kansas/ Missouri	Other	Total
1-4 family residential properties and residential land development properties	\$ 5,034	\$ 17,610	\$ 3,153	\$ 4,474	\$ 1,612	\$ 30,242	\$ 675	\$ 370	\$ 63,170
Developed commercial real estate properties	2,486	4,855	4,594	1,391	7,580	15,382	-	-	36,288
Equity interest in partial satisfaction of debts	14,477	-	-	-	-	-	-	-	14,477
Undeveloped land	-	-	2,219	-	-	5,883	-	-	8,102
Construction equipment	-	-	-	-	-	-	4,838	-	4,838
Vehicles	904	457	-	569	-	-	-	-	1,930
Other	-	-	229	-	-	-	-	-	229
<b>Total real estate and other repossessed assets</b>	<b>\$ 22,901</b>	<b>\$ 22,922</b>	<b>\$ 10,195</b>	<b>\$ 6,434</b>	<b>\$ 9,192</b>	<b>\$ 51,507</b>	<b>\$ 5,513</b>	<b>\$ 370</b>	<b>\$ 129,034</b>

Approximately \$2 million of residential and residential land development properties in the Colorado market are supported by the First United Bank sellers' guaranty. Undeveloped land is primarily zoned for commercial development. Developed commercial real estate properties are primarily completed with no additional construction necessary for sale.

Our loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in Nonperforming Assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled \$236 million at December 31, 2009. The current composition of potential problem loans by primary industry included: real estate - \$120 million, energy - \$38 million, services - \$24 million, manufacturing - \$16 million and healthcare - \$15 million. Potential problem real estate loans included \$54 million of residential development loans on properties primarily located in Texas, Colorado and Oklahoma and \$24 million of loans secured by multi-family residential properties located primarily in Texas.

## Liquidity and Capital

### Subsidiary Banks

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary banks. For 2009, approximately 66% of our funding is provided by average deposit accounts, 19% from average borrowed funds, 2% from average long-term subordinated debt and 9% from average shareholders' equity. Our funding sources, which primarily include deposits, borrowings from the Federal Home Loan Banks and other banks, provide adequate liquidity to meet our operating needs.

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

Average deposits totaled \$15.2 billion at December 31, 2009 and represent 66% of total average liabilities and capital for 2009 compared with \$13.7 billion or 63% of total average liabilities and capital for 2008. Average deposits increased \$1.5 billion compared to 2008. Average interest-bearing transaction deposit accounts continued to grow in 2009, up \$751 million or 12% over 2008. Average demand deposits also increased, up \$647 million or 25% over last year, primarily related to the growth in balances held by our commercial banking customers. Growth in our average interest-bearing transaction deposit accounts included \$406 million of wealth management deposits, \$199 million of consumer banking deposits and \$182 million of commercial deposits. Average time deposits increased \$130 million or 3% over 2008.

Table 39 Maturity of Domestic CDs and Public Funds in Amounts of \$100,000 or More (In Thousands)

	December 31,	
	2009	2008
Months to maturity:		
3 or less	\$ 537,757	\$ 879,792
Over 3 through 6	399,580	844,957
Over 6 through 12	648,416	651,632
Over 12	525,127	710,395
Total	\$ 2,110,880	\$ 3,086,776

Brokered deposits, which are included in time deposits, averaged \$533 million for 2009, down \$278 million or 34% compared to the previous year. Brokered deposits totaled \$36 million at December 31, 2009 compared to \$1.0 billion at December 31, 2008. These deposits which were largely added in 2008 to remix wholesale funding sources to provide more available liquidity are being replaced by other deposit products as they mature. Average wealth management time deposits increased \$439 million or 113% compared with 2008 and average retail time deposits increased \$106 million or 4% compared with 2008.

For 2009, core deposits were defined as deposits of less than \$250,000 excluding public funds and brokered deposits, to reflect the increased FDIC insurance level under the FDIC's Transaction Account Guarantee Program. Core deposits for 2009 averaged \$9.6 billion. Accounts with balances in excess of \$250,000 excluding brokered deposit accounts averaged \$4.3 billion. For 2008, core deposits were defined as deposits of less than \$100,000 excluding public funds and brokered deposits, averaged \$6.6 billion. Accounts with balances in excess of \$100,000 excluding brokered deposit accounts averaged \$5.6 billion for 2008.

The distribution of deposit accounts among our principal markets is shown in Table 40.

Table 40 Deposits by Principal Market Area  
(In Thousands)

	<b>December 31,</b>				
	<b>2009</b>	2008	2007	2006	2005
Oklahoma:					
Demand	<b>\$ 2,068,908</b>	\$ 1,683,374	\$ 1,394,861	\$ 1,298,593	\$ 1,333,331
Interest-bearing:					
Transaction	<b>5,134,902</b>	4,117,729	3,477,208	3,072,830	2,672,563
Savings	<b>93,006</b>	86,476	80,467	83,017	85,837
Time	<b>1,397,240</b>	3,104,933	2,426,822	2,595,890	2,564,337
Total interest-bearing	<b>6,625,148</b>	7,309,138	5,984,497	5,751,737	5,322,737
Total Oklahoma	<b>\$ 8,694,056</b>	\$ 8,992,512	\$ 7,379,358	\$ 7,050,330	\$ 6,656,068
Texas:					
Demand	<b>\$ 1,108,401</b>	\$ 1,067,456	\$ 1,035,134	\$ 848,152	\$ 841,197
Interest-bearing:					
Transaction	<b>1,748,319</b>	1,460,576	1,753,843	1,480,138	1,310,105
Savings	<b>35,129</b>	32,071	34,618	24,074	27,398
Time	<b>1,100,602</b>	857,416	800,460	829,255	735,731
Total interest-bearing	<b>2,884,050</b>	2,350,063	2,588,921	2,333,467	2,073,234
Total Texas	<b>\$ 3,992,451</b>	\$ 3,417,519	\$ 3,624,055	\$ 3,181,619	\$ 2,914,431
New Mexico:					
Demand	<b>\$ 209,090</b>	\$ 155,345	\$ 151,231	\$ 175,980	\$ 172,363
Interest-bearing:					
Transaction	<b>444,247</b>	397,382	432,919	380,450	338,025
Savings	<b>17,563</b>	16,289	15,146	16,417	17,839
Time	<b>510,202</b>	522,894	486,868	490,460	453,314
Total interest-bearing	<b>972,012</b>	936,565	934,933	887,327	809,178
Total New Mexico	<b>\$ 1,181,102</b>	\$ 1,091,910	\$ 1,086,164	\$ 1,063,307	\$ 981,541
Arkansas:					
Demand	<b>\$ 21,526</b>	\$ 16,293	\$ 13,247	\$ 15,604	\$ 14,414
Interest-bearing:					
Transaction	<b>50,879</b>	38,566	19,027	14,890	18,369
Savings	<b>1,346</b>	1,083	883	1,010	1,058
Time	<b>101,839</b>	75,579	40,692	57,446	75,034
Total interest-bearing	<b>154,064</b>	115,228	60,602	73,346	94,461
Total Arkansas	<b>\$ 175,590</b>	\$ 131,521	\$ 73,849	\$ 88,950	\$ 108,875
Colorado:					
Demand	<b>\$ 146,929</b>	\$ 116,637	\$ 117,939	\$ 80,559	\$ 91,483
Interest-bearing:					
Transaction	<b>448,846</b>	480,113	446,427	296,451	228,832
Savings	<b>17,802</b>	17,660	23,806	12,632	17,772
Time	<b>525,844</b>	532,475	539,523	485,200	264,020
Total interest-bearing	<b>992,492</b>	1,030,248	1,009,756	794,283	510,624
Total Colorado	<b>\$ 1,139,421</b>	\$ 1,146,885	\$ 1,127,695	\$ 874,842	\$ 602,107
Arizona:					
Demand	<b>\$ 68,651</b>	\$ 39,424	\$ 46,701	\$ 51,542	\$ 59,689
Interest-bearing:					
Transaction	<b>81,909</b>	56,985	65,788	61,539	42,872
Savings	<b>958</b>	1,014	1,435	1,978	4,111
Time	<b>60,768</b>	34,290	11,603	6,574	5,624
Total interest-bearing	<b>143,635</b>	92,289	78,826	70,091	52,607
Total Arizona	<b>\$ 212,286</b>	\$ 131,713	\$ 125,527	\$ 121,633	\$ 112,296
Kansas/Missouri:					
Demand	<b>\$ 30,339</b>	\$ 3,850	\$ 9,656	\$ 57	\$ -
Interest-bearing:					
Transaction	<b>21,337</b>	10,999	8,304	244	-
Savings	<b>148</b>	42	13	2	-
Time	<b>71,498</b>	55,656	24,670	5,721	-
Total interest-bearing	<b>92,983</b>	66,697	32,987	5,967	-
Total Kansas/Missouri	<b>\$ 123,322</b>	\$ 70,547	\$ 42,643	\$ 6,024	\$ -
Total BOK Financial deposits	<b>\$15,518,228</b>	\$14,982,607	\$13,459,291	\$ 12,386,705	\$ 11,375,318

In addition to deposits, subsidiary bank liquidity is provided primarily by federal funds purchased, securities repurchase agreements and Federal Home Loan Bank borrowings. Federal funds purchased consist primarily of unsecured, overnight funds acquired from other financial institutions. Funds are primarily purchased from bankers' banks and Federal Home Loan banks from across the country. The largest single source of Federal funds purchased totaled \$188 million at



December 31, 2009. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities. Federal Home Loan Bank borrowings generally mature within one year and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family mortgage loans and multifamily mortgage loans). During 2009, the outstanding balance of federal funds purchased averaged \$1.5 billion and securities repurchase agreements averaged \$817 million. Amounts borrowed from the Federal Home Loan Banks of Topeka and Dallas averaged \$1.2 million.

The subsidiary banks began borrowing funds under the Federal Reserve Bank Term Auction Facility program. This is a temporary program which allows banks that are in generally sound financial condition to bid for funds. Funds are borrowed for either 28 or 84 days and are secured by a pledge of eligible collateral. Funds borrowed under this program averaged \$943 million for 2009. Although designated as a temporary program, no plans have been announced for its termination.

At December 31, 2009, the estimated unused credit available to the subsidiary banks from collateralized sources and within our internal policy limits was approximately \$4.7 billion.

### ***Parent Company***

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 year plus retained profits for the preceding two years. Dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations, at December 31, 2009, the subsidiary banks could declare up to \$225 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 \$190 million under this policy. Future losses or increases in required regulatory capital at the subsidiary banks could affect their ability to pay dividends to the parent company.

Effective December 2, 2009, the Company amended an unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The terms of the amended credit agreement reduced the committed amount from \$188 million to \$100 million, changed the interest rate and facility fee to reflect current market terms and extended the maturity date from December 2, 2010 to December 2, 2012. Interest on outstanding balances due to Mr. Kaiser is based on one-month LIBOR plus 250 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 50 basis points. Previously, interest was due quarterly based on one-month LIBOR plus 125 basis points and the facility fee was paid quarterly on the unused portion of the commitment at 25 basis points. As with the original agreement, the amended agreement has no restrictive covenants. No amounts were outstanding under this credit agreement as of December 31, 2009. The outstanding balance at December 31, 2008 was \$50 million.

Our equity capital at December 31, 2009 was \$2.2 billion up from \$1.8 billion at December 31, 2008. Net income less cash dividend paid increased equity \$137 million. Accumulated other comprehensive losses decreased \$212 million during 2009 due primarily to a \$344 million change from a net unrealized loss on available for sale securities at December 31, 2008 to a net unrealized gain at December 31, 2009. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

Based on asset size, we are the largest commercial bank that elected not to participate in the TARP Capital Purchase Program. The decision not to participate in TARP was based on an evaluation of our capital needs at the time and in several capital stress environments. We considered capital requirements for organic growth and potential acquisitions, the cost of TARP capital and a defined exit strategy when the cost of TARP capital increases substantially at the end of year five. We also considered reasonable capital and liquidity support from our majority shareholder.

On April 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, securities law limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. Since this program began, 784,073 shares have been repurchased by the Company for \$39 million. No shares were repurchased by the Company during 2009.

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

For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. All of the Company's banking subsidiaries exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis and for each of the subsidiary banks are presented in Note 15 to the Consolidated Financial Statements.

Capital resources of financial institutions are also regularly measured by the tangible common shareholders' equity ratio. Tangible common shareholders' equity is shareholders' equity as defined by GAAP less intangible assets and equity which does not benefit common shareholders. Equity that does not benefit common shareholders includes preferred equity and equity provided by the U.S. Treasury's TARP program. Tier 1 common equity is tier 1 equity as defined by banking regulations, adjusted for other comprehensive income (loss) and equity which does not benefit common shareholders. These non-GAAP measures are valuable indicators of a financial institution's capital strength since it eliminates intangible assets from shareholders' equity and retains the effect of unrealized losses on securities and other components of accumulated other comprehensive income (loss) in shareholders' equity. At December 31, 2009, BOK Financial's tangible common shareholders' equity ratio was 7.99% and tier 1 common equity ratio was 10.75%. At December 31, 2008 BOK Financial's tangible common shareholders' equity ratio was 6.64% and tier 1 common equity ratio was 9.32%

The following table provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 41 Non-GAAP Measures  
(In Thousands)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<u>Tangible common equity ratio:</u>		
Total shareholders' equity	\$ 2,205,813	\$ 1,846,257
Less: Intangible assets, net	354,239	361,209
<u>Tangible common equity</u>	<u>1,851,574</u>	<u>1,485,048</u>
Total assets	23,516,831	22,734,648
Less: Intangible assets, net	354,239	361,209
<u>Tangible assets</u>	<u>\$23,162,592</u>	<u>\$22,373,439</u>
<u>Tangible common equity ratio</u>	<u>7.99%</u>	<u>6.64%</u>
<u>Tier 1 common equity ratio:</u>		
Tier 1 capital	\$ 1,876,778	\$ 1,728,926
Less: Non-controlling interest	19,561	13,855
<u>Tier 1 common equity</u>	<u>1,857,217</u>	<u>1,715,071</u>
<u>Risk weighted assets</u>	<u>17,275,808</u>	<u>18,401,051</u>
<u>Tier 1 common equity ratio</u>	<u>10.75%</u>	<u>9.32%</u>

### Off-Balance Sheet Arrangements

Bank of Oklahoma guarantees rents totaling \$28.7 million through September, 2017 to the City of Tulsa ("City") as owner of a building immediately adjacent to the Bank's main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$22.8 million at December 31, 2009. In return for this guarantee, Bank of Oklahoma will receive 80% of net cash flow as defined in an agreement with the City over the next 10 years from currently vacant space in the same building. None of this additional space has been rented to outside parties since the date of the agreement. The maximum amount that Bank of Oklahoma may receive under this agreement is \$4.5 million.

### Aggregate Contractual Obligations

BOK Financial has numerous contractual obligations in the normal course of business. These obligations included time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers and to purchase securities, derivative contracts and contracts for services such as data processing that are integral to our operations. The following table summarizes payments due per these contractual obligations at December 31, 2009.

Table 42 Contractual Obligations as of December 31, 2009  
(In Thousands)

	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Time deposits	\$ 617,810	\$329,726	\$214,947	\$428,190	\$1,590,673
Other borrowings	1,254,283	160,966	1,190	8,442	1,424,881
Subordinated debentures	21,875	43,750	43,750	458,542	567,917
Operating lease obligations	14,955	25,652	18,227	88,585	147,419
Derivative contracts	205,977	137,366	15,142	4,461	362,946
Data processing contracts	17,876	32,373	20,864	6,317	77,430
<b>Total</b>	<b>\$2,132,776</b>	<b>\$729,833</b>	<b>\$314,120</b>	<b>\$994,537</b>	<b>\$4,171,266</b>

Loan commitments	\$ 5,001,338
Standby letters of credit	588,091
Mortgage loans sold with recourse	330,963
Alternative investment commitments	9,923
Unfunded third-party private equity commitments	18,904
Deferred compensation and stock-based compensation obligations	27,452

Payments on time deposits and other borrowed funds include interest which has been calculated from rates at December 31, 2009. Many of these obligations have variable interest rates and actual payments will differ from the amounts shown on this table. Obligations under derivative contracts used for interest rate risk management purposes are included with projected payments from time deposits and other borrowed funds as appropriate.

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

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

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

Loan commitments represent legally binding obligations to provide financing to our customers. Some of these commitments are expected to expire before being drawn upon and the total commitment amounts do not necessarily represent future cash requirements. Approximately \$1.3 billion of the loan commitments expire within one year.

Obligations under derivative contracts are used in customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on these obligations. Amounts shown in the table exclude \$55 million of cash margin which secures our obligations under these contracts.

The Company has funded \$52 million and has commitments to fund an additional \$9.9 million for various alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities that invest in distressed assets, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments.

The Company has \$19 million of commitments to make investments through its BOK Financial Private Equity Funds. These commitments, which are included in unfunded third-party private equity commitments, generally reflect customer investment obligations.

The Company has compensation and employment agreements with our President and Chief Executive Officer. Collectively, these agreements provide, among other things, that all unvested stock-based compensation shall fully vest upon his termination, subject to certain conditions. These agreements provide for settlement in cash or other assets. We currently have recognized a \$20 million liability for these plans. This liability would increase to \$21 million if all awards were fully vested. We also have obligations with respect to employee and executive benefit plans. See Notes 11 and 12 to the Consolidated Financial Statements for additional information about our employee benefit plans.

### Recently Issued Accounting Standards

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

## Forward-Looking Statements

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

## Legal Notice

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

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

### Market Risk

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

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

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

### *Interest Rate Risk – Other than Trading*

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company's balance sheet to be relatively neutral to changes in interest rates over a twelve month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 and 24 months based on eight interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 50 basis point decrease in interest

rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful. The Company also performs a sensitivity analysis based on a “most likely” interest rate scenario, which includes non-parallel shifts in interest rates. An independent source is used to determine the most likely interest rate scenario.

The Company’s primary interest rate exposures include the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 43 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 – Consumer Banking section of this report.

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

Table 43 Interest Rate Sensitivity  
(Dollars in Thousands)

	200 bp Increase		50 bp Decrease		Most Likely	
	2009	2008	2009	2008	2009	2008
Anticipated impact over the next 12 months on net interest revenue	\$ (4,933)	\$ (5,609)	\$ (8,032)	\$ (13,125)	\$ (262)	\$ 1,892
	(0.3)%	(0.8)%	(1.2)%	(1.8)%	–	0.3%

### Trading Activities

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

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

Management uses a Value at Risk (“VAR”) methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to \$3.7 million. At December 31, 2009, the VAR was \$692 thousand. The greatest value at risk during 2009 was \$3.6 million. The value at risk guideline was exceeded with appropriate approvals by management to take advantage of wide yields available on certain securities during the year.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Management on Financial Statements**

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

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, conducted an assessment of internal control over financial reporting as of December 31, 2009. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. In establishing internal control over financial reporting, management assesses risk and designs controls to prevent or detect financial reporting misstatements that may be consequential to a reader. Management also assesses the impact of any internal control deficiencies and oversees efforts to improve internal control over financial reporting. Because of inherent limitations, it is possible that internal controls may not prevent or detect misstatements, and it is possible that internal controls may vary over time based on changing conditions. There have been no material changes in internal controls subsequent to December 31, 2009.

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), as amended. Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on that assessment and criteria, management has determined that the Company maintained effective internal control over financial reporting as of December 31, 2009.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. Their report, which expresses unqualified opinions on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, is included in this annual report.

