BOK FINANCIAL CORP ET AL
Form 10-K
February 28, 2011

As filed with the Securities and Exchange Commission on February 28, 2011

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

Oklahoma	73-1373454
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Bank of Oklahoma Tower P.O. Box 2300 Tulsa, Oklahoma	74192
(Address of principal executive offices)	(Zip code)

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately $1.2 billion (based on the June 30, 2010 closing price of Common Stock of $47.47 per share). As of January 31, 2011, there were 68,274,150 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders.

BOK FINANCIAL CORPORATION
ANNUAL REPORT ON FORM 10-K
INDEX

Item		Page
	Part I:	
1	Business	1
1A	Risk Factors	5
1B	Unresolved Staff Comments	9
2	Properties	9
3	Legal Proceedings	9
4	Submission of Matters to a Vote of Security Holders	9
	Part II:	
5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	10
6	Selected Financial Data	11
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
7A	Quantitative and Qualitative Disclosures about Market Risk	63
8	Financial Statements and Supplementary Data	66
9	Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	130
9A	Controls and Procedures	130
9B	Other Information	130
	Part III:	
10	Directors, Executive Officers and Corporate Governance	131
11	Executive Compensation	131
12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	131
13	Certain Relationships and Related Transactions, and Director Independence	131
14	Principal Accountant Fees and Services	131
	Part IV:	
15	Exhibits, Financial Statement Schedules	131

Signatures	135
Chief Executive Officer Section 302 Certification, Exhibit 31.1	136
Chief Executive Officer Section 302 Certification, Exhibit 31.2	137
Section 906 Certifications, Exhibit 32	138

PART I

ITEM 1. BUSINESS

General

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

Description of Business

BOK Financial is a financial holding company incorporated in the state of Oklahoma in 1990 whose activities are limited by the Bank Holding Company Act of 1956 ("BHCA"), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act. BOK Financial offers full service banking in Oklahoma, Texas, New Mexico, Northwest Arkansas, Colorado, Arizona, and Kansas/Missouri.

On October 6, 2010, the Office of the Comptroller of the Currency ("OCC") approved the affiliated merger of the Company's wholly-owned subsidiary banks, Bank of Texas, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., and Bank of Kansas City, N.A. into Bank of Oklahoma, N.A. ("the Banks"). The resulting subsidiary bank is named BOKF, NA. The Company effected the merger on January 1, 2011. The Banks will continue to operate as distinct geographical regions using the trade names of the former charters. The merger will allow us to more efficiently utilize capital of the Banks. Other subsidiaries of BOK Financial include BOSC, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on the Company's financial statements.

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

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Products and services include loans and deposits, cash management services, fiduciary services, mortgage banking and brokerage and trading services to middle-market businesses, financial institutions and consumers. Commercial banking represents a significant part of our business. Our credit culture emphasizes building relationships by making high quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning. Our diversified base of revenue sources is designed to generate returns in a range of economic situations. Historically, fees and commissions provide 40 to 45% of our total revenue. Approximately 42% of our revenue came from fees and commission in 2010.

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

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

Operating Segments

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

Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of December 31, 2010.

We are the largest financial institution in the state of Oklahoma with 12% of the state's total deposits. The Tulsa and Oklahoma City areas have 28% and 9% of the market share, respectively. We compete with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources and also compete with regional and locally-owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

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

Employees

As of December 31, 2010, BOK Financial and its subsidiaries employed 4,432 full-time equivalent employees. None of the Company's employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

Supervision and Regulation

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

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act") was signed into law, giving federal banking agencies authority to increase the minimum deposit ratio, increase regulatory capital requirements, impose additional rules and regulations over consumer financial products and services and limit the amount of interchange fee that may be charged in an electronic debit transaction. In addition, the Dodd-Frank Act makes permanent the $250,000 limit for federal deposit insurance and provides unlimited federal deposit insurance until January 1, 2013 for non-interest bearing demand deposit accounts. It also repeals prohibitions on payment of interest on demand deposits, which could impact how interest is paid on business transaction and other accounts. We continue to assess the potential impact of the complex provisions that the Dodd-Frank Act will have in the coming months or years. The effect of this legislation on fee income and operating expenses could be significant but cannot

be accurately quantified at this time.

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

General

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

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

concerning the soundness of a national bank, the quality of management and directors, and compliance with applicable regulations. The National Banking Act authorizes the OCC to examine every national bank as often as necessary.

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

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

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

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

Capital Adequacy and Prompt Corrective Action

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

accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators regarding components, risk weighting and other factors.

The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Core capital (Tier 1) includes common shareholders' equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution's Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2010, BOK Financial's Tier 1 and total capital ratios under these guidelines were 12.69% and 16.20%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial's leverage ratio at December 31, 2010 was 8.74%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA"), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2010.

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

On September 12, 2010, the Group of Governors and Heads of Supervision ("GHOS"), the oversight body of the BIS, announced changes to strengthen the existing capital and liquidity requirements of internationally active banking organizations. The GHOS agreement calls for national jurisdictions to implement the new requirements beginning January 1, 2013. Proposed changes include increased minimum ratios for common equity, tier 1 and total capital to risk weighted assets, increased leverage ratio of tier 1 capital to total assets including certain off balance-sheet commitments and derivative positions, and "add-on" capital buffers that become effective under certain conditions. Proposed changes also include required minimum liquidity coverage and net stable funding ratios. The timing and extent to which these changes will be effective for banking organizations that are not internationally active, like BOK Financial Corporation, has not been determined. Our current capital level appears to be well in excess of the proposed standards.

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

Deposit Insurance

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

Subsequent to December 31, 2010, the FDIC released a final rule to implement provisions of the Dodd-Frank Act that affect deposit insurance assessments. Among other things, the Dodd-Frank Act raised the minimum designated

reserve ratio from 1.15% to 1.35% of estimated insured deposits, removed the upper limit of the designated reserve ratio, required that the designated reserve ratio reach 1.35% by September 30, 2020, and required that the FDIC offset the effect of increasing the minimum designated reserve ratio on depository institutions with total assets of less than $10 billion. The Dodd-Frank Act also required that the FDIC redefine the assessment base to average consolidated assets minus average tangible equity. The final rule becomes effective April 1, 2011. We do not expect the change to have a significant effect on our current deposit insurance assessment.

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

On November 12, 2009 the board of directors of the FDIC voted to require insured institutions to prepay over three years of estimated insurance assessments on December 30, 2009 in order to strengthen the cash position of the DIF. As of December 31, 2009 and each quarter thereafter, the regular quarterly assessment will be applied against the prepaid assessment until the asset is exhausted. Any prepaid assessment not exhausted as of June 30, 2013 will be returned. Collectively, the Banks prepaid $78 million of deposit insurance assessments. As of December 31, 2010, $57 million of prepaid deposit insurance assessments are included in Other assets on the Consolidated Balance Sheet of the Company.

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

Dividends

The primary source of liquidity for BOK Financial is dividends from the Banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. In consideration of our bank charter consolidation, Bank of Oklahoma, N.A. declared and paid a dividend of $175 million to BOK Financial Corporation for general corporate purposes. Subsequent to the consolidation of the existing bank charters into BOKF, NA, based on the most restrictive limitations as well as management's internal capital policy, BOKF, NA had excess regulatory capital and could declare up to $82 million of dividends without regulatory approval as of January 1, 2011. This amount is not necessarily indicative of amounts that may be available to be paid in future periods.

Source of Strength Doctrine

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

Governmental Policies and Economic Factors

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

In response to the significant recession in business activity which began in 2007, the U.S. government enacted various programs and continues to enact programs to stimulate the economy. These programs include the Trouble Assets Relief Program ("TARP"), which provided capital to eligible financial institutions and other sectors of the domestic economy, and the Temporary Liquidity Guarantee Program, which expanded insurance coverage to a larger amount of deposit account balances and other qualifying debt issued by eligible financial institutions. In addition, the government recently enacted economic stimulus legislation, which increases government spending and reduces certain taxes. In 2010, the Federal Reserve announced its intention to purchase up to $600 billion of U.S. government securities to further stimulate the economy. The short-term effectiveness and long-term impact of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

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

Foreign Operations

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

ITEM 1A. RISK FACTORS

The United States economy experienced a significant recession from 2007 to 2009. Business activity across a wide range of industries and geographic regions decreased and unemployment increased significantly. The financial services industry and capital markets have been adversely affected by significant declines in asset values, rising delinquencies and defaults, and restricted liquidity. Numerous financial institutions failed or required a significant amount of government assistance due to credit losses and liquidity shortages. The rate of economic recovery has been slow, unemployment has been persistently high and the national housing market remains depressed overall. The Federal Reserve Board continues to take steps to promote more robust economic growth including maintaining historically low federal funds rate for an extended period of time. High unemployment levels and protracted economic recovery could adversely affect our credit quality, financial condition and results of operations.

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

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

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

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

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

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

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

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

BOK Financial's business is highly sensitive to:

- the monetary policies implemented by the Federal Reserve Board, including the discount rate on bank borrowings and changes in reserve requirements, which affect BOK Financial's ability to make loans and the interest rates we

may charge;

- changes in prevailing interest rates, due to the dependency of BOK Financial's banks on interest income;
- open market operations in U.S. Government securities.

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

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

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

In an effort to promote a stronger pace of economic recovery and ensure inflation, over time, is at a level consistent with its mandate, the Federal Reserve Board has announced it will continue its policy of reinvesting principal payments from its security holdings in longer-term Treasury securities which may result in rising interest rates and lower fair values of our residential mortgage-backed securities.

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

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

Market disruptions could impact BOK Financial's funding sources.

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

Substantial competition could adversely affect BOK Financial.

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

lower cost than BOK Financial does, which may adversely affect BOK Financial's ability to compete effectively.

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

Banking regulations could adversely affect BOK Financial.

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

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

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

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

The trend toward increasingly extensive regulation is likely to continue and become more costly in the future. Laws, regulations or policies currently affecting BOK Financial and its subsidiaries may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, BOK Financial's business may be adversely affected by any future changes in laws, regulations, policies or interpretations. For example, effective July 1, 2010, the Company recently implemented changes mandated by federal regulations concerning overdraft charges that significantly impacted our fee revenue in the second half of 2010.

The implementation of the Dodd-Frank Act will affect BOK Financial’s business including interchange revenue, mortgage banking, consumer products and higher capital standards. Among the rules pending for mortgage banking are uniform lending and servicing standards, consumer protection measures and several reforms affecting loan originators. A cap on interchange revenue has also been proposed. The Bureau of Consumer Financial Protection will have authority over banks greater than $10 billion in assets and may implement additional consumer protection standards. BOK Financial will be affected by other aspects of the Dodd-Frank Act including new capital rules and revised deposit insurance assessments. Provisions of the Dodd-Frank Act may also make portions of our customer hedging programs uneconomical to continue.

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

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

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

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

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

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

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

Mr. Kaiser has the right to sell shares of BOK Financial's common stock in compliance with the federal securities laws at any time, or from time to time. The federal securities laws will be the only restrictions on Mr. Kaiser's ability to sell. Because of his current control of BOK Financial, Mr. Kaiser could sell large amounts of his shares of BOK Financial's common stock by causing BOK Financial to file a registration statement that would allow him to sell shares more easily. In

addition, Mr. Kaiser could sell his shares of BOK Financial's common stock without registration under Rule 144 of the Securities Act. Although BOK Financial can make no predictions as to the effect, if any, that such sales would have on the market price of BOK Financial's common stock, sales of substantial amounts of BOK Financial's common stock, or the perception that such sales could occur, could adversely affect market prices. If Mr. Kaiser sells or transfers his shares of BOK Financial's common stock as a block, another person or entity could become BOK Financial's controlling shareholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

BOK Financial and its subsidiaries own and lease improved real estate that is carried at $265 million, net of depreciation and amortization. The Company’s principal offices are located in leased premises in the Bank of Oklahoma Tower in Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Kansas/Missouri. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma; Dallas, Texas and Albuquerque, New Mexico. The Company’s facilities are suitable for their respective uses and present needs.

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

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended December 31, 2010.

PART II

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

BOK Financial's $0.00006 par value common stock is traded on the NASDAQ Stock Market under the symbol BOKF. As of January 31, 2011, common shareholders of record numbered 901 with 68,274,150 shares outstanding.

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

	First	Second	Third	Fourth
2010:				
Low	$45.43	$47.45	$42.89	$44.83
High	53.11	55.60	50.58	54.86
Cash dividends	0.24	0.25	0.25	0.25
2009:				
Low	$22.95	$34.46	$34.81	$41.87
High	40.71	43.02	48.10	47.91
Cash dividends	0.225	0.24	0.24	0.24

Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2005 and ending December 31, 2010.*

	Period Ending					
Index	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
BOK Financial Corporation	100.00	122.36	116.72	92.86	111.79	128.17
NASDAQ Composite	100.00	110.39	122.15	73.32	106.57	125.91
NASDAQ Bank Index	100.00	113.82	91.16	71.52	59.87	68.34
KBW 50	100.00	119.39	93.36	48.97	48.11	59.34

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended December 31, 2010.

Period	Total Number of Shares Purchased 2	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs 1	Maximum Number of Shares that May Yet Be Purchased Under the Plans
October 1, 2010 to October 31, 2010	887	$45.38	–	1,215,927
November 1, 2010 to November 30, 2010	20,788	$50.12	–	1,215,927
December 1, 2010 to December 31, 2010	50,208	$53.01	–	1,215,927
Total	71,883		–	

1 On April 26, 2005, the Company's board of directors authorized the Company to repurchase up to two million shares of the Company's common stock. As of December 31, 2010, the Company had repurchased 784,073 shares under this plan.

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

ITEM 6. SELECTED FINANCIAL DATA

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

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

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

	December 31,				
	2010	2009	2008	2007	2006
Selected Financial Data					
For the year:					
Interest revenue	$851,082	$914,569	$1,061,645	$1,160,737	$986,429
Interest expense	142,030	204,205	414,783	616,252	499,741
Net interest revenue	709,052	710,364	646,862	544,485	486,688
Provision for credit losses	105,139	195,900	202,593	34,721	18,402
Fees and commissions revenue	516,394	480,512	415,194	405,622	371,696
Net income	246,754	200,578	153,232	217,664	212,977
Period-end:					
Loans	10,643,036	11,279,698	12,876,006	11,940,570	10,651,178
Assets	23,941,603	23,516,831	22,734,648	20,667,701	18,059,624
Deposits	17,179,061	15,518,228	14,982,607	13,459,291	12,386,705
Subordinated debentures	398,701	398,539	398,407	398,273	297,800
Shareholders' equity	2,521,726	2,205,813	1,846,257	1,935,384	1,721,022
Nonperforming assets2	394,469	484,295	342,291	104,159	44,343
Profitability Statistics					
Earnings per share (based on average equivalent shares):					
Basic	$3.63	$2.96	$2.27	$3.24	$3.19
Diluted	3.61	2.96	2.27	3.22	3.16
Percentages (based on daily averages):					
Return on average assets	1.04 %	0.87 %	0.71 %	1.14 %	1.27 %
Return on average shareholders' equity	10.18	9.66	7.87	12.01	13.23
Average shareholders' equity to average assets	10.19	8.98	9.01	9.53	9.58
Common Stock Performance					
Per Share:					
Book value per common share	$36.97	$32.53	$27.36	$28.75	$25.66
Market price: December 31 close	53.40	47.52	40.40	51.70	54.98
Market range – High close	55.68	48.13	60.84	55.57	54.98
Market range – Low close	42.89	22.98	38.48	47.47	44.43
Cash dividends declared	0.99	0.945	0.875	0.75	0.55
Dividend payout ratio	27.16 %	31.93 %	38.55 %	23.29 %	17.41 %

Selected Balance Sheet Statistics										
Period-end:										
Tier 1 capital ratio	12.69	%	10.86	%	9.40	%	9.38	%	9.78	%
Total capital ratio	16.20		14.43		12.81		12.54		11.58	
Leverage ratio	8.74		8.05		7.89		8.20		8.79	
Tangible common equity ratio1	9.21		7.99		6.64		7.72		8.22	
Allowance for loan losses to nonperforming loans	115.76		82.22		74.49		133.79		305.37	
Allowance for loan losses to loans	2.75		2.59		1.81		1.06		1.03	
Combined allowances for credit losses to loans 4	2.89		2.72		1.93		1.24		1.22	
Miscellaneous (at December 31)										
Number of employees (full-time equivalent)	4,432		4,355		4,300		4,110		3,958	
Number of banking locations	207		202		202		195		169	
Number of TransFund locations	1,943		1,896		1,933		1,822		1,649	
Trust assets	$32,751,501		$30,385,365		$30,454,512		$36,288,592		$31,704,091	
Mortgage loan servicing portfolio3	12,059,241		7,366,780		5,983,824		5,481,736		4,988,611	

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

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

3 Includes outstanding principal for loans serviced for affiliates.

4 Includes allowance for loan losses and allowance for off-balance sheet credit losses.

Management's Assessment of Operations and Financial Condition

Overview

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

From 2007 to 2009 the United States experienced a severe recession, characterized by substantial market volatility and lack of available liquidity. The effects of the recession continued to impact the economy in 2010, primarily characterized by slow economic growth and persistently high national unemployment rates. In response, the U.S. government continued to provide significant liquidity and other intervening measures to support economic recovery based on evidence of subdued inflation. Lending activity remained slow in light of the economic uncertainty and interest rates remained at historic lows throughout the year. Low national mortgage rates during much of the year sustained a high level of mortgage lending activity and increased prepayments of our mortgage-backed securities. Cash flows from these securities were reinvested at current rates.

