Kosmos Energy Ltd.
Form 8-K
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

August 3, 2018

KOSMOS ENERGY LTD.

(Exact Name of Registrant as Specified in its Charter)

Bermuda	**001-35167**	**98-0686001**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

Clarendon House 2 Church Street Hamilton, Bermuda	**HM 11**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **+1 441 295 5950**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement

On August 3, 2018, Kosmos Energy Gulf of Mexico, LLC ("Purchaser"), a wholly owned subsidiary of Kosmos Energy Ltd. ("Kosmos"), entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain affiliates of First Reserve Corporation (the sellers under the Purchase Agreement, the "Seller") to acquire 100% of the outstanding equity interests in the Deep Gulf Energy companies (collectively, "Deep Gulf Energy").

In connection with the transactions contemplated by the Purchase Agreement (the "Transactions"), certain affiliates of First Reserve Corporation have entered into a support agreement with Purchaser, providing for, among other things, cooperation with certain regulatory filings and customary confidentiality provisions. In addition, Kosmos has executed a customary guaranty of Purchaser's obligations under the Purchase Agreement in favor of the Seller.

Transactions

Subject to the terms and conditions set forth in the Purchase Agreement, at the closing of the Transactions, Purchaser will acquire Deep Gulf Energy on a cash-free and debt-free basis as of 12:01 a.m., Central Time, on July 1, 2018 (the "Effective Time"), for a purchase price of $1.225 billion, to be paid (1) $925 million in cash and (2) in a number of shares of Kosmos' common stock ("Parent Common Equity") equal to $300 million divided by the volume-weighted average price of Parent Common Equity on the New York Stock Exchange for the 20 consecutive trading days ending on (and including) the trading day immediately prior to the date of the closing, rounded to three decimal places; *provided* that such price per share of Parent Common Equity will be no less than $6.905 and no greater than $9.343. The cash portion of the purchase price will be subject to customary adjustments for transaction expenses, working capital as of the Effective Time and for certain payments made or other value transfers for the benefit of Seller and certain of its related parties, including dividends, distributions and other similar payments, from the Effective Time through the closing, and other customary adjustments for a transaction of this type. The purchase price is also subject to certain adjustments in respect of title benefits or title defects relating to Deep Gulf Energy's oil and gas properties. Purchaser may elect to increase the cash portion of the purchase price and to correspondingly reduce the equity portion of the purchase price by the number of shares equal to the increase in the cash purchase price divided by the share price calculated as set forth above.

Kosmos intends to fund the cash portion of the purchase price with borrowings under its existing credit facilities.

The Seller has agreed not to sell, contract to sell, pledge, dispose of or otherwise transfer, directly or indirectly, the shares of Parent Common Equity received as consideration for a period of six months following the closing date. Kosmos has agreed to file a resale shelf registration statement upon expiration of this lock-up period to facilitate the resale of the shares. In addition, the Seller has agreed that shares of Parent Common Equity equal to 10% of the purchase price (as adjusted for title defects and title benefits prior to the closing) will be subject to a 12-month holdback as partial security for claims by Purchaser against the Seller after the closing in accordance with the Purchase Agreement; provided that a portion of such shares will be released from the holdback six months after the closing.

Conditions to Closing

The consummation of the Transactions is subject to the satisfaction or waiver of certain customary conditions, including, among others: (1) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended, the "HSR Act"), and certain other regulatory approvals, if applicable and (2) the absence of any injunction, order or award enjoining or otherwise prohibiting the Transactions. In addition, (x) Seller's obligation to consummate the Transactions is also subject to the following additional conditions: (1) the accuracy, subject to customary materiality thresholds, of Purchaser's representations and warranties under the Purchase Agreement, compliance in all material respects with the pre-closing covenants of Purchaser under the Purchase Agreement and the absence of a material adverse effect on Kosmos, (2) the approval for listing of the shares of Parent Common Equity as part of the purchase price on the New York Stock Exchange, and (3) the unadjusted purchase price will not have decreased by more than 10% due to title defects relating to Deep Gulf Energy's oil and gas properties and (y) Purchaser's obligation to consummate the Transactions is also subject to the following additional conditions: (1) the accuracy, subject to customary materiality thresholds, of the Seller's representations and warranties under the Purchase Agreement, compliance in all material respects with the pre-closing covenants of the Seller and Deep Gulf Energy under the Purchase Agreement and the absence of a material adverse effect on Deep Gulf Energy, and (2) the unadjusted purchase price will not have increased by more than 10% due to title benefits relating to Deep Gulf Energy's oil and gas properties.

The Transaction is expected to close around the end of the third quarter of 2018.

Representations and Warranties; Covenants

The Purchase Agreement contains mutual customary representations, warranties and covenants of each of Purchaser, Kosmos, Seller and Deep Gulf Energy. Seller has agreed to cause Deep Gulf Energy to operate its business in the ordinary course consistent with past practice and to comply with certain interim operating covenants, and Purchaser and Kosmos have also agreed to comply with certain interim operating covenants. Subject to certain exceptions, each of Seller and Purchaser has agreed to use commercially reasonable efforts to consummate the Transactions, and Kosmos has agreed to take any and all steps and undertakings necessary to resolve any objections or impediments made or asserted by any governmental authority with respect to certain required regulatory approvals, except as would reasonably be expected to be, individually or in the aggregate, material to the condition, assets, liabilities, businesses or results of operations of Kosmos and its subsidiaries, taken as a whole (after giving effect to the transactions contemplated by the Purchase Agreement and, for such purpose, treating Kosmos and its subsidiaries as if it were a company that is the same size and scale of Deep Gulf Energy). The Purchase Agreement contains certain indemnification rights for the benefit of each of the Seller and Kosmos, subject to limitations set forth in the Purchase Agreement.

Termination

The Purchase Agreement contains certain customary termination rights for each of Purchaser and Seller, including, among others, in the event that, subject to certain exceptions, (i) the closing has not occurred on or before November 3, 2018 (the "End Date"), provided that the End Date may be extended until February 1, 2019, subject to certain conditions, if certain regulatory approvals have not been obtained, or (ii) there has been a breach of a representation, warranty or covenant of the other party such that there is a failure of the related closing condition and the breach is incurable or has not been cured within 30 days.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety to the full text of the Purchase Agreement, which Kosmos expects to file as an exhibit to its Quarterly Report on Form 10-Q for the fiscal quarter ending September 30, 2018.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Kosmos expects, believes or anticipates will or may occur in the future, including statements about the consummation of the proposed transaction and the anticipated benefits thereof, are forward-looking statements. Kosmos' estimates and forward-looking statements are mainly based on its current expectations and estimates of future events and trends, which affect or may affect its businesses and operations. Although Kosmos believes that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to Kosmos. Further information on such assumptions, risks and uncertainties is available in Kosmos' Securities and Exchange Commission ("SEC") filings. When used in this Current Report on Form 8-K, the words "anticipate," "believe," "intend," "expect," "plan," "will" or other similar words are intended to identify forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Kosmos, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements, including the failure to consummate the proposed transaction on the anticipated terms and timing or at all. Kosmos undertakes no obligation and does not intend to update or correct these forward-looking statements to reflect events or circumstances occurring after the date of this Current Report on Form 8-K, except as required by applicable law. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Current Report on Form 8-K. All forward-looking statements are qualified in their entirety by this cautionary statement.

Item 7.01 Regulation FD Disclosure

On August 6, 2018, Kosmos issued a press release announcing the entry into the agreement referred to above. A copy of the press release issued by Kosmos is attached hereto as Exhibit 99.1. The information in this Item 7.01 and Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liabilities of that Section.

Item 9.01 Financial Statements and Other Exhibits

Exhibit Number	Description of Exhibit
99.1	Press Release, dated August 6, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 9, 2018

KOSMOS ENERGY LTD.

By: /s/ Jason E. Doughty

Jason E. Doughty

Senior Vice President, General Counsel and Corporate Secretary

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
99.1	Press Release, dated August 6, 2018

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Alt-A loans
20 – – 176,489 53,569 176,489 53,569
Jumbo-A loans
55 – – 480,782 61,924 480,782 61,924
Total private issue
75 – – 657,271 115,493 657,271 115,493
Total residential mortgage-backed securities
83 212,518 5,150 657,271 115,493 869,789 120,643
Other debt securities
7 4,965 27 29 – 4,994 27
Equity securities and mutual funds
3 2,681 523 3,606 132 6,287 655
Total available for sale
116 252,489 6,774 660,906 115,625 913,395 122,399
Total
130 $272,310 $7,040 $662,343 $115,635 $934,653 $122,675

[1] Includes the following securities for which an unrealized loss remains in OCI after an other-than-temporary credit loss has been recognized in income:

Alt-A loans	16	$–	$–	$153,012	$52,219	$153,012	$52,219
Jumbo-A loans	25	–	–	160,872	34,259	160,872	34,259

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

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. Based on this evaluation as of June 30, 2011, we do 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 we will not be required to sell impaired securities before fair value recovers, which may be maturity.

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.

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 June 30, 2011.

At June 30, 2011, the composition of the Company's investment and available for sale securities portfolios 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	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment:								
Municipal and other tax-exempt	$–	$–	$58,023	$59,743	$29,898	$30,679	$–	$–
Other debt securities	–	–	180,334	195,332	1,350	1,350	–	–
Total	$–	$–	$238,357	$255,075	$31,248	$32,029	$–	$–
Available for Sale:								
U.S. Treasury	$1,001	$1,003	$–	$–	$–	$–	$–	$–
Municipal and other tax-exempt	–	–	39,996	42,024	11,941	11,986	14,584	14,063
Residential mortgage-backed securities:								
U. S. agencies:								
FNMA	5,359,939	5,524,849	–	–	–	–	–	–
FHLMC	2,447,830	2,544,684	–	–	–	–	–	–
GNMA	704,168	742,411	–	–	–	–	–	–
Other	76,971	81,845	–	–	–	–	–	–
Total U.S. agencies	8,588,908	8,893,789	–	–	–	–	–	–
Private issue:								
Alt-A loans	–	–	3,269	3,164	9,914	9,961	182,749	153,632
Jumbo-A loans	–	–	32,106	31,379	66,618	61,397	286,647	253,689
Total private issue	–	–	35,375	34,543	76,532	71,358	469,396	407,321
Total residential mortgage-backed securities	8,588,908	8,893,789	35,375	34,543	76,532	71,358	469,396	407,321
Other debt securities	–	–	5,900	5,893	–	–	–	–
Perpetual preferred stock	–	–	–	–	19,511	22,694	–	–
Equity securities and mutual funds	–	–	–	–	–	–	–	–
Total	$8,589,909	$8,894,792	$81,271	$82,460	$107,984	$106,038	$483,980	$421,384

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.

At June 30, 2011, approximately $469 million of the portfolio of privately issued residential 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 $62 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 we expect 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 9.5% over the next 12 months, dropping to 8% over the following 21 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 ("FHFA") data, decreasing by an additional 4% over the next twelve months and holding at that level thereafter.

- Estimated Liquidation Costs – held constant at 25% to 30% for Jumbo-A loans and 35% to 38% for Alt-A loans of the then-current depreciated housing price at estimated foreclosure date.
- Discount rates – estimated cash flows were discounted at rates that range from 2.90% to 6.25% based on our current expected yields.

We also consider the current loan-to-value ratio and remaining credit enhancement as part of the assessment of the cash flows available to recover the amortized cost of the debt securities. Each factor is considered in the evaluation.

The Company calculates the current loan-to-value ratio for each mortgage-backed security using loan-level data. Current loan-to-value ratio is the current outstanding loan amount divided by an estimate of the current home value. The current home value is derived from FHFA data. FHFA provides historical information on home price depreciation at both the Metropolitan Statistical Area and state level. This information is matched to each loan to estimate the home price depreciation. Data is accumulated from the loan level to determine the current loan-to-value ratio for the security as a whole.