## **Report of Independent Registered Public Accounting Firm**

### **Report on Consolidated Financial Statements**

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation as of December 31, 2009 and 2008, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. 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, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BOK Financial Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

February 26, 2010

## **Report of Independent Registered Public Accounting Firm**

### **Report on Effectiveness of Internal Control over Financial Reporting**

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited BOK Financial Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BOK Financial Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, BOK Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BOK Financial Corporation as of December 31, 2009 and 2008, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of BOK Financial Corporation and our report dated February 26, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

February 26, 2010



## Consolidated Statements of Earnings

(In Thousands, Except Share and Per Share Data)

	2009	2008	2007
<b>Interest revenue</b>			
Loans	\$ 562,367	\$ 726,405	\$ 887,248
Residential mortgage loans held for sale	10,102	5,805	4,776
Taxable securities	328,997	313,360	248,972
Tax-exempt securities	10,143	10,651	13,604
Total securities	339,140	324,011	262,576
Trading securities	2,883	3,847	1,657
Funds sold and resell agreements	77	1,577	4,480
Total interest revenue	914,569	1,061,645	1,160,737
<b>Interest expense</b>			
Deposits	164,362	288,924	412,746
Borrowed funds	17,545	103,597	178,605
Subordinated debentures	22,298	22,262	24,901
Total interest expense	204,205	414,783	616,252
<b>Net interest revenue</b>	710,364	646,862	544,485
<b>Provision for credit losses</b>	195,900	202,593	34,721
<b>Net interest revenue after provision for credit losses</b>	514,464	444,269	509,764
<b>Other operating revenue</b>			
Brokerage and trading revenue	91,677	42,804	62,542
Transaction card revenue	105,517	100,153	90,425
Trust fees and commissions	66,177	78,979	78,231
Deposit service charges and fees	115,791	117,528	109,218
Mortgage banking revenue	64,980	30,599	22,275
Bank-owned life insurance	10,239	10,681	10,058
Margin asset fees	236	8,548	4,800
Other revenue	25,895	25,902	28,073
Total fees and commissions	480,512	415,194	405,622
Gain (loss) on other assets, net	4,134	(9,406)	2,404
Gain (loss) on derivatives, net	(3,365)	1,299	2,282
Gain on securities, net	46,122	26,943	313
Total other-than-temporary impairment losses	(129,154)	(5,306)	(8,641)
Portion of loss recognized in other comprehensive income	(94,741)	-	-
Net impairment losses recognized in earnings	(34,413)	(5,306)	(8,641)
Total other operating revenue	492,990	428,724	401,980
<b>Other operating expense</b>			
Personnel	380,517	352,947	328,705
Business promotion	19,582	23,536	21,888
Professional fees and services	30,243	27,045	22,795
Net occupancy and equipment	65,715	60,632	57,284
Insurance	24,040	11,988	3,017
FDIC special assessment	11,773	-	-
Data processing and communications	81,292	78,047	72,733
Printing, postage and supplies	15,960	16,433	16,570
Net losses and operating expenses of repossessed assets	11,400	1,019	691
Amortization of intangible assets	6,970	7,661	7,358
Mortgage banking costs	36,304	22,513	13,111
Change in fair value of mortgage servicing rights	(12,124)	34,515	2,893
Visa retrospective responsibility obligation	-	(2,767)	2,767
Other expense	25,061	28,835	25,175
Total other operating expense	696,733	662,404	574,987
<b>Income before taxes</b>	310,721	210,589	336,757
Federal and state income tax	106,705	64,909	115,761
<b>Net income before non-controlling interest</b>	204,016	145,680	220,996
Net income (loss) attributable to non-controlling interest	3,438	(7,552)	3,332
<b>Net income attributable to BOK Financial Corp.</b>	\$ 200,578	\$ 153,232	\$ 217,664
<b>Earnings per share:</b>			
Basic	\$ 2.96	\$ 2.27	\$ 3.24
Diluted	\$ 2.96	\$ 2.27	\$ 3.22
<b>Average shares used in computation:</b>			
Basic	67,375,387	67,302,990	67,083,200
Diluted	67,487,944	67,461,361	67,519,742
<b>Dividends declared per share</b>	\$ 0.945	\$ 0.875	\$ 0.75

See accompanying notes to consolidated financial statements.

## Consolidated Balance Sheets

(In Thousands, Except Share Data)

	December 31,	
	2009	2008
<b>Assets</b>		
Cash and due from banks	\$ 875,250	\$ 581,133
Funds sold and resell agreements	45,966	113,809
Trading securities	65,354	99,601
Securities:		
Available for sale	8,726,135	5,800,691
Available for sale securities pledged to creditors	145,888	590,760
Investment (fair value: <b>2009 – \$246,704</b> ; 2008 – \$245,769)	240,405	242,344
Mortgage trading securities	285,950	399,211
Total securities	9,398,378	7,033,006
Residential mortgage loans held for sale	217,826	129,246
Loans	11,279,698	12,876,006
Less reserve for loan losses	(292,095)	(233,236)
Loans, net of reserve	10,987,603	12,642,770
Premises and equipment, net	280,260	277,458
Accrued revenue receivable	108,822	96,673
Intangible assets, net	354,239	361,209
Mortgage servicing rights, net	73,824	42,752
Real estate and other repossessed assets	129,034	29,179
Bankers' acceptances	3,869	12,913
Derivative contracts	343,782	452,604
Cash surrender value of bank-owned life insurance	247,357	237,006
Receivable on unsettled securities trades	–	239,474
Other assets	385,267	385,815
<b>Total assets</b>	<b>\$ 23,516,831</b>	<b>\$ 22,734,648</b>
<b>Liabilities and shareholders' equity</b>		
Noninterest-bearing demand deposits	\$ 3,653,844	\$ 3,082,379
Interest-bearing deposits:		
Transaction	7,930,439	6,562,350
Savings	165,952	154,635
Time (includes deposits carried at fair value: <b>2009 – \$98,031</b> ; 2008 – \$632,754)	3,767,993	5,183,243
Total deposits	15,518,228	14,982,607
Funds purchased and repurchase agreements	2,471,743	3,025,399
Other borrowings	2,133,357	1,522,054
Subordinated debentures	398,539	398,407
Accrued interest, taxes and expense	111,880	133,220
Bankers' acceptances	3,869	12,913
Due on unsettled securities trades	212,335	–
Derivative contracts	308,360	667,034
Other liabilities	133,146	132,902
<b>Total liabilities</b>	<b>21,291,457</b>	<b>20,874,536</b>
Shareholders' equity:		
Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: <b>2009 – 70,312,086</b> ; 2008 – 69,884,749)	4	4
Capital surplus	758,723	743,411
Retained earnings	1,563,683	1,427,057
Treasury stock (shares at cost: <b>2009 – 2,509,279</b> ; 2008 – 2,411,663)	(105,857)	(101,329)
Accumulated other comprehensive loss	(10,740)	(222,886)
Total shareholders' equity	2,205,813	1,846,257
Non-controlling interest	19,561	13,855
Total equity	2,225,374	1,860,112
<b>Total liabilities and equity</b>	<b>\$ 23,516,831</b>	<b>\$ 22,734,648</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

(In Thousands)

	2009	2008	2007
<b>Cash Flows From Operating Activities:</b>			
Net income before non-controlling interest	\$ 204,016	\$ 145,680	\$ 220,996
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for credit losses	195,900	202,593	34,721
Change in fair value of mortgage servicing rights	(12,124)	34,515	2,893
Unrealized (gains) losses from derivatives	23,000	35,408	(11,162)
Depreciation and amortization	87,771	51,282	43,524
Change in bank-owned life insurance	(10,351)	(7,466)	(17,310)
Tax expense (benefit) on exercise of stock options	276	(895)	(3,460)
Stock-based compensation	5,862	4,798	8,483
Net (accretion) amortization of securities discounts and premiums	35,636	(18,106)	(2,404)
Realized (gains) losses on financial instruments and other assets	(46,318)	(30,981)	7,663
Mortgage loans originated for resale	(2,676,868)	(1,201,613)	(1,022,829)
Proceeds from sale of mortgage loans held for resale	2,619,399	1,170,722	1,008,828
Capitalized mortgage servicing rights	(39,869)	(19,220)	(17,708)
Change in trading securities, including mortgage trading securities	102,121	(297,292)	896
Change in accrued revenue receivable	(12,149)	41,570	(30,719)
Change in other assets	(166,375)	(82,948)	14,598
Change in accrued interest, taxes and expense	(21,340)	28,411	36,985
Change in other liabilities	(7,571)	25,607	(36,218)
<b>Net cash provided by operating activities</b>	<b>281,016</b>	<b>82,065</b>	<b>237,777</b>
<b>Cash Flows From Investing Activities:</b>			
Proceeds from sales of available for sale securities	3,242,282	3,499,128	806,979
Proceeds from maturities of investment securities	91,562	69,931	93,245
Proceeds from maturities of available for sale securities	1,600,165	1,091,054	1,186,319
Purchases of investment securities	(89,816)	(65,506)	(92,648)
Purchases of available for sale securities	(6,966,218)	(5,576,035)	(2,909,791)
Loans originated or acquired net of principal collected	1,328,731	(1,043,001)	(936,018)
Net payments or proceeds on derivative asset contracts	497,034	63,109	(143,649)
Net change in other investment assets	-	33	67
Proceeds from disposition of assets	26,640	39,522	48,341
Purchases of other assets	(81,142)	(85,943)	(44,929)
Cash and equivalents of subsidiaries and branches acquired and sold, net	-	-	(47,476)
<b>Net cash used in investing activities</b>	<b>(350,762)</b>	<b>(2,007,708)</b>	<b>(2,039,560)</b>
<b>Cash Flows From Financing Activities:</b>			
Net change in demand deposits, transaction deposits and savings accounts	1,950,871	670,712	860,612
Net change in time deposits	(1,407,380)	842,408	(291,822)
Net change in other borrowings, banks	112,797	294,758	1,301,093
Change in amount receivable (due) on unsettled security transactions	451,809	(219,510)	(117,491)
Issuance of common and treasury stock, net	5,198	7,743	13,747
Issuance of other borrowings, holding companies	-	50,000	-
Pay down of other borrowings, holding companies	(55,150)	(50,000)	-
Issuance of subordinated debenture, net	-	-	248,618
Pay down of subordinated debentures	-	-	(150,000)
Net change in derivative margin accounts	(162,138)	244,413	(58,451)
Net payments or proceeds on derivative liability contracts	(535,759)	(44,064)	152,873
Tax benefit on exercise of stock options	(276)	895	3,460
Repurchase of common stock	-	(7,992)	(17,353)
Dividends paid	(63,952)	(59,191)	(50,416)
<b>Net cash provided by financing activities</b>	<b>296,020</b>	<b>1,730,172</b>	<b>1,894,870</b>
Net increase (decrease) in cash and cash equivalents	226,274	(195,471)	93,087
Cash and cash equivalents at beginning of period	694,942	890,413	797,326
<b>Cash and cash equivalents at end of period</b>	<b>\$ 921,216</b>	<b>\$ 694,942</b>	<b>\$ 890,413</b>
<b>Cash paid for interest</b>	<b>\$ 230,841</b>	<b>\$ 411,860</b>	<b>\$ 608,963</b>
<b>Cash paid for taxes</b>	<b>124,547</b>	<b>114,120</b>	<b>115,627</b>
<b>Net loans and bank premises transferred to repossessed real estate</b>	<b>132,758</b>	<b>30,972</b>	<b>9,825</b>
<b>Securities transferred from trading securities to available for sale securities</b>	<b>45,890</b>	<b>-</b>	<b>-</b>

See accompanying notes to consolidated financial statements.

**Consolidated Statements of Changes in Shareholders' Equity**  
(In Thousands)

	Common Stock		Accumulated Other Comprehensive
	Shares	Amount	Income (Loss)
December 31, 2006	68,705	\$4	\$(73,444)
Effect of implementing FAS 157, net of tax	-	-	-
Effect of implementing FIN 48	-	-	-
Comprehensive income:			
Net income attributed to BOK Financial Corp.	-	-	-
Net income (loss) attributable to non-controlling interest	-	-	-
Other comprehensive loss, net of tax	-	-	42,210
Comprehensive income			
Treasury stock purchase	-	-	-
Exercise of stock options	760	-	-
Tax benefit on exercise of stock options	-	-	-
Stock-based compensation	-	-	-
Cash dividends on common stock	-	-	-
Capital calls, net	-	-	-
December 31, 2007	69,465	4	(31,234)
Effect of implementing FAS 159, net of tax	-	-	-
Comprehensive income (loss):			
Net income attributed to BOK Financial Corp.	-	-	-
Net income (loss) attributable to non-controlling interest	-	-	-
Other comprehensive loss, net of tax	-	-	(191,652)
Comprehensive loss			
Treasury stock purchase	-	-	-
Exercise of stock options	420	-	-
Tax benefit on exercise of stock options	-	-	-
Stock-based compensation	-	-	-
Cash dividends on common stock	-	-	-
Capital calls, net	-	-	-
December 31, 2008	69,885	4	(222,886)
Comprehensive income:			
Net income attributed to BOK Financial Corp.	-	-	-
Net income (loss) attributable to non-controlling interest	-	-	-
Other comprehensive income, net of tax	-	-	212,146
Comprehensive income			
Exercise of stock options	427	-	-
Tax benefit on exercise of stock options	-	-	-
Stock-based compensation	-	-	-
Cash dividends on common stock	-	-	-
Capital calls, net	-	-	-
December 31, 2009	70,312	\$4	\$ (10,740)

See accompanying notes to consolidated financial statements.

Capital Surplus	Retained Earnings	Treasury Stock		Total Shareholders' Equity	Non- Controlling Interest	Total Equity
		Shares	Amount			
\$688,861	\$1,166,994	1,637	\$(61,393)	\$1,721,022	\$ 13,852	\$ 1,734,874
-	(679)	-	-	(679)	-	(679)
-	(609)	-	-	(609)	-	(609)
-	217,664	-	-	217,664	-	217,664
-	-	-	-	-	(3,332)	(3,332)
-	-	-	-	42,210	-	42,210
-	-	-	-	<u>259,874</u>	<u>(3,332)</u>	<u>256,542</u>
-	-	340	(17,353)	(17,353)	-	(17,353)
23,429	-	182	(9,682)	13,747	-	13,747
3,460	-	-	-	3,460	-	3,460
6,338	-	-	-	6,338	-	6,338
-	(50,416)	-	-	(50,416)	-	(50,416)
-	-	-	-	-	8,329	8,329
722,088	1,332,954	2,159	(88,428)	1,935,384	18,849	1,954,233
-	62	-	-	62	-	62
-	153,232	-	-	153,232	-	153,232
-	-	-	-	-	7,552	7,552
-	-	-	-	(191,652)	-	(191,652)
-	-	-	-	<u>(38,420)</u>	<u>7,552</u>	<u>(30,868)</u>
-	-	166	(7,992)	(7,992)	-	(7,992)
12,652	-	87	(4,909)	7,743	-	7,743
895	-	-	-	895	-	895
7,776	-	-	-	7,776	-	7,776
-	(59,191)	-	-	(59,191)	-	(59,191)
-	-	-	-	-	(12,546)	(12,546)
743,411	1,427,057	2,412	(101,329)	1,846,257	13,855	1,860,112
-	<b>200,578</b>	-	-	<b>200,578</b>	-	<b>200,578</b>
-	-	-	-	-	(3,438)	(3,438)
-	-	-	-	<b>212,146</b>	-	<b>212,146</b>
-	-	-	-	<u>412,724</u>	<u>(3,438)</u>	<u>409,286</u>
9,726	-	97	(4,528)	5,198	-	5,198
(276)	-	-	-	(276)	-	(276)
5,862	-	-	-	5,862	-	5,862
-	(63,952)	-	-	(63,952)	-	(63,952)
-	-	-	-	-	9,144	9,144
<b>\$ 758,723</b>	<b>\$ 1,563,683</b>	<b>2,509</b>	<b>\$ (105,857)</b>	<b>\$ 2,205,813</b>	<b>\$ 19,561</b>	<b>\$ 2,225,374</b>

## Notes to Consolidated Financial Statements

### (1) Significant Accounting Policies

#### *Basis of Presentation*

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

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

#### *Nature of Operations*

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

#### *Use of Estimates*

Preparation of BOK Financial’s consolidated financial statements requires management to make estimates of future economic activities, including loan 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, including identifiable intangible assets, are recorded at fair value on the acquisition dates. Goodwill is recognized as the excess of the purchase price over the net fair value of assets acquired and liabilities assumed. The Consolidated Statements of Earnings include the results of operations from the dates of acquisition.

#### *Intangible Assets*

Intangible assets, which generally result from business combinations, are accounted for under the provisions of Accounting Standards Codification Topic 350, “Intangibles - Goodwill and Other.” 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 reporting units is estimated by the discounted future earnings method. Income growth is projected for each unit and a terminal value is computed. This projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to determine the fair value of the reporting units are compared to observable inputs, such as the market value of BOK Financial common stock. However, determination of the fair value of individual reporting units requires the use of significant unobservable inputs. There have been no changes in the techniques used to value goodwill.

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

### *Cash Equivalents*

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

### *Securities*

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

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

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

The purchase or sale of securities is recognized on a trade date basis. A net receivable or payable is recognized for subsequent transaction settlement. BOK Financial will periodically commit to purchase to-be-announced mortgage-backed securities. These commitments are carried at fair value if they are considered derivative contracts. 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. All derivative instruments are carried at fair value. The determination of fair value of derivative instruments considers changes in interest rates, commodity prices and foreign exchange rates. Credit risk is also considered in determining fair value. Deterioration in the credit rating of customers or other counterparties reduces the fair value of asset contracts. Deterioration of our credit rating to below investment grade or the credit ratings of other counterparties could decrease the fair value of our derivative liabilities. Changes in fair value are generally reported in income as they occur.

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

In certain circumstances, an interest rate swap may be designated as a fair value hedge and may qualify for hedge accounting. In these circumstances, changes in the full fair value of the hedged asset or liability, not only changes in fair value due to changes in the benchmark interest rate, is also recognized in earnings and may partially or completely offset changes in fair value of the interest rate swap. A fair value hedge is considered effective if the cumulative fair value adjustment of the interest rate swap is within a range of 80% to 120% of the cumulative change in the fair value of the hedged asset or liability. Any ineffectiveness, including ineffectiveness due to credit risk or ineffectiveness created when the fixed rate of the hedged asset or liability does not match the fixed rate of the interest rate swap, is recognized in earnings in the income statement line item "Gain (loss) on derivatives, net."

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

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

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

BOK Financial offers programs to permit its customer to manage various risks, including fluctuations in energy, cattle and other agricultural products, interest rates and foreign exchange rates, or to take positions in derivative contracts. Derivative contracts are executed between the customers and BOK Financial. Offsetting contracts are executed between BOK Financial and other selected counterparties to minimize its risk of changes in commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to customer contracts, except for a fixed pricing spread or fee paid to BOK Financial as profit and compensation for administrative costs and credit risk which is recognized over the life of the contracts and included in other operating revenue – brokerage and trading revenue.

When bilateral netting agreements exist between the Company and its counterparties that create a single legal claim or obligation to pay or receive the net amount in settlement of the individual derivative contracts, the Company reports derivative assets and liabilities on a net by counterparty basis.

Derivative contracts may also require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met.

### *Loans*

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

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 collectability of principal. Loans may be returned to accruing status when, in the opinion of management, full collection of principal and interest is probable based on improvements in the borrower's financial condition or a sustained period of performance.

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

Mortgage loans originated by our mortgage banking unit are held for sale and are carried at fair value based on sales commitments or market quotes. Changes in fair value are recorded in other operating revenue – mortgage banking revenue.

### *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 include 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 is based on discounted cash flows using the loan's initial effective interest rate, the fair value of the collateral for certain collateral dependent loans, or historical statistics.

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.



Management has excluded small balance, homogeneous loans from the impairment evaluation. 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.

#### *Transfers of Financial Assets*

BOK Financial transfers financial assets as part of its mortgage banking activities and periodically may transfer other financial assets. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control are met. BOK Financial may retain the right to service the assets and may incur a recourse obligation. The Company may also retain a residual interest in excess cash flows generated by the assets. All assets obtained, including cash, servicing rights and residual interests, and all liabilities incurred, including recourse obligations, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings. Subsequently, servicing rights and residual interests are carried at fair value with changes in fair value recognized in earnings as they occur. A separate reserve is maintained as part of other liabilities for the Company's credit risk on loans transferred subject to a recourse obligation.

#### *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. Fair values are generally evaluated annually, or more frequently for certain asset types or assets located in certain distressed markets. Additional costs incurred to complete real estate and other repossessed assets may increase the carrying value, up to 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. Useful lives range from 5 years to 40 years for buildings and improvements, 3 years to 7 years for software and 3 years to 10 years for furniture and equipment. Repair and maintenance costs are charged to expense as incurred.

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

#### *Mortgage Servicing Rights*

Mortgage servicing rights may be purchased or may be recognized when mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Originated mortgage servicing rights are initially recognized at fair value. Purchased servicing rights are initially recognized at purchase price. All mortgage servicing rights are subsequently carried at fair value. Changes in the fair value are recognized in earnings as they occur.

There is no active market for trading in mortgage servicing rights after origination. A cash flow model is used to determine fair value. Key assumptions and estimates, including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. Assumptions used to value mortgage servicing rights are considered significant unobservable inputs. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of BOK Financial's servicing portfolio. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model. There have been no changes in the techniques used to value mortgage servicing rights.

### *Federal and State Income Taxes*

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

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

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

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

### *Employee Benefit Plans*

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

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

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

### *Stock Compensation Plans*

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

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

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

### *Other Operating Revenue*

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

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

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

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

## **Effect of Recently Issued Statements of Financial Accounting Standards**

### **Financial Accounting Standards Board**

#### *Accounting Standards Codification 805, "Business Combinations" ("ASC 805" and formerly Statement of Financial Accounting Standards No. 141, "Business Combinations (Revised 2007)," ("FAS 141R")*

FAS 141R was codified by the FASB as ASC 805 as a replacement to Statement of Financial Accounting Standards No. 141, "Business Combinations," ("FAS 141") and applies to all transactions and other events in which one entity obtains control over one or more other businesses. ASC 805 requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Banks may no longer carry over the pre-acquisition allowance for loan losses. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date. Acquirers are required to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed. The requirements of FASB Accounting Standards Codification 420, "Exit or Disposal Cost Obligations," (formerly Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities") would have to be met in order to accrue for a restructuring plan in purchase accounting. Certain pre-acquisition contingencies are to be recognized at fair value. Other contingencies would be subject to the probable and estimable recognition criteria of FASB Accounting Standards Codification 450, "Contingencies" (formerly Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies"). ASC 805 was applicable to the Company's accounting for business combinations closing on or after January 1, 2009. No such transactions were completed during 2009.