Performance Summary

BOK Financial's net income for 2010 totaled $246.8 million or $3.61 per diluted share compared to $200.6 million or $2.96 per diluted share compared to 2009, up 23% over 2009 on diversified fee income growth and improving credit quality. Net income was up 15% over last year, excluding a $6.5 million or $0.10 per diluted share day-one gain from the purchase of the rights to service $4.2 billion of residential mortgage loans on favorable terms in 2010 and a $7.7 million or $0.11 per share special assessment by the Federal Deposits Insurance Corporation ("FDIC") in 2009.

Highlights of 2010 included:

- Net interest revenue totaled $709.1 million for 2010 compared to $710.4 million for 2009. Net interest margin was 3.50% for 2010, compared to 3.57% for 2009. Net interest margin narrowed during the year as increased cash flows from our securities portfolio were reinvested at lower current rates and increased prepayment speeds accelerated premium amortization.

- Fees and commissions revenue increased $35.9 million or 7% over 2009. Mortgage banking revenue increased $22.6 million over the prior year on increased loan production and servicing revenue. Deposit service charges and fees decreased $12.2 million due primarily to changes in overdraft fee regulations which became effective the second half of 2010.

- Operating expenses, excluding changes in the fair value of mortgage servicing rights and the impact of the FDIC special assessment in 2009, totaled $756.8 million, up $59.7 million or 9% over the prior year. Net losses and operating expenses on repossessed assets increased $23.1 million and personnel costs increased $21.3 million.

- Combined allowances for credit losses totaled $307 million or 2.89% of outstanding loans at December 31, 2010 compared to $306 million or 2.72% of outstanding loans at December 31, 2009. Provision for credit losses and net charge-offs were $105.1 million and $104.4 million, respectively, for 2010 and $195.9 million and $137.8 million, respectively, for 2009.

- Nonperforming assets totaled $394 million or 3.66% of outstanding loans and repossessed assets at December 31, 2010, down from $484 million or 4.24% of outstanding loans and repossessed assets at December 31,

2009. Nonaccruing loans decreased $109 million and repossessed assets increased $12 million during 2010.

- Outstanding loan balances were $10.6 billion at December 31, 2010, down $637 million from the prior year. Unfunded commercial loan commitments increased $182 million during 2010 to $4.6 billion.

- Total period-end deposits increased $1.7 billion during 2010 to $17.2 billion, due primarily to growth in interest-bearing transaction and demand deposits.

- Tangible common equity and Tier 1 capital ratios were 9.21% and 12.69%, respectively, at December 31, 2010 and 7.99% and 10.86%, respectively, at December 31, 2009. Growth in the tangible common equity ratio was due largely to retained earnings and a $116 million after-tax increase in the fair value of available for sale securities. The Company and each of its subsidiary banks exceeded the regulatory definition of well capitalized. The Company's Tier 1 capital ratios, as defined by banking regulations, were 12.69% at December 31, 2010 and 10.86% at December 31, 2009.

Net income for the fourth quarter of 2010 totaled $58.8 million or $0.86 per diluted share compared with $42.8 million or $0.63 per diluted share in 2009.

Highlights of the fourth quarter of 2010 included:

- Net interest revenue totaled $163.7 million, down $20.8 million from the fourth quarter of 2009. Net interest margin was 3.19% for the fourth quarter of 2010 and 3.64% for the fourth quarter of 2009. Net interest revenue decreased as cash flows from our securities portfolio were reinvested at lower rates and increased prepayment speeds accelerated premium amortization.

- Net loans charged off and provision for credit losses were $14.2 million and $7.0 million, respectively, for the fourth quarter of 2010. Net loans charged off and provision for credit losses were $34.5 million and $48.6 million, respectively for the fourth quarter of 2009.

    - Fees and commissions revenue totaled $136.0 million, up $20.0 million over the fourth quarter of 2009 due primarily to higher mortgage banking revenue and brokerage and trading revenue. Increased transaction card revenue and trust fees and commission were offset by a decrease in deposit service charges as a result of changes in banking regulations concerning overdraft fees.

- Changes in the fair value of our mortgage servicing rights, net of economic hedge, increased pre-tax net income for the fourth quarter of 2010 by $6.6 million and increased pre-tax net income by $845 thousand in the fourth quarter of 2009.

- Other operating expense, excluding changes in the fair value of mortgage servicing rights, increased $21.8 million over the prior year due primarily to a $13.1 million increase in personnel costs. Net losses and operating expenses on repossessed assets also increased over the fourth quarter of 2009.

- Other than temporary impairment charges on certain privately-issued residential mortgage-backed and equity securities reduced pre-tax net income by $6.6 million during the fourth quarter of 2010 and $14.5 million during the fourth quarter of 2009.

Critical Accounting Policies & Estimates

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

Allowances for Loan Losses and Off-Balance Sheet Credit Losses

Allowances for loan losses and off-balance sheet credit losses are assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed and is applied by an independent Credit Administration department to assure consistency across the Company. The allowance for

loan losses includes allowances assigned to specific impaired loans and commitments that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans that are based on migration factors and nonspecific allowances that are based on analysis of general economic risk concentration and related factors. Additional details regarding the policies utilized in the development of the allowances for loan losses and off-balance sheet credit losses are included in Notes 1 and 4 to the Consolidated Financial Statements. There have been no material changes in the approach or techniques utilized in developing the allowances for loan losses or off-balance sheet credit losses during 2010.

Loans are considered impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreements. This is substantially the same criteria utilized to determine whether a loan should be placed on nonaccrual status. Generally, all nonaccruing commercial and commercial real estate loans are impaired. Impaired loans are charged-off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower determined through a quarterly evaluation of available cash resources and collateral value. Specific allowances for impairment are determined for loans that have not yet been charged down to amounts we expect to recover through evaluation of estimated future cash flows, collateral values and historical statistics. Estimates of future cash flows and collateral values require significant management judgments and are subject to volatility.

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 us. Appraisals are updated at least annually, or more frequently, if market conditions indicate collateral values may have declined. Collateral value of mineral rights is determined by our internal staff of engineers based on projected cash flows form 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.

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. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk-graded based on an evaluation of the borrowers' ability to repay the loans. Risk grades are updated quarterly by management and may be based on significant subjective judgments. Migration factors are determined for each risk-grade to determine the inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for the migration factors. Losses incurred in more recent periods are more heavily weighted by a sum-of-periods-digits formula. The higher of current loss factors based on migration trends or a minimum migration factor judgmentally set by management based upon long-term history is assigned to each risk grade.

Migration models fairly measure loss exposure during an economic cycle. However, because they are based on historic trends, their accuracy is limited near the beginning or ending of a cycle. Because of this limitation, the results of the migration models are evaluated by management quarterly. Management may adjust the resulting general allowance upward or downward so that the allowance for loan losses represents credit losses inherent in the portfolio.

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 of loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans.

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

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

Fair Value Measurement

Certain assets and liabilities are recorded at fair value in the Consolidated Financial Statements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in a principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date, using assumptions market participants would use when pricing an asset or liability. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale.

Fair value measurement and disclosure guidance provides a three level hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories: unadjusted quoted prices in active markets for identical assets or liabilities, other observable inputs that can be observed either directly or indirectly and unobservable inputs for assets or liabilities. Fair value may be recorded for certain assets and liabilities every reporting period on a recurring basis or under certain circumstances on a non-recurring basis.

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

Mortgage Servicing Rights

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

There is no active market for trading in mortgage servicing rights. We use a cash flow model to determine fair value. Key assumptions and estimates including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates used by this model are based on current market

sources. Assumptions used to value our mortgage servicing rights are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to value this asset. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions. We adjust the prepayment projections determined by this model to better correlate with actual performance of our servicing portfolio. The discount rate is based on benchmark rates for mortgage loans plus a market spread expected by investors in servicing rights. Significant assumptions used to determine the fair value of our mortgage servicing rights are presented in Note 7 to the Consolidated Financial Statements. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, we would expect a 50 basis point increase in mortgage interest rates to increase the fair value of our servicing rights by $14 million. We would expect a $17 million decrease in the fair value of our mortgage servicing rights from a 50 basis point decrease in mortgage interest rates.

Valuation of Derivative Instruments

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

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

Valuation of Securities

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

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

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. The methodologies employed by the third-party pricing services are evaluated 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.

A portion of our securities portfolio is comprised of debt securities for which third-party services have discontinued providing price information due primarily to a lack of observable inputs and other relevant data. We estimate the fair value of these securities based on significant unobservable inputs, including projected cash flows discounted at rates indicated by comparison to securities with similar credit and liquidity risk. We would expect the fair value to decrease $671 thousand if credit spreads utilized in valuing these securities widened by 100 basis points.

Goodwill Impairment

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

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

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our reporting units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. Critical assumptions in our evaluation were an 11.00% average expected long-term growth rate, a 0.75% volatility factor for BOK Financial common stock, an 11.73% discount rate and a 12.26% market risk premium.

The fair value, carrying value and related goodwill of reporting units for which goodwill was attributed as of our annual impairment test performed on October 1, 2010 is as follows in Table 2.

Table 2 Goodwill allocation by reporting unit
(In thousands)

	Fair Value	Carrying Value1	Goodwill
Commercial:			
Oklahoma	$791,113	$250,154	$5,140
Texas	506,577	384,454	196,183
New Mexico	82,136	60,778	11,094
Colorado	96,285	91,365	39,458
Arizona	82,595	56,174	14,853
Consumer:			
Oklahoma	534,246	163,012	1,683
Texas	103,846	47,353	27,567
New Mexico	59,425	15,446	2,874
Colorado	35,298	11,118	6,899
Wealth Management:			
Oklahoma	244,602	92,113	1,350
Texas	104,262	40,082	16,372
New Mexico	24,224	5,787	1,305
Colorado	52,878	16,663	9,254
Arizona	12,022	7,341	1,569

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

Based on the results of the primary discounted cash flow test performed as of October 1, 2010, no goodwill impairment was noted.

The fair value of our reporting units determined by the discounted future earnings method was further corroborated by comparison to the market capitalization of publicly traded banks of similar size and characteristics in our geographical footprint. Considering the results of these two methods, management believes that no goodwill impairment existed as of our annual evaluation date.

As of December 31, 2010, the market value of BOK Financial common stock, a primary input in our goodwill impairment analysis, was approximately 18% above the market value used in our most recent annual evaluation. The market value is influenced by factors affecting the overall economy and the regional banks sector of the market. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock declines or sooner if we incur significant unanticipated operating losses or if other factors indicate a significant decline in the value of our reporting units. The effect of a sustained 10% negative change in the market value of our common stock on September 30, 2010 was simulated. This simulation indicated that an immaterial impairment in our Colorado Commercial reporting unit may be possible. As of October 1, the fair value of our Colorado Commercial reporting unit exceeds the carrying value by 5%.

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

Other-Than-Temporary Impairment

The Company evaluates impaired debt and equity securities quarterly to determine if impairments are temporary or other-than-temporary.

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

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

We consider the adjusted loan-to-value ratio and credit enhancement coverage ratio as part of our assessment of cash flows available to recover the amortized cost of our securities. Adjusted loan-to-value ratio is an estimate of the collateral value available to support the realizable value of the security. We calculate the adjusted loan-to-value ratio for each security using loan-level data. The original loan-to-value ratio is adjusted for market-specific home price depreciation and credit enhancement on the specific tranche of each security we own. The credit enhancement coverage ratio is an estimate of currently remaining subordinated tranches available to absorb losses on pools of loans that support the security.

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

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

We performed a sensitivity analysis of all privately issued mortgage-backed securities rated below AAA. Significant assumptions of this analysis included an increase in the unemployment rate to 12% over the next twelve months, decreasing to 8.5% over 21 months thereafter and an additional 20% house price depreciation. The results of this analysis indicated an additional $29 million to $36 million of credit losses are possible.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on our ability and intent to hold the securities until fair value recovers over a period not to exceed three years. The assessment of the ability and intent

to hold these securities considers liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings, and credit spreads for preferred stocks which have debt-like characteristics.

Income Taxes

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

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

Deferred tax assets and liabilities are determined based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the

differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

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

Assessment of Operations

Net Interest Revenue

Tax-equivalent net interest revenue totaled $718.2 million for 2010, flat with the prior year. The effect of a $506 million increase in average earning assets was largely offset by a 7 basis point decrease in net interest margin.

The increase in average earning assets was primarily due to a $1.8 billion increase in securities partially offset by a $1.2 billion decrease in net loans. During 2009, we purchased U.S. government agency issued residential mortgage-backed securities to supplement earnings during a period of declining loan demand and to manage our interest rate risk. The larger securities portfolio was maintained throughout 2010. Average commercial, commercial real estate and consumer loans decreased compared to the prior year, partially offset by growth in residential mortgage loans.

Growth in average earning assets was funded primarily by a $1.0 billion increase in average deposits. Average interest-bearing transaction account balances increased $1.5 billion and average demand deposit account balances increased $510 million. Average time deposits decreased $970 million as we decreased higher-costing time deposits. We also decreased average borrowed funds by $630 million during 2010.

Table 3 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets, was 3.50% for 2010 and 3.57% for 2009. The decrease in net interest margin was due primarily to lower yield on our securities portfolio partially offset by lower funding costs.

The tax-equivalent yield on earning assets was 4.19% for 2010, down 40 basis points from 2009. The securities portfolio yield was 3.35%, down 101 basis points from 2009. Low intermediate and long-term interest rates experienced during the late third quarter and early fourth quarter of 2010 increased actual and projected prepayment speeds which drove higher levels of amortization of purchase premium. In addition to increased premium amortization over the second half of 2010, approximately $1.4 billion that had been invested to yield 3.40% was reinvested at 2.20%. The recent 100 basis point increase in interest rates should support a partial recovery of the securities portfolio yield as premium amortization slows and reinvestment rates improve. Loan yields increased 17 basis points to 4.82% primarily due to early payoff penalties, non-use fees and other fees. The cost of interest-bearing liabilities was 0.85% for 2010, down 36 basis points from 2009 due largely to market conditions. The cost of interest bearing deposits decreased 53 basis points to 0.85% and the cost of funds purchased and other borrowings increased 3 basis points to 0.84%. In addition, we reduced certain types of higher-costing time deposits and other borrowings

during the year to lower our funding costs. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities was 16 basis points in 2010 compared to 19 basis points in 2009 due to the low rate environment.