A distribution of the amortized cost (after recognition of the other-than-temporary impairment) and fair value by current loan to value ratio for our below investment grade private label residential mortgage-backed securities is as follows (in thousands):

				Credit Losses Recognized			
				Three months ended June 30, 2011		Life-to-date	
Current LTV Ratio	Number of Securities	Amortized Cost	Fair Value	Number of Securities	Amount	Number of Securities	Amount
< 70 %	5	$28,550	$26,598	–	$–	–	$–
70 < 75	–	–	–	–	–	–	–
75 < 80	3	38,159	35,453	–	–	–	–
80 < 85	2	29,636	26,927	1	255	1	3,603
>= 85	50	373,051	318,343	33	4,048	43	56,904
Total	60	$469,396	$407,321	34	$4,303	44	$60,507

Remaining credit enhancement is the amount 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 our residential 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.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities for which the Company had previously recognized other-than-temporary impairment charges in earnings and other comprehensive income, the Company recognized $4.3 million of additional credit loss impairments in earnings during the second quarter of 2011. The Company also recognized a $521 thousand other-than-temporary impairment on certain below investment grade municipal securities based on an assessment of the issuer's on-going financial difficulties. See additional discussion regarding the development of the fair value of the bonds in Note 12.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Balance of credit-related OTTI recognized on available for sale debt, beginning of period	$57,223	$29,367	$52,624	$25,142
Additions for credit-related OTTI not previously recognized	37	791	37	1,789
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	4,787	1,855	9,386	5,082
Balance of credit-related OTTI recognized on available for sale debt securities, end of period	$62,047	$32,013	$62,047	$32,013

Mortgage Trading Securities

Mortgage trading securities are residential mortgage-backed securities issued by U.S. government agencies that have been designated as an economic hedge of the mortgage servicing rights and are separately identified on the balance sheet. The Company has elected to carry these securities at fair value with changes in fair value being recognized in earnings as they occur. Mortgage trading securities were carried at their fair value of $553 million at June 30, 2011 with a net unrealized gain of $5.7 million. Mortgage trading securities were carried at their fair value of $428 million at December 31, 2010, with a net unrealized loss of $5.6 million and fair value of $535 million at June 30, 2010 with a net unrealized gain of $14 million. The Company recognized a net gain of $9.9 million and $6.4 million on mortgage trading securities for the three and six months ended June 30, 2011, respectively. The Company recognized net gains of $14.6 million and $15.1 million on mortgage trading securities for the three and six months ended June 30, 2010, respectively.

(3) Derivatives

The following table summarizes the fair values of derivative contracts recorded as "derivative contracts" assets and liabilities in the balance sheet at June 30, 2011 (in thousands):

	Gross Basis				Net Basis[2]	
	Assets		Liabilities		Assets	Liabilities
	Notional[1]	Fair Value	Notional[1]	Fair Value	Fair Value	Fair Value
Customer risk management programs:						
Interest rate contracts	$8,258,239	$114,945	$8,096,551	$113,534	$91,439	$90,028
Energy contracts	1,917,521	158,922	2,094,878	157,998	51,820	50,896
Agricultural contracts	125,644	6,025	132,573	5,961	1,847	1,783
Foreign exchange contracts	78,471	78,471	78,572	78,572	78,471	78,572
CD options	181,964	18,112	181,964	18,112	18,112	18,112
Total customer derivative before cash collateral	10,561,839	376,475	10,584,538	374,177	241,689	239,391
Less: cash collateral	–	–	–	–	(14,014)	(65,474)
Total customer derivatives	10,561,839	376,475	10,584,538	374,177	227,675	173,917

Interest rate risk management programs	44,000	2,212	–	–	2,212	–
Total derivative contracts	$10,605,839	$378,687	$10,584,538	$374,177	$229,887	$173,917

[1] Notional amounts for commodity contracts are converted into dollar-equivalent amounts based on dollar prices at the inception of the contract.

[2] 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.

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. As of June 30, 2011, a decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $70 million.

The following table summarizes the fair values of derivative contracts recorded as "derivative contracts" assets and liabilities in the balance sheet at December 31, 2010 (in thousands):

	Gross Basis				Net Basis[2]	
	Assets		Liabilities		Assets	Liabilities
	Notional[1]	Fair Value	Notional[1]	Fair Value	Fair Value	Fair Value
Customer risk management programs:						
Interest rate contracts	$11,664,409	$235,961	$11,524,077	$233,421	$141,279	$138,739
Energy contracts	1,914,519	188,655	2,103,923	191,075	76,746	79,166
Agricultural contracts	183,250	10,616	186,709	10,534	4,226	4,144
Foreign exchange contracts	45,014	45,014	45,014	45,014	45,014	45,014
CD options	160,535	16,247	160,535	16,247	16,247	16,247
Total customer derivative before cash collateral	13,967,727	496,493	14,020,258	496,291	283,512	283,310
Less: cash collateral	–	–	–	–	(15,017)	(68,987)
Total customer derivatives	13,967,727	496,493	14,020,258	496,291	268,495	214,323
Interest rate risk management programs	124,000	1,950	17,977	1,097	1,950	1,097
Total derivative contracts	$14,091,727	$498,443	$14,038,235	$497,388	$270,445	$215,420

[1] Notional amounts for commodity contracts are converted into dollar-equivalent amounts based on dollar prices at the inception of the contract.

[2] 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 table summarizes the fair values of derivative contracts recorded as "derivative contracts" assets and liabilities in the balance sheet at June 30, 2010 (in thousands):

	Gross Basis				Net Basis2	
	Assets		Liabilities		Assets	Liabilities
	Notional[1]	Fair Value	Notional[1]	Fair Value	Fair Value	Fair Value
Customer risk management programs:						
Interest rate contracts	$9,128,247	$199,965	$8,975,646	$198,807	$153,044	$151,858
Energy contracts	2,667,481	327,577	3,007,643	332,804	119,537	124,764
Agricultural contracts	236,113	6,882	242,192	6,607	936	657
Foreign exchange contracts	54,241	54,241	54,241	54,241	54,241	54,241
CD options	107,740	6,854	107,740	6,854	6,854	6,854
Total customer derivative before cash collateral	12,193,822	595,519	12,387,462	599,313	334,612	338,374
Less: cash collateral	–	–	–	–	(7,873)	(38,619)
Total customer derivatives	12,193,822	595,519	12,387,462	599,313	326,739	299,755

Interest rate risk management programs	168,000	7,837	28,357	96	7,837	96
Total derivative contracts	$12,361,822	$603,356	$12,415,819	$599,409	$334,576	$299,851

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

2 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):

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net
Customer Risk Management Programs:				
Interest rate contracts	$24	$ –	$(800)	$ –
Energy contracts	912	–	2,549	–
Agricultural contracts	92	–	203	–
Foreign exchange contracts	75	–	84	–
CD options	–	–	–	–
Total Customer Derivatives	1,103	–	2,036	–
Interest Rate Risk Management Programs	–	1,225	–	7,552
Total Derivative Contracts	$1,103	$ 1,225	$2,036	$ 7,552

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net
Customer Risk Management Programs:				
Interest rate contracts	$(2,512)	$ –	$763	$ –
Energy contracts	4,399	–	3,997	–
Agricultural contracts	160	–	396	–
Foreign exchange contracts	183	–	174	–
CD options	–	–	–	–
Total Customer Derivatives	2,230	–	5,330	–
Interest Rate Risk Management Programs	–	(1,348)	–	6,676
Total Derivative Contracts	$2,230	$ (1,348)	$5,330	$ 6,676

Customer Risk Management Programs

BOK Financial offers programs to permit its customers 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.

Interest Rate Risk Management Programs

BOK Financial may use interest rate swaps in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed rate liabilities to floating rate based on LIBOR. Net interest revenue was not significantly impacted by the settlement of amounts receivable or payable on interest rate swaps for the three and six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, BOK Financial had interest rate swaps with a notional value of $44 million used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

As discussed in Note 5, certain derivative contracts not designated as hedging instruments related to mortgage loan commitments and forward sales contracts are included in Residential mortgage loans held for sale on the Consolidated Balance Sheets. See Note 5, for additional discussion of notional, fair value and impact on earnings of these contracts.

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

(4) 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.

Performing loans may be renewed under then current collateral value, debt service ratio and other underwriting standards. Nonperforming loans may be renewed and will remain on nonaccrual status. Nonperforming loans renewed will be evaluated and may be charged off if 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.

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. 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, including principal previously charged off, 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.

Certain residential mortgage loans originated by the Company are held for sale. All residential mortgage loans originated for sale 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.

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

	June 30, 2011				December 31, 2010			
	Fixed Rate	Variable Rate	Nonaccrual	Total	Fixed Rate	Variable Rate	Nonaccrual	Total
Commercial	$2,830,388	$3,294,843	$53,365	$6,178,596	$2,883,905	$3,011,636	$38,455	$5,933,996
Commercial real estate	872,696	1,200,656	110,363	2,183,715	829,836	1,297,148	150,366	2,277,350
Residential mortgage	920,063	916,241	31,693	1,867,997	851,048	939,774	37,426	1,828,248
Consumer	292,385	210,102	4,749	507,236	369,364	229,511	4,567	603,442
Total	$4,915,532	$5,621,842	$200,170	$10,737,544	$4,934,153	$5,478,069	$230,814	$10,643,036
Accruing loans past due (90 days)1				$2,341				$7,966

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

At June 30, 2011, approximately $4.8 billion or 45% of the total loan portfolio is to businesses and individuals in Oklahoma and $3.1 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.

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, interest 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 risk is centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with commercial lending policies.

At June 30, 2011, loans to service-related businesses totaled $1.7 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. Loans to energy-related businesses within the commercial loan classification totaled $1.7 billion or 16% of total loans. Other loan classes include wholesale / retail, $1.1 billion; healthcare, $869 million; manufacturing, $367 million; other commercial and industrial, $282 million and integrated food services, $196 million. Approximately $2.6 billion or 42% of the commercial portfolio are to businesses in Oklahoma and $2.0 billion or 32% of our commercial loan portfolio are to businesses in Texas.

Commercial real estate loans are for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes primarily 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.

Approximately 28% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 33% of commercial real estate loans are secured by property located in Texas, primarily in the Dallas and Houston areas. The major components of commercial real estate loans are office buildings, $482 million; retail facilities, $439 million; other real estate loans, $398 million; construction and land development, $367 million; multifamily residences, $336 million and industrial, $162 million.

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 retained in the Company's portfolio are 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 and certain professionals. 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 ("LTV") ratios are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

At both June 30, 2011 and December 31, 2010, residential mortgage loans included $22 million, respectively, of loans with repayment terms that have been modified from the original contracts. Interest accrues based on the modified terms of the loan. If it becomes probable that we will not be able to collect all amounts due according to the modified loan terms, the loan is placed on nonaccrual status and included in nonaccrual loans. At both June 30, 2011, and December 31, 2010, restructured residential mortgage included $19 million of loans guaranteed by agencies of the U.S. government. At June 30, 2010, $10 million of renegotiated loans were 90 days or more past due and still accruing interest because they are guaranteed by U.S. government agencies. Renegotiated loans guaranteed by U.S. government agencies may be sold once they become eligible according to U.S. agency guidelines.

At June 30, 2011 and December 31, 2010, residential mortgage loans included $109 million and $48 million, respectively, of loans guaranteed by U.S. government agencies previously sold into GNMA mortgage pools. The

Company may repurchase these loans when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet.

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 June 30, 2011, outstanding commitments totaled $5.5 billion. Because some commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BOK Financial uses the same credit policies in making commitments as it does loans.

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

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At June 30, 2011, outstanding standby letters of credit totaled $510 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At June 30, 2011, outstanding commercial letters of credit totaled $7 million.

Allowances for Credit Losses

BOK Financial maintains separate allowances for loan losses and for off-balance sheet credit risk related to commitments to extend credit and standby letters of credit. As discussed in greater detail in Note 5, the Company also has separate allowances related to off-balance sheet credit risk related to residential mortgage loans sold with full or partial recourse and for residential mortgage loans sold to government sponsored agencies under standard representation and warranties.

The allowance for loan losses is assessed by management on a quarterly basis and consists of specific amounts attributed to certain impaired loans, general allowances based on migration factors for unimpaired loans and non-specific allowances based on general economic conditions, risk concentration and related factors. Impairment is individually measured for certain impaired loans and collectively measured for all other loans. There have been no material changes in the approach or techniques utilized in developing the allowances for loan losses and off-balance sheet credit losses.

Internally risk graded loans are evaluated individually for impairment. Non-risk graded loans are collectively evaluated for impairment through past-due status and other relevant factors. Substantially all commercial and commercial real estate loans are risk graded. Certain residential mortgage and consumer loans are also risk graded. Certain commercial loans and most residential mortgage and consumer loans are small balance, homogeneous pools of loans that are not risk graded. 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 agreements. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. Specific allowances for impaired loans are measured by an evaluation of estimated future cash flows discounted at the loans' initial effective interest rate or the fair value of collateral for certain collateral dependent loans. Historical statistics may be used in limited situation to assist in estimating future cash flows or collateral values, such as when an impaired collateral dependent loan is identified at the end of a reporting period. Historical statistics are a practical way to estimate impairment until an updated appraisal of collateral value is received or a full assessment of future cash flows is completed. Estimates of future cash flows and collateral value require significant judgments and are subject to volatility.