#### *Statement of Financial Accounting Standards No. 160, "Non-controlling Interest in Consolidated Financial Statements – An Amendment of ARB No. 51" ("FAS 160")*

Issued during 2007, FAS 160 was codified by FASB into Accounting Standards Codification 810, "Consolidations," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, consolidated net income is required to be reported at amounts that included the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. The Company adopted this guidance as of January 1, 2009, and it did not have a significant impact on the Company's financial statements. All prior periods have been reclassified for a consistent presentation.

#### *Accounting Standards Codification 815-10-50 "Derivatives and Hedging – Disclosures" ("ASC 815-10-50" and formerly Statement of Financial Accounting Standards No. 161, "Disclosure About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," ("FAS 161")*

FAS 161 was codified by FASB as ASC 815-10-50 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under FASB Accounting Standards Codification 815, "Derivatives and Hedging" and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, ASC 815-10-50 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. ASC 815-10-50 was effective for the Company as of January 1, 2009. It did not have a significant impact on the Company's financial statements.

Financial Accounting Standards Board Staff Position No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly” (“FSP 157-4”)

FSP 157-4 was codified by FASB into the FASB Accounting Standards Codification 820 “Fair Value Measurements.” (“ASC 820”). It was issued April 9, 2009 to provide guidance for determining fair value when there is no active market or where price inputs represent distressed sales. It reaffirms the fair value measurement objective that fair value represents how much an asset would be sold for in an orderly transaction under current market conditions. The guidance was effective for interim and annual periods ending after June 15, 2009. Early adoption for interim and annual periods ending after March 15, 2009 was permitted. The Company adopted this guidance as of March 31, 2009. It did not have a significant impact on the Company’s financial statements.

Financial Accounting Standards Board Staff Position No. FAS 115-2 and FAS 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP No. 115-2”)

FSP 115-2 was codified by FASB into the FASB Accounting Standards Codification 320, “Investments – Debt and Equity Securities.” It was issued April 9, 2009 to provide additional guidance and create greater clarity and consistency in accounting for impairment losses on securities. It replaces the assertion of intent and ability to hold an impaired debt security until fair value recovers with assertions that the holder does not intend to sell the security prior to recovery and that it is more likely than not that the holder will not be required to sell the impaired security prior to recovery. The full impairment loss is recognized in earnings if the holder is unable to make these assertions. Otherwise, a credit loss portion of the impairment is recognized in earnings and the remaining impairment is recognized in other comprehensive income (equity). The guidance was effective for interim and annual periods ending after June 15, 2009 and required additional disclosures in interim periods. Early adoption for interim and annual periods ending after March 15, 2009 was permitted. The Company adopted this guidance as of January 1, 2009 and reduced the loss recognized in earnings on debt securities determined to be other-than-temporarily impaired by \$39 million.

FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP107-1”)

FSP 107-1 was codified into the FASB Accounting Standards Codification 820, “Fair Value Measurements” (“ASC 820”) and enhances consistency in financial reporting by increasing the frequency of fair value disclosures for any financial instruments that are not currently reflected on the balance sheet at fair value. It requires disclosures in interim financial statements that were previously only required in annual financial statements to provide qualitative and quantitative information about fair value estimates. The guidance included in ASC 820 was effective for interim and annual periods ending after June 15, 2009. Early adoption for interim and annual periods ending after March 15, 2009 was permitted. The Company adopted the guidance included in ASC 820 as of June 30, 2009. It did not have a significant impact on the Company’s financial statements.

Financial Accounting Standards Board Staff Position No. EITF 03-6-1 “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP No. EITF 03-6-1”)

FSP No. EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 became effective on January 1, 2009 and was codified by FASB into the Accounting Standards Codification 260, “Earnings per Share.” See additional discussion at Note 16 – Earnings per Share.

Accounting Standards Codification 855 “Subsequent Events” (“ASC 855” and formerly Statement of Financial Accounting Standards No. 165, “Subsequent Events” (“FAS 165”)

On May 28, 2009, the FASB issued FAS 165 to provide authoritative accounting guidance on management’s assessment of subsequent events. FAS 165 was codified by FASB into ASC 855 which incorporates existing U.S. auditing literature and clarifies that management is responsible for evaluating, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. ASC 855 was effective for the Company as of June 30, 2009 and did not have a significant impact on the Company’s financial statements.

Accounting Standards Update No. 2009-05, “Topic 820 – Fair Value Measurements and Disclosures – Measuring Liabilities at Fair Value” (“ASU 2009-05”)

ASU 2009-05 provides clarification that the fair value measurement of liabilities in which a quoted price in an active market for the identical liability is not available should be developed based on a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets or another valuation technique that is consistent with the principles of Topic 820 – Fair Value Measurements and Disclosures. ASU 2009-05 also clarifies that there is no requirement to adjust the fair value related to the existence of a restriction that prevents the transfer of the liability and that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no

adjustments to the quoted price of the asset are required are Level 1 fair value measurements. This guidance was effective for the Company as of September 30, 2009 and did not have a significant impact on the Company's financial statements.

*FASB Accounting Standards Update No. 2009-12, "Topic 820 – Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASU 2009-12")*

ASU 2009-12 permits, as a practical expedient, fair value of an investment that is within the scope of the ASU such as hedge funds, private equity funds, real estate funds, venture capital funds, offshore fund vehicles and fund of funds to be measured based on the net asset value of the investment or its equivalent as of the reporting entity's measurement date. It also requires certain disclosures including any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments and the investment strategies of the investees. ASU 2009-12 is effective for interim and annual periods ending December 15, 2009. Early application is permitted. The Company's adoption of ASU 2009-12 as of December 31, 2009 did not have a significant impact on the Company's financial statements.

*FASB Accounting Standards Update No. 2009-16, "Accounting for Transfers of Financial Assets" ("ASU 2009-16")*

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

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

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

*FASB Accounting Standards Update No. 2010-06, "Improving Disclosures About Fair Value Measurements" ("ASU 2010-06")*

ASU 2010-06 amends ASC 820 to add new disclosure requirements about transfers into and out of Levels 1 and 2, as defined in ASC 820 and separate disclosures about purchases, sales, issuance and settlements relating to Level 3 measurements, as defined in ASC 820. It also clarified existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 was effective for the Company on January 1, 2010 with exception of the requirement to provide Level 3 activity of purchases, sales, issuances, and settlement on a gross basis, which will be effective for the Company on January 1, 2011. Early adoption is permitted.

## (2) Securities

### Investment Securities

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

	December 31,							
	2009				2008			
	Amortized Cost	Fair Value	Not Recognized in OCI (1)		Amortized Cost	Fair Value	Not Recognized in OCI (1)	
			Gross Gain	Unrealized Loss			Gross Gain	Unrealized Loss
Municipal and other tax-exempt	\$ 232,568	\$ 238,847	\$ 6,336	\$ (57)	\$ 235,791	\$ 239,178	\$ 3,736	\$ (349)
Other debt securities	7,837	7,857	20	–	6,553	6,591	38	–
<b>Total</b>	<b>\$ 240,405</b>	<b>\$ 246,704</b>	<b>\$ 6,356</b>	<b>\$ (57)</b>	<b>\$ 242,344</b>	<b>\$ 245,769</b>	<b>\$ 3,774</b>	<b>\$ (349)</b>

(1) Other comprehensive income

The amortized cost and fair values of investment securities at December 31, 2009, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Six to Ten Years	Over Ten Years	Total	Weighted Average Maturity <sup>2</sup>
Municipal and other tax-exempt:						
Amortized cost	\$ 58,491	\$ 139,581	\$ 26,499	\$ 7,997	\$ 232,568	2.83
Fair value	59,104	144,253	27,394	8,096	238,847	
Nominal yield <sup>1</sup>	5.28	4.61	5.71	6.39	4.96	
Other debt securities:						
Amortized cost	\$ 6,399	\$ 1,425	\$ –	\$ 13	\$ 7,837	0.92
Fair value	6,415	1,429	–	13	7,857	
Nominal yield	0.85	5.09	–	–	1.62	
Total fixed maturity securities:						
Amortized cost	\$ 64,890	\$ 141,006	\$ 26,499	\$ 8,010	\$ 240,405	2.77
Fair value	65,519	145,682	27,394	8,109	246,704	
Nominal yield	4.84	4.61	5.71	6.38	4.85	
Total investment securities:						
Amortized cost					\$ 240,405	
Fair value					246,704	
Nominal yield					4.85	

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

<sup>2</sup> Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalty.

## Available for Sale Securities

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

	December 31,									
	2009					2008				
	Amortized Cost	Fair Value	Recognized in OCI (1)		Other Than Temporary Impairment	Amortized Cost	Fair Value	Recognized in OCI (1)		
			Gross Unrealized Gain	Loss				Gross Unrealized Gain	Loss	
U.S. Treasury	\$ 6,998	\$ 7,020	\$ 22	\$ -	\$ -	\$ 6,987	\$ 7,126	\$ 139	\$ -	
Municipal and other tax-exempt	61,268	62,201	1,244	(311)	-	19,537	20,163	664	(38)	
Residential mortgage-backed securities:										
U. S. agencies:										
FNMA	3,690,280	3,782,180	98,764	(6,864)	-	2,194,834	2,225,589	37,855	(7,100)	
FHLMC	2,479,522	2,547,978	70,024	(1,568)	-	2,222,253	2,254,989	37,577	(4,841)	
GNMA	1,221,577	1,225,042	10,371	(6,906)	-	195,767	200,086	4,319	-	
Other	254,438	254,128	5,080	(5,390)	-	288,041	292,264	4,322	(99)	
Total U.S. agencies	7,645,817	7,809,328	184,239	(20,728)	-	4,900,895	4,972,928	84,073	(12,040)	
Private issue:										
Alt-A loans	262,106	195,808	-	(13,305)	(52,993)	393,118	268,545	-	(124,573)	
Jumbo-A loans	699,272	596,554	-	(71,023)	(31,695)	1,243,816	972,693	28	(271,151)	
Total private issue	961,378	792,362	-	(84,328)	(84,688)	1,636,934	1,241,238	28	(395,724)	
Total residential mortgage- backed securities	8,607,195	8,601,690	184,239	(105,056)	(84,688)	6,537,829	6,214,166	84,101	(407,764)	
Other debt securities	17,174	17,147	-	(27)	-	37	36	-	(1)	
Federal Reserve Bank stock	32,526	32,526	-	-	-	32,380	32,380	-	-	
Federal Home Loan Bank stock	78,999	78,999	-	-	-	61,760	61,760	-	-	
Perpetual preferred stock	19,224	22,275	3,051	-	-	32,472	21,701	-	(10,771)	
Equity securities and mutual funds	35,414	50,165	15,275	(524)	-	31,421	34,119	2,698	-	
<b>Total</b>	<b>\$ 8,858,798</b>	<b>\$8,872,023</b>	<b>\$ 203,831</b>	<b>\$ (105,918)</b>	<b>\$ (84,688)</b>	<b>\$ 6,722,423</b>	<b>\$6,391,451</b>	<b>\$87,602</b>	<b>\$ (418,574)</b>	

(1) Other comprehensive income

The amortized cost and fair values of available for sale securities at December 31, 2009, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Six to Ten Years	Over Ten Years <sup>6</sup>	Total	Weighted Average Maturity <sup>5</sup>
<b>U.S. Treasuries:</b>						
Amortized cost	\$ 6,998	\$ –	\$ –	\$ –	\$ 6,998	0.16
Fair value	7,020	–	–	–	7,020	
Nominal yield	2.16	–	–	–	2.16	
<b>Municipal and other tax-exempt:</b>						
Amortized cost	\$ –	\$ 4,046	\$ 15,892	\$ 41,330	\$ 61,268	19.41
Fair value	–	4,302	16,768	41,131	62,201	
Nominal yield <sup>1</sup>	–	3.99	4.11	1.43	2.29	
<b>Other debt securities:</b>						
Amortized cost	\$ 25	\$ 6	\$ –	\$ 17,143	\$ 17,174	29.94
Fair value	25	6	–	17,116	17,147	
Nominal yield <sup>1</sup>	6.18	7.61	–	1.60	1.61	
<b>Total fixed maturity securities:</b>						
Amortized cost	\$ 7,023	\$ 4,052	\$ 15,892	\$ 58,473	\$ 85,440	19.95
Fair value	7,045	4,308	16,768	58,247	86,368	
Nominal yield	2.18	3.99	4.11	1.48	2.15	
<b>Mortgage-backed securities:</b>						
Amortized cost					\$ 8,607,195	2
Fair value					8,601,690	
Nominal yield <sup>4</sup>					4.31	
<b>Equity securities and mutual funds:</b>						
Amortized cost					\$ 166,163	3
Fair value					183,965	
Nominal yield					2.34	
<b>Total available-for-sale securities:</b>						
Amortized cost					\$ 8,858,798	
Fair value					8,872,023	
Nominal yield					4.25	

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

<sup>2</sup> The average expected lives of mortgage-backed securities were 3.38 years based upon current prepayment assumptions.

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

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

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

<sup>6</sup> Nominal yield on municipal and other tax-exempt securities and other debt securities with contractual maturity dates over ten years are based on variable rates which generally are reset within 35 days.

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

	2009	2008	2007
Proceeds	\$ 3,242,282	\$3,499,128	\$ 806,979
Gross realized gains	63,859	21,128	2,862
Gross realized losses	1,390	11,932	3,138
Related federal and state income tax expense (benefit)	24,300	2,736	(96)

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

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

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of \$5.1 billion and \$5.0 billion at December 31, 2009 and 2008, respectively, have been pledged as collateral for repurchase agreements, public and trust funds on deposit and for other purposes, as required by law. The secured parties do not have the right to sell or re-pledge these securities.



Temporarily Impaired Securities as of December 31, 2009  
(In Thousands)

	Number of Securities	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	15	\$ 1,490	\$ 14	\$ 2,991	\$ 43	\$ 4,481	\$ 57
Available for sale:							
Municipal and other tax-exempt	27	34,373	265	657	46	35,030	311
Residential mortgage- backed securities:							
U. S. agencies:							
FNMA	21	497,659	6,864	–	–	497,659	6,864
FHLMC	8	212,618	1,568	–	–	212,618	1,568
GNMA	16	460,144	6,906	–	–	460,144	6,906
Other	4	87,434	5,390	–	–	87,434	5,390
Total U.S. agencies	49	1,257,855	20,728	–	–	1,257,855	20,728
Private issue:							
Alt-A loans	21	–	–	195,808	66,298	195,808	66,298
Jumbo-A loans	65	–	–	596,554	102,718	596,554	102,718
Total private issue	86	–	–	792,362	169,016	792,362	169,016
Total residential mortgage-backed securities	135	1,257,855	20,728	792,362	169,016	2,050,217	189,744
Other debt securities	5	8,116	26	31	1	8,147	27
Equity securities and mutual funds	4	2,790	524	–	–	2,790	524
Total available for sale	171	1,303,134	21,543	793,050	169,063	2,096,184	190,606
Total	186	\$ 1,304,624	\$ 21,557	\$ 796,041	\$ 169,106	\$ 2,100,665	\$ 190,663

Temporarily Impaired Securities as of December 31, 2008  
(In Thousands)

	Number of Securities	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	63	\$ 10,331	\$ 147	\$ 7,914	\$ 202	\$ 18,245	\$ 349
Available for sale:							
Municipal and other tax-exempt	4	645	30	1,269	8	1,914	38
Residential mortgage- backed securities:							
U. S. agencies:							
FNMA	31	484,689	6,266	65,219	834	549,908	7,100
FHLMC	28	273,829	3,413	152,222	1,428	426,051	4,841
Other	1	36,444	99	–	–	36,444	99
Total U.S. agencies	60	794,962	9,778	217,441	2,262	1,012,403	12,040
Private issue:							
Alt-A loans	27	24,655	16,251	243,890	108,322	268,545	124,573
Jumbo-A loans	87	273,081	67,470	692,187	203,681	965,268	271,151
Total private issue	114	297,736	83,721	936,077	312,003	1,233,813	395,724
Total residential mortgage-backed securities	174	1,092,698	93,499	1,153,518	314,265	2,246,216	407,764
Other debt securities	2	–	–	36	1	36	1
Perpetual preferred stock	10	4,739	1,155	16,962	9,616	21,701	10,771
Total available for sale	190	1,098,082	94,684	1,171,785	323,890	2,269,867	418,574
Total	253	\$ 1,108,413	\$ 94,831	\$ 1,179,699	\$ 324,092	\$ 2,288,112	\$ 418,923

On a quarterly basis, the Company performs separate evaluations of impaired debt and equity securities to determine if the unrealized losses are temporary.

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. During 2009, the Company recognized a \$1.3 million other-than-temporary charge on \$91 million of impaired debt securities that it intended to sell. These securities were sold during the year. At December 31, 2009, the Company does not intend to sell any impaired available for sale securities before fair value recovers to our current amortized cost and it is more-likely-than-not that the Company will not be required to sell impaired securities before fair value recovers.

For all impaired debt securities for which there was no intent or expected requirement to sell, the evaluation considers all available evidence to assess whether it is more likely than not that all amounts due would not be collected according to the security's contractual terms.

As of December 31, 2009, the composition of the Company's securities portfolio by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

	U.S. Govt / GSE (1)		AAA - AA		A - BBB		Below Investment Grade		Not Rated		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<u>Held-to-Maturity:</u>												
Municipal and other tax-exempt	\$ -	\$ -	\$ 52,157	\$ 53,771	\$ 59,053	\$ 60,366	\$ -	\$ -	\$ 121,358	\$ 124,710	\$ 232,568	\$ 238,847
Other debt securities	-	-	-	-	1,350	1,350	-	-	6,487	6,507	7,837	7,857
Total	\$ -	\$ -	\$ 52,157	\$ 53,771	\$ 60,403	\$ 61,716	\$ -	\$ -	\$ 127,845	\$ 131,217	\$ 240,405	\$ 246,704
<u>Available for Sale:</u>												
U.S. Treasury	\$ 6,998	\$ 7,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,998	\$ 7,020
Municipal and other tax-exempt	-	-	41,445	42,293	7,761	7,850	9,818	9,724	2,244	2,334	61,268	62,201
Residential mortgage-backed securities:												
U. S. agencies:												
FNMA	3,690,280	3,782,180	-	-	-	-	-	-	-	-	3,690,280	3,782,180
FHLMC	2,479,522	2,547,978	-	-	-	-	-	-	-	-	2,479,522	2,547,978
GNMA	1,221,577	1,225,042	-	-	-	-	-	-	-	-	1,221,577	1,225,042
Other	254,438	254,128	-	-	-	-	-	-	-	-	254,438	254,128
Total U.S. agencies	7,645,817	7,809,328	-	-	-	-	-	-	-	-	7,645,817	7,809,328
Private issue:												
Alt-A loans	-	-	22,444	19,601	13,254	12,585	226,408	163,622	-	-	262,106	195,808
Jumbo-A loans	-	-	222,875	199,912	113,841	100,288	362,556	296,354	-	-	699,272	596,554
Total private issue	-	-	245,319	219,513	127,095	112,873	588,964	459,976	-	-	961,378	792,362
Total residential mortgage-backed securities	7,645,817	7,809,328	245,319	219,513	127,095	112,873	588,964	459,976	-	-	8,607,195	8,601,690
Other debt securities	-	-	14,592	14,566	-	-	2,550	2,550	32	31	17,174	17,147
Federal Reserve Bank stock	32,526	32,526	-	-	-	-	-	-	-	-	32,526	32,526
Federal Home Loan Bank stock	78,999	78,999	-	-	-	-	-	-	-	-	78,999	78,999
Perpetual preferred stock	-	-	-	-	19,224	22,275	-	-	-	-	19,224	22,275
Equity securities and mutual funds	-	-	-	-	-	-	-	-	35,414	50,165	35,414	50,165
Total	\$7,764,340	\$ 7,927,873	\$301,356	\$276,372	\$ 154,080	\$142,998	\$ 601,332	\$ 472,250	\$ 37,690	\$ 52,530	\$ 8,858,798	\$ 8,872,023

(1) U.S. government and government sponsored enterprises are not rated by the nationally-recognized rating agencies as these securities are guaranteed by agencies of the U.S. government or government-sponsored enterprises.

Impairment of debt securities rated investment grade by all nationally-recognized rating agencies are considered temporary unless specific contrary information is identified. None of the debt securities rated investment grade were considered to be other-than-temporarily impaired at December 31, 2009.

At December 31, 2009, approximately \$589 million of the portfolio of privately issued mortgage-backed securities (based on amortized cost after impairment charges) was rated below investment grade by at least one of the nationally-recognized rating agencies. The aggregate unrealized loss on these securities totaled \$129 million. Ratings by the nationally recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below investment grade by at least one of the nationally-recognized rating agencies was evaluated to determine if management expects not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure. The primary assumptions used in this evaluation were:

- Unemployment rates – increasing to 10.5% over the next 12 months, dropping to 8% for the following 12 months, and holding at 8% thereafter.
- Housing price depreciation – starting with current depreciated housing prices based on information derived from the Federal Housing Finance Agency data, decreasing by an additional 7.5% over the next twelve months and holding at that level thereafter.
- Estimated Liquidation Costs – held constant at 27% of the then-current depreciated housing price at estimated foreclosure date.
- Discount rates – estimated cash flows were discounted at rates that range from 5.50% to 6.14% based on our current expected yields.