Our overall objective is to manage the Company's balance sheet to be relatively neutral to changes in interest rates as is further described in the Market Risk section of this report. As shown in Table 27, approximately 62% of our commercial and commercial real estate loan portfolios are either variable rate or fixed rate that will re-price within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that re-price more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally re-price more quickly than liabilities. Among the strategies that we use to achieve a relatively rate-neutral position, we purchase fixed-rate residential mortgage-backed securities issued primarily by U.S. government agencies and fund them with market rate sensitive liabilities. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio.

We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of $30 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives is to position our balance sheet to be relatively neutral to changes in interest rates. Net interest revenue increased $4.0 million in 2010, $13.1 million in 2009 and $7.0 million in 2008 from periodic settlements of derivative contracts. This increase in net

interest revenue contributed 2 basis points to net interest margin in 2010, 6 basis points in 2009 and 4 basis points in 2008. Derivative contracts are carried on the balance sheet at fair value. Changes in the fair value of these contracts are reported as derivative gains or losses in the Consolidated Statement of Earnings.

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

Table 3 Volume/Rate Analysis
(In thousands)

	Year Ended 2010 / 2009			Year Ended 2009 / 2008		
		Change Due To [1]			Change Due To [1]	
	Change	Volume	Yield / Rate	Change	Volume	Yield /Rate
Tax-equivalent interest revenue:						
Securities	$(22,339)	$65,845	$(88,184)	$14,359	$70,709	$(56,350)
Trading securities	(918)	(861)	(57)	(1,235)	851	(2,086)
Loans	(39,096)	(57,703)	18,607	(158,854)	(12,458)	(146,396)
Funds sold and resell agreements	(50)	(30)	(20)	(1,500)	(314)	(1,186)
Total	(62,403)	7,251	(69,654)	(147,230)	58,788	(206,018)
Interest expense:						
Transaction deposits	(12,721)	8,736	(21,457)	(69,796)	9,924	(79,720)
Savings deposits	105	70	35	(62)	30	(92)
Time deposits	(45,481)	(20,331)	(25,150)	(54,704)	3,924	(58,628)
Federal funds purchased and repurchase agreements	(96)	(62)	(34)	(53,016)	(8,843)	(44,173)
Other borrowings	(4,115)	(2,375)	(1,740)	(33,036)	5,982	(39,018)
Subordinated debentures	133	8	125	36	9	27
Total	(62,175)	(13,954)	(48,221)	(210,578)	11,026	(221,604)
Tax-equivalent net interest revenue	(228)	$21,205	$(21,433)	63,348	$47,762	$15,586
Change in tax-equivalent adjustment	(1,084)			154		
Net interest revenue	$(1,312)			$63,502		

	4th Qtr 2010 / 4th Qtr 2009		
		Change Due To[1]	
	Change	Volume	Yield/Rate
Tax-equivalent interest revenue:			
Securities	$(18,223)	$8,404	$(26,627)
Trading securities	(168)	72	(240)
Loans	(8,796)	(8,806)	10
Funds sold and resell agreements	(9)	(4)	(5)
Total	(27,196)	(334)	(26,862)
Interest expense:			
Transaction deposits	(2,320)	1,889	(4,209)

Savings deposits	(28)	25	(53)
Time deposits	(3,553)	(1,881)	(1,672)
Funds purchased and repurchase agreements	317	(173)	490
Other borrowings	(975)	(1,287)	312
Subordinated debentures	124	2	122
Total	(6,435)	(1,425)	(5,010)
Tax-equivalent net interest revenue	(20,761)	$1,091	$(21,852)
Change in tax-equivalent adjustment	(67)		
Net interest revenue	$(20,828)		

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

Fourth Quarter 2010 Net Interest Revenue

Tax-equivalent net interest revenue for the fourth quarter of 2010 totaled $165.9 million compared with $186.7 million for the fourth quarter of 2009. Net interest margin was 3.19% for the fourth quarter of 2010 and 3.64% for the fourth quarter of 2009. The decrease in net interest revenue and net interest margin was due primarily to lower yield on average earning assets, partially offset by lower funding costs. Securities portfolio yield decreased 114 basis points to 2.73%. Premium amortization in the residential mortgage-backed securities portfolio increased in the fourth quarter of 2010 due to extremely low intermediate and long term interest rates which accelerated actual and projected prepayment speeds. In addition, approximately $800 million that had been yielding 3.15% was reinvested to yield 2.20%. We expect that the 100 basis point increase in mortgage interest rates late in the fourth quarter of 2010 will reduce amortization expense in 2011.

Average earning assets increased $567 million or 3%, including a $1.3 billion increase in average securities. Average net loans decreased $835 million compared to the fourth quarter of 2009. Average balances in all major loan categories, except for residential mortgage, decreased. Growth in average earning assets was funded primarily by a $505 million increase in average demand deposits. Other borrowing decreased $1.6 billion compared to the fourth quarter of 2009, partially offset by a $1.2 billion increase in average interest bearing transaction account balances.

2009 Net Interest Revenue

Tax-equivalent net interest revenue for 2009 was $718.4 million compared with $655.1 million for 2008. Average earning assets increased $1.5 billion or 8%, primarily due to a $1.8 billion increase in average securities. Growth in the securities portfolio generally consisted of residential mortgage-backed securities issued by U.S. government agencies. As shown in Table 3, net interest revenue increased $48 million due to changes in earning assets and interest bearing liabilities and increased $16 million due to changes in interest yields and rates. Net interest margin increased to 3.57% in 2009 compared with 3.45% in 2008 primarily due to lower funding costs. The cost of interest-bearing liabilities was 1.21% for 2009, down 134 basis points from 2008. The tax-equivalent yield on earning assets was 4.59% for 2009, down 105 basis points from 2008. Loan yields decreased 118 basis points to 4.65%. However, loan spreads continued to improve. The securities portfolio yield was 4.36%, down 80 basis points from 2008.

Other Operating Revenue

Other operating revenue increased $27.9 million over 2009 including a $35.9 million increase in fees and commission revenue partially offset by a $14.6 million decrease in net gains on securities, derivatives and other assets. Other-than-temporary charges recognized in 2010 earnings were $6.6 million less than in 2009.

Table 4 Other Operating Revenue
(In thousands)

	Year ended December 31,				
	2010	2009	2008	2007	2006
Brokerage and trading revenue	$101,471	$91,677	$42,804 1	$62,542	$53,413
Transaction card revenue	112,302	105,517	100,153	90,425	78,622
Trust fees and commissions	68,976	66,177	78,979	78,231	71,037
Deposit service charges and fees	103,611	115,791	117,528	109,218	102,436
Mortgage banking revenue	87,600	64,980	30,599	22,275	26,996
Bank-owned life insurance	12,066	10,239	10,681	10,058	2,558
Other revenue	30,368	26,131	34,450	32,873	36,634
Total fees and commissions	516,394	480,512	415,194	405,622	371,696
Gain (loss) on other assets, net	(1,161)	4,134	(9,406)	2,404	1,499
Gain (loss) on derivative contracts, net	4,271	(3,365)	1,299	2,282	(622)
Gain (loss) on available for sales securities, net	21,882	59,320	9,196	(276)	152
Gains on Mastercard and Visa IPO securities	–	–	6,799	1,075	–
Gain (loss) on mortgage trading securities, net	7,331	(13,198)	10,948	(486)	(1,102)
Gain (loss) on securities, net	29,213	46,122	26,943	313	(950)
Total other-than-temporary impairment	(29,960)	(129,154)	(5,306)	(8,641)	–
Portion of loss recognized in other comprehensive income	(2,151)	(94,741)	–	–	–

Net impairment losses recognized in earnings	(27,809)	(34,413)	(5,306)	(8,641)	–
Total other operating revenue	$520,908	$492,990	$428,724	$401,980	$371,623

1 Includes net derivative credit losses with two bankrupt counterparties of $54 million.

Fees and Commissions Revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 42% of total revenue, excluding provision for credit losses and gains and losses on asset sales, securities and derivatives. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into markets outside of Oklahoma. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue increased $9.8 million or 11% over 2009. Customer hedging revenue totaled $11.7 million, an increase of $5.0 million over prior year primarily due to energy derivatives. Investment banking revenue totaled $10.0

million, a $2.3 million or 30% increase over 2009 due to timing and volume of transactions. Retail brokerage revenue increased $3.0 million or 14% to $20.5 million. Securities trading revenue was $56 million for 2010 compared to $57 million for 2009. Increased lending activity by our mortgage banking customers increased related securities transaction volume in 2010. This activity was offset by a decline in municipal trading revenue as credit spreads widened on credit concerns in municipal securities and volumes dropped.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of ATM locations and the number of merchants served. Transaction card revenue increased $6.8 million or 6% over 2009. Check card revenue totaled $33.1 million, an increase of $3.7 million or 12% over 2009 due primarily to a 9% increase in the number of check card transactions processed in 2010 compared to 2009. Merchant discount fees increased $2.8 million or 10% to $30.4 million on higher transaction volumes. ATM network revenue totaled $48.8 million, up less than 1% over the prior year. The number of TransFund ATM locations totaled 1,943 at December 31, 2010, up 2% over the prior year. Increased ATM transaction volumes were partially offset by a decrease in the average rate charged per transaction. Interchange fee limits proposed by the Federal Reserve Bank as required by the Dodd-Frank Act would significantly reduce transaction card revenue. Based on the $0.12 cap proposed in December to be effective as of July 21, 2011, we would expect a decline in our interchange revenue of $12 million to $15 million in 2011.

Trust fees and commissions increased $2.8 million or 4%. The revenue increase was due to growth in the fair value of trust assets, partially offset by lower balances in our proprietary mutual funds. In order to maintain positive yields in our Cavanal Hill Funds and our cash management sweep fund in the current low short-term interest rate environment, we voluntarily waived $3.7 million of administrative fees in 2010 and $4.7 million of administrative fees in 2009. The fair value of trust assets administered by the Company totaled $32.8 billion at December 31, 2010 compared with $30.4 billion at December 31, 2009.

Deposit service charges and fees declined $12.2 million or 11% compared to 2009. Overdraft fees declined $12.0 million or 16% to $61.8 million. The decrease in overdraft fees was primarily due to changes in federal regulations concerning overdraft changes which were effective July 1, 2010. This performance is consistent with our previously disclosed expectation that changes in overdraft regulations would decrease fee income by $10 million to $15 million over the second half of 2010. This decrease was partially mitigated by a new service charge imposed in the second quarter of 2010 on accounts that remain overdrawn for more than five days. Commercial account service charge revenue decreased by $4.8 million or 14% compared to 2009 to $29.4 million for 2010. Customers kept larger commercial account balances, which increases the earnings credit, a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balances. Service charges on retail deposit accounts increased $585 thousand or 12% to $5.4 million.

Mortgage banking revenue increased $22.6 million or 35% over 2009. Revenue from originating and marketing mortgage loans increased $4.5 million or 10% over the prior year to $49.4 million. Margins on mortgage loans originated for sale were historically wide during parts of 2010 due to high volume and falling interest rates. Mortgage loans originated for sale in the secondary market totaled $2.6 billion in 2010 compared to $2.8 billion in 2009. Mortgage loan servicing revenue totaled $38.2 million or 0.36% of the average outstanding balance of loans serviced for others in 2010 and $20.0 million or 0.34% of loans serviced for others in 2009. The average outstanding balance of loans serviced for others was $10.7 billion for 2010 and $5.9 billion for 2009. During the first quarter of 2010, the Company purchased the rights to service $4.2 billion of residential mortgage loans. The loans to be serviced are primarily concentrated in the New Mexico market and predominately held by Fannie Mae, Freddie Mac and Ginnie Mae. The remaining growth in mortgage loans serviced for others was due to retaining mortgage servicing rights from mortgage loans originated. No mortgage loan servicing rights were purchased in 2009.

Net gains on securities, derivatives and other assets

We recognized $21.9 million of net gains on sales of $2.0 billion of available for sale securities in 2010 and $59.3 million of net gains on sales of $3.1 billion of available for sale securities in 2009. Securities were sold either because they had reached their expected maximum potential return or to mitigate exposure from rising interest rates.

We also maintain a portfolio of securities and derivative contracts designated as an economic hedge of the changes in fair value of mortgage servicing rights that fluctuates due to changes in prepayment speeds and other assumptions as more fully described in Note 7 to the Consolidated Financial Statements. As benchmark mortgage interest rates fall, prepayment speeds increase and the value of our mortgage servicing rights decreases. As benchmark mortgage interest rates increase, prepayment speeds slow and the value of our mortgage servicing rights increase.

Table 5 Gain (Loss) on Mortgage Servicing Rights, Net of Economic Hedge
(In thousands)

	Year ended December 31,				
	2010	2009	2008	2007	2006
Gain on mortgage hedge derivative contracts	$4,425	$–	$–	$–	$–
Gain (loss) on mortgage trading securities, net	7,331	(13,198)	10,948	(486)	(1,102)
Gain (loss) on financial instruments held as an economic hedge of mortgage servicing rights, net	11,756	(13,198)	10,948	(486)	(1,102)
Gain (loss) on change in fair value of mortgage servicing rights	(8,171) [1]	12,124	(34,515)	(2,893)	3,009
Gain (loss) on changes in fair value of mortgage servicing rights, net of gain on financial instruments held as an economic hedge	$3,585	$(1,074)	$(23,567)	$(3,379)	$1,907
Net interest revenue on mortgage trading securities [2]	$19,043	$13,366	$4,569	$595	$594

1 Excludes $11.8 million day-one pre-tax gain on the purchase of mortgage servicing rights in the first quarter of 2010.
2 Actual interest earned on mortgage trading securities less transfer-priced cost of funds.

In addition to the gain on mortgage hedge derivative contracts, gains (losses) on derivative contracts, net includes fair value adjustments of derivatives used to manage interest rate risk and certain liabilities we have elected to carry at fair value. Derivative instruments generally consist of interest rate swaps where we pay a variable rate based on LIBOR and receive a fixed rate. The fair value of these swaps generally decreases as interest rate rise resulting in a loss to the Company and increases in value as interest rates fall resulting in a gain to the Company. Certain certificates of deposit have been designated as reported at fair value. This determination is made when the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. As interest rates fall, the fair value of these fixed-rate certificates of deposit generally increases and we recognize a loss. Conversely, as interest rates rise, the fair value of these fixed-rate certificates of deposit generally decreases and we recognize a gain. We recognized a net loss on derivatives used to manage interest rate risk of $154 thousand during 2010 compared to a net loss on derivative of $3.4 million in 2009.

The change in Net gain (loss) on other assets is due primarily to a $2.7 million decrease in the fair value of our private equity funds; $2.4 million of the decrease is allocated to limited partners through Net income (loss) attributable to non-controlling interest on the Statement of Earnings.

As more fully described in the Note 2 to the Consolidated Financial Statements, we recognized $27.8 million of other-than-temporary impairment losses in earnings in 2010 related to certain privately issued residential mortgage-backed securities and other equity securities. We recognized $34.4 million of other-than-temporary impairment charges against earnings in 2009 related to certain privately issued residential mortgage-backed securities and preferred stocks.

Fourth Quarter 2010 Other Operating Revenue

Other operating revenue for the fourth quarter of 2010 totaled $111.9 million, up $3.8 million over the prior year. Fees and commission revenue increased $20.0 million or 17% over the fourth quarter of 2009. Net gains on available for sale securities were down $10.7 million.