General allowances for unimpaired loans are based on migration models. Separate migration models are used to determine general allowances for commercial and commercial real estate loans, residential mortgage loans and consumer loans. All commercial and commercial real estate loans are risk-graded based on an evaluation of the borrowers' ability to repay. Risk grades are updated quarterly. Migration factors are determined for each risk grade to determine the inherent loss based on historical trends. An eight-quarter aggregate accumulation of net losses is used as a basis for the migration factors. Losses incurred in more recent periods are more heavily weighted by a sum-of-periods-digits formula. The higher of the current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade. The resulting general allowances may be adjusted upward or downward by management to account for the limitations in migration models which are based entirely on historical data, such as their limited accuracy at the beginning and ending of credit cycles.

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

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

A provision for credit losses is charged against earnings in amounts necessary to maintain appropriate allowances 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 residential mortgage and consumer loans that are past due 180 days are charged off. Recoveries of loans previously charged off are added to the allowance.

Collateral value of real property is generally based on third party appraisals that conform to Uniform Standards of Professional Appraisal Practice, less estimated selling costs. Appraised values are on an “as-is” basis and are not adjusted by the Company. Collateral value of mineral rights is generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other collateral is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values have declined.

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at June 30, 2011 is as follows (in thousands):

	Collectively Measured for Impairment		Individually Measured for Impairment		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	$6,125,434	$111,131	$53,162	$2,440	$6,178,596	$113,571
Commercial real estate	2,073,352	88,611	110,363	3,139	2,183,715	91,750
Residential mortgage	1,857,112	44,254	10,885	989	1,867,997	45,243
Consumer	505,315	8,807	1,921	115	507,236	8,922
Total	10,561,213	252,803	176,331	6,683	10,737,544	$259,486
Nonspecific allowance	–	–	–	–	–	27,125
Total	$10,561,213	$252,803	$176,331	$6,683	$10,737,544	$286,611

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2010 is as follows (in thousands):

Collectively Measured for Impairment	Individually Measured for Impairment	Total

	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	$5,895,674	$102,565	$38,322	$2,066	$5,933,996	$104,631
Commercial real estate	2,126,984	94,502	150,366	4,207	2,277,350	98,709
Residential mortgage	1,816,184	49,500	12,064	781	1,828,248	50,281
Consumer	601,691	12,536	1,751	78	603,442	12,614
Total	10,440,533	259,103	202,503	7,132	10,643,036	266,235
Nonspecific allowance	–	–	–	–	–	26,736
Total	$10,440,533	$259,103	$202,503	$7,132	$10,643,036	$292,971

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The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended June 30, 2011 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Consumer	Nonspecific allowance	Total
Allowance for loans losses:						
Beginning balance	$ 113,706	$ 94,535	$ 45,649	$ 10,410	$ 25,249	$ 289,549
Provision for loan losses	980	289	2,721	(286)	1,876	5,580
Loans charged off	(3,302)	(3,380)	(3.381)	(2,711)	–	(12,774)
Recoveries	2,187	306	254	1,509	–	4,256
Ending balance	$ 113,571	$ 91,750	$ 45,243	$ 8,922	$ 27,125	$ 286,611
Allowance for off-balance sheet credit losses:						
Beginning balance	$ 12,256	$ 875	$ 155	$ 339	$ –	$ 13,625
Provision for off-balance sheet credit losses	(3,020)	145	25	(30)	–	(2,880)
Ending balance	$ 9,236	$ 1,020	$ 180	$ 309	$ –	$ 10,745
Total provision for credit losses	$ (2,040)	$ 434	$ 2,746	$ (316)	$ 1,876	$ 2,700

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the six months ended June 30, 2011 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Consumer	Nonspecific allowance	Total
Allowance for loans losses:						
Beginning balance	$ 104,631	$ 98,709	$ 50,281	$ 12,614	$ 26,736	$ 292,971
Provision for loan losses	10,836	2,665	(45)	(1,369)	389	12,476
Loans charged off	(5,654)	(10,273)	(6,329)	(5,750)	–	(28,006)
Recoveries	3,758	649	1,336	3,427	–	9,170
Ending balance	$ 113,571	$ 91,750	$ 45,243	$ 8,922	$ 27,125	$ 286,611
Allowance for off-balance sheet credit losses:						
Beginning balance	$ 13,456	$ 443	$ 131	$ 241	$ –	$ 14,271
Provision for off-balance sheet credit losses	(4,220)	577	49	68	–	(3,526)
Ending balance	$ 9,236	$ 1,020	$ 180	$ 309	$ –	$ 10,745
Total provision for credit losses	$ 6,616	$ 3,242	$ 4	$ (1,301)	$ 389	$ 8,950

Credit Quality Indicators

The Company utilizes risk grading as a primary credit quality indicator. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk graded based on a quarterly evaluation of the borrowers' ability to repay the loans. Certain commercial loans and most residential mortgage and consumer loans are small, homogeneous pools that are not risk graded. These loans are collectively evaluated for impairment primarily through past due status.

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at June 30, 2011 is as follows (in thousands):

	Internally Risk Graded		Non-Graded		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	$6,159,735	$111,392	$18,861	$2,179	$6,178,596	$113,571
Commercial real estate	2,183,715	91,750	–	–	2,183,715	91,750
Residential mortgage	350,986	7,911	1,517,011	37,332	1,867,997	45,243
Consumer	220,222	1,877	287,014	7,045	507,236	8,922
Total	8,914,658	212,930	1,822,886	46,556	10,737,544	259,486
Nonspecific allowance	–	–	–	–	–	27,125
Total	$8,914,658	$212,930	$1,822,886	$46,556	$10,737,544	$286,611

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at December 31, 2010 is as follows (in thousands):

	Internally Risk Graded		Non-Graded		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	$5,914,178	$102,259	$19,818	$2,372	$5,933,996	$104,631
Commercial real estate	2,277,350	98,709	–	–	2,277,350	98,709
Residential mortgage	451,874	8,356	1,376,374	41,925	1,828,248	50,281
Consumer	246,350	1,881	357,092	10,733	603,442	12,614
Total	8,889,752	211,205	1,753,284	55,030	10,643,036	266,235
Nonspecific allowance	–	–	–	–	–	26,736
Total	$8,889,752	$211,205	$1,753,284	$55,030	$10,643,036	$292,971

Loans are considered to be performing if they are in compliance with the original terms of the agreement which is consistent with the regulatory guideline of “pass.” Performing also includes loans considered to be “other loans especially mentioned” by regulatory guideline. Other loans especially mentioned are in compliance with the original terms of the agreement but may have a weakness that deserves management’s close attention. Performing loans also include past due residential mortgages that are guaranteed by agencies of the U.S. government.

The risk grading process identified certain criticized loans as potential problem loans. These loans have a well-defined weakness (e.g. inadequate debt service coverage or liquidity or marginal capitalization; repayment may depend on collateral or other risk mitigation) that may jeopardize liquidation of the debt and represent a greater risk due to deterioration in the financial condition of the borrower. This is consistent with the regulatory guideline for “substandard.” Because the borrowers are still performing in accordance with the original terms of the loan agreements, these loans were not placed in nonaccrual status. Known information does, however, cause concern as to the borrowers’ continued compliance with current repayment terms. Nonaccrual loans represent loans for which full collection of principal and interest is uncertain. This is substantially the same criteria used to determine whether a loan is impaired and includes certain loans considered “substandard” and all loans considered “doubtful” by regulatory guidelines.

The following table summarizes the Company's loan portfolio at June 30, 2011 by the risk grade categories (in thousands):

	Internally Risk Graded			Non-Graded		
	Performing	Potential Problem	Nonaccrual	Performing	Nonaccrual	Total
Commercial:						
Energy	$1,677,809	$4,688	$345	$–	$–	$1,682,842
Services	1,663,313	33,490	16,254	–	–	1,713,057
Wholesale/retail	1,002,113	40,935	25,138	–	–	1,068,186
Manufacturing	359,958	2,827	4,366	–	–	367,151
Healthcare	860,354	2,992	5,962	–	–	869,308
Integrated food services	194,514	1,260	–	–	–	195,774
Other commercial and industrial	258,910	3,410	1,097	18,658	203	282,278
Total commercial	6,016,971	89,602	53,162	18,658	203	6,178,596
Commercial real estate:						
Construction and land development	275,077	15,750	76,265	–	–	367,092
Retail	426,839	7,013	4,642	–	–	438,494
Office	456,281	14,751	11,473	–	–	482,505
Multifamily	325,085	5,860	4,717	–	–	335,662
Industrial	161,879	288	–	–	–	162,167
Other commercial real estate	363,491	21,038	13,266	–	–	397,795
Total commercial real estate	2,008,652	64,700	110,363	–	–	2,183,715
Residential mortgage:						
Permanent mortgage	326,349	13,752	10,885	783,084	17,106	1,151,176
Permanent mortgages guaranteed by U.S. government agencies	–	–	–	134,458	–	134,458
Home equity	–	–	–	578,661	3,702	582,363
Total residential mortgage	326,349	13,752	10,885	1,496,203	20,808	1,867,997
Consumer:						
Indirect automobile	–	–	–	159,771	2,729	162,500
Other consumer	215,056	3,245	1,921	124,415	99	344,736
Total consumer	215,056	3,245	1,921	284,186	2,828	507,236
Total	$8,567,028	$171,299	$176,331	$1,799,047	$23,839	$10,737,544

The following table summarizes the Company's loan portfolio at December 31, 2010 by the risk grade categories (in thousands):

	Internally Risk Graded			Non-Graded		
	Performing	Potential Problem	Nonaccrual	Performing	Nonaccrual	Total
Commercial:						
Energy	$1,704,401	$6,543	$465	$–	$–	$1,711,409
Services	1,531,239	30,420	19,262	–	–	1,580,921
Wholesale/retail	956,397	45,363	8,486	–	–	1,010,246
Manufacturing	319,075	4,000	2,116	–	–	325,191
Healthcare	801,525	4,566	3,534	–	–	809,625
Integrated food services	202,885	1,385	13	–	–	204,283
Other commercial and industrial	267,949	108	4,446	19,685	133	292,321
Total commercial	5,783,471	92,385	38,322	19,685	133	5,933,996
Commercial real estate:						
Construction and land development	326,769	21,516	99,579	–	–	447,864
Retail	395,094	5,468	4,978	–	–	405,540
Office	420,899	16,897	19,654	–	–	457,450
Multifamily	355,733	6,784	6,725	–	–	369,242
Industrial	177,712	294	4,087	–	–	182,093
Other commercial real estate	390,969	8,849	15,343	–	–	415,161
Total commercial real estate	2,067,176	59,808	150,366	–	–	2,277,350
Residential mortgage:						
Permanent mortgage	420,407	19,403	12,064	730,638	20,047	1,202,559
Permanent mortgages guaranteed by U.S. government agencies	–	–	–	72,385	–	72,385
Home equity	–	–	–	547,989	5,315	553,304
Total residential mortgage	420,407	19,403	12,064	1,351,012	25,362	1,828,248
Consumer:						
Indirect automobile	–	–	–	237,050	2,526	239,576
Other consumer	240,243	4,356	1,751	117,226	290	363,866
Total consumer	240,243	4,356	1,751	354,276	2,816	603,442
Total	$8,511,297	$175,952	$202,503	$1,724,973	$28,311	$10,643,036

Impaired Loans

Loans are considered to be impaired when it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement.

A summary of risk-graded impaired loans follows (in thousands):

	As of June 30, 2011					For the three months ended June 30, 2011		For the six months ended June 30, 2011	
		Recorded Investment							
	Unpaid Principal Balance	Total	With No Allowance	With Allowance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:									
Energy	$ 345	$ 345	$ 345	$ –	$ –	$ 380	$ –	$ 405	$ –
Services	26,441	16,254	15,525	729	273	15,987	–	17,758	–
Wholesale/retail	31,770	25,138	22,751	2,387	1,742	27,775	–	16,812	–
Manufacturing	9,259	4,366	2,012	2,354	259	4,456	–	3,241	–
Healthcare	7,659	5,962	5,103	859	166	4,268	–	4,748	–
Integrated food services	–	–	–	–	–	3	–	7	–
Other commercial and industrial	8,596	1,097	1,097	–	–	2,363	–	2,772	–
Total commercial	84,070	53,162	46,833	6,329	2,440	55,232	–	45,743	–
Commercial real estate:									
Construction and land development	115,337	76,265	65,094	11,171	1,966	83,486	–	87,922	–
Retail	5,652	4,642	1,855	2,787	612	4,959	–	4,810	–
Office	14,749	11,473	9,713	1,760	207	13,051	–	15,564	–
Multifamily	5,381	4,717	4,717	–	–	3,309	–	5,721	–
Industrial	–	–	–	–	–	–	–	2,044	–
Other real estate loans	15,203	13,266	11,755	1,511	354	13,130	–	14,305	–
Total commercial real estate	156,322	110,363	93,134	17,229	3,139	117,935	–	130,366	–
Residential mortgage:									
Permanent mortgage	12,122	10,885	5,016	5,869	989	11,479	–	11,475	–
Home equity	–	–	–	–	–	–	–	–	–

Total residential mortgage	12,122	10,885	5,016	5,869	989	11,479	–	11,475	–
Consumer:									
Indirect automobile	–	–	–	–	–	–	–	–	–
Other consumer	2,449	1,921	1,348	573	115	2,244	–	1,836	–
Total consumer	2,449	1,921	1,348	573	115	2,244	–	1,836	–
Total	$ 254,963	$ 176,331	$ 146,331	$ 30,000	$ 6,683	$ 186,890	$ –	$ 189,420	$ –

Generally, no interest income is recognized on impaired loans until all principal balances, including amounts charged-off, have been recovered.