The Company also considers the adjusted loan-to-value ratio and credit enhancement coverage ratio as part of the assessment of the cash flows available to recover the amortized cost of the debt securities. Each factor is given equal weight in the evaluation.

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

A distribution of the amortized cost (after recognition of the other-than-temporary impairment) and fair value by adjusted loan to value ratio is as follows (in thousands):

Adjusted LTV Ratio	Number of Securities	Amortized Cost	Fair Value	Credit Loss Recognized	
				Number of Securities	Amount
< 70 %	4	\$ 46,229	\$ 41,236	–	\$ –
70 < 75	–	–	–	–	–
75 < 80	7	169,886	130,815	2	2,330
80 < 85	9	274,813	219,410	6	14,177
>= 85	5	98,036	68,515	5	8,635
<b>Total</b>	<b>25</b>	<b>\$ 588,964</b>	<b>\$ 459,976</b>	<b>13</b>	<b>\$ 25,142</b>

Credit enhancement coverage ratio is an estimate of credit enhancement available to absorb current projected losses within the pool of loans that support the security. The Company acquires the benefit of credit enhancement by investing in super-senior tranches for many of these mortgage-backed securities. Subordinated tranches held by other investors are specifically designed to absorb losses before the super-senior tranches which effectively doubled the typical credit support for these types of bonds. Current projected losses consider depreciation of home prices based on FHFA data, estimated costs and additional losses to liquidate collateral and delinquency status of the individual loans underlying the security. Management believes that a credit enhancement coverage ratio below 1.50 provides evidence that current credit enhancement may not provide sufficient cash flows of the individual loans to support our carrying value at the security level. The credit enhancement coverage ratio guideline of 1.50 times is based on standard underwriting criteria which consider loans with coverage ratios of 1.20 to 1.25 times to be well-secured.

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

Based on projected declines in expected cash flows from certain private-label residential mortgage-backed securities, the Company recognized \$25 million of credit loss impairment in earnings during 2009. Additional impairment based on the difference between the total unrealized losses and the estimated credit losses on these securities was charged against other comprehensive income, net of deferred taxes.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on management's ability and intent to hold the securities until fair value recovers over periods not to exceed three years. The assessment of the ability and intent to hold these securities focuses on liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings and credit spreads for preferred stocks which have debt-like characteristics. All impairment of equity securities was considered temporary at December 31, 2009. During 2009, the Company recognized \$8.0 million in other-than-temporary impairment charges against the portfolio of preferred stocks.

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

	<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
OTTI related to perpetual preferred stocks	\$ (8,008)	\$ (5,306)	\$ (8,641)
OTTI on debt securities due to change in intent to sell	(1,263)	-	-
OTTI on debt securities not intended for sale	(119,883)	-	-
Less: Portion of OTTI recognized in other comprehensive income	(94,741)	-	-
OTTI recognized in earnings related to credit losses on debt securities not intended for sale	(25,142)	-	-
<b>Total OTTI recognized in earnings</b>	<b>\$ (34,413)</b>	<b>\$ (5,306)</b>	<b>\$ (8,641)</b>

The following is a tabular roll forward of the amount of credit-related OTTI recognized on available-for-sale debt securities in earnings for the year ended December 31, 2009 (in thousands):

Balance of credit-related OTTI recognized on available for sale debt securities at January 1, 2009	\$ -
Additions for credit-related OTTI not previously recognized	21,468
Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost	3,674
<b>Balance of credit-related OTTI recognized on available for sale debt securities at December 31, 2009</b>	<b>\$ 25,142</b>

### **Mortgage Trading Securities**

Mortgage trading securities are mortgage-backed securities that have been designated as an economic hedge of the mortgage servicing rights and are separately identified on the balance sheet. The Company elected to carry these securities at fair value. Changes in fair value are recognized in earnings as they occur. As of December 31, 2009, mortgage trading securities were carried at their \$286 million fair value and had a net unrealized loss of \$2.1 million. As of December 31, 2008, mortgage trading securities were carried at their \$399 million fair value and had a net unrealized gain of \$13 million. The Company recognized a net loss of \$13 million on mortgage trading securities in 2009 and a net gain of \$11 million during 2008.

### (3) Derivatives

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2009 (in thousands):

	Gross Basis				Net Basis <sup>2</sup>			
	Assets		Liabilities		Assets		Liabilities	
	Notional <sup>1</sup>	Fair Value	Notional <sup>1</sup>	Fair Value	Notional <sup>1</sup>	Fair Value	Notional <sup>1</sup>	Fair Value
Customer Risk Management Programs:								
Interest rate contracts	\$ 4,377,115	\$ 110,449	\$ 4,367,002	\$ 115,413	\$ 4,377,115	\$ 110,449	\$ 4,367,002	\$ 115,413
Energy contracts	3,588,767	454,978	3,719,796	450,614	591,294	174,319	711,885	176,983
Agriculture contracts	23,196	1,004	31,715	875	23,196	1,004	31,715	875
Foreign exchange contracts	63,942	64,182	64,182	64,182	63,942	64,182	64,182	64,182
CD options	66,248	5,493	66,248	5,493	66,248	5,493	66,248	5,493
Total Customer Derivatives before cash collateral	8,119,268	636,106	8,248,943	636,577	5,121,795	355,447	5,241,032	362,946
Less: cash collateral	-	-	-	-	-	(13,229)	-	(54,586)
Total customer derivatives	8,119,268	636,106	8,248,943	636,577	5,121,795	342,218	5,241,032	308,360
Interest Rate Risk Management Programs	43,357	1,564	-	-	43,357	1,564	-	-
Total Derivative Contracts	\$ 8,162,625	\$ 637,670	\$ 8,248,943	\$ 636,577	\$ 5,165,152	\$ 343,782	\$ 5,241,032	\$ 308,360

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

<sup>2</sup> Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

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

	Year ended December 31, 2009	
	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net
Customer Risk Management Programs:		
Interest rate contracts	\$ 2,780	\$ -
Energy contracts	3,480	-
Agriculture contracts	728	-
Foreign exchange contracts	593	-
CD options	-	-
Total Customer Derivatives	7,581	-
Interest Rate Risk Management Programs	-	(11,235)
Total Derivative Contracts	\$ 7,581	\$ (11,235)

For the years ended December 31, 2009 and 2008, net interest revenue decreased \$13.1 million and \$7.0 million, respectively, from the settlements of amounts receivable or payable on interest rate swaps. For the year ended December 31, 2007, net interest revenue was increased by \$6.8 million from the settlement of amounts receivable or payable on interest rate swaps.

The notional amount and the fair value of derivative contracts included in residential mortgage loans held for sale on the balance sheet and related gain (loss) included in mortgage banking revenue due to changes in the fair value of derivative contracts as of and for the year ended December 31, 2009 were (in thousands):

	Mortgage Loans Held for Sale		Mortgage Banking Revenue
	Notional	Fair Value	
Mortgage loan commitments	\$ 117,716	\$ 496	\$ (1,673)
Forward sales contracts	333,218	3,626	5,786
		\$ 4,122	\$ 4,113

None of these derivative contracts have been designated as hedging instruments.

#### (4) Loans

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

	December 31,							
	2009				2008			
	Fixed Rate	Variable Rate	Non-accrual	Total	Fixed Rate	Variable Rate	Non-accrual	Total
Commercial	\$ 2,917,814	\$3,188,642	\$ 101,384	\$ 6,207,840	\$3,012,649	\$4,264,108	\$ 134,846	\$7,411,603
Commercial real estate	773,241	1,513,269	204,924	2,491,434	847,816	1,716,153	137,279	2,701,248
Residential mortgage	769,661	993,972	29,989	1,793,622	772,234	952,953	27,387	1,752,574
Consumer	560,566	223,178	3,058	786,802	805,136	204,884	561	1,010,581
<b>Total</b>	<b>\$ 5,021,282</b>	<b>\$5,919,061</b>	<b>\$ 339,355</b>	<b>\$ 11,279,698</b>	<b>\$5,437,835</b>	<b>\$7,138,098</b>	<b>\$ 300,073</b>	<b>\$12,876,006</b>
Loans past due (90 days)				\$ 10,308				\$ 19,123
Foregone interest on nonaccrual loans				\$ 17,015				\$ 8,391

At December 31, 2009, approximately \$5.1 billion or 46% of the total loan portfolio is to businesses and individuals in Oklahoma and \$3.2 billion or 29% of our total loan portfolio is to businesses and individuals in Texas. This geographic concentration subjects the loan portfolio to the general economic conditions within this area.

Approximately \$2.6 billion or 43% of the commercial portfolio are to business in Oklahoma and \$2.0 billion or 32% of our commercial loan portfolio are to business in Texas. At December 31, 2009, loans to energy-related businesses within the commercial loan classification, totaled \$1.9 billion or 17% of total loans and loans to service-related businesses totaled \$1.8 billion or 16% of total loans. Approximately \$1.0 billion of loans in the services category consists of loans with individual balances of less than \$10 million. Other notable segments include wholesale/retail, \$922 million; healthcare, \$793 million; and manufacturing, \$404 million.

Approximately 33% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 30% of commercial real estate loans are secured by property located in Texas, primarily in the Dallas and Houston areas. The major components of these properties are construction and land development, \$645 million; office buildings, \$463 million; retail facilities, \$423 million; and multifamily residences, \$360 million.

At December 31, 2009 and 2008, residential mortgage loans included \$15.8 million and \$12.8 million, respectively, and consumer loans included \$94 thousand and \$254 thousand, respectively, of loans with repayment terms that have been modified from the original contracts.

#### *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, 2009, outstanding commitments totaled \$5.0 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, 2009, outstanding standby letters of credit totaled \$588 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, 2009, outstanding commercial letters of credit totaled \$13 million.

The Company also has off-balance sheet credit risk for residential loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs and sold to U.S. government agencies. These loans were underwritten to standards approved by the agencies, including full documentation. However, these loans have a higher risk of delinquency and losses given default than traditional residential mortgage loans. A separate recourse reserve is maintained for this off-balance sheet credit risk. At December 31, 2009, the principal balance of loans sold subject to recourse obligations totaled \$331 million and the reserve for credit risk from these

loans totaled \$14 million. Provision for loan losses incurred during 2009 and 2008 totaled \$12.2 million and \$8.6 million, respectively.

### *Reserve for Credit Losses*

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 233,236	\$ 126,677	\$ 109,497
Provision for loan losses	196,678	208,280	34,758
Loans charged off	(148,499)	(122,211)	(31,617)
Recoveries	10,680	20,490	10,511
Addition due to acquisitions	-	-	3,528
<b>Ending balance</b>	<b>\$ 292,095</b>	<b>\$ 233,236</b>	<b>\$ 126,677</b>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 15,166	\$ 20,853	\$ 20,890
Provision for off-balance sheet credit losses	(778)	(5,687)	(37)
<b>Ending balance</b>	<b>\$ 14,388</b>	<b>\$ 15,166</b>	<b>\$ 20,853</b>
<b>Provision for credit losses</b>	<b>\$ 195,900</b>	<b>\$ 202,593</b>	<b>\$ 34,721</b>

### *Reserve for Recourse Loan Losses*

The activity in the reserve for losses on loans sold with recourse is summarized as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 8,767	\$ 3,560	\$ 2,473
Provision for recourse losses	12,210	8,577	1,092
Loans charged off, net	(7,196)	(3,370)	(5)
<b>Ending balance</b>	<b>\$ 13,781</b>	<b>\$ 8,767</b>	<b>\$ 3,560</b>

### *Impaired Loans*

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

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Investment in loans impaired under FAS 114 (all of which were on a nonaccrual basis)	\$ 316,666	\$ 269,908	\$ 74,085
Loans with specific reserves for loss	204,076	194,292	22,749
Specific reserve balance	36,168	28,532	4,425
No specific related reserve for loss	112,590	75,616	51,336
Average recorded investment in impaired loans	327,935	179,808	44,535

Approximately \$85 million of losses on impaired loans with no related specific reserves at December 31, 2009 were charged off against the allowance for loan losses during 2009. Interest income recognized on impaired loans during 2009, 2008 and 2007 was not significant.

## (5) Premises and Equipment

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

	December 31,	
	2009	2008
Land	\$ 76,900	\$ 71,306
Buildings and improvements	226,724	221,035
Software	61,347	55,488
Furniture and equipment	122,842	136,785
Subtotal	487,813	484,614
Less accumulated depreciation	207,553	207,156
Total	\$ 280,260	\$ 277,458

Depreciation expense of premises and equipment was \$32.5 million, \$28.4 million and \$25.6 million for the years ended December 31, 2009, 2008 and 2007, respectively.

## (6) Intangible Assets

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

	December 31,	
	2009	2008
Core deposit premiums	\$ 109,417	\$ 109,417
Less accumulated amortization	100,664	95,059
Net core deposit premiums	8,753	14,358
Other identifiable intangible assets	16,791	16,791
Less accumulated amortization	6,906	5,769
Net other identifiable intangible assets	9,885	11,022
Goodwill	388,736	388,964
Less accumulated amortization	53,135	53,135
Net goodwill	335,601	335,829
Total intangible assets, net	\$ 354,239	\$ 361,209

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

	Core Deposit Premiums	Other Identifiable Intangible Assets	Total
2010	4,131	1,163	5,294
2011	2,227	1,190	3,417
2012	815	1,218	2,033
2013	485	936	1,421
2014	433	334	767
Thereafter	662	5,044	5,706
	\$ 8,753	\$ 9,885	\$ 18,638



The net amortized cost of identifiable intangible assets at December 31, 2009 is assigned to the Company's geographic markets as follows (in thousands):

Core deposit premiums:	
Texas	\$ 5,735
Colorado	2,609
Arizona	409
	<u>\$ 8,753</u>
Other identifiable intangible assets:	
Oklahoma	\$ 5,923
Colorado	3,172
Kansas / Missouri	790
	<u>\$ 9,885</u>
Goodwill:	
Oklahoma	\$ 8,173
Texas	240,122
New Mexico	15,273
Colorado	55,611
Arizona	16,422
	<u>\$ 335,601</u>

Changes in the carrying value goodwill by operating segment are as follows (in thousands):

	Commercial	Consumer	Wealth Management	Total
Balance January 1, 2009	\$ 266,728	\$ 39,251	\$ 29,850	\$ 335,829
Impairment	-	(228)	-	(228)
Balance December 31, 2009	\$ 266,728	\$ 39,023	\$ 29,850	\$ 335,601

As a result of the annual goodwill evaluation, the Company recorded an impairment charge of \$228 thousand related to the consumer banking operating segment in the Arizona market. The annual goodwill evaluation did not indicate impairment for any reporting unit in 2008 or 2007. Economic conditions did not indicate that impairment existed for any identifiable intangible assets and therefore no impairment evaluation was performed.

## (7) Mortgage Banking Activities

BOK Financial engages in mortgage banking activities through the BOK Mortgage Division of BOK. Residential mortgage loans held for sale totaled \$218 million and \$129 million, and outstanding mortgage loan commitments totaled \$145 million and \$241 million at December 31, 2009 and 2008, 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 managed through forward sales of mortgage-backed securities and forward sales contracts. These latter contracts set the price for loans that will be delivered in the next 60 to 90 days. As of December 31, 2009, the unrealized gain on forward sales contracts used to manage the mortgage pipeline interest rate risk was approximately \$3.6 million. Gains on mortgage loans sold, including capitalized mortgage servicing rights, totaled \$31.1 million in 2009, \$9.5 million in 2008 and \$5.2 million in 2007.

At December 31, 2009, BOK Financial owned the rights to service 64,104 mortgage loans with outstanding principal balances of \$7.4 billion, including \$828 million serviced for affiliates, and held related funds of \$86 million for investors and borrowers. The weighted average interest rate and remaining term was 5.66% and 292 months, respectively. Mortgage loans sold with recourse totaled \$331 million at December 31, 2009, and \$17 million of loans sold with recourse were either 90 days or more delinquent or were in bankruptcy or foreclosure. At December 31, 2008, BOK Financial owned the rights to service 58,023 mortgage loans with outstanding principal balances of \$6.0 billion, including \$793 million serviced for affiliates, and held related funds of \$65 million for investors and borrowers. The weighted average interest rate and remaining term was 6.15% and 284 months, respectively. Mortgage loans sold with recourse totaled \$391 million at December 31, 2008, and \$13.2 million of loans sold with recourse were 90 days or more delinquent. Servicing revenue and late charges on loans serviced for others, which are included in mortgage banking revenue in the Consolidated Statements of Earnings totaled \$20.0 million for 2009, \$17.6 million for 2008 and \$17.1 million for 2007.

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.

Activity in capitalized mortgage servicing rights and related valuation allowance during 2007, 2008 and 2009 are as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at December 31, 2006	\$ 12,813	\$ 53,133	\$ 65,946
Additions, net	3,628	14,080	17,708
Change in fair value due to loan runoff	(2,478)	(8,274)	(10,752)
Change in fair value due to market changes	(57)	(2,836)	(2,893)
Balance at December 31, 2007	\$ 13,906	\$ 56,103	\$ 70,009
Additions, net	–	19,220	19,220
Change in fair value due to loan runoff	(2,286)	(9,676)	(11,962)
Change in fair value due to market changes	(5,267)	(29,248)	(34,515)
Balance at December 31, 2008	\$ 6,353	\$ 36,399	\$ 42,752
Additions, net	–	<b>39,869</b>	<b>39,869</b>
Change in fair value due to loan runoff	<b>(2,526)</b>	<b>(18,395)</b>	<b>(20,921)</b>
Change in fair value due to market changes	<b>4,001</b>	<b>8,123</b>	<b>12,124</b>
Balance at December 31, 2009	\$ <b>7,828</b>	\$ <b>65,996</b>	\$ <b>73,824</b>

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, 2009 was 11.2%.

Prepayment rate – Annual prepayment estimates ranging from 8.1% to 26.9% based upon loan interest rate, original term and loan type.

Loan servicing costs – \$43 to \$66 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, 2009 was 2.98%.

The effect of a 50 basis point decrease in mortgage interest rates on all significant assumptions is expected to decrease the fair value of mortgage servicing rights by \$9.7 million.

Stratification of the mortgage loan-servicing portfolio, outstanding principal of loans serviced, and related hedging information by interest rate at December 31, 2009 follows (in thousands):

	< 5.51%	5.51% - 6.50%	6.51% - 7.50%	=> 7.51%	Total
Fair value	\$ 42,150	\$ 23,480	\$ 6,630	\$ 1,564	\$ 73,824
Outstanding principal of loans serviced <sup>1</sup>	\$ 3,433,000	\$ 2,216,000	\$ 721,994	\$ 141,006	\$ 6,512,000

<sup>1</sup> Excludes outstanding principal of \$828 million for loans serviced for affiliates and \$27 million of mortgage loans for which there are no capitalized mortgage servicing rights.

On February 9, 2010, the Company finalized an agreement to purchase the rights to service approximately \$4.1 billion of residential mortgage loans largely concentrated in New Mexico from Charter Bank of Albuquerque, New Mexico, for \$34 million in cash. The loans to be serviced are predominantly held by Fannie Mae, Freddie Mac and Ginnie Mae.

## (8) Deposits

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

	2009	2008	2007
Transaction deposits	\$ 51,607	\$ 121,403	\$ 194,617
Savings	614	676	1,499
Time:			
Certificates of deposits under \$100,000	57,486	70,806	88,465
Certificates of deposits \$100,000 and over	37,193	78,965	110,791
Other time deposits	17,462	17,074	17,374
Total time	112,141	166,845	216,630
Total	\$ 164,362	\$ 288,924	\$ 412,746

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2009 and 2008 were \$2.1 billion and \$3.1 billion, respectively.

Time deposit maturities are as follows: 2010 – \$2.9 billion, 2011 – \$187 million, 2012 – \$120 million, 2013 – \$131 million, 2014 – \$60 million and \$350 million thereafter. At December 31, 2009, the Company had \$36 million in fixed rate, brokered certificates of deposits. The weighted-average interest rate paid on these certificates is 3.88%.

Interest expense on time deposits was reduced by \$11.5 million and \$6.9 million in 2009 and 2008, respectively, from the net accrued settlement of interest rate swaps. Interest expense on time deposits was increased by \$2.6 million in 2007 from the net accrued settlement of interest rate swaps.

The aggregate amount of overdrawn transaction deposits that have been reclassified as loan balances was \$13 million at December 31, 2009 and \$35 million at December 31, 2008.