Mortgage banking revenue increased $11.8 million or 88% over the same period last year. Revenue from originating and marketing mortgage loans increased $7.1 million and mortgage loan servicing revenue increased $4.7 million. Mortgage loans funded for sale totaled $822 million in the fourth quarter of 2010, up from $517 million in the fourth quarter of 2009. Brokerage and trading revenue increased $8.4 million or 41% over the prior year due to a $4.5 million increase in securities trading revenue, a $1.9 million increase in retail brokerage revenue and a $1.9 million increase in investment banking revenue. Transaction card revenue increased $3.2 million or 12% compared to the previous year. ATM fees, debit card processing fees and merchant discount fees all increased over the prior year. Trust revenue increased $1.7 million or 10% compared with the fourth quarter of 2009. The fair value of trust assets was up 8% compared to the prior year.

Deposit service charges and fees were down $5.8 million or 20% due primarily to changes in federal regulation concerning overdraft charges that were effective July 1, 2010. Commercial account service charge revenue also decreased $961 thousand or 11%.

We recognized net gains of $953 thousand on sales $536 million of available for sale securities in the fourth quarter of 2010 compared to net gains of $11.7 million on sales of $765 million of available for sale securities in the fourth quarter of 2009.

For the fourth quarter of 2010, changes in the fair value of mortgage servicing rights increased pre-tax net income by $25.1 million, partially offset by a net loss on mortgage trading securities of $11.1 million and a loss on derivative contracts of $7.4 million held as an economic hedge. For the fourth quarter of 2009, changes in the fair value of mortgage servicing

rights increased pre-tax net income by $5.3 million, partially offset by a net loss on mortgage trading securities held as an economic hedge of $4.4 million. There were no derivative contracts held as an economic hedge of the mortgage servicing rights at December 31, 2009.

2009 Other Operating Revenue

Other operating revenue totaled $493.0 million for 2009, up $64.3 million over 2008. Fees and commissions revenue increased $65.3 million and net gains on securities, derivatives and other assets increased $28.1 million, offset by a $29.1 million increase in other-than-temporary impairment charges recognized in earnings. Brokerage and trading revenue increased $48.9 million over 2008. Fees and commissions revenue for 2008 was reduced by $54 million from net credit losses on derivative contracts with two bankrupt counterparties. Customer hedging revenue decreased by $15 million or 70% from 2008 due to lower commodity prices, partially offset by a $7.8 million or 16% increase in securities trading revenue over 2008 on increased activity by our mortgage banking customers. Transaction card revenue increased $5.4 million or 8% due to increases in ATM fees and check card revenue. Trust fees and commissions decreased $12.8 million or 16% primarily due to the decrease in the fair value of all trust assets administered by the Company. Service charges on deposit accounts declined $1.7 million or 1% on lower overdraft fees due to decreased transaction volume. Mortgage banking revenue increased $34.4 million or 112% over 2008 due to increases in originating and marketing mortgages and mortgage loan servicing revenue.

Net securities gains totaled $46.1 million for 2009. Other-than-temporary impairment charges of $34.4 million and $5.3 million were recognized in 2009 and 2008, respectively, on certain privately issued residential mortgage-backed securities and variable-rate, perpetual preferred stocks. Losses on mortgage trading securities of $13.2 million were partially offset by changes in the fair value of our mortgage servicing rights of $12.1 million.

Other Operating Expense

Other operating expense totaled $753.2 million for 2010, up $56.4 million over 2009. Changes in the fair value of mortgage servicing rights decreased other operating expenses by $3.7 million in 2010 and decreased other operating expenses by $12.1 million in 2009. In addition, operating expenses for 2009 included $11.8 million for the FDIC special assessment. Excluding these items, other operating expense totaled $756.8 million for 2010, up $59.7 million over 2009. Personnel expenses increased $21.3 million or 6% over the previous year. Non-personnel operating expenses increased $38.4 million or 12% over 2009 due largely to a $23.1 million increase in losses and operating expenses related to repossessed assets.

Table 6 Other Operating Expenses
(In thousands)

	Year ended December 31,				
	2010	2009	2008	2007	2006
Personnel expense	$401,864	$380,517	$352,947	$328,705	$296,260
Business promotion	17,726	19,582	23,536	21,888	19,351
Professional fees and services	30,217	30,243	27,045	22,795	17,744
Net occupancy and equipment	63,969	65,715	60,632	57,284	52,188
Insurance	24,320	24,040	11,988	3,017	4,270
FDIC special assessment	–	11,773	–	–	–
Data processing and communications	87,752	81,291	78,047	72,733	66,926
Printing, postage and supplies	13,665	15,960	16,433	16,570	15,862
Net (gains) losses and operating expenses of repossessed assets	34,483	11,401	1,019	691	474

Amortization of intangible assets	5,336	6,970	7,661	7,358	5,327
Mortgage banking costs	40,739	36,304	22,513	13,111	12,898
Change in fair value of mortgage servicing rights	(3,661)	(12,124)	34,515	2,893	(3,009)
Visa retrospective responsibility obligation	–	–	(2,767)	2,767	–
Other expense	36,760	25,061	28,835	25,175	24,016
Total	$753,170	$696,733	$662,404	$574,987	$512,307

Personnel Expense

Personnel expense totaled $401.9 million for 2010 and $380.5 million for 2009. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, totaled $238.7 million, up $6.8 million or 3% over 2009. The increase in regular compensation was primarily due to an increase in the average regular compensation per full time equivalent employee. Average staffing levels were held at a level consistent with 2009.

Table 7 Personnel Expense
(In thousands)

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Regular compensation	$238,690	$231,897	$219,629	$206,857	$185,466
Incentive compensation:					
Cash-based	91,205	80,582	79,215	62,657	54,093
Stock-based	12,778	10,572	3,962	8,763	11,111
Total incentive compensation	103,983	91,154	83,177	71,420	65,204
Employee benefits	59,191	57,466	50,141	47,929	45,590
Workforce reduction costs, net	–	–	–	2,499	–
Total personnel expense	$401,864	$380,517	$352,947	$328,705	$296,260
Average staffing (full-time equivalent)	4,394	4,403	4,140	4,106	3,828

Incentive compensation increased $12.8 million or 14%. Cash-based incentive compensation is either intended to provide current rewards to employees who generate long-term business opportunities to the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation for 2010 increased $10.6 million or 13% over the previous year. The increase in cash-based incentive compensation over 2009 included a $4.3 million or 13% increase in sales commissions related to brokerage and trading revenue and a $6.3 million increase in cash-based incentive compensation for other business lines.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense related to liability awards decreased $297 thousand compared with 2009. This decrease reflected changes in the market value of BOK Financial common stock and other investments. The year-end closing market price per share of BOK Financial common stock increased $5.88 during 2010 and $7.12 during 2009. Compensation expense for equity awards increased $2.5 million over 2009. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value.

Employee benefit expense increased $1.7 million or 3% over 2009. Employee medical insurance costs of $19.4 million were flat year over year. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. Employee retirement plan costs increased $1.2 million over the prior year and pension expense increased $650 thousand over 2009 due to changes in the expected return on plan assets and discount rate.

Non-Personnel Operating Expenses

Non-personnel operating expenses, excluding changes in the fair value of mortgage servicing rights and FDIC special assessment, increased $38.4 million or 12% over 2009. Net losses and operating expenses related to repossessed assets increased $23.1 million. Net losses from sales and writedowns of repossessed property based on our quarterly reviews of carrying values increased $17.7 million. Operating expenses on repossessed assets, which consist largely of property taxes, increased $5.4 million. In addition, Data processing and communications expense increased $6.5 million due primarily to higher transaction volume and increased software amortization expense. An $11.7 million increase in other expense included $6.1 million of depreciation expense on equipment we lease to earn tax credits. The benefit of this leasing activity is largely recognized through reduced federal and state income tax expense.

Fourth Quarter 2010 Operating Expenses

Other operating expense totaled $178.4 million for the fourth quarter of 2010, up $1.9 million over the fourth quarter of 2009. Changes in the fair value of mortgage servicing rights reduced operating expenses by $25.1 million in the fourth quarter of 2010 compared with a reduction in operating expenses of $5.3 million in the fourth quarter of 2009. Excluding the change in fair value of mortgage servicing rights, other operating expenses increased $21.8 million or 12%. Personnel expense increased $13.1 million due largely to a $7.7 million increase in cash-based incentive compensation. Regular compensation increased $2.5 million and changes in the cost of liability-based stock compensation increased $1.6 million. Non-personnel expenses increased $8.7 million over the prior year, including $4.7 million of increased depreciation expense on equipment we lease to earn tax credits and a $1.9 million increase in net losses and operating expenses on repossessed assets.

2009 Operating Expenses

Other operating expense for 2009 totaled $696.7 million, up $34.3 million or 5% increase over 2008. Changes in the fair value of mortgage servicing rights decreased operating expenses by $12.1 million in 2009 and increased operating expenses by $34.5 million in 2008. Personnel expense increased $27.6 million or 8%. Non-personnel expenses, excluding changes in the fair value of mortgage servicing rights and an $11.8 million FDIC special assessment, increased $41.6 million or

15% primarily due to an increase in regular FDIC assessments, mortgage banking costs and net losses and operating expenses related to repossessed assets.

Regular compensation expense totaled $232.0 million, up $12.3 million, or 6% over 2008 due to increases in average headcount and compensation rates. Incentive compensation increased $8.0 million, or 10% to $91 million. Expense for cash-based incentive compensation plans increased $1.4 million or 2% including a $5.2 million or 18% increase in sales commissions related to brokerage and trading revenue, offset by decreased cash-based incentive compensation for other business lines. Stock-based compensation expense increased $6.6 million. Liability awards increased $7.7 million due primarily to an increase in the market value of BOK Financial common stock and other investments. The year-end closing market price per share of BOK Financial common stock increased $7.12 during 2009. Compensation expense for equity awards decreased $1.0 million compared to 2008. Employee benefit expenses increased $7.3 million or 15% to $57 million related to medical insurance costs, employee retirement plans and payroll taxes.

Mortgage banking costs, excluding changes in the fair value of mortgage servicing rights, increased $13.8 million over 2008. Expense recognized for actual prepayment of mortgage loans serviced totaled $20.9 million in 2009 and $12.0 million in 2008. Low mortgage interest rates and other incentive to stimulate the housing market caused an increase in actual loan prepayments in 2009. In addition, the provision for losses on mortgage loans sold with recourse totaled $12.2 million in 2009 compared to $8.6 million in 2008.

Deposit insurance expense, excluding the FDIC special assessment, totaled $23.0 million for 2009 compared to $11.2 million for 2008. The increase was due to an 8 basis point increase in the average assessment rate and a $1.5 billion increase in average assessable deposits.

All other operating expenses increased $16 million or 7% over 2008. Net losses and operating expenses on repossessed asset increased $10.4 million on higher repossessed asset balances and net occupancy and equipment expense increased $5.1 million.

Income Taxes

Income tax expense was $123.4 million or 33% of book taxable income for 2010, $106.7 million or 34% of book taxable income for 2009 and $64.9 million or 31% of book taxable income for 2008. Tax expense currently payable totaled $150 million in 2010, $129 million in 2009 and $116 million in 2008.

The statute of limitations expired on an uncertain income tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2009 in 2010. Excluding these adjustments, income tax expense for 2010 would have been $126 million or 34% of book taxable income. In addition, the Company recognized adjustments to its current income tax liability for amounts on filed tax returns for 2007 during 2008 and a tax benefit from certain appreciated securities contributed to the BOKF Charitable Foundation in 2008. Income tax expense for 2008 would have been $71 million or 34% of book taxable income excluding these items.

Net deferred tax assets totaled $58 million at December 31, 2010 and $107 million at December 31, 2009. The decrease was due primarily to the tax effect of unrealized gains on available for sale securities We have evaluated the recoverability of our net deferred tax asset based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

The allowance for uncertain tax positions totaled $12 million at December 31, 2010 and December 31, 2009. BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our

tax returns and may take different positions with respect to these allocations.

Income tax expense for the fourth quarter of 2010 totaled $31.1 million or 34% of book taxable income compared to $24.8 million or 37% of book taxable income for the fourth quarter of 2009.

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

	Fourth	Third	Second	First
		2010		
Interest revenue	$197,148	$216,967	$217,597	$219,370
Interest expense	33,498	36,252	35,484	36,796
Net interest revenue	163,650	180,715	182,113	182,574
Provision for credit losses	6,999	20,000	36,040	42,100
Net interest revenue after provision for credit losses	156,651	160,715	146,073	140,474
Fees and commissions revenue	135,975	136,936	128,168	115,315
Gain (loss) on other assets, net	15	(1,331)	1,545	(1,390)
Gain (loss) on derivative contracts, net	(7,286)	4,626	7,272	(341)
Gain (loss) on securities, net	(10,164)	11,753	23,100	4,524
Total other-than-temporary impairment losses	(4,768)	(4,525)	(10,959)	(9,708)
Portion of loss recognized in other comprehensive income	1,859	9,786	(8,313)	(5,483)
Net impairment losses recognized in earnings	(6,627)	(14,311)	(2,646)	(4,225)
Other operating expense	203,472	189,241	186,454	177,664
Change in fair value of mortgage servicing rights	(25,111)	15,924	19,458	(13,932)
Income before taxes	90,203	93,223	97,600	90,625
Income tax expense	31,097	29,935	32,042	30,283
Net income before non-controlling interest	59,106	63,288	65,558	60,342
Net income (loss) attributable to non-controlling interest	274	(979)	2,036	209
Net income attributable to BOK Financial Corp.	$58,832	$64,267	$63,522	$60,133
Earnings per share:				
Basic	$0.87	$0.94	$0.93	$0.88
Diluted	$0.87	$0.94	$0.93	$0.88
Average shares:				
Basic	67,686	67,625	67,606	67,592
Diluted	67,899	67,765	67,881	67,790
		2009		
Interest revenue	$224,411	$226,246	$230,685	$233,227
Interest expense	39,933	45,785	55,105	63,382
Net interest revenue	184,478	180,461	175,580	169,845
Provision for credit losses	48,620	55,120	47,120	45,040
Net interest revenue after provision for credit losses	135,858	125,341	128,460	124,805
Fees and commissions revenue	115,949	119,956	123,100	121,507
Gain (loss) on other assets, net	(205)	3,223	973	143
Loss on derivative contracts, net	(370)	(294)	(1,037)	(1,664)
Gain on securities, net	7,277	12,266	6,471	20,108
Total other-than-temporary impairment losses	(67,390)	(6,133)	(1,263)	(54,368)
Portion of loss recognized in other comprehensive income	(52,902)	(2,752)	279	(39,366)
Net impairment losses recognized in earnings	(14,488)	(3,381)	(1,542)	(15,002)
Other operating expense	181,722	175,751	183,635	167,749
Change in fair value of mortgage servicing rights	(5,285)	2,981	(7,865)	(1,955)
Income before taxes	67,584	78,379	80,655	84,103
Income tax expense	24,780	24,772	28,315	28,838

Net income before non-controlling interest	42,804	53,607	52,340	55,265
Net income attributable to non-controlling interest	33	2,947	225	233
Net income attributable to BOK Financial Corp.	$42,771	$50,660	$52,115	$55,032
Earnings per share:				
Basic	$0.63	$0.75	$0.77	$0.81
Diluted	$0.63	$0.75	$0.77	$0.81
Average shares:				
Basic	67,446	67,392	67,345	67,316
Diluted	67,600	67,514	67,448	67,387

Lines of Business

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

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

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

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

Economic capital is assigned to the business units by a capital allocation model that reflects our assessment of risk. This model assigns capital based upon credit, operating, interest rate and market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Average invested capital includes economic capital and amounts we have invested in the lines of business.