A summary of risk-graded impaired loans at December 31, 2010 follows (in thousands):

		Recorded Investment			
	Unpaid Principal Balance	Total	With No Allowance	With Allowance	Related Allowance
Commercial:					
Energy	$559	$465	$404	$61	$60
Services	28,579	19,262	15,985	3,277	1,227
Wholesale/retail	14,717	8,486	7,562	924	684
Manufacturing	5,811	2,116	2,116	–	–
Healthcare	4,701	3,534	2,743	791	95
Integrated food services	172	13	13	–	–
Other commercial and industrial	13,007	4,446	4,446	–	–
Total commercial	67,546	38,322	33,269	5,053	2,066
Commercial real estate:					
Construction and land development	138,922	99,579	84,959	14,620	2,428
Retail	6,111	4,978	1,968	3,010	514
Office	25,702	19,654	18,798	856	106
Multifamily	24,368	6,725	6,129	596	115
Industrial	4,087	4,087	–	4,087	723
Other real estate loans	17,129	15,343	13,802	1,541	321
Total commercial real estate	216,319	150,366	125,656	24,710	4,207
Residential mortgage:					
Permanent mortgage	15,258	12,064	8,574	3,490	781
Home equity	–	–	–	–	–
Total residential mortgage	15,258	12,064	8,574	3,490	781
Consumer:					
Indirect automobile	–	–	–	–	–
Other consumer	1,909	1,751	1,506	245	78
Total consumer	1,909	1,751	1,506	245	78
Total	$301,032	$202,503	$169,005	$33,498	$7,132

Investments in impaired loans were as follows (in thousands):

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Investment in impaired loans	$176,331	$202,503	$292,679
Impaired loans with specific allowance for loss	30,000	33,498	97,897
Specific allowance balance	6,683	7,132	19,578
Impaired loans with no specific allowance for loss	146,331	169,005	194,782
Average recorded investment in impaired loans	186,890	262,368	319,655

Nonaccrual & Past Due Loans

Past due status for all loan classes is based on the actual number of days since the last payment was due according to the contractual terms of the loans.

A summary of loans currently performing, loans 30 to 89 days past due and accruing, loans 90 days or more past due and accruing and nonaccrual loans as of June 30, 2011 is as follows (in thousands):

	Current	Past Due 30 to 89 Days	Past Due 90 Days or More	Nonaccrual	Total
Commercial:					
Energy	$1,682,344	$153	$–	$345	$1,682,842
Services	1,691,451	3,759	1,593	16,254	1,713,057
Wholesale/retail	1,041,864	697	487	25,138	1,068,186
Manufacturing	362,785	–	–	4,366	367,151
Healthcare	863,169	177	–	5,962	869,308
Integrated food services	195,774	–	–	–	195,774
Other commercial and industrial	280,729	192	57	1,300	282,278
Total commercial	6,118,116	4,978	2,137	53,365	6,178,596
Commercial real estate:					
Construction and land development	288,494	2,333	–	76,265	367,092
Retail	430,941	2,911	–	4,642	438,494
Office	468,712	2,320	–	11,473	482,505
Multifamily	330,945	–	–	4,717	335,662
Industrial	161,783	384	–	–	162,167
Other real estate loans	381,961	2,393	175	13,266	397,795
Total commercial real estate	2,062,836	10,341	175	110,363	2,183,715
Residential mortgage:					
Permanent mortgage	1,104,450	18,735	–	27,991	1,151,176
Permanent mortgages guaranteed by U.S. government agencies	8,426	3,728	122,304	–	134,458
Home equity	576,203	2,450	8	3,702	582,363
Total residential mortgage	1,689,079	24,913	122,312	31,693	1,867,997
Consumer:					
Indirect automobile	152,496	7,256	19	2,729	162,500
Other consumer	341,683	1,031	2	2,020	344,736
Total consumer	494,179	8,287	21	4,749	507,236
Total	$10,364,210	$48,519	$124,645	$200,170	$10,737,544

A summary of loans currently performing, loans 30 to 89 days past due and accruing, loans 90 days or more past due and accruing and nonaccrual loans as of December 31, 2010 is as follows (in thousands):

		Past Due			
	Current	30 to 89 Days	90 Days or More	Nonaccrual	Total
Commercial:					
Energy	$1,707,466	$507	$2,971	$465	$1,711,409
Services	1,558,120	3,196	343	19,262	1,580,921
Wholesale/retail	1,001,422	315	23	8,486	1,010,246
Manufacturing	321,102	168	1,805	2,116	325,191
Healthcare	805,124	75	892	3,534	809,625
Integrated food services	204,199	71	–	13	204,283
Other commercial and industrial	287,357	111	274	4,579	292,321
Total commercial	5,884,790	4,443	6,308	38,455	5,933,996
Commercial real estate:					
Construction and land development	344,016	3,170	1,099	99,579	447,864
Retail	394,445	6,117	–	4,978	405,540
Office	437,496	300	–	19,654	457,450
Multifamily	362,517	–	–	6,725	369,242
Industrial	177,660	346	–	4,087	182,093
Other real estate loans	395,320	4,301	197	15,343	415,161
Total commercial real estate	2,111,454	14,234	1,296	150,366	2,277,350
Residential mortgage:					
Permanent mortgage	1,148,271	22,177	–	32,111	1,202,559
Permanent mortgages guaranteed by U.S. government agencies	10,451	4,342	57,592	–	72,385
Home equity	546,384	1,605	–	5,315	553,304
Total residential mortgage	1,705,106	28,124	57,592	37,426	1,828,248
Consumer:					
Indirect automobile	225,601	11,382	67	2,526	239,576
Other consumer	360,603	927	295	2,041	363,866
Total consumer	586,204	12,309	362	4,567	603,442
Total	$10,287,554	$59,110	$65,558	$230,814	$10,643,036

(5) Mortgage Banking Activities

The Company originates, markets and services conventional and government-sponsored residential mortgage loans. Generally, conforming fixed-rate residential mortgage loans are held for sale in the secondary market and non-conforming and adjustable-rate residential mortgage loans are held for investment. All residential mortgage loans originated for sale by the Company are carried at fair value based on sales commitments and market quotes. Changes in the fair value of mortgage loans held for sale are included in Other operating revenue – Mortgage banking revenue. Residential mortgage loans held for sale also includes the fair value of residential mortgage loan commitments and forward sale commitments which are considered derivative contracts that have not been designated as hedging instruments. The volume of mortgage loans originated for sale is the primary driver of originating and marketing revenue.

Residential mortgage loan commitments are generally outstanding for 60 to 90 days, which represents the typical period from commitment to originate a residential mortgage loan to when the closed loan is sold to an investor. Residential mortgage loan commitments 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 rates fluctuations is partially managed through forward sales of residential 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.

The unpaid principal balance of residential mortgage loans held for sale, notional amounts of derivative contracts related to residential mortgage loans commitments and forward contract sales and their related fair values included in Mortgage loans held for sale on the Consolidated Balance Sheets were (in thousands):

	June 30, 2011		December 31, 2010		June 30, 2010	
	Unpaid Principal Balance/ Notional	Fair Value	Unpaid Principal Balance/ Notional	Fair Value	Unpaid Principal Balance/ Notional	Fair Value
Residential mortgage loans held for sale	$162,579	$167,300	$253,778	$254,669	$227,574	$229,493
Residential mortgage loan commitments	156,209	2,793	138,870	2,251	189,029	5,538
Forward sales contracts	302,526	(484)	396,422	6,493	407,457	(7,457)
		$169,609		$263,413		$227,574

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of June 30, 2011, December 31, 2010 or June 30, 2010. No credit losses were recognized on residential mortgage loans held for sale for the three and six month periods ended June 30, 2011 and 2010.

BOK Financial transfers financial assets as part of its mortgage banking activities. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control are met. BOK Financial retains certain obligations to residential mortgage loans transferred and may retain the right to service the assets. 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, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings as they occur.

Mortgage servicing rights 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. Mortgage servicing rights may also be purchased. Both originated or purchased mortgage servicing rights are initially recognized at fair value. The Company has elected to carry all mortgage servicing rights at fair value. Changes in the fair value are recognized in earnings as they occur. The unpaid principal balance of loans serviced for others is the primary driver of servicing revenue.

The following represents a summary of mortgage servicing rights (Dollars in thousands):

	June 30, 2011	December 31, 2010	June 30, 2010
Number of residential mortgage loans serviced	96,578	96,443	96,152
Outstanding principal balance of residential mortgage loans serviced for others	$11,283,442	$11,194,582	$10,991,572
Weighted average interest rate	5.36%	5.44%	5.63%
Remaining term (in months)	291	292	296

Servicing fee income and late charges on loans serviced for others is included Mortgage banking revenue along with revenue from originating and marketing residential mortgage loans, including gains (losses) on residential mortgage loans held for sale and changes in fair value of derivative contracts not designated as hedging instruments related to residential mortgage loan commitments and forward sales contracts, as follows (in thousands):

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Originating and marketing revenue:				
Residential mortgage loan held for sale	$10,037	$13,528	$23,373	$21,326
Residential mortgage loan commitments	(702)	3,072	542	5,043
Forward sales contracts	74	(7,836)	(6,977)	(11,083)
Total originating and marketing revenue	9,409	8,764	16,938	15,286
Servicing revenue	9,947	9,571	19,774	17,920
Total mortgage banking revenue	$19,356	$18,335	$36,712	$33,206

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2011 is as follows (in thousands):

	Purchased	Originated	Total
Balance at March 31, 2011	$38,343	$82,002	$120,345
Additions, net	–	5,798	5,798
Change in fair value due to loan runoff	(1,218)	(2,240)	(3,458)
Change in fair value due to market changes	(4,259)	(9,234)	(13,493)
Balance at June 30, 2011	$32,866	$76,326	$109,192

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2011 is as follows (in thousands):

	Purchased	Originated	Total
Balance at December 31, 2010	$37,900	$77,823	$115,723
Additions, net	–	10,767	10,767
Change in fair value due to loan runoff	(2,551)	(4,383)	(6,934)
Change in fair value due to market changes	(2,483)	(7,881)	(10,364)
Balance at June 30, 2011	$32,866	$76,326	$109,192

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2010 is as follows (in thousands):

	Purchased	Originated	Total
Balance at March 31, 2010	$51,919	$67,147	$119,066
Additions, net	–	5,161	5,161
Change in fair value due to loan runoff	(1,313)	(4,514)	(5,827)
Change in fair value due to market changes	(13,160)	(6,298)	(19,458)
Balance at June 30, 2010	$37,446	$61,496	$98,942

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2010 is as follows (in thousands):

	Purchased	Originated	Total
Balance at December 31, 2009	$7,828	$65,996	$73,824
Additions, net	31,892	10,362	42,254
Change in fair value due to loan runoff	(2,641)	(8,969)	(11,610)
Gain on purchase of mortgage servicing rights	11,832	–	11,832
Change in fair value due to market changes	(11,465)	(5,893)	(17,358)
Balance at June 30, 2010	$37,446	$61,496	$98,942

During the first quarter of 2010, the Company purchased the rights to service approximately 34 thousand residential mortgage loans with an outstanding principal balance of $4.2 billion. The loans to be serviced are primarily concentrated in New Mexico and predominantly held by Fannie Mae, Ginnie Mae and Freddie Mac. The cash purchase price was $32 million. The acquisition date fair value of the servicing rights was approximately $43.7 million based upon independent valuation analyses which were further supported by assumptions and models the Company regularly uses to value its existing portfolio of servicing rights. The $11.8 million difference between the purchase price and acquisition date fair value was directly attributable to the seller’s distressed financial condition.