## (9) Other Borrowings

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

	December 31								
	2009			2008			2007		
	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End
Parent Company:									
Revolving, unsecured line	\$ -	-%	\$ 50,000	\$ 50,000	3.78%	\$ 50,000	\$ 50,000	5.42%	\$ 50,000
Subsidiary Banks:									
Funds purchased and repurchase agreements	2,471,743	0.29	2,798,274	3,025,399	0.72	3,686,019	3,225,131	4.30	3,225,131
Federal Home Loan Bank advances	1,253,051	0.23	2,053,130	991,401	1.76	2,391,618	938,168	4.65	938,168
Federal Reserve advances	850,000	0.25	1,100,000	450,000	0.24	450,000	-	-	-
Subordinated debentures	398,539	5.53	398,539	398,407	5.51	398,407	398,273	5.91	548,187
Other	30,306	1.69	43,949	30,653	2.62	44,227	39,396	4.10	43,985
Total subsidiary banks	<u>5,003,639</u>	<u>0.71</u>		<u>4,895,860</u>	<u>1.30</u>		<u>4,600,968</u>	<u>4.52</u>	
Total other borrowings	<u>\$ 5,003,639</u>	<u>0.72</u>		<u>\$ 4,945,860</u>	<u>1.32</u>		<u>\$ 4,650,968</u>	<u>4.53</u>	

Aggregate annual principal repayments of long-term debt at December 31, 2009 are as follows (in thousands):

	Parent Company	Subsidiary Banks
2010	\$ -	\$ 4,589,362
2011	-	2,055
2012	-	1,399
2013	-	525
2014	-	525
Thereafter	-	409,773
Total	<u>\$ -</u>	<u>\$ 5,003,639</u>

Funds purchased generally mature within one to ninety days from the transaction date. At December 31, 2009, securities sold under agreements to repurchase totaled \$1.3 billion with related accrued interest payable of \$194 thousand.

Additional information relating to repurchase agreements at December 31, 2009 is as follows (dollars in thousands):

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

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

Borrowings from the Federal Home Loan Banks are used for funding purposes. In accordance with policies of the Federal Home Loan Banks, BOK Financial has granted a blanket pledge of eligible assets (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family loans and multifamily loans) as collateral for these advances. The Federal Home Loan Banks have issued letters of credit totaling \$468 million to secure BOK Financial's obligations to depositors of public funds. The unused credit available to BOK Financial at December 31, 2009 pursuant to the Federal Home Loan Bank's collateral policies is \$2.3 billion.

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

Effective December 2, 2009, the Company amended the \$188 million unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The amended terms of the credit agreement reduce the size of the credit agreement from \$188 million to \$100 million. Interest on the outstanding balance due to Mr. Kaiser is based on one-month LIBOR plus 250 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 50 basis points. Previously, interest was due quarterly based on one-month LIBOR plus 125 basis points and the facility fee was paid quarterly on the unused portion of the commitment at 25 basis points. The maturity date was extended to December 2, 2012 from December 2, 2010 and as with the original agreement, it has no restrictive covenants. This credit agreement matures in December, 2010. At December 31, 2008, the outstanding balance under this credit agreement was \$50 million. No amounts were outstanding under this credit agreement as of December 31, 2009.

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

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

## (10) Federal and State Income Taxes

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

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Deferred tax liabilities:		
Available for sale securities		
mark-to-market	<b>\$ 6,500</b>	\$ –
Valuation adjustments	<b>30,000</b>	33,800
Mortgage servicing rights	<b>37,900</b>	29,500
Lease financing	<b>18,200</b>	19,800
Other	<b>5,200</b>	2,300
<b>Total deferred tax liabilities</b>	<b>97,800</b>	85,400
Deferred tax assets:		
Available for sale securities		
mark-to-market	–	126,300
Stock-based compensation	<b>7,100</b>	6,500
Credit loss reserves	<b>115,900</b>	94,200
Valuation adjustments	<b>26,000</b>	23,900
Deferred book income	<b>17,800</b>	22,300
Deferred compensation	<b>17,000</b>	11,300
Book expense in excess of pension		
contribution	<b>2,300</b>	1,200
Other	<b>18,500</b>	18,800
<b>Total deferred tax assets</b>	<b>204,600</b>	304,500
<b>Deferred tax assets in excess of deferred tax liabilities</b>	<b>\$106,800</b>	\$219,100

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

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current:			
Federal	<b>\$ 112,163</b>	\$ 108,879	\$ 119,025
State	<b>16,759</b>	7,377	10,179
<b>Total current</b>	<b>128,922</b>	116,256	129,204
Deferred:			
Federal	<b>(19,835)</b>	(47,685)	(12,935)
State	<b>(2,382)</b>	(3,662)	(508)
<b>Total deferred</b>	<b>(22,217)</b>	(51,347)	(13,443)
<b>Total income tax</b>	<b>\$ 106,705</b>	\$ 64,909	\$ 115,761

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):

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Amount:			
Federal statutory tax	<b>\$108,752</b>	\$73,710	\$117,865
Tax exempt revenue	<b>(4,616)</b>	(4,173)	(4,204)
Effect of state income taxes,			
net of federal benefit	<b>9,165</b>	1,278	5,783
Non-controlling interest	<b>(1,204)</b>	2,643	(1,167)
Utilization of tax credits	<b>(1,327)</b>	(1,234)	(1,218)
Bank-owned life insurance	<b>(3,424)</b>	(3,555)	(3,411)
Charitable contribution	–	(2,852)	–
Reduction of tax accrual	–	(2,437)	–
Other, net	<b>(641)</b>	1,529	2,113
<b>Total</b>	<b>\$106,705</b>	\$ 64,909	\$115,761

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

	<b>Years ended December 31,</b>		
	<b>2009</b>	2008	2007
Percent of pretax income:			
Federal statutory rate	<b>35%</b>	35%	35%
Tax-exempt revenue	<b>(2)</b>	(2)	(1)
Effect of state income taxes, net of federal benefit	<b>3</b>	1	1
Non-controlling interest	<b>(1)</b>	1	(1)
Bank-owned life insurance	<b>(1)</b>	(2)	(1)
Charitable contribution	-	(1)	-
Reduction of tax accrual	-	(1)	-
Other, net	-	-	1
Total	<b>34%</b>	31%	34%

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

	<b>2009</b>	2008
Balance as of January 1	<b>\$ 13,200</b>	\$ 13,200
Additions for tax for current year positions	<b>4,050</b>	3,800
Settlements during the period	-	(100)
Decreases in tax for prior year positions	<b>(700)</b>	-
Lapses of applicable statute of limitations	<b>(4,250)</b>	(3,700)
Balance as of December 31	<b>\$ 12,300</b>	\$ 13,200

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

BOK Financial recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2009 and 2008, the Company recognized \$1.4 million and \$1.5 million, respectively, in interest and penalties. The Company had approximately \$2.7 million and \$3.0 million for the payment of interest and penalties accrued as of December 31, 2009 and 2008, respectively. Federal statutes remain open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

One of our acquired entities is currently under examination by the Internal Revenue Service ("IRS") for the year ending May 31, 2007 and the related carry-back period. Refunds claimed in the carry-back period total \$3.5 million. The ultimate resolution is unlikely to have a material impact on the financial statements. Also during 2008, the IRS exam for the year ended December 31, 2005 for the same acquired entity was closed with no adjustments.

## (11) Employee Benefits

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

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

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 39,099	\$ 46,183
Service cost	-	-
Interest cost	2,403	2,685
Actuarial (gain) loss	7,517	(1,205)
Benefits paid	(2,438)	(8,564)
<b>Projected benefit obligation at end of year<sup>1,2</sup></b>	<b>\$ 46,581</b>	<b>\$ 39,099</b>
Change in plan assets:		
Plan assets at fair value at beginning of year	\$ 35,301	\$ 58,089
Actual return on plan assets	8,826	(14,224)
Company contributions	-	-
Benefits paid	(2,438)	(8,564)
<b>Plan assets at fair value at end of year</b>	<b>\$ 41,689</b>	<b>\$ 35,301</b>
<b>Funded status of the plan</b>	<b>\$(4,892)</b>	<b>\$ (3,798)</b>
Components of net periodic benefit costs:		
Service cost	\$ -	\$ -
Interest cost	2,403	2,685
Expected return on plan assets	(2,190)	(3,910)
Amortization of unrecognized net loss	2,180	496
<b>Net periodic pension cost (benefit)</b>	<b>\$ 2,393</b>	<b>\$ (729)</b>

<sup>1</sup> Projected benefit obligation equals accumulated benefit obligation.

<sup>2</sup> Projected benefit obligation is based on a January 1 measurement date.

Weighted-average assumptions as of December 31:

Discount rate	5.15%	6.50%
Expected return on plan assets	5.25%	7.00%
Rate of compensation increase	N/A	N/A

As of December 31, 2009, expected future benefit payments related to the Pension Plan were as follows (in thousands):

2010	\$ 3,128
2011	3,251
2012	3,584
2013	3,491
2014	3,704
2015 through 2019	16,889
	<b>\$34,047</b>

Assets of the Pension Plan consist primarily of shares in the Cavanal Hill Balanced Fund. The stated objective of this fund is to provide an attractive total return through a broadly diversified mix of equities and bonds. The typical portfolio mix is approximately 60% equities and 40% bonds. The net asset value of shares in the Cavanal Hill Funds is reported daily based on market quotations for the Fund's securities. If market quotations are not readily available, the securities' fair values are determined by the Fund's pricing committee. The inception-to-date return on the fund, which is used as an indicator when setting the expected return on plan assets, was 6.58%. As of December 31, 2009, the expected return on plan assets for 2010 is 5.25%. The maximum allowed and minimum required Pension Plan contributions for 2009 were \$22.6 million and \$364 thousand, respectively. The minimum contribution will be made for 2009. No contribution was made for 2008. We expect approximately \$2.5 million of net pension costs currently in accumulated other comprehensive income to be recognized as net periodic pension cost in 2010.

Employee contributions to the Thrift Plan are eligible for Company matching equal 6% of base compensation, as defined in the plan. The Company-provided matching contribution rates range from 50% for employees with less than four years of service to 200% for employees with 15 or more years of service. Additionally, a maximum Company-provided, non-elective annual contribution of up to \$750 is made for employees whose annual base compensation is less than \$40,000. Total non-elective contributions were \$998 thousand in 2009, \$955 thousand in 2008 and \$999 thousand in 2007.



Participants may direct investments in their accounts to a variety of options, including a BOK Financial common stock fund. Employer contributions, which are invested in accordance with the participant's investment options, vest over five years. Thrift Plan expenses were \$13.0 million, \$12.1 million and \$11.6 million for 2009, 2008 and 2007, 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. The post-retirement medical plan is limited to current retirees and certain employees who were age 60 or older at the time the plan was frozen in 1993. The net obligation recognized under the plan was \$2.2 million at December 31, 2009. A 1% change in medical expense trends would not significantly affect the net obligation or cost of this plan.

BOK Financial offers numerous incentive compensation plans that are aligned with the Company's growth strategy. Compensation awarded under these plans may be based on defined formulas, other performance criteria or discretionary. Incentive compensation is designed to motivate and reinforce sales and customer service behavior in all markets. Earnings were charged \$91.2 million in 2009, \$83.2 million in 2008 and \$71.4 million in 2007 for incentive compensation plans.

## **(12) Stock Compensation Plans**

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

These awards 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. Non-vested shares may be granted to the Chief Executive Officer and other senior executives of the Company. These shares vest five years after the grant date. The holders of these shares may be required to retain the shares for a three-year period after vesting.

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

The following table presents options outstanding during 2007, 2008 and 2009 under these plans:

	Number	Weighted-Average Exercise Price
Options outstanding at December 31, 2006	3,496,625	\$38.63
Options awarded	956,475	54.18
Options exercised	(703,833)	32.41
Options forfeited	(429,848)	43.74
Options expired	(1,249)	45.80
Options outstanding at December 31, 2007	3,318,170	\$43.50
Options awarded	1,098,172	47.71
Options exercised	(498,700)	33.05
Options forfeited	(271,250)	47.96
Options expired	(70,924)	49.91
Options outstanding at December 31, 2008	3,575,468	\$45.77
<b>Options awarded</b>	<b>913,880</b>	<b>37.24</b>
<b>Options exercised</b>	<b>(280,572)</b>	<b>33.49</b>
<b>Options forfeited</b>	<b>(487,793)</b>	<b>44.83</b>
<b>Options expired</b>	<b>(199,220)</b>	<b>51.76</b>
<b>Options outstanding at December 31, 2009</b>	<b>3,521,763</b>	<b>\$44.58</b>
<b>Options vested at December 31, 2009</b>	<b>903,380</b>	<b>\$43.37</b>

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
\$17.37	33,482	1.00	\$17.37	33,482	\$17.37
28.27 – 30.87	214,242	1.80	29.96	161,268	29.67
36.65	676,219	6.00	36.65	–	–
37.74	216,517	2.50	37.74	100,306	37.74
38.91 – 44.30	93,533	1.00	41.75	–	–
45.15 – 47.34	437,242	3.00	47.31	191,724	47.31
47.05 – 48.53	509,079	3.50	47.06	184,034	47.07
47.67	44,319	2.00	47.67	–	–
48.46	694,057	5.00	48.46	53,566	48.46
53.88 – 54.28	93,724	0.12	54.09	93,724	54.09
54.33	509,349	4.00	54.33	85,276	54.33

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

	2009	2008	2007
Average risk-free interest rate	<b>1.32%</b>	3.50%	4.68%
Dividend yield	<b>2.50%</b>	1.70%	1.10%
Volatility factors	<b>.218</b>	.147	.143
Weighted average expected life	<b>4.9 years</b>	4.9 years	4.9 years
Weighted average fair value	<b>\$5.36</b>	\$7.09	\$9.91

Compensation cost of stock options granted that may be recognized as compensation expense in future years totaled \$8.5 million at December 31, 2009. Subject to adjustments for forfeitures, we expect to recognize compensation expense for current outstanding options of \$3.7 million in 2010, \$2.4 million in 2011, \$1.3 million in 2012, \$720 thousand in 2013, \$330 thousand in 2014 and \$100 thousand thereafter. Stock option expense for the years ended December 31, 2009, 2008

and 2007 was \$5.9 million, \$7.8 million and \$6.3 million, respectively. The intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was \$3.8 million, \$11.8 million and \$14.9 million, respectively. The aggregate intrinsic value of options outstanding as of December 31, 2009 and 2008 was \$10.4 million and \$19.2 million, respectively. The aggregate intrinsic value of options exercisable as of December 31, 2009 and 2008 was \$3.7 million and \$656 thousand, respectively.

BOK Financial also issues non-vested common shares under the various stock-based compensation plans. At December 31, 2009, a total of 282,772 non-vested common shares have been awarded, including 156,339 awarded in 2009. The weighted average grant date fair value of non-vested shares awarded in 2009 was \$35.31 per share. During 2009, 13,625 shares which had an average grant date fair value of \$47.34 per share vested and 12,481 shares which had an average grant date fair value of \$46.61 per share were forfeited. Unrecognized compensation cost of non-vested shares totaled \$6.6 million at December 31, 2009. Subject to adjustment for forfeitures, we expect to recognize compensation expense of \$2.0 million in 2010, \$1.8 million in 2011, \$1.6 million in 2012, \$1.1 million in 2013 and \$40 thousand in 2014.

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

Stock-based compensation subject to these deferral plans is recognized as a liability award rather than as an equity award. Compensation expense is based on the fair value of the award recognized over the vesting period. At December 31, 2009, the recorded obligation for liability awards was \$2.4 million. Compensation cost of liability awards was an expense of \$1.3 million in 2009, a benefit of \$471 thousand in 2008 and an expense of \$506 thousand in 2007.

During January 2010, BOK Financial awarded the following stock-based compensation:

	Number	Exercise Price	Fair Value / Award
Equity awards:			
Stock options	241,720	\$48.30	\$10.17
Non-vested stock	173,857	-	48.30
Total equity awards	415,577		
Total stock-based awards	415,577		

The aggregate compensation cost of these awards totaled approximately \$10.9 million. This cost will be recognized over the vesting periods, subject to adjustments for forfeitures. None of the stock-based compensation awards in January 2010 are subject to deferred compensation plans.

### (13) Related Parties

In compliance with applicable regulations, the Company may extend credit to certain executive officers, directors, principal shareholders and their affiliates (collectively referred to as "related parties") in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements. The Company's loans to related parties do not involve more than the normal credit risk and there are no nonaccrual or impaired related party loans outstanding at December 31, 2009 or 2008. Activity in loans to related parties is summarized as follows (in thousands):

	2009	2008
Beginning balance	\$ 207,140	\$ 252,051
Advances	676,743	734,553
Payments	(666,159)	(704,433)
Charge-offs <sup>2</sup>	-	(26,000)
Adjustments <sup>1</sup>	(26)	(49,031)
Ending balance	\$ 217,698	\$ 207,140

<sup>1</sup> Adjustments generally consist of changes in status as a related party. In 2008, adjustments include \$48 million of loans to SemGroup, L.P., which ceased to be a related party upon resignation of Thomas L. Kivisto, its principal owner, from the Company's Board of Directors. Approximately \$12 million of these loans remain outstanding at December 31, 2009 and are nonperforming.

<sup>2</sup> In 2008, the Company charged off \$26 million of the balance due from SemGroup, L.P.

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

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

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

Cavanal Hill Investment Management, Inc., a wholly-owned subsidiary of BOK, is the administrator to and investment advisor for the Cavanal Hill Funds (the “Funds”), a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the “1940 Act”). BOK is custodian and BOSCO, Inc. is distributor for the Funds. The Funds’ products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. Approximately 99% of the Funds’ assets of \$2.6 billion are held for the Company’s clients. A Company executive officer serves on the Funds’ board of trustees and BOK officers serve as president and secretary of the Funds. A majority of the members of the Funds’ board of trustees are, however, independent of the Company and the Funds are managed by its board of trustees.

#### **(14) Commitments and Contingent Liabilities**

On April 7, 2008, AXIA and its parent, BOK, received a Wells notice from the regional office of the SEC in Los Angeles indicating that the staff is considering recommending that the SEC bring a civil injunctive action against AXIA and BOK for violations of Section 17(a) of the Securities Act of 1955, Section 10(b) of the Securities Exchange Act of 1934, Sections 206(1) and (2) of the Investment Advisors Act of 1940, and Sections 12(b) and 34(b) of the Investment Company Act of 1940. During 2009, the staff of the SEC advised the Company that it does not intend to recommend the Commission take any action as originally contemplated by the Wells Notice received by the Company in connection with the Staff’s investigation of BISYS Fund Services Ohio, Inc.

BOSC, Inc. has been joined as a defendant in a putative class action brought on behalf of unit holders of SemGroup Energy Partners, LP in the United States District Court for the Northern District of Oklahoma. The lawsuit is brought pursuant to Sections 11 and 12(a)(2) of the Securities Act of 1933 against all of the underwriters of issuances of partnership units in the Initial Public Offering in July 2007 and in a Secondary Offering in January 2008. BOSC underwrote \$6.25 million of units in the Initial Public Offering. BOSC was not an underwriter in the Secondary Offering. Counsel for BOSC believes BOSC has valid defenses to the claims asserted in the litigation and management does not anticipate any material loss.

As a member of Visa, BOK Financial is obligated for a proportionate share of certain covered litigation losses incurred by Visa under a retrospective responsibility plan. A contingent liability was recognized for the Company’s share of Visa’s covered litigation liabilities. This contingent liability totaled \$2.2 million at December 31, 2009. During 2008, Visa funded an escrow account to cover litigation claims, including covered litigation losses under the retrospective responsibility plan, with proceeds from its initial public offering and from available cash. BOK Financial recognized a \$2.2 million receivable for its proportionate share of this escrow account.

BOK Financial received 410,562 Visa Class B shares as part of Visa’s initial public offering in the first quarter of 2008. A partial redemption of Class B shares was completed and the Company received \$6.8 million in cash in exchange for 158,725 Class B shares. The remaining 251,837 Class B shares are convertible into Visa Class A shares at the later of three years after the date of Visa’s initial public offering or the final settlement of all covered litigation. The current exchange rate is approximately 0.5824 Class A shares for each Class B share. However, the Company’s Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. Therefore, under currently issued accounting guidance, no value has been currently assigned to the Class B shares and no value may be assigned until the Class B shares are converted into a known number of Class A shares.

At December 31, 2009, Cavanal Hill Funds’ assets included \$794 million of U.S. Treasury, \$1.1 billion of cash management and \$550 million of tax-free money market funds. Assets of these funds consist of highly-rated, short-term obligations of the U.S. Treasury, corporate issuers and U.S. states and municipalities. The net asset value of units in these funds was \$1.00 at December 31, 2009. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at \$1.00. No assets were purchased from the funds in 2009, 2008 or 2007.

BOK is obligated under a long-term lease for its bank premises owned by Williams Companies, Inc. and located in downtown Tulsa. The Chairman and CEO of the Williams Companies, Inc. is a director of BOK Financial Corporation. The lease term, which began November 1, 1976, is for fifty-seven years with options to terminate in 2014 and 2024. Annual base rent is \$3.2 million. BOK subleases portions of its space for annual rents of \$206 thousand in 2010. Net rent expense on this lease was \$3.0 million in 2009, 2008 and 2007. Total rent expense for BOK Financial was \$21.4 million in 2009, \$20.3 million in 2008 and \$18.8 million in 2007.