As shown in Table 9, net income attributed to our lines of business increased $56.5 million or 63% from the prior year. The increase in net income attributed to our lines of business was due primarily to a $32.1 million decrease in net loans charged off, a $36.5 million increase in other operating revenue, and a $15.1 million decrease in operating expenses attributed to the lines of business. Net interest revenue attributed to our lines of business improved due to continued growth in average deposits generated by those lines of business and sold to our funds management unit. Net income attributed to Funds management and other decreased compared to the prior year. Less operating expenses were allocated to our lines of business due to a decrease in transaction volumes. A decrease in gains on securities sold, net of other-than-temporary impairment charges, was partially offset by a decrease in the provision for credit losses.

Table 9 Net Income by Line of Business

(In thousands)

	Year ended December 31,		
	2010	2009	2008
Commercial banking	$81,842	$58,019	$78,264
Consumer banking	52,014	20,987	25,795
Wealth management	12,642	11,038	31,329
Subtotal	146,498	90,044	135,388
Funds management and other	100,256	110,534	17,844
Total	$246,754	$200,578	$153,232

Commercial Banking

Commercial banking contributed $81.8 million to consolidated net income for 2010, up from $58.0 million in 2009. The increase in commercial banking net income was largely due to a $30.6 million decrease in net loans charged-off. Net interest revenue increased $4.0 million and other operating revenue increased $7.0 million. In addition, operating expenses decreased $9.3 million. Net losses on repossessed assets increased to $19.4 million compared to $7.5 million in 2009.

Table 10 Commercial Banking
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
NIR (expense) from external sources	$341,770	$345,374	$451,624
NIR (expense) from internal sources	(44,685)	(52,299)	(134,009)
Total net interest revenue	297,085	293,075	317,615
Other operating revenue	140,364	133,359	106,923 [1]
Operating expense	213,916	223,227	216,403
Net loans charged off	70,193	100,749	84,650
Gains on financial instruments, net	–	–	4,689
Loss on repossessed assets, net	(19,392)	(7,500)	(82)
Income before taxes	133,948	94,958	128,092
Federal and state income tax	52,106	36,939	49,828
Net income	$81,842	$58,019	$78,264
Average assets	$8,973,559	$10,108,506	$11,044,919
Average loans	8,219,290	9,184,600	9,684,460
Average deposits	6,171,409	5,365,181	4,559,658
Average invested capital	900,233	950,684	922,904
Return on assets	0.91%	0.57%	0.71%
Return on invested capital	9.09%	6.10%	8.48%
Efficiency ratio	48.90%	52.35%	50.97%
Net charge-offs to average loans	0.85%	1.10%	0.87%

1 Includes net derivative credit losses of $41 million.

Net interest revenue increased $4.0 million or 1% over 2009, primarily on increased average deposit balances attributed to our commercial banking unit. An $806 million increase in average deposits increased net interest revenue by $6 million. The average outstanding balance of loans attributed to commercial banking decreased $965 million in 2010, which decreased net interest revenue by $24 million. This decrease in net interest revenue was partially offset by loan spreads which improved 22 basis points, increasing net interest revenue by $16 million and a $6 million increase in loan fees earned.

Other operating revenue increased $7.0 million or 5% over 2009. The pre-tax equivalent of revenue from equipment leased to generate federal and state income tax credits increased $7.9 million over the prior year. Transaction card revenues were up $3.3 million or 5% over 2009. Service charges on commercial deposit accounts were down $5.0 million or 14% compared to the prior year as customers kept greater commercial deposit balances to increase their earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balance.

Operating expenses declined $9.3 million or 4% compared to the prior year. Personnel expenses were flat with the prior year. Costs allocated to the commercial banking segment decreased $25.8 million primarily due to decreased lending volume. Depreciation expenses related to assets leased to generate income tax credits increased $6.1 million. Data processing expense increased $5.8 million on higher transaction volume. Operating expenses of repossessed properties increased $4.5 million over the prior year.

Average commercial banking division loans decreased $965 million or 11% from 2009. See Loans section following for additional discussion of changes in commercial and commercial real estate loans which primarily attributed to the commercial banking segment. Net commercial banking loans charged off decreased $30.6 million in 2010 to $70.2 million or 0.85% of average loans attributed to this line of business.

Average deposits attributed to commercial banking were up $806 million or 15% over 2009. Treasury services account balances increased $242 million or 17%. Average deposit balances attributed to our energy customers increased $243 million or 53% and average balances attributed to our commercial and industrial customers increased $137 million or 7%.

Average balances attributed to our small business customers increased $104 million or 10% and average deposit balances of our commercial real estate customers increased $34 million or 14%.

Consumer Banking

Consumer banking services are provided through four primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and online internet banking. We currently have 207 consumer banking locations, including branch banking locations and mortgage lending offices. Our consumer banking locations are primarily distributed 104 in Oklahoma, 51 in Texas, 24 in New Mexico and 14 in Colorado.

Consumer banking contributed $52.0 million to consolidated net income in 2010, up $31.0 million or 148% over 2009. Growth in net income was largely due to mortgage banking performance including a $6.5 million day-one gain from the purchase of rights to service $4.2 billion of residential mortgage loans on favorable terms in 2010. Excluding this gain, net income from mortgage banking grew $20.4 million to $34.7 million. Net income from mortgage loan servicing activities totaled $16.6 million, up $13.8 million. Net income from mortgage loan production activities totaled $11.6 million, up slightly over 2009. Net income from all other consumer banking activities increased $10.6 million. Reduced operating expense attributed to consumer banking offset a decrease in deposit service charge income.

Table 11 Consumer Banking
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
NIR (expense) from external sources	$86,594	$57,893	$32,076
NIR (expense) from internal sources	47,360	73,565	118,728
Total net interest revenue	133,954	131,458	150,804
Other operating revenue	203,840	182,895	148,885
Operating expense	244,118	256,337	219,024
Net loans charged off	23,057	24,366	16,650
Increase (decrease) in fair value of mortgage servicing rights	3,661	12,124	(34,515)
Gains (losses) on financial instruments, net	11,756	(13,198)	12,525
Gains (losses) on repossessed assets, net	(907)	1,773	193
Income before taxes	85,129	34,349	42,218
Federal and state income tax	33,115	13,362	16,423
Net income	$52,014	$20,987	$25,795
Average assets	$6,244,728	$6,149,597	$5,764,662
Average loans	2,115,884	2,445,496	2,507,161
Average deposits	6,130,525	6,048,200	5,678,162
Average invested capital	478,796	493,074	469,737
Return on assets	0.83 %	0.34 %	0.45 %
Return on invested capital	10.86 %	4.26 %	5.49 %
Efficiency ratio	72.27 %	81.54 %	73.08 %
Net charge-offs to average loans	1.09 %	1.00 %	0.66 %
Banking locations (period-end)	207	202	202
Mortgage loan servicing portfolio1	$12,059,241	$7,366,780	$5,983,824
Mortgage loans funded for resale	2,502,071	2,828,260	1,018,246

1 Includes outstanding principal for loans serviced for affiliates.

Net interest revenue from consumer banking activities increased $2.5 million or 2% over 2009 primarily due to an $82 million increase in average deposit balances sold to the funds management unit, partially offset by a $330 million decrease in average loan balances. Average loan balances attributed to the consumer banking division decreased due primarily to the continued pay-downs of indirect automobile loans. The Company previously disclosed its decision to exit the indirect automobile loan business in the first quarter of 2009.

Other operating revenue increased $20.9 million or 11% over 2009 primarily due to increased mortgage banking revenue. Revenue from originating and marketing mortgage loans increased $4.3 million due to increased gains on loans sold. Mortgage servicing revenue increased $18.2 million primarily due to the purchase of $4.2 billion of residential mortgage loan servicing rights in the first quarter of 2010. Transaction card revenue was up $3.5 million or 11% over the prior year due primarily due higher transaction volumes. Deposit service charges were down $7.0 million or 9% compared to the prior year primarily due to lower overdraft fees as a result of change in banking regulation that became effective in the third quarter of 2010.

Operating expenses decreased $12.2 million or 5% compared to 2009 primarily due to a $19.2 million decrease in corporate expenses allocated to the consumer banking division, offset by increases in other operating expenses.

Net loans charged off by the consumer banking unit decreased $1.3 million from the prior year to $23.1 million or 1.09% of average loans attributed to the consumer banking division. Net consumer banking charge-offs include residential mortgage loans that are retained by the Company, indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Average consumer deposits increased $82 million or 1% over 2009. The average balance of interest-bearing transaction accounts were up $339 million or 14% and the average balance of demand deposit accounts increased $83 million or 11%. Higher-costing average time deposit balances decreased $355 million from the prior year. Movement of funds among the various types of consumer deposits was largely based on interest rates and product features offered.

Our Consumer Banking division originates, markets and services conventional and government-sponsored mortgage loans for all of our geographical markets. During 2010, we funded $2.8 billion of mortgage loans compared to $3.0 billion in 2009. Approximately 44% of our mortgage loans funded were in the Oklahoma market, 14% in the Colorado market, 13% in the Texas market and 13% in the New Mexico market. Revenue from mortgage loan origination and marketing activities totaled $49.4 million in 2010 and $45.0 million in 2009. As of December 31, 2010, we also service $12.1 billion of mortgage loans, including $796 million residential mortgage loans retained by the Company. Approximately 95% of the mortgage loans serviced was to borrowers in our primary geographical market areas. Mortgage loan servicing revenue totaled $38 million in 2010 compared to $20 million in 2009. The increase in mortgage servicing revenue was primarily due to the mortgage servicing rights purchased in the first quarter of 2010.

Excluding the $11.8 million pre-tax day-one gain on the purchase of mortgage servicing rights during 2010, changes in fair value of our mortgage loan servicing rights, net of securities and derivative contracts held as an economic hedge, increased consumer banking pre-tax net income by $3.6 million in 2010 and decreased pre-tax net income by $1.1 million in 2009. Changes in the fair value of mortgage servicing rights and securities and derivative contracts held as an economic hedge are due to movements in interest rates, actual and anticipated loan prepayments speeds and related factors. Net interest revenue on mortgage trading securities totaled $19.0 million for 2010 compared to $13.4 million for 2009.

Wealth Management

The Wealth Management division contributed $12.6 million to net income in 2010, up $1.6 million or 15% over 2009. The increase in net income was due primarily to an increase in retail brokerage and trust fees, partially offset by higher personnel costs.

Table 12 Wealth Management
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
NIR (expense) from external sources	$32,634	$25,899	$12,617
NIR (expense) from internal sources	11,913	18,746	32,853
Total net interest revenue	44,547	44,645	45,470
Other operating revenue	164,942	156,360	156,133
Operating expense	177,952	171,540	149,960
Net loans charged off	11,128	11,399	361
Gains (losses) on financial instruments, net	282	–	(7)
Income before taxes	20,691	18,066	51,275
Federal and state income tax	8,049	7,028	19,946
Net income	$12,642	$11,038	$31,329
Average assets	$3,503,370	$3,032,007	$2,193,386
Average loans	1,066,714	1,059,342	933,020
Average deposits	3,414,407	2,958,549	2,100,237
Average invested capital	170,385	160,276	141,555
Return on assets	0.36%	0.36%	1.43%
Return on invested capital	7.42%	6.89%	22.13%
Efficiency ratio	84.95%	85.34%	74.38%
Net charge-offs to average loans	1.04%	1.08%	0.04%
Trust assets	$32,751,501	$30,385,365	$30,454,512
Trust assets for which BOKF has sole or joint discretionary authority	11,805,418	10,847,143	11,476,059
Non-managed trust assets	13,392,334	12,339,059	11,258,475
Assets held in safekeeping	7,553,749	7,199,163	7,719,978

Net interest revenue was flat with the prior year. The yield on securities and loans declined compared to the prior year, mostly offset by the benefit of an increase in average deposits which were sold to the funds management unit.

Other operating revenue increased $8.6 million or 5% over the prior year. Retail brokerage fees increased $5.4 million or 26% and trust fees were up $2.7 million or 4% primarily due to increases in the fair value of trust assets.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. The wealth management division participated in 215 underwritings that totaled approximately $5.4 billion during 2010. Our interest in these underwritings totaled approximately $1.3 billion.

Operating expenses increased $6.4 million or 4% over 2009. Personnel expense was up $8.5 million or 8% due primarily to increased incentive compensation costs and increased headcount. Commissions related to brokerage and

trading revenue increased $3.6 million and regular compensation expense increased $2.8 million or 5%.

Growth in average assets was largely due an increase in wealth management deposits which are sold to the funds management unit. Average deposits attributed to the wealth management division increased $456 million over the prior year included a $536 million increase in the average balance of interest bearing transaction accounts and a $56 million increase in average demand deposit account balances, offset by a $135 million decrease in average time deposit balances.

Average loans by the wealth management division grew $7.4 million or 1% over the prior year to $1.1 billion at December 31, 2010. Net loans charged off in 2010 decreased by 2% form the prior year to $11.1 million.

Geographic Market Distribution

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

Table 13 Net Income by Geographic Region
(In thousands)

	Year ended December 31,		
	2010	2009	2008
Oklahoma	$121,827	$85,781	$68,156
Texas	29,295	18,140	42,874
New Mexico	8,864	6,142	14,554
Arkansas	3,949	10,630	9,390
Colorado	3,033	(7,811)	7,617
Arizona	(22,817)	(28,512)	(5,844)
Kansas/Missouri	4,111	6,433	538
Subtotal	148,262	90,803	137,285
Funds management and other	98,492	109,775	15,947
Total	$246,754	$200,578	$153,232

Oklahoma Market

Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Oklahoma is a significant market to the Company, representing 50% of our average loans, 54% of our average deposits and 49% of our consolidated net income. In addition, all of our mortgage servicing activity and 76% of our trust assets are attributed to the Oklahoma market.

Table 14 Oklahoma
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$244,491	$235,591	$245,328
Other operating revenue	330,260	316,541	280,323
Operating expense	348,168	374,860	348,677
Net loans charged off	41,357	35,762	48,646
Increase (decrease) in fair value of mortgage servicing rights	3,661	12,124	(34,515)
Gains (losses) on financial instruments, net	12,038	(13,198)	17,207
Gains (losses) on repossessed assets, net	(1,535)	(42)	528
Income before taxes	199,390	140,394	111,548
Federal and state income tax	77,563	54,613	43,392
Net income	$121,827	$85,781	$68,156
Average assets	$9,771,256	$8,841,130	$8,105,136
Average loans	5,441,823	6,086,505	6,425,918

Average deposits	8,782,318		7,888,821		6,780,539	
Average invested capital	530,688		538,015		535,391	
Return on assets	1.25	%	0.97	%	0.84	%
Return on invested capital	22.96	%	15.94	%	12.73	%
Efficiency ratio	60.58	%	67.89	%	66.33	%
Net charge-offs to average loans	0.76	%	0.59	%	0.76	%

Net income generated in the Oklahoma market in 2010 grew $36.0 million or 42% over 2009. Net interest revenue increased $8.9 million and other operating revenue increased $13.7 million. Other operating expenses were down $26.7 million compared to the prior year. Net loans charged off increased $5.6 million to $41.4 million or 0.76% of average loans attributed to the Oklahoma market. Excluding the $11.8 million pre-tax day-one gain on the purchase of mortgage servicing rights during 2010, changes in fair value of our mortgage loan servicing rights, net of securities and derivative

contracts held as an economic hedge, increased pre-tax net income by $3.6 million in 2010 and decreased pre-tax net income by $1.1 million in 2009.

Net interest revenue increased $8.9 million or 4% over 2009. Net interest revenue increased from improved loan spreads and an $893 million increase in average deposit balances attributed to the Oklahoma market. Average loans attributed to the Oklahoma market decreased $645 million from 2009.

Other operating revenue increased $13.7 million or 4% over 2009, primarily due to an $18.2 million increase in mortgage servicing revenue, partially offset by a $9.0 million decrease in deposit fees due to lower overdraft fees as a result of change in banking regulation that became effective in the third quarter of 2010. The pre-tax equivalent of revenue from equipment leased to generate federal and state income tax credits increased $8.9 million over the prior year.