Changes in the fair value of mortgage servicing rights are included in Other operating expense in the Consolidated Statements of Earnings. Changes in fair value due to loan runoff are included in Mortgage banking costs. Changes in fair value due to market changes are reported separately. Changes in fair value due to market changes during the period relate to assets held at the reporting date.

There is no active market for trading in mortgage servicing rights after origination. Fair value is determined by discounting the projected net cash flows. Significant assumptions considered significant unobservable inputs used to determine fair value are:

	June 30, 2011		December 31, 2010		June 30, 2010	
Discount rate – risk-free rate plus a market premium	10.36	%	10.36	%	10.38	%
Prepayment rate – based upon loan interest rate, original term and loan type	10.26% - 38.37	%	6.53% - 23.03	%	8.3% - 34.5	%
Loan servicing costs – annually per loan based upon loan type	$55 - $105		$35 - $60		$35 - $60	
Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life	2.02	%	2.21	%	1.34	%

The Company is exposed to interest rate risk as benchmark mortgage interest rates directly affect the prepayment speeds used in valuing our mortgage servicing rights, which is partially managed through forward sales of residential mortgage-backed securities and forward sales contracts. 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, the Company requests 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.

Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at June 30, 2011 follows (in thousands):

	< 4.50%		4.50% - 5.49	%	5.50% - 6.49	%	> 6.49%		Total	
Fair value	$ 10,120		$62,499		$31,015		$ 5,558		$ 109,192	
Outstanding principal of loans serviced1	$ 1,144,667		$5,496,830		$3,339,781		$ 1,302,164		$ 11,283,442	
Weighted average prepayment rate2	11.16	%	10.26	%	17.27	%	38.37	%	15.67	%

1 Excludes outstanding principal of $833 million for loans serviced for affiliates

2 Annual prepayment estimates based upon loan interest rate, original term and loan type

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At June 30, 2011, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by $0.7 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 hedge by $7.1 million. In our model, changes in the value of our servicing rights due to changes in interest rates assume stable relationships between mortgage rates and 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.

The aging status of our mortgage loans service for others by investor at June 30, 2011 follows (in thousands):

		Past Due			
	Current	30 to 59 Days	60 to 89 Days	90 Days or More	Total
FHLMC	$5,469,151	$47,973	$15,238	$62,673	$5,595,035
FNMA	1,333,645	23,490	5,728	26,039	1,388,902
GNMA	3,541,114	127,350	33,900	120,756	3,823,120
Other	447,872	9,991	3,077	15,445	476,385
Total	$10,791,782	$208,804	$57,943	$224,913	$11,283,442

The Company has off-balance sheet credit risk related to residential mortgage loans sold with recourse prior to 2008 under various community development programs. These loans consist of first lien, fixed rate residential mortgage loans sold to U.S. government agencies and underwritten to standards approved by the agencies including full documentation and originated under programs available only for owner-occupied properties. However, these loans have a higher risk of delinquency and loss given default than traditional residential mortgage loans. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representation and warranties. The recourse obligation relates to loan performance for the life of the loan and the Company is obligated to repurchase the loan at the time of foreclosure for the unpaid principal balance plus unpaid interest. The principal balance of residential mortgage loans sold subject to recourse obligations totaled $274 million at June 30, 2011, $289 million at December 31, 2010 and $311 million at June 30, 2010. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets totaling $18 million at June 30, 2011, $17 million at December 31, 2010 and $14 million at June 30, 2010. At June 30, 2011, approximately 6% of the loans sold with recourse with an outstanding principal balance of $16 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 5% with an outstanding balance of $14 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

The activity in the allowance for losses on loans sold with recourse included in Other liabilities in the Consolidated Balance Sheets is summarized as follows (in thousands):

	Three Months ended June 30,		Six Months ended June 30,	
	2011	2010	2011	2010
Beginning balance	$16,487	$13,781	$16,667	$13,781
Provision for recourse losses	2,532	1,568	3,326	2,867
Loans charged off, net	(1,479)	(1,568)	(2,453)	(2,867)
Ending balance	$17,540	$13,781	$17,540	$13,781

The Company also has off-balance sheet credit risk for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements. As of June 30, 2011, less than 10% of purchase requests made in 2010 and 2011 have resulted in actual repurchases or indemnification by the Company. For the six months ended June 30, 2011, we have repurchased 2 loans for $361 thousand from the agencies. No losses have been incurred on these loans as of June 30, 2011. At June 30, 2011, we have unresolved deficiency requests from the agencies on 166 loans with an aggregate outstanding principal balance of $27 million. During 2010, the Company established an accrual for credit losses related to potential loan repurchases under representations and warranties which is included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statement of Earnings. This accrual totals $2.1 million at June 30, 2011. No amounts have been charged against this allowance as of June 30, 2011.

(6) Employee Benefits

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. The Company recognized periodic pension expense of $1.2 million and $955 thousand for the three months ended June 30, 2011 and 2010, respectively and $1.9 million and $1.6 million for the six months ended June 30, 2011 and 2010, respectively. The Company made no Pension Plan contributions during the six months ended June 30, 2011 and 2010.

Management has been advised that the maximum allowable contribution for 2011 is $28 million. No minimum contribution is required for 2011.

(7) Commitments and Contingent Liabilities

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. A definitive settlement agreement among the issuer, the underwriters, and all parties to the litigation has been reached at no material loss to the Company. The definitive agreement has been preliminarily approved by the Court and is set for hearing for final approval.

In 2010, Bank of Oklahoma, National Association, was named as a defendant in three putative class actions alleging that the manner in which the bank posted charges to its consumer deposit accounts breached an implied obligation of good faith and fair dealing and violates the Oklahoma Consumer Protection Act. The actions also allege that the manner in which the bank posted charges to it consumer demand deposit accounts is unconscionable, constitutes conversion and unjustly enriches the bank. Two of the actions are pending in the District Court of Tulsa County. The third action, originally brought in the United State District Court for the Western District of Oklahoma, has been transferred to Multi-District Litigation in the Southern District of Florida. Each of the three actions seeks to establish a class consisting of all consumer customers of the bank. The amount claimed by the plaintiffs has not been determined, but could be material. Management has been advised by counsel that, in its opinion, the Company's overdraft policies meet all requirement of law and the Bank has substantial defenses to the claims. Based on currently available information, management has established an accrual within a reasonable range of probable losses and anticipates the claims will be resolved without material loss to the Company.

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' covered litigation liabilities. The contingent liability totaled $774 thousand at June 30, 2011. 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 in 2008 and from available cash. BOK Financial recognized a $774 thousand receivable for its proportionate share of this escrow account.

BOK Financial currently owns 251,837 Visa Class B shares which 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 0.4881 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, 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 June 30, 2011, Cavanal Hill Funds' assets included $1.0 billion of U.S. Treasury, $863 million of cash management and $337 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 June 30, 2011. 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 2011 or 2010.

Cottonwood Valley Ventures, Inc. ("CVV, Inc."), an indirectly wholly-owned subsidiary of BOK Financial, is being audited by the Oklahoma Tax Commission ("OTC") for tax years 2007 through 2009. CVV, Inc. is a qualified venture capital company under the applicable Oklahoma statute. As authorized by the statute, CVV, Inc. guarantees transferable Oklahoma state income tax credits by providing direct debt financing to private companies which qualify as statutory business ventures. Due to certain statutory limitations on utilization of such credits, CVV, Inc. must sell the majority of the credits to provide the economic incentives provided for by the statute. In the event that the OTC disallows any of the credits, CVV, Inc. would be required to indemnify purchasers for the tax credits disallowed. Management does not anticipate that this audit will have a material adverse impact to the financial statements.

BOKF Equity, LLC, an indirect wholly-owned subsidiary, is the general partner of two consolidated private equity funds (“the Funds”). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through unaffiliated limited partnerships. These unaffiliated limited partnerships generally invest in distressed assets, asset buy-outs or venture capital companies. At June 30, 2011, the Funds’ assets, included in Other assets on the Consolidated Balance Sheets, totaled $28 million. The Funds have no debt. The general partner has contingent obligations to make additional investments totaling $14 million at June 30, 2011, substantially all of which are offset by limited partner commitments. The Company does not accrue its contingent liability to fund investments.

The Company agreed to guarantee rents totaling $28.7 million through September of 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 $18.6 million at June 30, 2011. Current leases expire or are subject to lessee termination options at various dates in 2012 and 2014. Our obligation under the agreement would be affected by lessee decisions to exercise these options. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City through September 2017 from rental of space that was vacant at the inception of the agreement. Approximately 42 thousand square feet of this additional space has been rented to outside parties since the date of the agreement. The maximum amount that the Company 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 have a material effect on the Company's financial condition, results of operations or cash flows.

(8) Shareholders' Equity

On July 26, 2011, the Board of Directors of BOK Financial approved a $0.275 per share quarterly common stock dividend. The quarterly dividend will be payable on or about August 26, 2011 to shareholders of record as of August 12, 2011.

Dividends declared during the three and six month periods ended June 30, 2011 were $0.275 per share and $0.525 per share, respectively. Dividends declared during the three and six months ended June 30, 2010 were $0.25 per share and $0.49 per share, respectively.

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. A rollforward of the components of accumulated other comprehensive income (loss) is includes as follows (in thousands):

	Unrealized Gain (Loss) On Available For Sale Securities	Non-Credit Related Unrealized Losses on OTTI Securities1	Accumulated (Loss) on Effective Cash Flow Hedges	Unrealized (Loss) On Employee Benefit Plans	Total
Balance at December 31, 2009	$59,772	$(53,000)	$(1,039)	$(16,473)	$(10,740)
Net change in unrealized gains (losses) on securities	195,882	12,006	–	–	207,888
Unrealized loss on newly identified other-than-temporary securities	20,667	(20,667)	–	–	–
Credit losses recognized in earnings	–	6,871	–	–	6,871

Tax benefit (expense) on unrealized gains (losses)	(83,845)	945	–	(145)	(83,045)
Reclassification adjustment for (gains) losses realized and included in net income	(12,545)	–	136	–	(12,409)
Reclassification adjustment for tax expense (benefit)on realized gains (losses)	4,886	–	(53)	–	4,833
Unrealized gains on employee benefit plans	–	–	–	373	373
Balance at June 30, 2010	$184,817	$(53,845)	$ (956)	$(16,245)	$113,771
Balance at December 31, 2010	$157,770	$(35,276)	$ (878)	$(13,777)	$107,839
Net change in unrealized gains (losses) on securities	73,466	(9,448)	–	–	64,018
Credit losses recognized in earnings	–	9,349	–	–	9,349
Transfer from Non-Credit Related Unrealized Losses on OTTI Securities to unrealized gain on available for sale securities	180	(180)	–	–	–
Tax benefit (expense) on unrealized gains (losses)	(29,372)	662	–	–	(28,710)
Reclassification adjustment for (gains) losses realized and included in net income	(10,370)	–	156	–	(10,214)
Reclassification adjustment for tax expense (benefit) on realized gains (losses)	4,034	–	(61)	–	3,973
Unrealized gains on employee benefit plans	–	–	–	–	–
Balance at June 30, 2011	$195,708	$(34,893)	$ (783)	$(13,777)	$146,255

1 Represents changes in unrealized losses recognized in AOCI on available for sale securities for which an other-than-temporary impairment ("OTTI") was recorded in earnings.