At December 31, 2009, future minimum lease payments for equipment and premises under operating leases were as follows: \$17.0 million in 2010, \$15.5 million in 2011, \$12.3 million in 2012, \$10.1 million in 2013, \$9.3 million in 2014 and a total of \$89.4 million thereafter. Premises leases may include options to renew at then current market rates and may include escalation provisions based upon changes in the consumer price index or similar benchmarks.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. These balances were approximately \$723 million and \$373 million at December 31, 2009 and 2008, respectively.

BOSC, Inc., a wholly-owned subsidiary of BOK Financial, is an introducing broker to Pershing, LLC for retail equity investment transactions. As such, it has indemnified Pershing, LLC against losses due to a customer's failure to settle a transaction or to repay a margin loan. All unsettled transactions and margin loans are secured as required by applicable regulation. The amount of customer balances subject to indemnification totaled \$2.3 million at December 31, 2009.

At December 31, 2009, the Company has funded \$51.7 million and has commitments to fund an additional \$9.9 million in various unrelated alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities that invest in distressed real estate loans and properties, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments.

BOKF Equity, LLC, indirectly a wholly-owned subsidiary of BOK Financial, is the general partner in two private equity funds ("the Funds"). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through limited partnerships. The Funds generally invest in distressed assets, asset buy-out or venture capital limited partnerships or limited liability companies. The Funds' assets totaled \$22.9 million and the limited partners' ownership interests in the Funds totaled \$19.4 million at December 31, 2009. The Funds have no debt. The general partner has contingent obligations through the Funds to make additional investments totaling \$18.9 million as of December 31, 2009. Substantially all of those contingent obligations are offset by commitments of the limited partners.

Bank of Oklahoma guarantees rents totaling \$28.7 million through September, 2017 to the City of Tulsa ("City") as owner of a building immediately adjacent to the Bank's main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$22.8 million at December 31, 2009. In return for this guarantee, Bank of Oklahoma will receive 80% of net cash flow as defined in an agreement with the City over the next 10 years from currently vacant space in the same building. None of this additional space has been rented to outside parties since the date of the agreement. The maximum amount that Bank of Oklahoma may receive under this agreement is \$4.5 million.

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

## **(15) Shareholders' Equity**

### *Preferred Stock*

One billion shares of preferred stock with a par value of \$0.00005 per share are authorized. The Series A Preferred Stock has no voting rights except as otherwise provided by Oklahoma corporate law and may be converted into one share of Common Stock for each 36 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the \$0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is \$15 million. No Series A Preferred Stock was outstanding in 2009, 2008 or 2007.

### *Common Stock*

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

Cash dividends paid on common stock totaled \$64 million, \$59 million and \$50 million in 2009, 2008 and 2007, respectively.

### *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, 2009, BOK Financial's subsidiary banks could declare dividends up to \$225 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, 2009, the subsidiary banks could declare dividends of up to \$190 million under this policy. The subsidiary banks declared and paid dividends of \$172 million, \$76 million and \$254 million in 2009, 2008 and 2007, respectively.

As defined by banking regulations, loan commitments and equity investments to a single affiliate may not exceed 10% of unimpaired capital and surplus and loan commitments and equity investments to all affiliates may not exceed 20% of unimpaired capital and surplus. All loans to affiliates must be fully secured by eligible collateral. At December 31, 2009, loan commitments and equity investments were limited to \$246 million to a single affiliate and \$492 million to all affiliates. The largest loan commitment and equity investment to a single affiliate was \$200 million and the aggregate loan commitments and equity investments to all affiliates were \$323 million. The largest outstanding amount to a single affiliate was \$44 million and the total outstanding amounts to all affiliates were \$83 million. At December 31, 2008, total loan commitments and equity investments to all affiliates were \$203 million. Total outstanding amounts to all affiliates were \$64 million.

### *Regulatory Capital*

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

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

	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
(Dollars in thousands)				
<b>Total Capital (to Risk Weighted Assets):</b>				
Consolidated	\$ 2,492,771	14.43%	\$ 2,356,948	12.81%
BOK	1,623,887	13.82	1,584,353	12.22
Bank of Texas	452,420	10.62	440,303	11.07
Bank of Albuquerque	131,523	16.99	127,910	17.20
Bank of Arkansas	37,202	16.13	34,395	12.18
Colorado State Bank and Trust	93,201	12.16	87,370	12.41
Bank of Arizona	28,023	10.63	25,136	10.65
Bank of Kansas City	14,679	17.86	16,057	28.42
<b>Tier I Capital (to Risk Weighted Assets):</b>				
Consolidated	\$ 1,876,778	10.86%	\$ 1,728,926	9.40%
BOK	1,079,037	9.18	1,032,120	7.96
Bank of Texas	398,937	9.36	390,444	9.82
Bank of Albuquerque	121,816	15.73	118,588	15.94
Bank of Arkansas	34,286	14.87	30,842	10.92
Colorado State Bank and Trust	85,328	11.13	80,232	11.39
Bank of Arizona	24,676	9.36	22,133	9.37
Bank of Kansas City	13,771	16.75	15,424	27.30
<b>Tier I Capital (to Average Assets):</b>				
Consolidated	\$ 1,876,778	8.05%	\$ 1,728,926	7.89%
BOK	1,079,037	6.45	1,032,120	6.46
Bank of Texas	398,937	7.24	390,444	9.30
Bank of Albuquerque	121,816	6.54	118,588	7.22
Bank of Arkansas	34,286	12.85	30,842	10.80
Colorado State Bank and Trust	85,328	6.96	80,232	6.90
Bank of Arizona	24,676	9.60	22,133	9.55
Bank of Kansas City	13,771	10.17	15,424	23.88

### Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) (“AOCI”) includes unrealized gains and losses on available for sale securities and accumulated gains or losses on effective cash flow hedges, including hedges of anticipated transactions. Gains and losses in AOCI are net of deferred income taxes. Accumulated losses on the rate lock hedge of the 2005 subordinated debenture issuance will be reclassified into income over the ten-year life of the debt. Unrealized losses on employee benefit plans will be reclassified into income as pension plan costs are recognized over the remaining service period of plan participants.

	Unrealized Gain (Loss) On Available For Sale Securities	Other Than Temporary Impairment Losses	Accumulated (Loss) on Effective Cash Flow Hedges	Unrealized (Loss) On Employee Benefit Plans	Total
Balance at December 31, 2006	\$ (59,152)	\$ –	\$ (2,935)	\$ (11,357)	\$ (73,444)
Unrealized gains on securities	48,308	–	–	–	48,308
Unrealized gains on cash flow hedges	–	–	2,201	–	2,201
Unrealized gains on employee benefit plans	–	–	–	7,518	7,518
Tax benefit (expense) on unrealized gains (losses)	(17,239)	–	(856)	(2,925)	(21,020)
Reclassification adjustment for losses realized and included in net income	8,117	–	211	(384)	7,944
Reclassification adjustment for tax benefit on realized losses	(2,809)	–	(82)	150	(2,741)
Balance at December 31, 2007	\$ (22,775)	\$ –	\$ (1,461)	\$ (6,998)	\$ (31,234)
Unrealized losses on securities	(236,990)	–	–	–	(236,990)
Unrealized gains on cash flow hedges	–	–	139	–	139
Unrealized losses on employee benefit plans	–	–	–	(16,434)	(16,434)
Tax benefit (expense) on unrealized gains (losses)	70,492	–	(54)	6,393	76,831
Reclassification adjustment for (gains) losses realized and included in net income	(21,926)	–	289	–	(21,637)
Reclassification adjustment for tax expense (benefit) on realized gains (losses)	6,551	–	(112)	–	6,439
Balance at December 31, 2008	\$ (204,648)	\$ –	\$ (1,199)	\$ (17,039)	\$ (222,886)
Unrealized gains on securities	<b>418,477</b>	<b>10,053</b>	–	–	<b>428,530</b>
Other-than-temporary impairments losses on securities	–	<b>(94,741)</b>	–	–	<b>(94,741)</b>
Unrealized gains on employee benefit plans	–	–	–	<b>926</b>	<b>926</b>
Tax benefit (expense) on unrealized gains (losses)	<b>(146,743)</b>	<b>31,688</b>	–	<b>(360)</b>	<b>(115,415)</b>
Reclassification adjustment for (gains) losses realized and included in net income	<b>(11,970)</b>	–	<b>262</b>	–	<b>(11,708)</b>
Reclassification adjustment for tax expense (benefit) on realized gains (losses)	<b>4,656</b>	–	<b>(102)</b>	–	<b>4,554</b>
Balance at December 31, 2009	\$ <b>59,772</b>	\$ <b>(53,000)</b>	\$ <b>(1,039)</b>	\$ <b>(16,473)</b>	\$ <b>(10,740)</b>



## (16) Earnings per Share

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

	<b>Years ended December 31,</b>		
	<b>2009</b>	2008	2007
Numerator:			
Net income	<b>\$ 200,578</b>	\$ 153,232	\$ 217,664
Earnings allocated to participating securities	<b>(818)</b>	(384)	(462)
Numerator for basic earnings per share – income available to common shareholders	<b>199,760</b>	152,848	217,202
Effect of reallocating undistributed earnings of participating securities	<b>1</b>	(40)	2
Numerator for diluted earnings per share – income available to common shareholders	<b>\$ 199,761</b>	\$ 152,808	\$ 217,204
Denominator:			
Weighted average shares outstanding	<b>67,653,035</b>	67,428,086	67,220,529
Less: Participating securities included in weighted average shares outstanding	<b>(277,648)</b>	(125,096)	(137,329)
Denominator for basic earnings per common share	<b>67,375,387</b>	67,302,990	67,083,200
Dilutive effect of employee stock compensation plans (1)	<b>112,557</b>	158,371	436,542
Denominator for diluted earnings per common share	<b>67,487,944</b>	67,461,361	67,519,742
Basic earnings per share	<b>\$ 2.96</b>	\$ 2.27	\$ 3.24
Diluted earnings per share	<b>\$ 2.96</b>	\$ 2.27	\$ 3.22
(1) Excludes employee stock options with exercise prices greater than current market price.	2,735,375	1,571,239	799,087

## (17) Reportable Segments

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund network. Consumer banking includes retail lending and deposit services, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

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

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

Economic capital is assigned to the business units by a 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. Average invested capital includes economic capital and amounts we have invested in the lines of business.

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

(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2009					
Net interest revenue/(expense) from external sources	\$ 345,375	\$ 57,893	\$ 25,899	\$ 281,197	\$ 710,364
Net interest revenue/(expense) from internal sources	(52,598)	73,565	18,746	(39,713)	–
Total net interest revenue	292,777	131,458	44,645	241,484	710,364
Other operating revenue	133,703	182,895	156,360	11,688	484,646
Operating expense	224,065	256,337	171,543	50,947	702,892
Net loans charged off	100,749	24,366	11,399	59,386	195,900
Change in fair value of mortgage servicing rights	–	12,124	–	–	12,124
Gains (losses) on financial instruments, net	–	(13,198)	–	21,542	8,344
Gains (losses) on repossessed assets, net	(7,500)	1,773	–	(238)	(5,965)
Income before taxes	94,166	34,349	18,063	164,143	310,721
Federal and state income tax	36,630	13,362	7,026	49,687	106,705
Net income before non-controlling interest	57,536	20,987	11,037	114,456	204,016
Net income (loss) attributable to non-controlling interest	–	–	–	3,438	3,438
Net income	\$ 57,536	\$ 20,987	\$ 11,037	\$ 111,018	\$ 200,578
Average assets	\$ 10,116,014	\$ 6,149,598	\$ 3,032,007	\$ 3,839,768	\$ 23,137,387
Average invested capital	1,042,101	225,540	194,731	614,669	2,077,041
Performance measurements:					
Return on assets	0.57%	0.34%	0.36%	–	0.87%
Return on invested capital	5.52	9.31	5.67	–	9.66
Efficiency ratio	52.54	81.54	85.34	–	58.82

#### Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	\$ 468,880	\$ 472,958	\$ 645,548	\$ 89,560	\$ 19,297,619
Unallocated items:					
Tax-equivalent adjustment	8,074	–	–	8,074	–
Funds management and other (including eliminations), net	233,410	11,688	51,185	102,944	3,839,768
BOK Financial consolidated	\$ 710,364	\$ 484,646	\$ 696,733	\$ 200,578	\$ 23,137,387

(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2008					
Net interest revenue/(expense) from external sources	\$ 451,624	\$ 32,076	\$ 12,617	\$ 150,545	\$ 646,862
Net interest revenue/(expense) from internal sources	(134,191)	118,728	32,853	(17,390)	–
Total net interest revenue	317,433	150,804	45,470	133,155	646,862
Other operating revenue	107,185	148,885	156,133	(6,415)	405,788
Operating expense	216,655	219,024	149,966	42,733	628,378
Net loans charged off	81,966	16,726	2,961	100,940	202,593
Change in fair value of mortgage servicing rights	–	(34,515)	–	–	(34,515)
Gains (losses) on financial instruments, net	4,689	12,525	(7)	5,729	22,936
Gains (losses) on repossessed assets, net	(82)	193	–	378	489
Income (loss) before taxes	130,604	42,142	48,669	(10,826)	210,589
Federal and state income tax	50,805	16,393	18,932	(21,221)	64,909
Net income before non-controlling interest	79,799	25,749	29,737	10,395	145,680
Net income (loss) attributable to non-controlling interest	–	–	–	(7,552)	(7,552)
Net income	\$ 79,799	\$ 25,749	\$ 29,737	\$ 17,947	\$ 153,232
Average assets	\$ 11,049,565	\$ 5,764,667	\$ 2,193,386	\$ 2,602,201	\$ 21,609,819
Average invested capital	1,103,656	207,586	183,845	512,810	1,946,342
Performance measurements:					
Return on assets	0.72%	0.45%	1.36%	–	0.71%
Return on invested capital	7.23	12.40	16.18	–	7.87
Efficiency ratio	51.02	73.08	74.39	–	59.69

#### Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	\$ 513,707	\$ 412,203	\$ 620,049	\$ 135,285	\$ 19,007,618
Unallocated items:					
Tax-equivalent adjustment	8,228	–	–	8,228	–
Funds management and other (including eliminations), net	124,927	(6,415)	42,355	9,719	2,602,201
BOK Financial consolidated	\$ 646,862	\$ 405,788	\$ 662,404	\$ 153,232	\$ 21,609,819

(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2007					
Net interest revenue/(expense) from external sources	\$ 526,225	\$ (7,807)	\$ 8,562	\$ 17,505	\$ 544,485
Net interest revenue/(expense) from internal sources	(200,390)	163,028	37,627	(265)	–
Total net interest revenue	325,835	155,221	46,189	17,240	544,485
Other operating revenue	131,081	144,585	130,681	1,679	408,026
Operating expense	201,876	193,600	133,436	43,265	572,177
Net loans charged off	9,747	9,233	1,513	14,228	34,721
Change in fair value of mortgage servicing rights	–	(2,893)	–	–	(2,893)
Gains (losses) on financial instruments, net	1,075	(486)	13	(6,648)	(6,046)
Gains (losses) on repossessed assets, net	10	107	–	(34)	83
Income (loss) before taxes	246,378	93,701	41,934	(45,256)	336,757
Federal and state income tax	95,841	36,450	16,312	(32,842)	115,761
Net income (loss) before non- controlling interest	150,537	57,251	25,622	(12,414)	220,996
Net income (loss) attributable to non-controlling interest	–	–	–	3,332	3,332
Net income (loss)	\$ 150,537	\$ 57,251	\$ 25,622	\$ (15,746)	\$ 217,664
Average assets	\$ 9,646,637	\$ 5,509,485	\$ 1,743,943	\$ 2,125,703	\$ 19,025,768
Average invested capital	1,095,314	180,393	171,159	365,597	1,812,463
Performance measurements:					
Return on assets	1.56%	1.04%	1.47%	–	1.14%
Return on invested capital	13.77	31.74	14.97	–	12.01
Efficiency ratio	44.08	64.58	75.44	–	60.07

#### Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	\$ 527,245	\$ 406,347	\$ 531,688	\$ 233,410	\$ 16,900,065
Unallocated items:					
Tax-equivalent adjustment	9,120	–	–	9,120	–
Funds management and other (including eliminations), net	8,120	1,679	43,299	(24,866)	2,125,703
BOK Financial consolidated	\$ 544,485	\$ 408,026	\$ 574,987	\$ 217,664	\$ 19,025,768

## (18) Fair Value of Financial Instruments

Fair value is defined by applicable accounting guidance as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market for the given asset or liability. Certain assets and liabilities are recorded in the Company's financial statements at fair value. Some are recorded on a recurring basis and some on a non-recurring basis.

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of December 31, 2009 and 2008 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
<b>2009:</b>					
Cash and cash equivalents	\$ 921,216				\$ 921,216
Securities	9,463,732				9,470,031
Residential mortgage loans held for sale	217,826	–	–	–	217,826
Loans:					
Commercial	6,207,840	1.04 – 18.00%	0.47	0.23 – 3.81%	6,118,613
Commercial real estate	2,491,434	2.00 – 18.00	1.24	0.24 – 3.81	2,457,730
Residential mortgage	1,793,622	0.08 – 12.75	6.93	0.74 – 4.85	1,920,449
Consumer	786,802	1.75 – 21.00	1.26	3.81	807,288
Total loans	11,279,698				11,304,080
Reserve for loan losses	(292,095)				–
Net loans	10,987,603				11,304,080
Mortgage servicing rights	73,824				73,824
Derivative instruments with positive fair value, net of cash margin	343,782				343,782
Other assets – private equity funds	22,917				22,917
Deposits with no stated maturity	11,750,235				11,750,235
Time deposits	3,767,993	0.02 – 10.00	2.09	0.06 – 2.34	3,776,149
Other borrowings	4,605,100	0.25 – 6.58	0.05	0.06 – 0.25	4,989,509
Subordinated debentures	398,539	5.58	3.55	1.79	442,738
Derivative instruments with negative fair value, net of cash margin	308,360				308,360
<b>2008:</b>					
Cash and cash equivalents	\$ 694,942				\$ 694,942
Securities	7,132,607				7,136,032
Residential mortgage loans held for sale	129,246	–	–	–	129,246
Loans:					
Commercial	7,411,603	0.25 – 18.00%	0.35	0.44 – 3.81%	7,344,753
Commercial real estate	2,701,248	1.75 – 18.00	1.49	1.00 – 3.81	2,703,146
Residential mortgage	1,752,574	5.00 – 10.45	7.10	1.76 – 3.53	2,086,901
Consumer	1,010,581	1.50 – 21.00	1.22	3.81	1,063,566
Total loans	12,876,006				13,198,366
Reserve for loan losses	(233,236)				–
Net loans	12,642,770				13,198,366
Mortgage servicing rights	42,752				42,752
Derivative instruments with positive fair value, net of cash margin	452,604				452,604
Other assets – private equity funds	15,891				15,891
Deposits with no stated maturity	9,799,364				9,799,364
Time deposits	5,183,243	0.15 – 9.74	1.89	0.13 – 1.66	5,238,740
Other borrowings	4,547,453	1.85 – 4.52	0.54	0.09 – 6.56	4,085,035
Subordinated debentures	398,407	5.59	4.57	1.41	466,280
Derivative instruments with negative fair value, net of cash margin	667,034				667,034

Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, BOK Financial the fair values shown above may not represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

#### *Cash and Cash Equivalents*

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

#### *Securities*

The fair values of securities are based on quoted prices for identical instruments in active markets, when available. If quoted prices for identical instruments are not available, fair values are based on significant other observable inputs such as quoted prices of comparable instruments or interest rates and credit spreads, yield curves, volatilities prepayment speeds and loss severities. Fair values for a portion of the securities portfolio are based on significant unobservable inputs, including projected cash flows discounted as rates indicated by comparison to securities with similar credit and liquidity risk.

#### *Derivatives*

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

#### *Residential Mortgage Loans Held for Sale*

Residential mortgage loans held for sale are carried on the balance sheet at fair value. The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments.

#### *Loans*

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings. The fair values of loans were estimated to approximate their discounted cash flows less loan loss reserves allocated to these loans of \$274 million and \$210 million at December 31, 2009 and 2008, respectively.

#### *Other Assets – Private Equity Funds*

The fair value of the portfolio investments of the Company's two private equity funds are based upon net asset value reported by the underlying funds, as adjusted by the general partner when necessary to represent the price that would be received to sell the assets. Private equity fund assets are long-term, illiquid investments. No secondary market exists for these assets. They may only be realized through cash distributions from the underlying funds.

#### *Deposits*

The fair values of time deposits are based on discounted cash flow analyses using interest rates currently being offered on similar transactions. Estimated fair value of deposits with no stated maturity, which includes demand deposits, transaction deposits, money market deposits and savings accounts, is equal to the amount payable on demand. Although market premiums paid reflect an additional value for these low cost deposits, adjusting fair value for the expected benefit of these deposits is prohibited. Accordingly, the positive effect of such deposits is not included in this table.

#### *Other Borrowings and Subordinated Debentures*

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

#### *Off-Balance Sheet Instruments*

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at December 31, 2009 and 2008.