Other operating expenses decreased $26.7 million compared to the prior year, primarily due to a decrease in corporate expenses allocated to the Oklahoma market, partially offset by higher personnel costs and data processing expenses on higher transaction volumes. Depreciation expense related to equipment leasing increased $4.9 million. Foreclosure expenses and expenses related to repossessed property also increased over the prior year.

Average deposits in the Oklahoma market increased $893 million or 11% over 2009. Commercial and wealth management units, including trust, broker/dealer and private banking increased over the prior year, partially offset by a slight decrease in consumer banking deposits.

Texas Market

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 30% of our average loans, 24% of our average deposits and 8% of our consolidated net income for 2010.

Table 15 Texas
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$134,331	$134,951	$153,460
Other operating revenue	60,734	50,875	45,087
Operating expense	130,679	132,533	115,087
Net loans charged off	15,674	23,607	16,588
Gains (losses) on repossessed assets, net	(2,939)	(1,343)	119
Income before taxes	45,773	28,343	66,991
Federal and state income tax	16,478	10,203	24,117
Net income	$29,295	$18,140	$42,874
Average assets	$4,479,989	$4,167,282	$3,906,728
Average loans	3,321,561	3,607,661	3,625,751
Average deposits	3,901,367	3,701,415	3,222,986
Average invested capital	478,796	493,074	469,737
Return on assets	0.65%	0.44%	1.10%

Return on invested capital	6.12	%	3.68	%	9.13	%
Efficiency ratio	66.99	%	71.32	%	57.96	%
Net charge-offs to average loans	0.47	%	0.65	%	0.46	%

Net income in the Texas market increased $11.2 million or 61% over 2009 primarily due to an increase in operating revenue and a decrease in net loans charged off.

Net interest revenue was flat with the prior year. Net interest revenue generated from a $200 million increase in average deposits balances attributed to the Texas market was offset by a $286 million decrease in the average balance of outstanding loans attributed to the Texas market.

Other operating revenue increased $9.9 million or 19% over 2009. Most fee income categories increased over 2009 including a $2.9 million increase in transaction card revenue, a $2.4 million increase in retail brokerage fees, a $2.4 million increase investment banking revenue and a $2.1 million increase in trust fees. Revenue related to our leasing business and mortgage origination attributed to the Texas market also increased. Deposit service charges decreased $1.9 million primarily due to lower overdraft fees as a result of changes in banking regulations that became effective in the third quarter.

Operating expenses were down $1.9 million or 1% compared to the previous year. Corporate expenses allocated to the Texas market decreased on lower loan volumes, partially offset by an increase in incentive compensation expense, expenses on repossessed property and data processing expense on higher transaction volume.

Net loans charged-off totaled $15.7 million or 0.47% of average loans in 2010 compared to $23.6 million or 0.65% of average loans in 2009.

Other Markets

Net income attributed to our New Mexico market increased $2.7 million or 44% over 2009 to $8.9 million or 4% of consolidated net income. Net interest income was flat with the prior year. Net interest revenue earned on increased average deposit balances attributed to the New Mexico market was largely offset by a decrease in the average loan balances attributed to the New Mexico market. Operating revenue increased over the prior year due primarily to higher mortgage revenues as a result of higher funding volumes and increased transaction card revenue, partially offset by lower overdraft fees. Although we attribute all mortgage servicing to the Oklahoma market, the purchase of the rights to service $4.2 billion of residential mortgage loans in the first quarter of 2010 gives us the ability to further develop relationships with approximately 34 thousand additional customers, primarily located in the New Mexico market. Other operating expenses decreased due to lower corporate cost allocation to the New Mexico market.

Net income for the Arkansas market totaled $3.9 million compared to $10.6 million in 2009. Net interest revenue decreased $1.5 million due to a $79 million decrease in average loans. The decrease in average loans in the Arkansas market was largely due to our decision to discontinue indirect automobile lending. Average deposits attributed to the Arkansas market were up $40 million or 26% over 2009, primarily related to increases in commercial banking and wealth management deposit balances. Consumer deposits increased over 2009 levels as well. Other operating revenue increased $4.1 million or 11% over 2009, primarily on increased securities trading revenue at our Little Rock office. Other operating expenses increased $10.0 million on higher incentive compensation costs related to securities trading activity and increased corporate cost allocations. Net loans charged off increased to $6.7 million or 2.04% of average loans.

Net income attributed to our Colorado market improved to $3.0 million in 2010, compared to a net loss of $7.8 million in 2009. Net loans charged off decreased $14.2 million compared to the prior year to $10.8 million or 1.41% of average loans. Net interest income decreased primarily due to a $141 million decrease in average loans attributed to the Colorado market. Other operating revenue increased $3.5 million primarily due to higher mortgage revenue and operating expenses decreased $2.0 million due primarily to lower corporate overhead allocations on reduced loan volume.

The Arizona market's performance continued to improve during 2010. The net loss attributed to the Arizona market narrowed from $28.5 million in 2009 to $22.8 million in 2010. Net loans charged off improved by $17.3 million to $22.4 million or 4.29% of average loans attributed to the Arizona market. Losses on repossessed assets increased $9.4 million over to the prior year. Operating revenue increased $1.7 million over the prior year on higher mortgage revenue due to increased volume of originations and improved margins and an increase in transaction card revenue. Net interest revenue and operating expenses also increased modestly over the prior year. Average deposits grew steadily by $37 million or 20% over the prior year in commercial, consumer and wealth management deposits. Average loans decreased $43 million or 8%. Period-end loan balances in the Arizona market are up $30 million or 6% since December 31, 2009. Commercial loans increased $32 million or 16% while commercial real estate loans decreased $26 million or 12%.

Consistent with plans when we first acquired Valley Commerce Bank in 2005, our objective is to focus on growth in commercial and small business lending in the Phoenix market. We have expanded our commercial lending staff in this market and opened three new banking locations in 2009. We have significantly scaled-back commercial real estate lending activities which were not contemplated in our initial expansion into this market. During 2009, we exited the Tucson market which we first entered in 2006. Losses incurred during 2010 and 2009 are largely due to commercial real estate lending. Assets attributed to the Arizona market include $16 million of goodwill that may be impaired in future periods if commercial and small business lending growth plans are unsuccessful.

Net income attributed to the Kansas/Missouri market totaled $4.1 million compared to $6.4 million in the prior year. Net interest revenue increased $1.5 million or 19% as a result of an $81 million increase in average deposit balances and average loans attributed to the Kansas/Missouri market decreased only 1% from the prior year. Net loans charged off improved to 0.26% of average loans attributed to the Kansas/Missouri market. Operating expenses increased $4.9 million due primarily to increased corporate expense allocations and personnel costs.

Table 16 New Mexico
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$32,639	$32,775	$39,673
Other operating revenue	28,007	23,959	23,788
Operating expense	37,233	38,632	35,753
Net loans charged off	6,152	7,125	3,883
Losses on repossessed assets, net	(2,754)	(925)	(5)
Income before taxes	14,507	10,052	23,820
Federal and state income tax	5,643	3,910	9,266
Net income	$8,864	$6,142	$14,554
Average assets	$1,329,740	$1,248,607	$1,141,031
Average loans	720,339	810,867	841,353
Average deposits	1,231,643	1,146,942	1,036,209
Average invested capital	83,999	85,750	86,401
Return on assets	0.67 %	0.49 %	1.28 %
Return on invested capital	10.55 %	7.16 %	16.84 %
Efficiency ratio	61.39 %	68.09 %	56.34 %
Net charge-offs to average loans	0.85 %	0.88 %	0.46 %

Table 17 Arkansas
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$10,223	$11,741	$11,784
Other operating revenue	41,258	37,119	29,104
Operating expense	37,370	27,378	22,027
Net loans charged off	6,734	3,665	3,250
Losses on repossessed assets, net	(914)	(419)	(242)
Income before taxes	6,463	17,398	15,369
Federal and state income tax	2,514	6,768	5,979
Net income	$3,949	$10,630	$9,390
Average assets	$357,251	$425,071	$446,101
Average loans	330,200	409,339	434,339
Average deposits	196,372	155,981	73,605
Average invested capital	23,886	24,460	23,415
Return on assets	1.11 %	2.50 %	2.10 %
Return on invested capital	16.53 %	43.46 %	40.10 %
Efficiency ratio	72.59 %	56.03 %	53.87 %
Net charge-offs to average loans	2.04 %	0.90 %	0.75 %

Table 18 Colorado
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$32,712	$34,966	$37,009
Other operating revenue	21,769	18,237	16,600
Operating expense	37,994	40,032	32,997
Net loans charged off	10,805	25,000	8,146
Losses on repossessed assets, net	(718)	(955)	–
Income (loss) before taxes	4,964	(12,784)	12,466
Federal and state income tax	1,931	(4,973)	4,849
Net income (loss)	$3,033	$(7,811)	$7,617
Average assets	$1,219,529	$1,217,498	$1,138,363
Average loans	768,159	908,949	859,490
Average deposits	1,146,016	1,137,893	1,058,816
Average invested capital	124,712	129,897	121,270
Return on assets	0.25 %	(0.64)%	0.67 %
Return on invested capital	2.43 %	(6.01)%	6.28 %
Efficiency ratio	69.74 %	75.24 %	61.55 %
Net charge-offs to average loans	1.41 %	2.75 %	0.95 %

Table 19 Arizona
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$11,792	$11,174	$18,608
Other operating revenue	5,071	3,384	1,300
Operating expense	20,378	19,445	15,143
Net loans charged off	22,411	39,733	14,043
Losses on repossessed assets, net	(11,418)	(2,044)	(287)
Loss before taxes	(37,344)	(46,664)	(9,565)
Federal and state income tax	(14,527)	(18,152)	(3,721)
Net loss	$(22,817)	$(28,512)	$(5,844)
Average assets	$609,627	$631,680	$612,785
Average loans	522,200	564,730	589,363
Average deposits	218,865	182,209	126,313
Average invested capital	65,717	71,436	65,468
Return on assets	(3.74)%	(4.51)%	(0.95)%
Return on invested capital	(34.72)%	(39.91)%	(8.93)%
Efficiency ratio	120.84 %	133.57 %	76.06 %
Net charge-offs to average loans	4.29 %	7.04 %	2.38 %

Table 20 Kansas/Missouri
(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Net interest revenue	$9,428	$7,927	$7,692
Other operating revenue	19,386	19,876	13,456
Operating expense	21,284	16,358	13,165
Net loans charged off	781	917	7,103
Losses on repossessed assets, net	(21)	–	–
Income before taxes	6,728	10,528	880
Federal and state income tax	2,617	4,095	342
Net income	$4,111	$6,433	$538
Average assets	$309,238	$310,648	$341,383
Average loans	297,606	299,861	338,047
Average deposits	239,759	158,665	37,964
Average invested capital	24,026	20,795	18,087
Return on assets	1.33 %	2.07 %	0.16 %
Return on invested capital	17.11 %	30.94 %	2.97 %
Efficiency ratio	73.87 %	58.84 %	62.25 %
Net charge-offs to average loans	0.26 %	0.31 %	2.10 %

Assessment of Financial Condition

Securities

We maintain a securities portfolio to enhance profitability, support interest rate risk management strategies, provide liquidity and comply with regulatory requirements. Securities are classified as held for investment, available for sale or trading. See Note 2 to the consolidated financial statements for additional discussion of the securities portfolio.

Investment (held-to-maturity) securities consist primarily of long-term, fixed-rate Oklahoma municipal bonds and Texas school construction bonds. Substantially all of these bonds are general obligations of the issuer. Approximately $82 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program. At December 31, 2010, investment securities were carried at $340 million and had a fair value of $346 million.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled $9.1 billion at December 31, 2010, up $252 million over December 31, 2009. At December 31, 2010, residential mortgage-backed securities represented 97% of total available for sale securities. We hold no securities backed by sub-prime mortgage loans, collateralized debt obligations or collateralized commercial real estate loans. A summary of our securities follows in Table 21. Additional details regarding securities concentrations appears in Note 2 to the Consolidated Financial Statements.

Table 21 Securities
(Dollars in thousands)

	December 31,					
	2010		2009		2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment:						
Municipal and other tax-exempt	$184,898	$188,577	$232,568	$238,847	$235,791	$239,178
Other debt securities	154,655	157,528	7,837	7,857	6,553	6,591
Total	$339,553	$346,105	$240,405	$246,704	$242,344	$245,769
Available for sale:						
U.S. Treasury	$–	$–	$6,998	$7,020	$6,987	$7,126
Municipal and other tax-exempt	72,190	72,942	61,268	62,201	19,537	20,163
Mortgage-backed securities:						
U.S. agencies	8,193,704	8,446,908	7,645,817	7,809,328	4,900,895	4,972,928
Private issue	714,431	644,210	961,378	792,362	1,636,934	1,241,238
Total mortgage-backed securities	8,908,135	9,091,118	8,607,195	8,601,690	6,537,829	6,214,166
Other debt securities	6,401	6,401	17,174	17,147	37	36
Federal Reserve Banks	33,424	33,424	32,526	32,526	32,380	32,380
Federal Home Loan Banks	42,207	42,207	78,999	78,999	61,760	61,760
Perpetual preferred stocks	19,511	22,114	19,224	22,275	32,472	21,701
Other equity securities and mutual funds	29,181	43,046	35,414	50,165	31,421	34,119
Total	$9,111,049	$9,311,252	$8,858,798	$8,872,023	$6,722,423	$6,391,451
Mortgage trading:						
Mortgage-backed U.S. agency securities	$433,663	$ 428,021	$288,076	$285,950	$386,571	$399,211

A primary risk of holding residential mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. Current interest rates are historically low and prices for residential mortgage-backed securities are historically high resulting in very low effective durations. Our best estimate of the duration of the residential mortgage-backed securities portfolio at December 31, 2010 is 2.2 years. Management estimates that the duration would extend to approximately 3.5 years assuming an immediate 200 basis point upward rate shock. The estimated duration contracts to 0.8 years assuming a 50 basis point decline in the current low rate environment.

Residential mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. We mitigate this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are either partially or fully guaranteed. At December 31, 2010, approximately $8.2 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled $8.4 billion at December 31, 2010.

We also hold amortized cost of $714 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decline of $247 million from December 31, 2009. The decline was primarily

due to $219 million of cash received and $28 million of other-than-temporary impairment losses charged against earnings during 2010. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled $644 million at December 31, 2010. The net unrealized losses on our portfolio of privately issued residential mortgage-backed securities decreased for the eighth consecutive quarter from $396 million at December 31, 2008 to $70 million at December 31, 2010.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included $494 million of Jumbo-A mortgage loans and $220 million of Alt-A mortgage loans. Jumbo-A mortgage loans generally meet government agency underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Credit risk on securities backed by Alt-A loans is mitigated by investment in senior tranches with additional collateral support. None of these securities are backed by sub-prime mortgage loans, collateralized debt obligations or collateralized loan obligations. Approximately 88% of the Alt-A residential mortgage-backed securities were issued with credit support from additional layers of loss-absorbing subordinated tranches including 100% of our Alt-A residential mortgage-backed securities originated in 2007 and 2006. Approximately 82% of our Alt-A residential mortgage-backed securities represented pools of fixed-rate mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages (“ARMs”). Approximately 27% of our Jumbo-A residential mortgage-backed securities represents pools of fixed rate mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

Privately issued mortgage-backed securities with a total amortized cost of $522 million were rated below investment grade at December 31, 2010 by at least one of the nationally-recognized rating agencies. The unrealized loss on the below

investment grade residential mortgage-backed securities totaled $62 million at December 31, 2010, a $10 million decrease during 2010.

Our portfolio of available for sale securities also included preferred stocks issued by six financial institutions. These preferred stocks have certain debt-like features such as a quarterly dividend based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. At December 31, 2010, these stocks have an aggregate carrying value of $20 million and an aggregate fair value of $22 million.