(9) Earnings Per Share

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Numerator:				
Net income	$69,007	$63,522	$133,781	$123,655
Earnings allocated to participating securities	(559)	(434)	(1,020)	(767)
Numerator for basic earnings per share – income available to common shareholders	68,448	63,088	132,761	122,888
Effect of reallocating undistributed earnings of participating securities	2	1	3	2
Numerator for diluted earnings per share – income available to common shareholders	$68,450	$63,089	$132,764	$122,890
Denominator:				
Weighted average shares outstanding	68,451,428	68,069,864	68,419,699	68,018,225
Less: Participating securities included in weighted average shares outstanding	(552,945)	(464,057)	(519,420)	(418,876)
Denominator for basic earnings per common share	67,898,483	67,605,807	67,900,279	67,599,349
Dilutive effect of employee stock compensation plans1	271,002	274,780	272,903	236,257
Denominator for diluted earnings per common share	68,169,485	67,880,587	68,173,182	67,835,606
Basic earnings per share	$1.01	$0.93	$1.96	$1.82
Diluted earnings per share	$1.00	$0.93	$1.95	$1.81
1Excludes employee stock options with exercise prices greater than current market price.	785,686	601,361	771,343	1,018,503

(10) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2011 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
Net interest revenue from external sources	$86,067	$21,357	$7,184	$ 2,261	$57,132	$174,001
Net interest revenue (expense) from internal sources	(7,225)	7,597	3,476	–	(3,848)	–
Total net interest revenue	78,842	28,954	10,660	2,261	53,284	174,001
Other operating revenue	36,104	46,340	42,699	–	6,027	131,170
Operating expense	54,594	58,130	46,899	–	26,695	186,318
Provision for credit losses	4,660	3,435	836	–	(6,231)	2,700
Decrease in fair value of mortgage	–	(13,493)	–	–	–	(13,493)

service rights						
Gain on financial instruments, net	–	11,145	–	–	645	11,790
Loss on repossessed assets, net	(3,147)	(229)	–	–	(22)	(3,398)
Income before taxes	52,545	11,152	5,624	2,261	39,470	111,052
Federal and state income tax	20,440	4,338	2,188	–	12,391	39,357
Net income	32,105	6,814	3,436	2,261	27,079	71,695
Net income attributable to non-controlling interest	–	–	–	–	2,688	2,688
Net income attributable to BOK Financial Corporation	$ 32,105	$ 6,814	$ 3,436	$ 2,261	$ 24,391	$ 69,007
Average assets	$ 9,393,935	$ 5,819,151	$ 3,659,617	$ –	$ 5,106,532	$ 23,979,235
Average invested capital	867,491	271,353	176,069	–	1,335,976	2,650,889
Performance measurements:						
Return on average assets	1.37 %	0.47 %	0.38 %			1.15 %
Return on average invested capital	14.84 %	10.07 %	7.83 %			10.44 %
Efficiency ratio	47.50 %	77.20 %	87.89 %			62.23 %

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Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2011 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
Net interest revenue from external sources	$ 170,020	$ 40,022	$ 14,713	$ 4,582	$ 115,303	$ 344,640
Net interest revenue (expense) from internal sources	(16,270)	16,655	6,219	–	(6,604)	–
Total net interest revenue	153,750	56,677	20,932	4,582	108,699	344,640
Other operating revenue	71,610	89,760	82,558	–	10,448	254,376
Operating expense	107,112	113,269	90,086	–	53,098	363,565
Provision for credit losses	11,437	7,035	1,280	–	(10,802)	8,950
Decrease in fair value of mortgage service rights	–	(10,364)	–	–	–	(10,364)
Gain on financial instruments, net	–	5,208	18	–	936	6,162
Loss on repossessed assets, net	(6,731)	(421)	–	–	(577)	(7,729)
Income before taxes	100,080	20,556	12,142	4,582	77,210	214,570
Federal and state income tax	38,931	7,996	4,723	–	26,459	78,109
Net income	61,149	12,560	7,419	4,582	50,751	136,461
Net income attributable to non-controlling interest	–	–	–	–	2,680	2,680
Net income attributable to BOK Financial Corporation	$ 61,149	$ 12,560	$ 7,419	$ 4,582	$ 48,071	$ 133,781
Average assets	$ 9,283,264	$ 5,940,101	$ 3,643,497	$ –	$ 4,982,749	$ 23,849,611
Average invested capital	865,439	272,301	175,505	–	1,294,836	2,608,081
Performance measurements:						
Return on average assets	1.33 %	0.43 %	0.41 %			1.13 %
Return on average invested capital	14.25 %	9.30 %	8.52 %			10.34 %
Efficiency ratio	47.53 %	77.35 %	87.05 %			60.69 %

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2010 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
Net interest revenue from external sources	$ 85,129	$ 21,498	$ 8,358	$ 2,327	$ 64,801	$ 182,113
Net interest revenue (expense) from internal sources	(12,633)	11,444	2,391	–	(1,202)	–
Total net interest revenue	72,496	32,942	10,749	2,327	63,599	182,113
Other operating revenue	33,531	50,439	42,020	–	3,723	129,713
Operating expense	50,578	61,613	43,829	–	19,790	175,810
Provision for credit losses	22,477	10,300	3,135	–	128	36,040
Decrease in fair value of mortgage service rights	–	(19,458)	–	–	–	(19,458)
Gain on financial instruments, net	–	22,431	15	–	5,280	27,726
Gain (loss) on repossessed assets, net	(10,741)	90	–	–	7	(10,644)
Income before taxes	22,231	14,531	5,820	2,327	52,691	97,600
Federal and state income tax	8,648	5,653	2,264	–	15,477	32,042
Net income	13,583	8,878	3,556	2,327	37,214	65,558
Net income attributable to non-controlling interest	–	–	–	–	2,036	2,036
Net income attributable to BOK Financial Corporation	$ 13,583	$ 8,878	$ 3,556	$ 2,327	$ 35,178	$ 63,522
Average assets	$ 8,982,359	$ 6,197,861	$ 3,355,079	$ –	$ 4,909,508	$ 23,444,807
Average invested capital	909,930	312,192	167,903	–	988,704	2,378,729
Performance measurements:						
Return on average assets	0.61 %	0.57 %	0.43 %			1.09 %
	5.99 %	11.41 %	8.49 %			10.71 %

Return on average invested capital								
Efficiency ratio	47.70	%	73.89	%	83.06	%	59.56	%

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Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2010 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
Net interest income from external sources	$ 170,027	$ 40,993	$ 16,987	$ 4,743	$ 131,937	$ 364,687
Net interest income (expense) from internal sources	(25,016)	23,323	5,412	–	(3,719)	–
Total net interest revenue	145,011	64,316	22,399	4,743	128,218	364,687
Other operating revenue	63,213	93,661	79,340	–	7,424	243,638
Operating expense	100,401	117,782	84,901	–	45,391	348,475
Provision for credit losses	50,856	14,008	5,900	–	7,376	78,140
Decrease in fair value of mortgage service rights	–	(5,526)	–	–	–	(5,526)
Gain on financial instruments, net	–	22,220	16	–	5,448	27,684
Gain (loss) on repossessed assets, net	(15,764)	121	–	–	–	(15,643)
Income before taxes	41,203	43,002	10,954	4,743	88,323	188,225
Federal and state income tax	16,028	16,728	4,261	–	25,308	62,325
Net income	25,175	26,274	6,693	4,743	63,015	125,900
Net income attributable to non-controlling interest	–	–	–	–	2,245	2,245
Net income attributable to BOK Financial Corporation	$ 25,175	$ 26,274	$ 6,693	$ 4,743	$ 60,770	$ 123,655
Average assets	$ 9,078,390	$ 6,178,632	$ 3,321,811	$ –	$ 4,821,760	$ 23,400,593
Average invested capital	920,056	290,796	167,495	–	960,552	2,338,899
Performance measurements:						
Return on average assets	0.56 %	0.86 %	0.41 %			1.07 %
Return on average invested capital	5.52 %	18.22 %	8.06 %			10.66 %
Efficiency ratio	48.22 %	74.56 %	83.45 %			57.28 %

(11) Fair Value Measurements

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 June 30, 2011 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$ 1,110,761				$ 1,110,761
Trading securities	99,846				99,846
Investment securities:					
Municipal and other tax-exempt	160,870				165,449
Other debt securities	188,713				203,798
Total investment securities	349,583				369,247
Available for sale securities:					
U.S. Treasury	1,003				1,003
Municipal and other tax-exempt	70,210				70,210
U.S. agency residential mortgage-backed securities	8,893,789				8,893,789
Private issue residential mortgage-backed securities	513,222				513,222
Other debt securities	5,893				5,893
Perpetual preferred stock	22,694				22,694
Equity securities and mutual funds	60,197				60,197
Total available for sale securities	9,567,008				9,567,008
Mortgage trading securities	553,231				553,231
Residential mortgage loans held for sale	169,609				169,609
Loans:					
Commercial	6,178,596	0.25 – 18.00 %	0.60	0.72 – 4.50 %	6,085,941
Commercial real estate	2,183,715	0.38 – 18.00 %	1.18	0.28 – 3.66 %	2,134,950
Residential mortgage	1,867,997	0.38 – 18.00 %	3.32	0.74 – 4.31 %	1,915,710
Consumer	507,236	0.38 – 21.00 %	0.53	1.96 – 3.74 %	507,831
Total loans	10,737,544				10,644,432
Allowance for loan losses	(286,611)				–
Net loans	10,450,933				10,644,432

Mortgage servicing rights	109,192						109,192
Derivative instruments with positive fair value, net of cash margin	229,887						229,887
Other assets – private equity funds	28,313						28,313
Deposits with no stated maturity	13,951,177						13,951,177
Time deposits	3,634,700	0.01 – 9.64	%	1.91	0.76 – 1.45	%	3,655,527
Other borrowings	2,962,759	0.07 – 6.58	%	0.00	0.07 – 2.65	%	2,962,773
Subordinated debentures	398,788	5.19 – 5.82	%	1.87	3.50	%	412,242
Derivative instruments with negative fair value, net of cash margin	173,917						173,917

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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, 2010 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$1,269,404				$1,269,404
Trading securities	55,467				55,467
Investment securities:					
Municipal and other tax-exempt	184,898				188,577
Other debt securities	154,655				157,528
Total investment securities	339,553				346,105
Available for sale securities:					
Municipal and other tax-exempt	72,942				72,942
U.S. agency residential mortgage-backed securities	8,446,908				8,446,908
Privately issued residential mortgage-backed securities	644,210				644,210
Other debt securities	6,401				6,401
Perpetual preferred stock	22,114				22,114
Equity securities and mutual funds	43,046				43,046
Total available for sale securities	9,235,621				9,235,621
Mortgage trading securities	428,021				428,021
Residential mortgage loans held for sale	263,413	–	–	–	263,413
Loans:					
Commercial	5,933,996	0.25 –18.00%	0.57	0.72 – 4.67%	5,849,443
Commercial real estate	2,277,350	0.38 –18.00%	1.17	0.29 – 3.81%	2,221,443
Residential mortgage	1,828,248	0.38 –18.00%	3.65	0.79 – 4.58%	1,860,913
Consumer	603,442	0.38 –21.00%	0.67	1.98 – 3.91%	605,656
Total loans	10,643,036				10,537,455
Allowance for loan losses	(292,971)				–
Net loans	10,350,065				10,537,455
Mortgage servicing rights	115,723				115,723
Derivative instruments with positive fair value, net of cash margin	270,445				270,445
Other assets – private equity funds	25,436				25,436
Deposits with no stated maturity	13,669,893				13,669,893
Time deposits	3,509,168	0.01 –9.64 %	1.85	0.82 – 1.56%	2,979,505
Other borrowings	3,117,358	0.13 –6.58 %	0.02	0.13 – 2.73%	2,982,460
Subordinated debentures	398,701	5.19 –5.82 %	2.30	3.72 %	413,328
Derivative instruments with negative fair value, net of cash margin	215,420				215,420

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 June 30, 2010 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$852,526				$852,526
Trading securities	62,159				62,159
Investment securities:					
Municipal and other tax-exempt	221,702				227,301
Other debt securities	131,575				136,585
Total investment securities	353,277				363,886
Available for sale securities:					
Municipal and other tax-exempt	66,439				66,439
U.S. agency residential mortgage-backed securities	8,223,719				8,223,719
Private issue residential mortgage-backed securities	735,516				735,516
Other debt securities	13,064				13,064
Perpetual preferred stock	19,881				19,881
Equity securities and mutual funds	47,209				47,209
Total available for sale securities	9,105,828				9,105,828
Mortgage trading securities	534,641				534,641
Residential mortgage loans held for sale	227,574				227,574
Loans:					
Commercial	6,011,528	0.25 – 18.00 %	0.54	0.72 – 4.61 %	5,915,895
Commercial real estate	2,340,909	0.38 – 18.00	1.08	0.30 – 3.91	2,291,533
Residential mortgage	1,834,246	0.38 – 18.00	3.12	1.16 – 4.17	1,912,579
Consumer	696,034	0.38 – 21.00	0.90	1.92 – 4.16	704,498
Total loans	10,882,717				10,824,505
Allowance for loan losses	(299,489)				–
Net loans	10,583,228				10,824,505
Mortgage servicing rights	98,942				98,942
Derivative instruments with positive fair value, net of cash margin	334,576				334,576
Other assets – private equity funds	23,834				23,834
Deposits with no stated maturity	12,414,412				12,414,412
Time deposits	3,673,088	0.01 – 9.64	1.54	1.05 – 1.54	3,158,578
Other borrowings	3,970,770	0.14 – 6.58	0.37	0.18 – 2.81	3,834,960
Subordinated debentures	398,617	5.19 – 5.82	2.60	3.88	415,161
	299,851				299,851

Derivative instruments with negative fair value, net of cash margin	

Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, the fair values shown in the tables above may not represent values at which the respective financial instruments could be sold individually or in the aggregate at the given reporting date.

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 that use significant other observable market inputs.