Assets and liabilities recorded at fair value in the financial statement on a recurring and non-recurring basis are grouped into three broad levels as follows:

Quoted Prices in active Markets for Identical Instruments – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Significant Other Observable Inputs – fair value is based on significant other observable inputs are generally determined based on a single price for each financial instrument provided to us by an applicable third-party pricing service and are based on one or more of the following:

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

Significant Unobservable Inputs – Fair value is based upon model-based valuation techniques for which at least one significant assumption is not observable in the market.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on this evaluation, we determined that the results represent prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market.

#### *Fair Value of Financial Instruments Measured on a Recurring Basis*

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2009 (in thousands):

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

- (1) A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 7, Mortgage Banking Activities.

The fair value of certain municipal and other debt securities classified as trading or available for sale are based on significant unobservable inputs. These significant unobservable inputs include limited observed trades, projected cash flows, current credit rating of the issuers and, when applicable, the insurers of the debt and observed trades of similar debt. Discount rates are primarily based on reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally recognized rating agencies adjusted for a lack trading volume. Taxable securities rated investment grade by all nationally recognized rating agencies are generally valued to yield a range of 1.73% to 2.79%. As of December 31, 2009, average yields on comparable short-term taxable securities are generally less than 1%. Tax-exempt securities rated investment grade by all nationally recognized rating agencies are generally valued using a spread of 70 to 80 basis points over average yields of comparable securities as of December 31, 2009. Approximately \$9.7 million of our municipal and other tax-exempt securities are rated below investment grade by at least one of the three nationally recognized rating agencies. The fair value of these securities is determined using a spread of 370 to 380 basis points over average yields for comparable municipal securities as of December 31, 2009. All of these securities are currently performing in accordance with their respective contractual terms.

The following represents the changes for the year ended December 31, 2009 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities			
	Trading Securities	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance at December 31, 2008	\$ -	\$ -	\$ -	\$ 15,891
Transfer to significant unobservable inputs	44,650	-	-	-
Transfer from trading to available for sale	(45,890)	32,540	13,350	-
Purchases, sales, issuances and settlements, net	11,850	4,268	3,792	2,906
Gain (loss) recognized in earnings <sup>(1)</sup>	(810)	-	-	4,120
Other comprehensive income (loss)	-	(210)	(26)	-
Balance December 31, 2009	<u>\$ 9,800</u>	<u>\$ 36,598</u>	<u>\$ 17,116</u>	<u>\$ 22,917</u>

(1) Loss on trading securities included in Brokerage and Trading Revenue. Gain on private equity funds included in Gain on Other Assets.

Approximately \$45 million of trading securities were transferred to significant unobservable inputs during 2009. Independent pricing of these securities was discontinued due to a lack of observable inputs. The Company purchased an additional \$12 million of similar securities into the trading portfolio after independent pricing was discontinued. Losses recognized in earnings during 2009 based on significant unobservable inputs totaled \$810 thousand and included \$513 thousand on securities transferred and \$297 thousand on securities purchased.

Substantially all trading securities with fair values based on significant unobservable inputs were transferred available for sale during 2009 based on sales limitations and banking regulations.

#### *Fair Value of Financial Instruments Measured on a Non-Recurring Basis*

Assets measured at fair value on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments, collateral for certain impaired loans and real property and other assets acquired to satisfy loans, which are based primarily on comparisons to completed sales of similar assets. In addition, goodwill impairment is evaluated based on the fair value of the Company's reporting units.

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets adjusted to fair value during the year ended December 31, 2009:

	Carrying Value at December 31, 2009			Fair Value Adjustments for the year ended December 31, 2009
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	
Impaired loans	\$ -	\$73,195	\$ -	\$73,985
Real estate and other repossessed assets	-	21,042	-	8,611

Fair value adjustments of impaired loans are charged against the allowance for loan losses. Fair value adjustments of real estate and other repossessed assets are charged against operating expenses as net gains, losses and operating expenses of repossessed assets.



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

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

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units for 2010 through 2015 and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our business units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are to be significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. Critical assumptions in our evaluation were a 12.00% average expected long-term growth rate, a 0.74% volatility factor for BOK Financial common stock, a 10.60% discount rate, and a 9.86% market risk premium. In general, the growth rate for all reporting units is expected to remain flat in 2010 as the impact of the present recession lessens, with acceleration in growth rates in future years, based on the expectation of improving overall economic growth in future years.

### *Fair Value Election*

Certain certificates of deposit were designated as carried at fair value. This determination is made based on the Company's intent to convert these certificates from fixed interest rates to variable interest rates based on LIBOR with interest rate swaps that have not been designated as hedging instruments. The fair value election for these liabilities better represents the economic effect of these instruments on the Company. At December 31, 2009, the fair value and contractual principal amount of these certificates was \$98 million and \$97 million, respectively. Change in the fair value of these certificates of deposit resulted in an unrealized gain \$7.9 million in 2009, which is included in Gain (Loss) on Derivatives, net on the Consolidated Statement of Earnings.

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

## **(19) Parent Company Only Financial Statements**

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

### **Balance Sheets**

(In Thousands)

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 19,088	\$ 20,324
Securities – available for sale	49,669	9,900
Investment in subsidiaries	2,138,253	1,865,514
Other assets	47,240	1,623
<b>Total assets</b>	<b>\$ 2,254,250</b>	<b>\$ 1,897,361</b>
<b>Liabilities and Shareholders' Equity</b>		
Other borrowings	\$ –	\$ 50,000
Other liabilities	48,437	1,104
<b>Total liabilities</b>	<b>48,437</b>	<b>51,104</b>
Common stock	4	4
Capital surplus	758,723	743,411
Retained earnings	1,563,683	1,427,057
Treasury stock	(105,857)	(101,329)
Accumulated other comprehensive loss	(10,740)	(222,886)
<b>Total shareholders' equity</b>	<b>2,205,813</b>	<b>1,846,257</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,254,250</b>	<b>\$ 1,897,361</b>

## Statements of Earnings

(In Thousands)

	2009	2008	2007
Dividends, interest and fees received from subsidiaries	\$ 172,023	\$ 76,587	\$ 254,256
Other operating revenue	674	359	482
<b>Total revenue</b>	<b>172,697</b>	<b>76,946</b>	<b>254,738</b>
Interest expense	581	2,131	715
Professional fees and services	–	842	601
Other operating expense	–	290	220
<b>Total expense</b>	<b>581</b>	<b>3,263</b>	<b>1,536</b>
Income before taxes and equity in undistributed income of subsidiaries	172,116	73,683	253,202
Federal and state income tax expense (credit)	738	(1,505)	497
Income before equity in undistributed income of subsidiaries	171,378	75,188	252,705
Equity in undistributed income of subsidiaries	29,200	78,044	(35,041)
<b>Net income</b>	<b>\$ 200,578</b>	<b>\$ 153,232</b>	<b>\$ 217,664</b>

## Statements of Cash Flows

(In Thousands)

	2009	2008	2007
<b>Cash flows from operating activities:</b>			
Net income	\$ 200,578	\$ 153,232	\$ 217,664
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(70,959)	(78,044)	35,041
Tax (expense) benefit on exercise of stock options	276	(895)	(3,460)
Change in other assets	(45,617)	(3,930)	(3,090)
Change in other liabilities	47,333	(402)	(585)
<b>Net cash provided by operating activities</b>	<b>131,611</b>	<b>69,961</b>	<b>245,570</b>
<b>Cash flows from investing activities:</b>			
Purchases of available for sale securities	(2,903)	–	–
Investment in subsidiaries	(26,500)	(16,244)	(240,718)
<b>Net cash used by investing activities</b>	<b>(29,403)</b>	<b>(16,244)</b>	<b>(240,718)</b>
<b>Cash flows from financing activities:</b>			
Increase in other borrowings	–	50,000	50,000
Pay down of other borrowings	(50,000)	(50,000)	–
Issuance of common and treasury stock, net	10,508	9,533	20,667
Cash dividends	(63,952)	(59,191)	(50,416)
Repurchase of common stock	–	(7,992)	(17,353)
<b>Net cash used by financing activities</b>	<b>(103,444)</b>	<b>(57,650)</b>	<b>2,898</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,236)</b>	<b>(3,933)</b>	<b>7,750</b>
Cash and cash equivalents at beginning of period	20,324	24,257	16,507
<b>Cash and cash equivalents at end of period</b>	<b>\$ 19,088</b>	<b>\$ 20,324</b>	<b>\$ 24,257</b>
<b>Cash paid for interest</b>	<b>\$ 589</b>	<b>\$ 2,282</b>	<b>\$ 560</b>

## (20) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on December 31, 2009 through the issuance of those consolidated financial statements included in this Annual Report on Form 10-K on February 26, 2010 and has disclosed the subsequent purchase of mortgage servicing rights in Note 7 to the Consolidated Financial Statements.

No additional events were identified requiring recognition in and/or disclosure in the consolidated financial statements.



## Annual Financial Summary – Unaudited

### Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands)

	2009		
	Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate
<b>Assets</b>			
Taxable securities <sup>3</sup>	\$ 7,896,861	\$ 328,997	4.32%
Tax-exempt securities <sup>3</sup>	274,508	15,376	5.60
Total securities <sup>3</sup>	8,171,369	344,373	4.36
Trading securities	89,240	3,700	4.15
Funds sold and resell agreements	44,348	77	0.17
Residential mortgage loans held for sale	218,305	10,102	4.63
Loans <sup>2</sup>	12,133,912	564,391	4.65
Less reserve for loan losses	279,689	–	–
Loans, net of reserve	11,854,223	564,391	4.76
Total earning assets <sup>3</sup>	20,377,485	922,643	4.59
Cash and other assets	2,759,902		
Total assets	\$23,137,387		
<b>Liabilities and Shareholders' Equity</b>			
Transaction deposits	\$ 7,093,768	\$ 51,607	0.73%
Savings deposits	165,677	614	0.37
Time deposits	4,682,462	112,141	2.39
Total interest-bearing deposits	11,941,907	164,362	1.38
Funds purchased and repurchase agreements	2,333,179	8,355	0.36
Other borrowings	2,166,804	9,190	0.42
Subordinated debentures	398,471	22,298	5.60
Total interest-bearing liabilities	16,840,361	204,205	1.21
Demand deposits	3,279,347		
Other liabilities	940,638		
Shareholders' equity	2,077,041		
Total liabilities and shareholders' equity	\$23,137,387		
<b>Tax-equivalent Net Interest Revenue<sup>3</sup></b>		\$ 718,438	3.38%
<b>Tax-equivalent Net Interest Revenue to Earning Assets<sup>3</sup></b>			3.57
Less tax-equivalent adjustment <sup>1</sup>		8,074	
<b>Net Interest Revenue</b>		710,364	
Provision for credit losses		195,900	
Other operating revenue		492,990	
Other operating expense		696,733	
<b>Income before taxes</b>		310,721	
Federal and state income tax		106,705	
<b>Net income before non-controlling interest</b>		204,016	
Net income (loss) attributable to non-controlling interest		3,438	
<b>Net income attributable to BOK Financial Corp.</b>		\$ 200,578	

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

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

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

2008			2007		
Average Balance	Revenue/Expense <sup>1</sup>	Yield/Rate	Average Balance	Revenue/Expense <sup>1</sup>	Yield/Rate
\$ 6,087,167	\$ 313,361	5.10%	\$ 5,166,218	\$ 248,972	4.85%
258,552	16,653	6.48	341,913	21,293	6.39
6,345,719	330,014	5.16	5,508,131	270,265	4.94
73,563	4,935	6.71	29,043	1,948	6.71
70,287	1,577	2.24	77,890	4,480	5.75
106,179	5,805	5.47	84,443	4,776	5.66
12,487,504	727,542	5.83	11,355,602	888,388	7.82
168,042	-	-	120,086	-	-
12,319,462	727,542	5.91	11,235,516	888,388	7.91
18,915,210	1,069,873	5.64	16,935,023	1,169,857	6.92
2,694,609			2,090,745		
\$21,609,819			\$19,025,768		
\$ 6,342,421	\$ 121,403	1.91%	\$ 5,508,831	\$ 194,617	3.53%
158,096	676	0.43	165,729	1,499	0.90
4,552,931	166,845	3.66	4,568,738	216,630	4.74
11,053,448	288,924	2.61	10,243,298	412,746	4.03
3,087,012	61,371	1.99	2,758,306	134,347	4.87
1,745,938	42,226	2.42	838,708	44,258	5.28
398,333	22,262	5.59	395,050	24,901	6.30
16,284,731	414,783	2.55	14,235,362	616,252	4.33
2,632,719			2,368,897		
746,027			609,046		
1,946,342			1,812,463		
\$21,609,819			\$19,025,768		
	\$ 655,090	3.09%		\$ 553,605	2.59%
		3.45			3.28
	8,228			9,120	
	646,862			544,485	
	202,593			34,721	
	428,724			401,980	
	662,404			574,987	
	210,589			336,757	
	64,909			115,761	
	145,680			220,996	
	(7,552)			3,332	
	\$ 153,232			\$ 217,664	

## Quarterly Financial Summary – Unaudited

### Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months Ended					
	December 31, 2009			September 30, 2009		
	Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate	Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate
<b>Assets</b>						
Taxable securities <sup>3</sup>	\$ 8,875,417	\$ 82,392	3.83%	\$ 8,012,380	\$ 81,890	4.18%
Tax-exempt securities <sup>3</sup>	286,550	3,726	5.16	273,432	3,468	5.03
<b>Total securities<sup>3</sup></b>	<b>9,161,967</b>	<b>86,118</b>	<b>3.87</b>	<b>8,285,812</b>	<b>85,358</b>	<b>4.21</b>
Trading securities	68,027	927	5.41	64,763	771	4.72
Funds sold and resell agreements	30,358	16	0.21	67,032	18	0.11
Residential mortgage loans held for sale	194,760	2,311	4.71	176,403	2,198	4.94
Loans <sup>2</sup>	11,492,696	137,235	4.74	11,887,418	139,883	4.67
Less reserve for loan losses	298,157	–	–	281,289	–	–
Loans, net of reserve	11,194,539	137,235	4.86	11,606,129	139,883	4.78
<b>Total earning assets<sup>3</sup></b>	<b>20,649,651</b>	<b>226,607</b>	<b>4.42</b>	<b>20,200,139</b>	<b>228,228</b>	<b>4.54</b>
Cash and other assets	3,046,083			2,850,395		
<b>Total assets</b>	<b>\$23,695,734</b>			<b>\$23,050,534</b>		
<b>Liabilities and Shareholders' Equity</b>						
Transaction deposits	\$ 7,734,678	\$ 11,092	0.57%	\$ 7,162,477	\$ 11,736	0.65%
Savings deposits	167,572	199	0.47	167,677	203	0.48
Time deposits	4,002,337	19,700	1.95	4,404,854	24,401	2.20
<b>Total interest-bearing deposits</b>	<b>11,904,587</b>	<b>30,991</b>	<b>1.03</b>	<b>11,735,008</b>	<b>36,340</b>	<b>1.23</b>
Funds purchased and repurchase agreements	2,173,476	1,658	0.30	2,284,985	1,817	0.32
Other borrowings	2,380,938	1,742	0.29	2,173,103	2,070	0.38
Subordinated debentures	398,522	5,542	5.52	398,484	5,558	5.53
<b>Total interest-bearing liabilities</b>	<b>16,857,523</b>	<b>39,933</b>	<b>0.94</b>	<b>16,591,580</b>	<b>45,785</b>	<b>1.09</b>
Demand deposits	3,666,663			3,392,578		
Other liabilities	924,803			931,406		
Shareholders' equity	2,246,745			2,134,970		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 23,695,734</b>			<b>\$ 23,050,534</b>		
<b>Tax-equivalent Net Interest Revenue<sup>3</sup></b>		<b>\$186,674</b>	<b>3.48%</b>		<b>\$182,443</b>	<b>3.45%</b>
<b>Tax-equivalent Net Interest Revenue to Earning Assets<sup>3</sup></b>			<b>3.64</b>			<b>3.63</b>
Less tax-equivalent adjustment <sup>1</sup>		2,196			1,982	
<b>Net Interest Revenue</b>		<b>184,478</b>			<b>180,461</b>	
Provision for credit losses		48,620			55,120	
Other operating revenue		108,163			131,770	
Other operating expense		176,437			178,732	
<b>Income before taxes</b>		<b>67,584</b>			<b>78,379</b>	
Federal and state income tax		24,780			24,772	
<b>Net income before non-controlling interest</b>		<b>42,804</b>			<b>53,607</b>	
Net income (loss) attributable to non-controlling interest		33			2,947	
<b>Net income attributable to BOK Financial Corp.</b>		<b>\$ 42,771</b>			<b>\$ 50,660</b>	
<b>Earnings Per Average Common Share Equivalent:</b>						
Net income:						
Basic		<b>\$0.63</b>			<b>\$0.75</b>	
Diluted		<b>\$0.63</b>			<b>\$0.75</b>	

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

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

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

June 30, 2009			Three Months Ended March 31, 2009			December 31, 2008		
Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate	Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate	Average Balance	Revenue/ Expense <sup>1</sup>	Yield/ Rate
\$ 7,594,355	\$ 80,711	4.50%	\$ 7,084,340	\$ 84,004	4.90%	\$ 6,634,035	\$ 87,317	5.12%
285,078	4,044	5.69	252,612	4,138	6.64	255,693	4,133	6.43
7,879,433	84,755	4.54	7,336,952	88,142	4.96	6,889,728	91,450	5.17
112,960	983	3.49	111,962	1,019	3.69	78,840	1,298	6.55
29,277	14	0.19	50,701	30	0.24	48,246	92	0.76
286,077	3,215	4.51	201,135	2,378	4.79	121,184	1,683	5.52
12,403,050	143,510	4.64	12,784,765	143,763	4.56	12,826,696	169,700	5.26
273,335	-	-	252,734	-	-	209,319	-	-
12,129,715	143,510	4.75	12,532,031	143,763	4.65	12,617,377	169,700	5.35
20,437,462	232,477	4.65	20,232,781	235,332	4.75	19,755,375	264,223	5.28
2,636,569			2,710,588			2,516,276		
<u>\$23,074,031</u>			<u>\$ 22,943,369</u>			<u>\$ 22,271,651</u>		
\$ 6,854,003	\$ 13,362	0.78%	\$ 6,610,805	\$ 15,417	0.95%	\$ 6,116,465	\$ 23,161	1.51%
167,813	104	0.25	159,537	109	0.28	155,784	143	0.37
5,123,947	31,637	2.48	5,215,091	36,401	2.83	5,109,303	42,090	3.28
12,145,763	45,103	1.49	11,985,433	51,927	1.76	11,381,552	65,394	2.29
2,316,990	1,995	0.35	2,562,066	2,825	0.45	3,095,054	7,289	0.94
1,951,699	2,375	0.49	2,158,963	3,064	0.58	1,986,857	7,541	1.51
398,456	5,632	5.67	398,425	5,566	5.67	398,392	5,489	5.48
16,812,908	55,105	1.31	17,104,887	63,382	1.50	16,861,855	85,713	2.02
3,183,338			2,864,751			2,712,384		
1,071,121			1,058,216			788,530		
2,006,664			1,915,515			1,908,882		
<u>\$ 23,074,031</u>			<u>\$ 22,943,369</u>			<u>\$ 22,271,651</u>		
	\$177,372	3.34%		\$171,950	3.25%		\$178,510	3.26%
	1,792	3.55		2,105	3.47		2,063	3.57
	175,580			169,845			176,447	
	47,120			45,040			73,001	
	127,965			125,092			121,447	
	175,770			165,794			185,442	
	80,655			84,103			39,451	
	28,315			28,838			10,363	
	52,340			55,265			29,088	
	225			233			(6,355)	
	<u>\$ 52,115</u>			<u>\$ 55,032</u>			<u>\$ 35,443</u>	
	\$ 0.77			\$0.81			\$0.53	
	<u>\$ 0.77</u>			<u>\$0.81</u>			<u>\$0.52</u>	

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the “Exchange Act”), the Company’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Company’s disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company’s disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Company, within the time periods specified in the Securities and Exchange Commission’s rules and forms.

In addition and as of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f), as amended, of the Exchange Act) during the Company’s fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

The Report of Management on Financial Statements and Management’s Report on Internal Control over Financial Reporting appear within Item 8, “Financial Statements and Supplementary Data.” The independent registered public accounting firm, Ernst & Young LLP, has audited the financial statements included in Item 8 and has issued an audit report on the Company’s internal control over financial reporting, which appears therein.

**ITEM 9B. OTHER INFORMATION**

None.



## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth under the headings “Election of Directors,” “Executive Officers,” “Insider Reporting,” “Director Nominations,” and “Risk Oversight and Audit Committee” in BOK Financial’s 2010 Annual Proxy Statement is incorporated herein by reference.

The Company has a Code of Ethics which is applicable to all Directors, officers and employees of the Company, including the Chief Executive Officer and the Chief Financial Officer, the principal executive officer and principal financial and accounting officer, respectively. A copy of the Code of Ethics will be provided without charge to any person who requests it by writing to the Company’s headquarters at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192 or telephoning the Chief Auditor at (918) 588-6000. The Company will also make available amendments to or waivers from its Code of Ethics applicable to Directors or executive officers, including the Chief Executive Officer and the Chief Financial Officer, in accordance with all applicable laws and regulations.