We also have $42 million of stocks in Federal Home Loan Banks primarily in Topeka, Kansas, and Dallas, Texas at December 31, 2010.

The aggregate gross amount of unrealized losses on available for sale securities totaled $93 million at December 31, 2010. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the consolidated financial statements. Other-than-temporary impairment charges of $27.8 million were recognized in earnings in 2010 on certain privately issued residential mortgage-backed securities and other equity securities we do not intend to sell.

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

Bank-Owned Life Insurance

We have approximately $255 million invested in bank-owned life insurance at December 31, 2010. These investments are expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately $224 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio’s investment guidelines. The cash surrender value of the life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At December 31, 2010, cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately $239 million. As the underlying fair value of the investments held in a separate account at December 31, 2010 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a highly-rated, domestic financial institution. The remaining cash surrender value of $31 million primarily represented the cash surrender value of policies held in the general accounts and amounts due from various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled $10.6 billion at December 31, 2010, a $637 million or 6% decrease since December 31, 2009.

Table 22 Loans
(In thousands)

	December 31,				
	2010	2009	2008	2007	2006
Commercial:					
Energy	$1,711,409	$1,911,994	$2,311,813	$1,954,967	$1,763,180
Services	1,580,921	1,807,824	2,038,451	1,733,569	1,555,141
Wholesale/retail	1,010,246	921,830	1,165,099	1,084,379	932,531
Manufacturing	325,191	404,061	497,957	493,185	609,571
Healthcare	809,625	792,538	777,154	685,131	602,273
Integrated food services	204,283	160,549	197,629	240,469	321,380
Other commercial and industrial	292,321	209,044	423,500	569,884	424,808
Total commercial	5,933,996	6,207,840	7,411,603	6,761,584	6,208,884
Commercial real estate:					
Construction and land development	447,864	645,295	926,226	1,007,414	889,925
Retail	405,540	423,260	371,228	423,118	374,294
Office	457,450	463,316	459,357	421,163	420,914
Multifamily	369,242	360,436	316,596	214,388	239,000
Industrial	182,093	146,707	149,367	154,255	146,406
Other commercial real estate	415,161	452,420	478,474	502,746	376,001
Total commercial real estate	2,277,350	2,491,434	2,701,248	2,723,084	2,446,540
Residential mortgage:					
Permanent mortgage	1,274,944	1,303,340	1,273,275	1,092,382	867,748
Home equity	553,304	490,282	479,299	442,223	388,511
Total residential mortgage	1,828,248	1,793,622	1,752,574	1,534,605	1,256,259
Consumer:					
Indirect automobile	239,576	454,508	692,615	625,203	465,622
Other consumer	363,866	332,294	317,966	296,094	273,873
Total consumer	603,442	786,802	1,010,581	921,297	739,495
Total	$10,643,036	$11,279,698	$12,876,006	$11,940,570	$10,651,178

The decline in outstanding loan balances was largely centered on energy loans, construction and land development loans and indirect automobile loans. The combined outstanding balances of these three categories of the loan portfolio decreased $613 million. Generally, outstanding loan commitments have increased since the end of 2009. A breakdown of the loan portfolio by geographical market follows on Table 23 along with discussion of changes in the balances by portfolio and geography.

Table 23 Loans by Principal Market Area
(In thousands)

	December 31,				
	2010	2009	2008	2007	2006
Oklahoma:					
Commercial	$2,581,082	$2,649,252	$3,356,520	$3,224,013	$3,186,085
Commercial real estate	726,409	820,578	843,576	885,866	979,251
Residential mortgage	1,253,466	1,228,822	1,196,924	1,080,483	896,567
Consumer	336,492	451,829	579,809	576,070	512,032
Total Oklahoma	$4,897,449	$5,150,481	$5,976,829	$5,766,432	$5,573,935
Texas:					
Commercial	$1,888,635	$2,017,081	$2,353,860	$1,997,659	$1,722,627
Commercial real estate	686,956	735,338	825,769	830,980	670,635
Residential mortgage	297,027	313,113	315,438	278,842	213,801
Consumer	146,986	170,062	212,820	142,958	95,652
Total Texas	$3,019,604	$3,235,594	$3,707,887	$3,250,439	$2,702,715
New Mexico:					
Commercial	$279,432	$341,802	$418,732	$473,262	$411,272
Commercial real estate	314,781	305,061	286,574	252,884	257,079
Residential mortgage	88,392	86,415	98,018	84,336	75,159
Consumer	19,583	17,473	18,616	16,105	13,256
Total New Mexico	$702,188	$750,751	$821,940	$826,587	$756,766
Arkansas:					
Commercial	$84,775	$103,443	$103,446	$106,328	$95,483
Commercial real estate	116,989	132,436	134,015	124,317	94,395
Residential mortgage	13,155	16,849	16,875	16,393	23,076
Consumer	72,787	124,265	175,647	163,626	86,017
Total Arkansas	$287,706	$376,993	$429,983	$410,664	$298,971
Colorado:					
Commercial	$470,500	$545,724	$660,546	$490,373	$451,046
Commercial real estate	197,180	239,970	261,820	252,537	193,747
Residential mortgage	72,310	66,504	53,875	26,556	15,812
Consumer	21,409	17,362	16,141	16,457	26,591
Total Colorado	$761,399	$869,560	$992,382	$785,923	$687,196
Arizona:					
Commercial	$231,117	$199,143	$211,356	$157,341	$96,453
Commercial real estate	201,018	227,249	319,525	342,673	207,035
Residential mortgage	89,245	65,047	62,123	46,269	31,280
Consumer	3,445	3,461	6,075	5,522	5,947
Total Arizona	$524,825	$494,900	$599,079	$551,805	$340,715
Kansas/Missouri:					
Commercial	$398,455	$351,395	$307,143	$312,608	$245,918
Commercial real estate	34,017	30,802	29,969	33,827	44,398
Residential mortgage	14,653	16,872	9,321	1,726	564
Consumer	2,740	2,350	1,473	559	–
Total Kansas/Missouri	$449,865	$401,419	$347,906	$348,720	$290,880
Total BOK Financial loans	$10,643,036	$11,279,698	$12,876,006	$11,940,570	$10,651,178

Commercial

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

The commercial loan portfolio decreased $274 million during 2010 to $5.9 billion at December 31, 2010. Generally, commercial loan origination activity has slowed to less than amounts necessary to offset normal repayment trends in the portfolio. In general, loan demand has softened due to lower working capital needs and less capital project spending by our customers.

The commercial sector of our loan portfolio is distributed as follows in Table 24.

Table 24 Commercial Loans by Principal Market Area
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Energy	$887,354	$622,048	$157	$4,326	$197,524	$–	$–	$1,711,409
Services	484,602	487,383	171,744	20,152	188,317	113,837	114,886	1,580,921
Wholesale/retail	422,112	410,231	45,536	34,277	17,436	53,836	26,818	1,010,246
Manufacturing	191,051	71,569	17,394	1,357	16,040	20,725	7,055	325,191
Healthcare	490,401	213,437	8,319	5,661	45,645	22,565	23,597	809,625
Integrated food services	16,280	9,617	–	270	–	–	178,116	204,283
Other commercial and industrial	89,282	74,350	36,282	18,732	5,538	20,154	47,983	292,321
Total commercial loans	$2,581,082	$1,888,635	$279,432	$84,775	$470,500	$231,117	$398,455	$5,933,996

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

Energy loans totaled $1.7 billion or 16% of total loans. Outstanding energy loans decreased $201 million during 2010 primarily due to lower customer loan demand due primarily to cash flow available to this sector and a slower pace of capital project spending based on generally stable energy prices during 2010. For most of 2010, low commodity prices persisted which led to curtailed exploration and production of oil and gas reserves and reduced borrowing capacity based upon collateral values. Although outstanding balances are down from 2009, unfunded loan commitments to energy customers were up $100 million to $2.0 billion at December 31, 2010.

Energy loans to oil and gas producers totaled approximately $1.5 billion, down $111 million from the prior year. Approximately 50% of the committed production loans are secured by properties primarily producing oil and 50% are secured by properties primarily producing natural gas. Loans to borrowers that provide services to the energy industry decreased approximately $44 million from the prior year to $33 million and loans to borrowers engaged in wholesale or retail energy sales decreased approximately $53 million to $187 million at December 31, 2010. Loans to borrowers that manufacture equipment for the energy industry increased 3% over the prior year to $27 million. We did not experience a significant, direct impact on our energy loan portfolio from the moratorium on offshore drilling activities during 2010.

The services sector of the loan portfolio totaled $1.6 billion or 15% of total loans and consists of a large number of loans to a variety of businesses including communications, educational, gaming, and transportation services. Service

sector loans decreased $227 million primarily due to soft loan demand as a result of current economic conditions. Approximately $1.0 billion of the services category is made up of loans with individual balances of less than $10 million. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business. Loans in this sector may also be secured by personal guarantees of the owners or related parties.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. At December 31, 2010, the outstanding principal balance of these loans totaled $1.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 19% of our shared national credits, based on dollars committed. We hold shared national credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, grading of shared national credits is provided annually by banking regulators. Risk grading provided by the regulators in the third quarter of 2010 did not differ significantly from management's assessment.

Commercial Real Estate

Commercial real estate represents loans for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes within our geographical footprint. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project or a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Commercial real estate loans totaled $2.3 billion or 21% of the loan portfolio at December 31, 2010. Over the past five years, the percentage of commercial real estate loans to our total loan portfolio ranged from 20% to 23%. The outstanding balance of commercial real estate loans decreased $214 million from the previous year. The commercial real estate sector of our loan portfolio is distributed as follows in Table 25.

Table 25 Commercial Real Estate Loans by Principal Market Area
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Construction and land development	$ 148,458	$ 86,563	$ 62,847	$ 16,852	$ 92,918	$ 35,280	$ 4,946	$ 447,864
Retail	145,640	122,560	49,385	18,025	7,326	50,913	11,691	405,540
Office	94,101	168,582	90,661	16,035	59,919	28,075	77	457,450
Multifamily	113,147	135,236	21,148	46,195	7,213	39,831	6,472	369,242
Industrial	68,889	72,896	26,967	169	1,083	12,021	68	182,093
Other real estate loans	156,174	101,119	63,773	19,713	28,721	34,898	10,763	415,161
Total commercial real estate loans	$ 726,409	$ 686,956	$ 314,781	$ 116,989	$ 197,180	$ 201,018	$ 34,017	$ 2,277,350

Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased $197 million during the year to $448 million at December 31, 2010 primarily due to payments. In addition, $28 million of construction and development loans were transferred to other real estate owned and $21 million were charged off. This sector of the loan portfolio is expected to continue to decrease as construction projects currently in process are completed.

Residential Mortgage and Consumer

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

Residential mortgage loans totaled $1.8 billion, up $35 million or 2% since December 31, 2009. Permanent 1-4 family mortgage loans decreased $28 million and home equity loans increased $63 million. In general, we sell the majority of our conforming fixed-rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. Low interest rates increased demand to refinance these mortgage loans into long-term fixed rate loans. Generally, we do not offer this type of loan because of excessive future interest rate risk.

We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market.

The permanent mortgage loan portfolio is primarily composed of various mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals or certain professionals. The aggregate outstanding balance of loans in these programs at December 31, 2010 is $1.2 billion. Jumbo loans may be fixed or variable rate and are fully amortizing. Jumbo loans generally conform to government sponsored entity standards, with exception that the loan size exceeds maximums required under these standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ratios ("LTV") are tiered from 60% to 100%, depending on the market. Special mortgage programs

include fixed and variable rate fully amortizing loans tailored to the needs of certain health-care professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

Approximately $96 million or 8% of permanent mortgage loans at December 31, 2010 consist of first lien, fixed rate residential mortgage loans originated under various community development programs, down from $110 million at December 31, 2009. These loans were underwritten to standards approved by various U.S. government agencies under these programs and include full documentation. However, these loans do have a higher risk of delinquency and losses given default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

Home equity loans totaled $553 thousand at December 31, 2010. These loans are generally 1st or 2nd lien loans with a maximum LTV of 90%, including consideration of any superior liens. These loans require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally $200 thousand.

The composition of residential mortgage and consumer loans at December 31, 2010 is as follows in Table 26.

Table 26 Residential Mortgage and Consumer Loans by Principal Market Area
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/ Missouri	Total
Residential mortgage:								
Permanent mortgage	$913,827	$205,457	$13,400	$8,278	$50,494	$74,057	$9,431	$1,274,944
Home equity	339,639	91,570	74,992	4,877	21,816	15,188	5,222	553,304
Total residential mortgage	$1,253,466	$297,027	$88,392	$13,155	$72,310	$89,245	$14,653	$1,828,248
Consumer:								
Indirect automobile	$136,772	$36,848	$–	$65,956	$–	$–	$–	$239,576
Other consumer	199,720	110,138	19,583	6,831	21,409	3,445	2,740	363,866
Total consumer	$336,492	$146,986	$19,583	$72,787	$21,409	$3,445	$2,740	$603,442

Indirect automobile loans decreased $215 million since December 31, 2009, primarily due to the previously-disclosed decision by the Company to exit the business in the first quarter of 2009 in favor of a customer-focused direct lending approach.

Table 27 Loan Maturity and Interest Rate Sensitivity at December 31, 2010
(In thousands)

		Remaining Maturities of Selected Loans		
	Total	Within 1 Year	1-5 Years	After 5 Years
Loan maturity:				
Commercial	$5,933,996	$1,613,841	$3,537,874	$782,281
Commercial real estate	2,277,350	884,494	1,090,016	302,840
Total	$8,211,346	$2,498,335	$4,627,890	$1,085,121

Interest rate sensitivity for selected loans with:				
Predetermined interest rates	$3,768,527	$648,636	$2,454,197	$665,694
Floating or adjustable interest rates	4,442,819	1,849,699	2,173,693	419,427
Total	$8,211,346	$2,498,335	$4,627,890	$1,085,121

Loan Commitments

We enter into off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $5.2 billion and standby letters of credit which totaled $535 million at December 31, 2010. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately $3.1 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at December 31, 2010.

Table 28 Off-Balance Sheet Credit Commitments
(In thousands)

	As of December 31,				
	2010	2009	2008	2007	2006
Loan commitments	$5,193,545	$5,001,338	$5,015,660	$5,345,736	$5,318,257
Standby letters of credit	534,565	588,091	598,618	555,758	527,627
Mortgage loans sold with recourse	289,021	330,963	391,188	392,534	329,713

We also have off-balance sheet obligations related to certain community development residential mortgage loans sold with full or partial recourse as more fully described in Note 7 to the consolidated financial statements. At December 31, 2010, the principal balance of loans sold subject to recourse obligations totaled $289 million. Substantially all of these loans are to borrowers in our primary markets including $204 million to borrowers in Oklahoma, $30 million to borrowers in Arkansas, $17 million to borrowers in New Mexico, $15 million to borrowers in the Kansas/Missouri area and $13 million to borrowers in Texas.

Under certain conditions, we also have an off-balance sheet obligation to repurchase residential mortgage loans sold to government sponsored entities through our mortgage banking activities. As of December 31, 2010, less than 10% of the repurchase requests in 2010 have resulted in actual repurchases or indemnification by BOK Financial. We have repurchased 11 loans for approximately $301 thousand from the agencies during 2010. Losses incurred on these loans have been minimal. At December 31, 2010, we have unresolved deficiency requests from the agencies on 140 loans with an aggregate outstanding balance of $22 million.

Customer Derivative Programs

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

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

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

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

margin collateral was impaired.

Derivative contracts are carried at fair value. At December 31, 2010, the net fair values of derivative contracts reported as assets under these programs totaled $270 million, down from $344 million at December 31, 2009 primarily due to cash settlements and reduced transactions volumes. At December 31, 2010, derivative contracts carried as assets included interest rate contracts with fair values of $141 million, energy contracts with fair values of $77 million and foreign exchange contracts with fair values of $45 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled $215 million.