Credit risk is considered in determining the fair value of derivative instruments. Management determines fair value adjustments based on various risk factors including but not limited to counterparty credit rating or equivalent loan grading, derivative contract notional size, price volatility of the underlying commodity, duration of the derivative contracts and expected loss severity. Expected loss severity is based on historical losses for similarly risk-graded commercial loan customers. Decreases in counterparty credit rating or grading and increases in price volatility and expected loss severity all tend to increase the credit quality adjustment which reduces the fair value of asset contracts. The reduction in fair value is recognized in earnings during the current period.

We also consider our own credit risk in determining the fair value of derivative contracts. Changes in our credit rating would affect the fair value of our derivative liabilities. In the event of a credit downgrade, the fair value of our derivative liabilities would increase. The change in the fair value would be recognized in earnings in the current period.

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 allowances allocated to these loans of $259 million at June 30, 2011, $266 million at December 31, 2010 and $280 million at June 30, 2010.

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 June 30, 2011, December 31, 2010 or June 30, 2010.

Assets and liabilities recorded at fair value in the financial statements 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 June 30, 2011 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Trading securities	$ $99,846	$ 2,327	$ 97,519	$ –
Available for sale securities:				
U.S. Treasury	1,003	1,003	–	–
Municipal and other tax-exempt	70,210	–	26,552	43,658
U.S. agency residential mortgage-backed securities	8,893,789	–	8,893,789	–
Private issue residential mortgage-backed securities	513,222	–	513,222	–
Other debt securities	5,893	–	–	5,893
Perpetual preferred stock	22,694	–	22,694	–
Equity securities and mutual funds	60,197	41,557	18,640	–

Total available for sale securities	9,567,008	42,560	9,474,897	49,551	
Mortgage trading securities	553,231	–	553,231	–	
Residential mortgage loans held for sale	169,609	–	169,609	–	
Mortgage servicing rights	109,192	–	–	109,192	1
Derivative contracts, net of cash margin2	229,887	–	229,887	–	
Other assets – private equity funds	28,313	–	–	28,313	
Liabilities:					
Derivative contracts, net of cash margin2	173,917	–	173,917	–	

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 5, Mortgage Banking Activities.

2 See Note 3 for detail of fair value of derivative contracts by contract type.

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2010 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	
Assets:					
Trading securities	$55,467	$ 877	$54,590	$ –	
Available for sale securities:					
Municipal and other tax-exempt	72,942	–	25,849	47,093	
U.S. agency residential mortgage-backed securities	8,446,908	–	8,446,908	–	
Privately issued residential mortgage-backed securities	644,210	–	644,210	–	
Other debt securities	6,401	–	1	6,400	
Perpetual preferred stock	22,114	–	22,114	–	
Equity securities and mutual funds	43,046	22,344	20,702	–	
Total available for sale securities	9,235,621	22,344	9,159,784	53,493	
Mortgage trading securities	428,021	–	428,021	–	
Residential mortgage loans held for sale	263,413	–	263,413	–	
Mortgage servicing rights	115,723	–	–	115,723	1
Derivative contracts, net of cash margin 2	270,445	–	270,445	–	
Other assets – private equity funds	25,436	–	–	25,436	
Liabilities:					
Certificates of deposit	27,414	–	27,414	–	
Derivative contracts, net of cash margin 2	215,420	–	215,420	–	

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 5, Mortgage Banking Activities.

2 See Note 3 for detail of fair value of derivative contracts by contract type.

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of June 30, 2010 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Trading securities	$62,159	$ 4,030	$58,129	$ –
Available for sale securities:				
Municipal and other tax-exempt	66,439	–	26,613	39,826

U.S. agency residential mortgage-backed securities	8,223,719	–	8,223,719	–	
Privately issued residential mortgage-backed securities	735,516	–	735,516	–	
Other debt securities	13,064	–	29	13,035	
Perpetual preferred stock	19,881	–	19,881	–	
Equity securities and mutual funds	47,209	22,728	24,481	–	
Total available for sale securities	9,105,828	22,728	9,030,239	52,861	
Mortgage trading securities	534,641	–	534,641	–	
Residential mortgage loans held for sale	227,574	–	227,574	–	
Mortgage servicing rights	98,942	–	–	98,984	1
Derivative contracts, net of cash margin 2	334,576	16,991	317,585	–	
Other assets – private equity funds	23,834	–	–	23,834	
Liabilities:					
Certificates of deposit	27,957	–	27,957	–	
Derivative contracts, net of cash margin 2	299,851	–	299,851	–	

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 5, Mortgage Banking Activities.

2 See Note 3 for detail of fair value of derivative contracts by contract type.

The fair value of certain available for sale municipal and other debt securities may be 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 of trading volume.

These securities may be either investment grade or below investment grade. As of June 30, 2011, taxable securities rated investment grade by all nationally recognized rating agencies are generally valued to yield 1.69% to 1.75%. 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 to yield a range of 1.05% to 1.35%, which represents a spread of 75 to 80 basis points over average yields of comparable tax-exempt securities as of June 30, 2011. The resulting estimated fair value of securities rated investment grade ranges from 98.89% to 99.34% of par value at June 30, 2011.

After other-than-temporary impairment charges, approximately $14 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 was determined based on yields ranging from 6.23% to 10.30%. These yields were determined using a spread of 600 basis points over comparable municipal securities of varying durations. Previously a spread of 525 basis points was used. The resulting estimated fair value of securities rated below investment grade ranges from 82.66% to 82.83% of par value as of June 30, 2011. All of these securities are currently paying contractual interest in accordance with their respective terms.

The following represents the changes for the three months ended June 30, 2011 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities		
	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance, March 31, 2011	$43,767	$5,899	$25,046
Purchases and capital calls	–	–	746
Redemptions and distributions	–	–	(783)
Gain (loss) recognized in earnings:			
Gain on other assets, net	–	–	3,304
Other-than-temporary impairment losses	(521)	–	–
Other comprehensive gain (loss)	412	(6)	–
Balance, June 30, 2011	$43,658	$5,893	$28,313

The following represents the changes for the six months ended June 30, 2011 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

Available for Sale Securities

	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance, December 31, 2010	$47,093	$6,400	$25,436
Purchases and capital calls	7,520	–	1,652
Redemptions and distributions	(9,975)	(500)	(2,185)
Gain (loss) recognized in earnings:			
Brokerage and trading revenue	(576)	–	–
Gain on other assets, net	–	–	3,410
Gain on securities, net	18	–	–
Other-than-temporary impairment losses	(521)	–	–
Other comprehensive (loss)	99	(7)	–
Balance, June 30, 2011	$43,658	$5,893	$28,313

The following represents the changes for the three months ended June 30, 2010 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities		
	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance at March 31, 2010	$38,004	$17,150	$22,825
Purchases, sales, issuances and settlements, net	1,775	(4,250)	663
Gain (loss) recognized in earnings			
Brokerage and trading revenue	(11)	–	–
Gain (loss) on other assets, net	–	–	346
Gain on securities, net	–	–	–
Other comprehensive (loss)	58	135	–
Balance June 30, 2010	$39,826	$13,035	$23,834

The following represents the changes for the six months ended June 30, 2010 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, December 31, 2009	$9,800	$36,598	$17,116	$22,917
Purchases, sales, issuances and settlements, net	(9,800)	4,133	(4,200)	1
Gain (loss) recognized in earnings				
Brokerage and trading revenue	–	(80)	–	–
Gain (loss) on other assets, net	–	–	–	916
Gain on securities, net	–	–	–	–
Other comprehensive (loss)	–	(825)	119	–
Balance, June 30, 2010	$–	$39,826	$13,035	$23,834

There were no transfers from quoted prices in active markets for identical instruments to significant other observable inputs during the six months ended June 30, 2011 or 2010, respectively.

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 three months ended June 30, 2011:

	Carrying Value at June 30, 2011			Fair Value Adjustments for the Three Months Ended June 30, 2011 Recognized In:		
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Gross charge-offs against allowance for loan losses	Gross charge-offs against allowance for recourse loans	Net losses and expenses of repossessed assets, net
Impaired loans	$–	$17,949	$ –	$4,071	$146	$–
Real estate and other repossessed assets	–	50,885	–	–	–	4,127

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 three months ended June 30, 2010:

	Carrying Value at June 30, 2010			Fair Value Adjustments for the Three Months Ended June 30, 2010 Recognized In:	
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Gross charge-offs against allowance for loan losses	Net losses and expenses of repossessed assets, net
Impaired loans	$–	$55,893	$ –	$28,243	$ –
Real estate and other repossessed assets	–	28,778	6,736	–	11,623

The fair value of collateral-dependent impaired loans and real estate and other repossessed assets and the related fair value adjustments are generally based on unadjusted third-party appraisals. Our appraisal review policies require appraised values to be supported by observed inputs derived principally from or corroborated by observable market data. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs.

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 June 30, 2011, there were no certificates of deposit that were designated as carried at fair value. At June 30, 2010, the fair value and contractual principal amount of these certificates was $28 million and $27 million, respectively. Change in the fair value of these certificate of deposit resulted in an unrealized gain during the three and six months ended June 30, 2010 of $201 thousand and $444 thousand, respectively, which is included in Gain (Loss) on Derivatives, net in the Consolidated Statement of Earnings.

As more fully disclosed in Note 2 and Note 5 to the Consolidated Financial Statements, the Company has elected to carry all mortgage-backed securities which have been designated as economic hedges against changes in the fair value of mortgage servicing rights and all residential mortgage loans originated for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

(12) Federal and State Income Taxes

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

	Three Months Ended June 30,	Six Months Ended June 30,

	2011	2010	2011	2010
Amount:				
Federal statutory tax	$38,868	$34,160	$75,100	$65,879
Tax exempt revenue	(1,331)	(1,388)	(2,694)	(2,793)
Effect of state income taxes, net of federal benefit	2,738	2,003	5,376	3,718
Utilization of tax credits	(594)	(1,712)	(1,093)	(3,040)
Bank-owned life insurance	(979)	(877)	(1,964)	(1,742)
Other, net	655	(144)	3,384	303
Total	$39,357	$32,042	$78,109	$62,325

	Three Months Ended June 30,				Six Months Ended June 30,			
	2011		2010		2011		2010	
Percent of pretax income:								
Federal statutory tax	35	%	35	%	35	%	35	%
Tax exempt revenue	(1	)	(1	)	(1	)	(1	)
Effect of state income taxes, net of federal benefit	3		2		3		2	
Utilization of tax credits	(1	)	(2	)	(1	)	(2	)
Bank-owned life insurance	(1	)	(1	)	(1	)	(1	)
Other, net	1		–		1		–	
Total	36	%	33	%	36	%	33	%

(13) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on June 30, 2011 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

Six-Month Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Six Months Ended					
	June 30, 2011			June 30, 2010		
	Average Balance	Revenue/ Expense1	Yield/ Rate	Average Balance	Revenue/ Expense1	Yield/ Rate
Assets						
Funds sold and resell agreements	$14,714	$7	0.10 %	$27,543	$16	0.12 %
Trading securities	70,494	1,159	3.32	64,817	1,453	4.52
Investment securities						
Taxable3	168,902	5,145	6.14	63,864	2,786	8.80
Tax-exempt3	179,621	4,314	4.85	231,915	5,647	4.99
Total investment securities	348,523	9,459	5.48	295,779	8,433	5.82
Available for sale securities						
Taxable3	9,393,136	138,992	3.08	8,699,466	152,804	3.70
Tax-exempt3	67,402	1,801	5.39	63,655	1,802	5.71
Total available for sale securities3	9,460,538	140,793	3.10	8,763,121	154,606	3.72
Mortgage trading securities	457,917	8,473	4.14	401,459	8,483	4.41
Residential mortgage loans held for sale	130,211	2,844	4.40	160,574	3,924	4.93
Loans2	10,667,329	249,653	4.72	11,078,796	264,795	4.82
Less allowance for loan losses	293,151	–	–	310,904		
Loans, net of allowance	10,374,178	249,653	4.85	10,767,892	264,795	4.96
Total earning assets3	20,903,052	412,388	4.05	20,481,185	441,710	4.44
Cash and other assets	2,993,036			3,096,852		
Total assets	$23,849,611			$23,578,037		
Liabilities and equity						
Interest-bearing deposits:						
Transaction	$9,407,130	$13,714	0.29 %	$8,126,418	$20,179	0.50 %
Savings	207,192	390	0.38	177,720	363	0.41
Time	3,624,602	33,098	1.84	3,736,535	33,367	1.80
Total interest-bearing deposits	13,238,924	47,202	0.72	12,040,673	53,910	0.90
Funds purchased	995,780	596	0.12	1,439,372	1,213	0.17
Repurchase agreements	1,033,127	1,554	0.30	1,093,581	3,063	0.56
Other borrowings	166,331	2,696	3.27	1,932,868	2,994	0.31
Subordinated debentures	398,745	11,118	5.62	398,578	11,101	5.62
Total interest-bearing liabilities	15,832,907	63,166	0.80	16,905,072	72,280	0.86
Non-interest bearing demand deposits	4,410,625			3,573,692		
Other liabilities	997,998			760,374		
Total equity	2,608,081			2,338,899		