There are no material changes to the procedures by which security holders may recommend nominees to the Company’s board of directors since the Company’s 2009 Annual Proxy Statement to Shareholders.

### ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the heading “Compensation Discussion and Analysis,” “Compensation Committee Interlocks and Insider Participation,” Compensation Committee Report,” “Executive Compensation Tables,” and “Director Compensation” in BOK Financial’s 2010 Annual Proxy Statement is incorporated herein by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Election of Directors” in BOK Financial’s 2010 Annual Proxy Statement is incorporated herein by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related parties is set forth in Note 13 of the Company’s Notes to Consolidated Financial Statements, which appears elsewhere herein. Additionally, the information set forth under the heading “Certain Transactions,” “Director Independence” and “Related Party Transaction Review and Approval Process” in BOK Financial’s 2010 Annual Proxy Statement is incorporated herein by reference.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the heading “Principal Accountant Fees and Services” in BOK Financial’s 2010 Annual Proxy Statement is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) (1) Financial Statements

The following financial statements of BOK Financial Corporation are filed as part of this Form 10-K in Item 8:

- Consolidated Statements of Earnings for the years ended December 31, 2009, 2008 and 2007
- Consolidated Balance Sheets as of December 31, 2009 and 2008
- Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007
- Consolidated Statements of Changes in Shareholders’ Equity for the years ended December 31, 2009, 2008 and 2007
- Notes to Consolidated Financial Statements
- Annual Financial Summary – Unaudited
- Quarterly Financial Summary - Unaudited
- Reports of Independent Registered Public Accounting Firm

**(a) (2) Financial Statement Schedules**

The schedules to the consolidated financial statements required by Regulation S-X are not required under the related instructions or are inapplicable and are therefore omitted.

**(a) (3) Exhibits**

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.0	The Articles of Incorporation of BOK Financial, incorporated by reference to (i) Amended and Restated Certificate of Incorporation of BOK Financial filed with the Oklahoma Secretary of State on May 28, 1991, filed as Exhibit 3.0 to S-1 Registration Statement No. 33-90450, and (ii) Amendment attached as Exhibit A to Information Statement and Prospectus Supplement filed November 20, 1991.
3.1	Bylaws of BOK Financial, incorporated by reference to Exhibit 3.1 of S-1 Registration Statement No. 33-90450.
3.1(a)	Bylaws of BOK Financial, as amended and restated as of October 30, 2007, incorporated by reference to Exhibit 3.1 of Form 8-K filed on November 5, 2007.
4.0	The rights of the holders of the Common Stock and Preferred Stock of BOK Financial are set forth in its Certificate of Incorporation.
10.0	Purchase and Sale Agreement dated October 25, 1990, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.0 of S-1 Registration Statement No. 33-90450.
10.1	Amendment to Purchase and Sale Agreement effective March 29, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.2 of S-1 Registration Statement No. 33-90450
10.2	Letter agreement dated April 12, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.3 of S-1 Registration Statement No. 33-90450.
10.3	Second Amendment to Purchase and Sale Agreement effective April 15, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.4 of S-1 Registration Statement No. 33-90450.
10.4	Employment and Compensation Agreements.
10.4(a)	Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(a) of Form 10-K for the fiscal year ended December 31, 1991.
10.4(b)	Amendment to 1991 Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(b) of Form 10-K for the fiscal year ended December 31, 2001.
10.4(c)	Amended and Restated Deferred Compensation Agreement (Amended as of September 1, 2003) between Stanley A. Lybarger and BOK Financial Corporation, incorporated by reference to Exhibit 10.4 (c) of Form 10-Q for the quarter ended September 30, 2003.
10.4 (d)	409A Deferred Compensation Agreement between Stanley A. Lybarger and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4 (d) of Form 8-K filed on January 5, 2005.
10.4 (e)	Guaranty by George B. Kaiser in favor of Stanley A. Lybarger dated March 7, 2005, incorporated by reference to Exhibit 10.4 (e) of Form 10-K for the fiscal year ended December 31, 2004.
10.4 (f)	Third Amendment to 1991 Employment Agreement between Stanley A. Lybarger and Bank of Oklahoma, National Association, incorporated by reference to Exhibit 10.4 (f) of Form 10-K for the fiscal year ended December 31, 2007.
10.4 (g)	Amended and Restated Employment Agreement dated December 26, 2008 between BOK Financial Corporation and Stanley A. Lybarger, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on December 26, 2008.
10.4.1(a)	Employee Agreement between BOK Financial and V. Burns Hargis, incorporated by reference to Exhibit 10.4.1(a) of Form 10-K for the fiscal year ended December 31, 2002.
10.4.1(b)	Amendment to Employee Agreement between BOK Financial and V. Burns Hargis, incorporated by reference to Exhibit 10.4.1(b) of Form 10-K for the fiscal year ended December 31, 2002.

- 10.4.2 Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven G. Bradshaw and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.2 of Form 10-K for the fiscal year ended December 31, 2003.
- 10.4.2 (a) 409A Deferred Compensation Agreement between Steven G. Bradshaw and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.2 (a) of Form 8-K filed on January 5, 2005.
- 10.4.2 (b) Employment Agreement between BOK Financial and Steven G. Bradshaw dated September 29, 2003, incorporated by reference to Exhibit 10.4.2 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.4 Amended and Restated Employment Agreement (Amended as of June 14, 2002) among First National Bank of Park Cities, BOK Financial Corporation and C. Fred Ball, Jr., incorporated by reference to Exhibit 10.4.4 of Form 10-K for the fiscal year ended December 31, 2003.
- 10.4.5 409A Deferred Compensation Agreement between Daniel H. Ellinor and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.5 of Form 8-K filed on January 5, 2005.
- 10.4.5 (a) Employment Agreement between BOK Financial and Dan H. Ellinor dated August 29, 2003, incorporated by reference to Exhibit 10.4.5 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.5 (b) Deferred Compensation Agreement dated November 28, 2003 between Daniel H. Ellinor and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.5 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.6 409A Deferred Compensation Agreement between Mark W. Funke and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.6 of Form 8-K filed on January 5, 2005.
- 10.4.6 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Mark W. Funke and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.6 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.7 409A Deferred Compensation Agreement between Steven E. Nell and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.7 of Form 8-K filed on January 5, 2005.
- 10.4.7 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven E. Nell and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.7 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.8 Employment Agreement dated August 1, 2005 between BOK Financial Corporation and Donald T. Parker, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on February 1, 2006.

- 10.5 Director indemnification agreement dated June 30, 1987, between BOK and Kaiser, incorporated by reference to Exhibit 10.5 of S-1 Registration Statement No. 33-90450. Substantially similar director indemnification agreements were executed between BOK and the following:

	<u>Date of Agreement</u>
James E. Barnes	June 30, 1987
William H. Bell	June 30, 1987
James S. Boese	June 30, 1987
Dennis L. Brand	June 30, 1987
Chester E. Cadieux	June 30, 1987
William B. Cleary	June 30, 1987
Glenn A. Cox	June 30, 1987
William E. Durrett	June 30, 1987
Leonard J. Eaton, Jr.	June 30, 1987
William B. Fader	December 5, 1990
Gregory J. Flanagan	June 30, 1987
Jerry L. Goodman	June 30, 1987
David A. Hentschel	July 7, 1987
Philip N. Hughes	July 8, 1987
Thomas J. Hughes, III	June 30, 1987
William G. Kerr	June 30, 1987
Philip C. Lauinger, Jr.	June 30, 1987
Stanley A. Lybarger	December 5, 1990
Patricia McGee Maino	June 30, 1987
Robert L. Parker, Sr.	June 30, 1987
James A. Robinson	June 30, 1987
William P. Sweich	June 30, 1987

- 10.6 Capitalization and Stock Purchase Agreement dated May 20, 1991, between BOK Financial and Kaiser, incorporated by reference to Exhibit 10.6 of S-1 Registration Statement No. 33-90450.
- 10.7.3 BOK Financial Corporation 1994 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79834.
- 10.7.4 BOK Financial Corporation 1994 Stock Option Plan (Typographical Error Corrected January 16, 1995), incorporated by reference to Exhibit 10.7.4 of Form 10-K for the fiscal year ended December 31, 1994.
- 10.7.5 BOK Financial Corporation 1997 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-32649.
- 10.7.6 BOK Financial Corporation 2000 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-93957.
- 10.7.7 BOK Financial Corporation 2001 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-62578.
- 10.7.8 BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79836.
- 10.7.9 Bank of Oklahoma Thrift Plan (Amended and Restated Effective as of January 1, 1995), incorporated by reference to Exhibit 10.7.6 of Form 10-K for the year ended December 31, 1994.
- 10.7.10 Trust Agreement for the Bank of Oklahoma Thrift Plan (December 30, 1994), incorporated by reference to Exhibit 10.7.7 of Form 10-K for the year ended December 31, 1994.
- 10.7.11 BOK Financial Corporation 2003 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106531.
- 10.7.12 BOK Financial Corporation 2003 Executive Incentive Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106530.
- 10.7.13 10b5-1 Repurchase Plan between BOK Financial Corporation and BOSCO, Inc. dated May 27, 2008, incorporated by reference to Exhibit 10.1 of Form 8-K filed May 27, 2008.
- 10.8 Lease Agreement between One Williams Center Co. and National Bank of Tulsa (predecessor to BOK) dated June 18, 1974, incorporated by reference to Exhibit 10.9 of S-1 Registration Statement No. 33-90450.

- 10.9 Lease Agreement between Security Capital Real Estate Fund and BOK dated January 1, 1988, incorporated by reference to Exhibit 10.10 of S-1 Registration Statement No. 33-90450.
- 10.10 Asset Purchase Agreement (OREO and other assets) between BOK and Phi-Lea-Em Corporation dated April 30, 1991, incorporated by reference to Exhibit 10.11 of S-1 Registration Statement No. 33-90450.
- 10.11 Asset Purchase Agreement (Tanker Assets) between BOK and Green River Exploration Company dated April 30, 1991, incorporated by reference to Exhibit 10.12 of S-1 Registration Statement No. 33-90450.
- 10.12 Asset Purchase Agreement (Recovery Rights) between BOK and Kaiser dated April 30, 1991, incorporated by reference to Exhibit 10.13 of S-1 Registration Statement No. 33-90450.
- 10.13 Purchase and Assumption Agreement dated August 7, 1992 among First Gibraltar Bank, FSB, Fourth Financial Corporation and BOK, as amended, incorporated by reference to Exhibit 10.14 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.13.1 Allocation Agreement dated August 7, 1992 between BOK and Fourth Financial Corporation, incorporated by reference to Exhibit 10.14.1 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.14 Merger Agreement among BOK Financial, BOKF Merger Corporation Number Two, Brookside Bancshares, Inc., The Shareholders of Brookside Bancshares, Inc. and Brookside State Bank dated December 22, 1992, as amended, incorporated by reference to Exhibit 10.15 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.14.1 Agreement to Merge between BOK and Brookside State Bank dated January 27, 1993, incorporated by reference to Exhibit 10.15.1 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.15 Merger Agreement among BOK Financial, BOKF Merger Corporation Number Three, Sand Springs Bancshares, Inc., The Shareholders of Sand Springs Bancshares, Inc. and Sand Springs State Bank dated December 22, 1992, as amended, incorporated by reference to Exhibit 10.16 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.15.1 Agreement to Merge between BOK and Sand Springs State Bank dated January 27, 1993, incorporated by reference to Exhibit 10.16.1 of Form 10-K for the fiscal year ended December 31, 1992.
- 10.16 Partnership Agreement between Kaiser-Francis Oil Company and BOK Financial dated December 1, 1992, incorporated by reference to Exhibit 10.16 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.16.1 Amendment to Partnership Agreement between Kaiser-Francis Oil Company and BOK Financial dated May 17, 1993, incorporated by reference to Exhibit 10.16.1 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.17 Purchase and Assumption Agreement between BOK and FDIC, Receiver of Heartland Federal Savings and Loan Association dated October 9, 1993, incorporated by reference to Exhibit 10.17 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.18 Merger Agreement among BOK, Plaza National Bank and The Shareholders of Plaza National Bank dated December 20, 1993, incorporated by reference to Exhibit 10.18 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.18.1 Amendment to Merger Agreement among BOK, Plaza National Bank and The Shareholders of Plaza National Bank dated January 14, 1994, incorporated by reference to Exhibit 10.18.1 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.19 Stock Purchase Agreement between Texas Commerce Bank, National Association and BOK dated March 11, 1994, incorporated by reference to Exhibit 10.19 of Form 10-K for the fiscal year ended December 31, 1993.
- 10.20 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Four, Citizens Holding Company and others dated May 11, 1994, incorporated by reference to Exhibit 10.20 of Form 10-K for the fiscal year ended December 31, 1994.
- 10.21 Stock Purchase and Merger Agreement among Northwest Bank of Enid, BOK and The Shareholders of Northwest Bank of Enid effective as of May 16, 1994, incorporated by reference to Exhibit 10.21 of Form 10-K for the fiscal year ended December 31, 1994.

- 10.22 Agreement and Plan of Merger among BOK Financial Corporation, BOKF Merger Corporation Number Five and Park Cities Bancshares, Inc. dated October 3, 1996, incorporated by reference to Exhibit C of S-4 Registration Statement No. 333-16337.
- 10.23 Agreement and Plan of Merger among BOK Financial Corporation and First TexCorp., Inc. dated December 18, 1996, incorporated by reference to Exhibit 10.24 of S-4 Registration Statement No. 333-16337.
- 10.24 Purchase and Assumption Agreement between Bank of America National Trust and Savings Association and BOK Financial Corporation dated July 27, 1998.
- 10.25 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation No. Seven, First Bancshares of Muskogee, Inc., First National Bank and Trust Company of Muskogee, and Certain Shareholders of First Bancshares of Muskogee, Inc. dated December 30, 1998.
- 10.26 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Nine, and Chaparral Bancshares, Inc. dated February 19, 1999.
- 10.27 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc., Mid-Cities Bancshares, Inc. and Mid-Cities National Bank dated February 24, 1999.
- 10.28 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc., PC Interim State Bank, Swiss Avenue State Bank and Certain Shareholders of Swiss Avenue State Bank dated March 4, 1999.
- 10.29 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc. and CNBT Bancshares, Inc. dated August 18, 2000, incorporated by reference to Exhibit 10.29 of Form 10-K for the fiscal year ended December 31, 2000.
- 10.30 Merger Agreement among BOK Financial Corporation, Bank of Tanglewood, N.A. and TW Interim Bank dated October 25, 2002, incorporated by reference to Exhibit 2.0 of S-4 Registration Statement No. 333-98685.
- 10.31 Remote Outsourcing Services Agreement between Bank of Oklahoma, N.A. and Alltel Information Services, Inc., dated September 1, 2002, incorporated by reference to Exhibit 10.30 of the September 30, 2002 10-Q filed on November 13, 2002.
- 10.32 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Eleven, Colorado Funding Company, Colorado State Bank and Trust and Certain Shareholders of Colorado Funding Company dated July 8, 2003, incorporated by reference to Exhibit 10.32 of Form 10-K for the fiscal year ended December 31, 2003.
- 10.33 Merger Agreement between BOK Financial Corporation, BOKF Merger Corporation Number Eight, Valley Commerce Bank, and Valley Commerce Bancorp, Ltd. dated December 20, 2004, incorporated by reference to Exhibit 10.1 of the Form 8-K filed on December 22, 2004.
- 10.34 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Twelve, Worth Bancorporation, Inc., and Worth National Bank dated March 9, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on March 12, 2007.
- 10.35 Stock Purchase Agreement among BOK Financial Corporation, BOKF Stock Corporation Number Thirteen, United Banks of Colorado, Inc., First United Bank, NA and Baltz Family Partners, Ltd. dated May 23, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on May 24, 2007.
- 21.0 Subsidiaries of BOK Financial, filed herewith.
- 23.0 Consent of independent registered public accounting firm - Ernst & Young LLP, filed herewith.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

- 99.0 Additional Exhibits.
- 99 (a) Credit Agreement dated December 2, 2005 between BOK Financial Corporation and participating lenders, incorporated by reference to Exhibit 99 (a) of Form 8-K filed December 6, 2005.
- 99 (b) Credit Agreement between BOK Financial Corporation and George B. Kaiser dated July 21, 2008, incorporated by reference to Exhibit 99 (b) of Form 8-K filed July 21, 2008.
- 99 (c) First Amended Debenture dated December 2, 2009 between BOK Financial Corporation and George B. Kaiser, incorporated by reference to Exhibit 99 (a) of Form 8-K filed December 4, 2009.
- 99.1 Undertakings incorporated by reference into S-8 Registration Statement No. 33-44121 for Bank of Oklahoma Master Thrift Plan and Trust, incorporated by reference to Exhibit 99.1 of Form 10-K for the fiscal year ended December 31, 1993.
- 99.5 Undertakings incorporated by reference into S-8 Registration Statement No. 33-79834 for BOK Financial Corporation 1994 Stock Option Plan, incorporated by reference to Exhibit 99.5 of Form 10-K for the fiscal year ended December 31, 1994.
- 99.6 Undertakings incorporated by reference into S-8 Registration Statement No. 33-79836 for BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 99.6 of Form 10-K for the fiscal year ended December 31, 1994.
- 99.7 Undertakings incorporated by reference into S-8 Registration Statement No. 333-32649 for BOK Financial Corporation 1997 Stock Option Plan, Incorporated by reference to Exhibit 99.7 of Form 10-K for the fiscal year ended December 31, 1997.
- 99.8 Undertakings incorporated by reference into S-8 Registration Statement No. 333-93957 for BOK Financial Corporation 2000 Stock Option Plan, Incorporated by reference to Exhibit 99.8 of Form 10-K for the fiscal year ended December 31, 1999.
- 99.9 Undertakings incorporated by reference into S-8 Registration Statement No. 333-40280 for BOK Financial Corporation Thrift Plan for Hourly Employees, Incorporated by reference to Exhibit 99.9 of Form 10-K for the fiscal year ended December 31, 2000.

**(b) Exhibits**

See Item 15 (a) (3) above.

**(c) Financial Statement Schedules**

See Item 15 (a) (2) above.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOK FINANCIAL CORPORATION

DATE: February 26, 2010 BY: /s/ George B. Kaiser  
George B. Kaiser  
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 26, 2010, by the following persons on behalf of the registrant and in the capacities indicated.

### OFFICERS

/s/ George B. Kaiser  
George B. Kaiser  
Chairman of the Board of Directors

/s/ Stanley A. Lybarger  
Stanley A. Lybarger  
Director, President and Chief  
Executive Officer

/s/ Steven E. Nell  
Steven E. Nell  
Executive Vice President and  
Chief Financial Officer

/s/ John C. Morrow  
John C. Morrow  
Senior Vice President and Chief  
Accounting Officer

### DIRECTORS

/s/ Gregory S. Allen  
Gregory S. Allen

/s/ David F. Griffin  
David F. Griffin

C. Fred Ball, Jr.

/s/ V. Burns Hargis  
V. Burns Hargis

/s/ Sharon J. Bell  
Sharon J. Bell

/s/ E. Carey Joullian, IV  
E. Carey Joullian, IV

/s/ Peter C. Boylan, III  
Peter C. Boylan, III

/s/ Robert J. LaFortune  
Robert J. LaFortune

/s/ Chester Cadieux, III  
Chester Cadieux, III

Steven J. Malcolm

Joseph W. Craft, III

/s/ E.C. Richards  
E.C. Richards

William E. Durrett

/s/ John W. Gibson  
John W. Gibson





**CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002  
FOR THE CHIEF EXECUTIVE OFFICER**

I, Stanley A. Lybarger, President and Chief Executive Officer of BOK Financial Corporation (“BOK Financial”), certify that:

1. I have reviewed this Annual Report on Form 10-K of BOK Financial;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2010

/s/ Stanley A. Lybarger  
Stanley A. Lybarger  
President  
Chief Executive Officer  
BOK Financial Corporation

**CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002  
FOR THE CHIEF FINANCIAL OFFICER**

I, Steven E. Nell, Executive Vice President and Chief Financial Officer of BOK Financial Corporation (“BOK Financial”), certify that:

1. I have reviewed this Annual Report on Form 10-K of BOK Financial;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2010

/s/ Steven E. Nell

Steven E. Nell  
Executive Vice President  
Chief Financial Officer  
BOK Financial Corporation

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of BOK Financial Corporation (“BOK Financial”) on Form 10-K for the fiscal year ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Stanley A. Lybarger and Steven E. Nell, Chief Executive Officer and Chief Financial Officer, respectively, of BOK Financial, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BOK Financial.

February 26, 2010

/s/ Stanley A. Lybarger  
Stanley A. Lybarger  
President  
Chief Executive Officer  
BOK Financial Corporation

/s/ Steven E. Nell  
Steven E. Nell  
Executive Vice President  
Chief Financial Officer  
BOK Financial Corporation