Total liabilities and equity	$23,849,611			$23,578,037	
Tax-equivalent Net Interest Revenue3	$349,222	3.25	%	$369,430	3.57
Tax-equivalent Net Interest Revenue to Earning Assets3		3.43			3.71
Less tax-equivalent adjustment1	4,582			4,743	
Net Interest Revenue	344,640			364,687	
Provision for credit losses	8,950			78,140	
Other operating revenue	260,538			271,323	
Other operating expense	381,658			369,645	
Income before taxes	214,570			188,225	
Federal and state income tax	78,109			62,325	
Net income before non-controlling interest	136,461			125,900	
Net income attributable to non-controlling interest	2,680			2,245	
Net income attributable to BOK Financial Corp.	$133,781			$123,655	
Earnings Per Average Common Share Equivalent:					
Net income:					
Basic	$1.96			$1.82	
Diluted	$1.95			$1.81	

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

2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

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

Quarterly Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months Ended					
	June 30, 2011			March 31, 2011		
	Average Balance	Revenue/ Expense1	Yield/ Rate	Average Balance	Revenue/ Expense1	Yield/ Rate
Assets						
Funds sold and resell agreements	$8,814	$3	0.14 %	$20,680	$4	0.08 %
Trading securities	80,113	584	2.92	60,768	576	3.84
Investment securities						
Taxable3	183,084	2,800	6.13	154,562	2,345	6.15
Tax-exempt3	174,614	2,100	4.82	184,684	2,214	4.88
Total investment securities	357,698	4,900	5.49	339,246	4,559	5.46
Available for sale securities						
Taxable3	9,473,401	69,978	3.02	9,311,980	69,014	3.15
Tax-exempt3	70,081	894	5.12	64,694	906	5.68
Total available for sale securities3	9,543,482	70,872	3.04	9,376,674	69,920	3.17
Mortgage trading securities	518,073	5,243	4.42	397,093	3,230	3.74
Residential mortgage loans held for sale	134,876	1,505	4.48	125,494	1,339	4.33
Loans2	10,680,755	124,871	4.69	10,653,756	124,782	4.75
Less allowance for loan losses	291,308	–	–	295,014	–	–
Loans, net of allowance	10,389,447	124,871	4.82	10,358,742	124,782	4.89
Total earning assets3	21,032,503	207,978	4.01	20,678,697	204,410	4.09
Cash and other assets	2,946,732			3,061,077		
Total assets	$23,979,235			$23,739,774		
Liabilities and equity						
Interest-bearing deposits:						
Transaction	$9,184,141	6,130	0.27	$9,632,595	7,584	0.32
Savings	210,707	203	0.39	203,638	187	0.37
Time	3,632,130	16,827	1.86	3,616,991	16,271	1.82
Total interest-bearing deposits	13,026,978	23,160	0.71	13,453,224	24,042	0.72
Funds purchased	1,168,670	276	0.09	820,969	320	0.16
Repurchase agreements	1,004,217	513	0.20	1,062,359	1,041	0.40
Other borrowings	187,441	2,226	4.76	144,987	470	1.31
Subordinated debentures	398,767	5,541	5.57	398,723	5,577	5.67
Total interest-bearing liabilities	15,786,073	31,716	0.81	15,880,262	31,450	0.80
Non-interest bearing demand deposits	4,554,000			4,265,657		
Other liabilities	988,273			1,029,058		
Total equity	2,650,889			2,564,797		

Total liabilities and equity	$23,979,235			$23,739,774		
Tax-equivalent Net Interest Revenue3		$176,262	3.20 %		$172,960	3.29 %
Tax-equivalent Net Interest Revenue to Earning Assets3			3.40			3.47
Less tax-equivalent adjustment1		2,261			2,321	
Net Interest Revenue		174,001			170,639	
Provision for credit losses		2,700			6,250	
Other operating revenue		142,960			117,578	
Other operating expense		203,209			178,449	
Income before taxes		111,052			103,518	
Federal and state income tax		39,357			38,752	
Net income before non-controlling interest		71,695			64,766	
Net income (loss) attributable to non-controlling interest		2,688			(8)	
Net income attributable to BOK Financial Corp.		$69,007			$64,774	
Earnings Per Average Common Share Equivalent:						
Net income:						
Basic		$1.01			$0.95	
Diluted		$1.00			$0.94	

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

2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

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

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Three Months Ended								
December 31, 2010			September 30, 2010			June 30, 2010		
Average Balance	Revenue/ Expense1	Yield/ Rate	Average Balance	Revenue/ Expense1	Yield/ Rate	Average Balance	Revenue/ Expense1	Yield/ Rate
$21,128	$7	0.13 %	$18,882	$4	0.08 %	$22,776	$8	0.14 %
74,084	759	4.06	69,315	570	3.26	58,722	660	4.51
155,624	2,305	6.01	148,160	2,137	5.85	103,333	1,784	6.92
186,317	2,240	4.88	188,295	2,268	4.89	231,784	2,800	4.94
341,941	4,545	5.39	336,455	4,405	5.31	335,117	4,584	5.56
9,509,657	58,678	2.61	9,084,296	72,104	3.25	8,709,650	75,228	3.54
72,051	984	5.42	67,815	877	5.13	64,498	814	5.06
9,581,708	59,662	2.63	9,152,111	72,981	3.27	8,774,148	76,042	3.55
474,731	3,688	3.43	602,049	5,231	4.14	435,693	4,448	4.38
282,734	2,745	3.85	242,559	2,592	4.24	183,489	2,177	4.76
10,667,193	128,005	4.76	10,861,515	133,336	4.87	10,971,466	132,012	4.83
307,223	–	–	308,139	–	–	312,595	–	–
10,359,970	128,005	4.90	10,553,376	133,336	5.01	10,658,871	132,012	4.97
21,136,296	199,411	3.86	20,974,747	219,119	4.22	20,468,816	219,931	4.35
3,146,655			3,217,543			2,975,991		
$24,282,951			$24,192,290			$23,444,807		
$9,325,573	8,772	0.37	$8,699,495	9,935	0.45	$8,287,296	10,044	0.49
191,235	171	0.35	189,512	185	0.39	184,376	185	0.40
3,602,150	16,147	1.78	3,774,136	17,146	1.80	3,701,167	16,063	1.74
13,118,958	25,090	0.76	12,663,143	27,266	0.85	12,172,839	26,292	0.87
775,620	479	0.25	1,096,873	539	0.19	1,359,937	674	0.20
1,201,760	1,496	0.49	1,130,215	1,469	0.52	1,131,147	1,580	0.56
829,756	767	0.37	1,465,516	1,314	0.36	1,619,745	1,403	0.35
398,680	5,666	5.64	398,638	5,664	5.64	398,598	5,535	5.57
16,324,774	33,498	0.81	16,754,385	36,252	0.86	16,682,266	35,484	0.85
4,171,595			3,831,486			3,660,910		
1,251,025			1,124,000			722,902		
2,535,557			2,482,419			2,378,729		
$24,282,951			$24,192,290			$23,444,807		
	$165,913	3.05 %		$182,867	3.36 %		$184,447	3.50 %
		3.21			3.52			3.65
	2,263			2,152			2,327	

163,650	180,715	182,120
6,999	20,000	36,040
111,913	137,673	157,439
178,361	205,165	205,912
90,203	93,223	97,607
31,097	29,935	32,042
59,106	63,288	65,565
274	(979)	2,036
$ 58,832	$ 64,267	$ 63,529
$ 0.86	$ 0.94	$ 0.93
$ 0.86	$ 0.94	$ 0.93

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Quarterly Earnings Trends – Unaudited
(In thousands, except share and per share data)

	Three Months Ended				
	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30. 2010
Interest revenue	$205,717	$202,089	$197,148	$216,967	$217,597
Interest expense	31,716	31,450	33,498	36,252	35,484
Net interest revenue	174,001	170,639	163,650	180,715	182,113
Provision for credit losses	2,700	6,250	6,999	20,000	36,040
Net interest revenue after provision for credit losses	171,301	164,389	156,651	160,715	146,073
Other operating revenue					
Brokerage and trading revenue	23,725	25,376	28,610	27,072	24,754
Transaction card revenue	31,024	28,445	29,500	28,852	28,263
Trust fees and commissions	19,150	18,422	18,145	16,774	17,737
Deposit service charges and fees	23,857	22,480	23,732	24,290	28,797
Mortgage banking revenue	19,356	17,356	25,158	29,236	18,335
Bank-owned life insurance	2,872	2,863	3,182	3,004	2,908
Other revenue	7,842	8,332	7,648	7,708	7,374
Total fees and commissions	127,826	123,274	135,975	136,936	128,168
Gain (loss) on other assets, net	3,344	(68)	15	(1,331)	1,545
Gain (loss) on derivatives, net	1,225	(2,413)	(7,286)	4,626	7,272
Gain (loss) on mortgage trading securities	9,921	(3,518)	(11,117)	3,369	14,631
Gain on available for sale securities, net	5,468	4,902	953	8,384	8,469
Total other-than-temporary impairment losses	–	–	(4,768)	(4,525)	(10,959)
Portion of loss recognized in (reclassified from) other comprehensive income	(4,824)	(4,599)	(1,859)	(9,786)	8,313
Net impairment losses recognized in earnings	(4,824)	(4,599)	(6,627)	(14,311)	(2,646)
Total other operating revenue	142,960	117,578	111,913	137,673	157,439
Other operating expense					
Personnel	105,603	99,994	106,770	101,216	97,054
Business promotion	4,777	4,624	4,377	4,426	4,945
Professional fees and services	6,258	7,458	9,527	7,621	6,668
Net occupancy and equipment	15,554	15,604	16,331	16,436	15,691
Insurance	4,771	6,186	6,139	6,052	5,596
Data processing and communications	24,428	22,503	23,902	21,601	21,940
Printing, postage and supplies	3,586	3,082	3,170	3,648	3,525
Net losses and operating expenses of repossessed assets	5,859	6,015	6,966	7,230	13,067
Amortization of intangible assets	896	896	1,365	1,324	1,323
Mortgage banking costs	8,968	6,471	11,999	9,093	10,380
Change in fair value of mortgage servicing rights	13,493	(3,129)	(25,111)	15,924	19,458
Visa retrospective responsibility obligation	–	–	(1,103)	1,103	–
Other expense	9,016	8,745	14,029	9,491	6,265
Total other operating expense	203,209	178,449	178,361	205,165	205,912

Income before taxes	111,052	103,518	90,203	93,223	97,600
Federal and state income tax	39,357	38,752	31,097	29,935	32,042
Net income before non-controlling interest	71,695	64,766	59,106	63,288	65,558
Net income (loss) attributable to non-controlling interest	2,688	(8)	274	(979)	2,036
Net income attributable to BOK Financial Corp.	$69,007	$64,774	$58,832	$64,267	$63,522
Earnings per share:					
Basic	$1.01	$0.95	$0.86	$0.94	$0.93
Diluted	$1.00	$0.94	$0.86	$0.94	$0.93
Average shares used in computation:					
Basic	67,898,483	67,901,722	67,685,434	67,625,378	67,605,807
Diluted	68,169,485	68,176,527	67,888,950	67,765,344	67,880,587

PART II. Other Information

Item 1. Legal Proceedings

See discussion of legal proceedings at Note 7 to the Consolidated Financial Statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 June 30, 2011.

Period	Total Number of Shares Purchased2	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs1	Maximum Number of Shares that May Yet Be Purchased Under the Plans
April 1, 2011 to April 30, 2011	517	$52.92	–	1,215,927
May 1, 2011 to May 31, 2010	1,700	$53.74	–	1,215,927
June 1, 2011 to June 30, 2011	–	–	–	1,215,927
Total	2,217			

1 On April 26, 2005, the Company's board of directors authorizing the Company to repurchase up to two million shares of the Company's common stock. As of June 30, 2011, 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. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

101* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Earnings, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements

Items 1A, 3, 4 and 5 are not applicable and have been omitted.

*To be filed within 30 days after the earlier of the due date or filing date of this Form 10-Q, as permitted by Section II (B) (4) of Securities and Exchange Commission Release No. 34-59324 effective April 13, 2009. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 11 and 12 of the

Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Signatures

Pursuant to the requirements 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
(Registrant)

Date: August 8, 2011

/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

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