At December 31, 2010, total derivative assets were reduced by $15 million of cash collateral received from counterparties and total derivative liabilities were reduced by $69 million of cash collateral delivered to counterparties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at December 31, 2010 is included in Table 29.

Table 29 Fair Value of Derivative Contracts by Category of Debtor
(In thousands)

Customers	$139,765
Banks	57,377
Exchanges	44,056
Energy companies	22,419
Other	4,878
Fair value of customer hedge asset derivative contracts, net	$268,495

At December 31, 2010, the largest net reported amount due from a single counterparty, a domestic subsidiary of a major energy company, was $13 million. This amount was entirely offset by letters of credit issued by multiple independent financial institutions. The next largest amount due was $12 million from an energy customer. This amount was fully secured by cash and securities as of December 31, 2010.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceed established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to $26 per barrel of oil would increase the fair value of derivative assets for energy contracts by $40 million. An increase in prices equivalent to $160 per barrel of oil would increase the fair value of derivative assets for energy contracts by $280 million as current prices move further above the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in our credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $54 million.

Summary of Loan Loss Experience

We maintain separate allowances for loan losses and for off-balance sheet credit risk. The combined allowance for loan and off-balance sheet credit losses totaled $307 million or 2.89% of outstanding loans and 133% of nonaccruing loans at December 31, 2010. The combined allowance for loan and off-balance sheet credit losses totaled $306 million or 2.72% of outstanding loans and 90% of nonaccruing loans at December 31, 2009. The allowance for loan losses totaled $293 million or 2.75% of outstanding loans at December 31, 2010 and $292 million or 2.59% of outstanding loans at December 31, 2009. The allowance for off-balance sheet credit commitments was $14 million at December 31, 2010 and $14 million at December 31, 2009.

The provision for credit losses is the amount necessary to maintain the allowance for credit losses at an amount determined by management to be adequate based on its evaluation and includes the combined charge to expense for both the allowance for loan losses and the allowance for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the allowance for loan losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts. The provision for credit losses totaled $105 million for 2010 compared to $196 million for 2009. Factors considered in determining the provision for credit losses for 2010 included improving trends of net charge-offs, nonperforming loans and risk grading.

Table 30 Summary of Loan Loss Experience
(Dollars in thousands)

	Year ended December 31,				
Allowance for loan losses:	2010	2009	2008	2007	2006
Beginning balance	$292,095	$233,236	$126,677	$109,497	$103,876
Loans charged off:					
Commercial	27,640	49,725	74,976	14,380	10,517
Commercial real estate	59,962	57,313	19,141	1,795	87
Residential mortgage	20,056	16,672	7,223	1,709	1,265
Consumer	16,330	24,789	20,871	13,733	12,127
Total	123,988	148,499	122,211	31,617	23,996
Recoveries of loans previously charged off:					
Commercial	9,263	2,546	13,379	4,534	5,405
Commercial real estate	3,179	461	332	110	327
Residential mortgage	901	929	366	309	161
Consumer	6,265	6,744	6,413	5,558	5,638
Total	19,608	10,680	20,490	10,511	11,531
Net loans charged off	104,380	137,819	101,721	21,106	12,465
Provision for loan losses	105,256	196,678	208,280	34,758	18,086
Additions due to acquisitions	–	–	–	3,528	–
Ending balance	$292,971	$292,095	$233,236	$126,677	$109,497
Allowance for off-balance sheet credit losses:					
Beginning balance	$14,388	$15,166	$20,853	$20,890	$20,574
Provision for off-balance sheet credit losses	(117)	(778)	(5,687)	(37)	316
Ending balance	$14,271	$14,388	$15,166	$20,853	$20,890
Total provision for credit losses	$105,139	$195,900	$202,593	$34,721	$18,402
Allowance for loan losses to loans outstanding at year-end	2.75 %	2.59 %	1.81 %	1.06 %	1.03 %
Net charge-offs to average loans	0.96	1.14	0.81	0.19	0.13
Total provision for credit losses to average loans	0.96	1.61	1.62	0.31	0.19
Recoveries to gross charge-offs	15.81	7.19	16.77	33.24	48.05
Allowance for loan losses as a multiple of net charge-offs	2.81 x	2.12 x	2.29 x	6.00 x	8.78 x
Allowance for off-balance sheet credit losses to off-balance sheet credit commitments	0.25 %	0.26 %	0.27 %	0.35 %	0.36 %
Combined allowances for credit losses to loans outstanding at year-end	2.89 %	2.72 %	1.93 %	1.24 %	1.22 %
Problem Loans:					
Loans past due (90 days)	$9,961	$10,308	$19,123	$5,575	$5,945
Nonaccrual1	230,814	339,355	300,073	84,290	26,055
Renegotiated2	22,261	15,906	13,039	10,394	9,802
Total	$263,036	$365,569	$332,235	$100,259	$41,802
Foregone interest on nonaccrual loans1	$16,818	$17,015	$8,391	$3,011	$2,130

1 Interest collected and recognized on nonaccrual loans was not significant in 2010 and previous years disclosed.
2 Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.

Allowance for Loan Losses

The adequacy of the allowance for loan losses is assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio. The allowance consists of specific allowances attributed to impaired loans that have not yet been charged down to amounts we expect to recover, general allowances based on migration factors and non-specific allowances based on general economic, risk concentration and related factors. An independent Credit Administration department is responsible for performing this evaluation for the entire company to ensure that the methodology is applied consistently. For 2010, there have been no material changes in the approach or techniques utilized in developing the allowance for loan losses.

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

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

Impaired loans are charged-off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower based on an evaluation of available cash resources or collateral value. 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 generally on an "as is" basis and are not adjusted by us. 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 excess of the outstanding principal balance over the fair value of collateral, less estimated selling costs and available cash resources of the borrower is charged-off against the allowance for loan losses.

No allowances are attributed to the remaining balance of loans that have been charged-down to amounts management expects to recover. However, the remaining balance continues to be classified as nonaccruing until full recovery of principal and interest, including the charged-off portion of the loans, is probable.

Impaired loans totaled $203 million at December 31, 2010 and $317 million at December 31, 2009. At December 31, 2010, $125 million of impaired loans had specific allowances of $7.1 million and $78 million had no specific allowances because the loan balance had been charged down to amounts we expect to recover. Impaired loans had gross outstanding principal balances of $301 million. Cumulative life-to-date charge-offs of impaired loans at December 31, 2010 totaled $98 million, including $54 million charged off during 2010. At December 31, 2009, $204 million of impaired loans had specific allowances of $36 million and $113 million of impaired loans had no specific allowances because they had been charged down to amounts we expect to recover.

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. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk-graded based on an evaluation of the borrowers' ability to repay the loans. Migration factors are determined for each risk-grade to determine the inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for the migration factors. Losses incurred in more recent periods are more heavily weighted by a sum-of-periods-digits formula. The higher of current loss factors based on migration trends or a minimum migration factor based upon long-term history is assigned to each risk grade.

Migration models fairly measure loss exposure during an economic cycle. However, because they are based on historic trends, their accuracy is limited near the beginning and ending of a cycle. Because of this limitation, the results of the migration model are evaluated by management quarterly. The general allowance may be adjusted upward or downward accordingly so that the allowance for loan losses fairly represents the expected credit losses inherent in the loan portfolio as of the balance sheet date.

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 of loss with separate migration factors determined by major product line, such as indirect automobile loans and direct consumer loans.

The aggregate amount of general allowances determined by migration factors for all unimpaired loans totaled $259 million at December 31, 2010 and $238 million at December 31, 2009.

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. Nonspecific factors also consider current economic conditions and other relevant factors. Nonspecific allowances totaled $27 million at December 31, 2010 and $18 million at December 31, 2009.

An allocation of the loan loss allowance by loan category follows in Table 31.

Table 31 Allowance for Loan Losses Allocation
(Dollars in thousands)

	December 31,									
	2010		2009		2008		2007		2006	
	Allowance2	% of Loans1	Allowance2	% of Loans1	Allowance2	% of Loans1	Allowance2	% of Loans1	Allowance2	% of Loans1
Loan category:										
Commercial	$104,631	55.75 %	$121,320	55.04 %	$100,743	57.56 %	$49,961	56.07 %	$44,151	58.29 %
Commercial real estate	98,709	21.40	104,208	22.09	75,555	20.98	40,807	22.89	30,838	22.97
Residential mortgage	50,281	17.18	27,863	15.90	14,017	13.61	6,156	13.38	4,663	11.80
Consumer	12,614	5.67	20,452	6.97	19,819	7.85	9,962	7.66	11,784	6.94
Nonspecific allowance	26,736	–	18,252	–	23,102	–	19,791	–	18,061	–
Total	$292,971	100.00%	$292,095	100.00%	$233,236	100.00%	$126,677	100.00%	$109,497	100.00%

1 Represents ratio of loan category balance to total loans, excluding residential mortgage loans held for sale.
2 Specific allocation for the loan concentration risks is included in the appropriate category.

Our loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower. Because the borrowers are still performing in accordance with the original terms of the loan agreements, these loans were not included in nonperforming assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $176 million at December 31, 2010. The current composition of potential problem loans by primary industry included: commercial real estate - $60 million; wholesale/retail - $45 million; services - $30 million and residential mortgage - $19 million.

Net Loans Charged Off

Loans are charged off against the allowance for loan losses when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified.

Net loans charged off during 2010 totaled $104 million compared to $138 million in the previous year. The ratio of net loans charged off to average outstanding loans was 0.96% for 2010 and 1.14% for 2009. Net charge-offs for 2010 decreased $33 million compared to the previous year. Gross loans charged off decreased $24 million and recoveries increased $8.9 million.

Net loans charged off by category and principal market area follow in Table 32.

Table 32 Net Loans Charged Off by Category and Principal Market Area
(Dollars in thousands)

	Oklahoma	Texas	Colorado	Arkansas	New Mexico	Arizona	Kansas/ Missouri	Total
2010:								
Commercial	$ 3,192	$7,062	$1,070	$1,393	$3,528	$2,081	$51	$18,377
Commercial real estate	20,328	3,673	9,180	3,605	795	19,202	–	56,783

Residential mortgage	13,842	1,746	164	150	2,231	1,016	6	19,155
Consumer	4,442	2,859	483	1,577	665	25	14	10,065
Net loans charged off	$ 41,804	$ 15,340	$ 10,897	$ 6,725	$ 7,219	$ 22,324	$ 71	$ 104,380
2009:								
Commercial	$ 18,861	$ 8,851	$ 12,214	$ 79	$ 2,882	$ 3,416	$ 876	$ 47,179
Commercial real estate	2,435	5,155	11,884	369	2,805	34,191	13	56,852
Residential mortgage	7,857	4,005	610	190	1,112	1,969	–	15,743
Consumer	8,231	5,363	287	2,998	981	182	3	18,045
Net loans charged off	$ 37,384	$ 23,374	$ 24,995	$ 3,636	$ 7,780	$ 39,758	$ 892	$ 137,819

Net commercial loans charged off in 2010 decreased $29 million from the prior year and included $7.4 million of loans from the healthcare sector of the loan portfolio, $3.9 million from the service sector of the loan portfolio, $2.5 million of loans from the wholesale/retail sector of the loan portfolio and $2.0 million of loans from the energy sector of the loan portfolio.

Net commercial real estate loans charged off during 2010 were flat with the prior year. Net charge-offs increased $18 million in the Oklahoma market, primarily offset by a $15 million decrease in the Arizona market. Net commercial real estate loan charge-offs in 2010 included $19 million from the land and residential construction sector of the loan portfolio, primarily composed of $6.7 million in the Arizona market and $5.4 million in the Colorado market. Net commercial real estate loans charged-off in 2010 also included a $17 million charge-off of a loan to a single issuer secured by an office building attributed to the Oklahoma market and $11 million charged off related to loans secured by retail properties primarily in the Arizona market.

Residential mortgage net charge-offs increased $3.4 million compared the prior year primarily related to loans attributed to Oklahoma market. The timing of residential mortgage loan charge-offs varies based on foreclosure activity and delinquency status. Consumer loan net charge-offs, which include indirect auto loan and deposit account overdraft losses, decreased $8.0 million compared to the previous year. Net charge-offs of indirect auto loans totaled $4.5 million for 2010 and $9.7 million for 2009.

Nonperforming Assets

Table 33 Nonperforming Assets
(Dollars in thousands)

	December 31,				
	2010	2009	2008	2007	2006
Nonperforming loans					
Nonaccrual loans:					
Commercial	$38,455	$101,384	$134,846	$42,981	$10,737
Commercial real estate	150,366	204,924	137,279	25,319	4,771
Residential mortgage	37,426	29,989	27,387	15,272	10,325
Consumer	4,567	3,058	561	718	222
Total nonaccrual loans	230,814	339,355	300,073	84,290	26,055
Renegotiated loans2	22,261	15,906	13,039	10,394	9,802
Total nonperforming loans	253,075	355,261	313,112	94,684	35,857
Other nonperforming assets	141,394	129,034	29,179	9,475	8,486
Total nonperforming assets	$394,469	$484,295	$342,291	$104,159	$44,343
Nonaccrual loans by principal market:					
Oklahoma	$60,805	$83,176	$108,367	$47,977	$17,683
Texas	33,157	66,892	42,934	4,983	6,096
New Mexico	19,283	26,693	16,016	11,118	871
Arkansas	7,914	13,820	3,263	1,635	267
Colorado3	49,416	60,082	32,415	9,222	1,138
Arizona	60,239	84,559	80,994	9,355	–
Kansas/Missouri	–	4,133	16,084	–	–
Total nonaccrual loans	$230,814	$339,355	$300,073	$84,290	$26,055
Nonaccrual loans by loan portfolio sector:					
Commercial:					
Energy	$465	$52922,692	$52949,364	$529529	$535
Services	19,262	30,926	36,873	25,468	5,759
Wholesale / retail	8,486	12,057	18,773	3,792	2,457
Manufacturing	2,116	15,765	7,343	9,915	101
Healthcare	3,534	13,103	12,118	2,301	1,600
Integrated food services	13	65	680	380	93
Other commercial and industrial	4,579	6,776	9,695	596	192
Total commercial	38,455	101,384	134,846	42,981	10,737
Commercial real estate:					
Construction and land development	99,579	109,779	76,082	13,466	2,031
Retail	4,978	26,236	15,625	5,259	–
Office	19,654	25,861	7,637	1,013	732
Multifamily	6,725	26,540	24,950	3,998	320
Industrial	4,087	279	6,287	–	–
Other commercial real estate	15,343	16,229	6,698	1,583	1,688
Total commercial real estate	150,366	204,924	137,279	25,319	4,771
Residential mortgage:					
Permanent mortgage	32,111	28,314	26,233	14,541	9,923
Home equity	5,315	1,675	1,154	731	402
Total residential mortgage	37,426	29,989	27,387	15,272	10,325
Consumer	4,567	3,058	561	718	222

Total nonaccrual loans	$230,814		$339,355		$300,073		$84,290		$26,055	
Ratios:										
Allowance for loan losses to nonperforming loans	115.76	%	82.22	%	74.49	%	133.79	%	305.37	%
Nonperforming loans to period-end loans	2.38		3.15		2.43		0.79		0.34	
Loans past due (90 days)1	$9,961		$10,308		$19,123		$5,575		$5,945	
1Includes residential mortgages guaranteed by agencies of the U.S. Government.	$1,995		$ 1,400		$ 872		$ 1,017		$ 2,233	
2Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates.	$18,551		$12,799		$10,396		$7,550		$5,747	
3Includes loans subject to First United Bank sellers escrow.	$–		$4,311		$13,181		$8,412		$–	

Nonperforming assets decreased $90 million during 2010 to $394 million or 3.66% of outstanding loans and repossessed assets at December 31, 2010. Nonaccruing loans totaled $231 million, renegotiated residential mortgage loans totaled $22 million (including $19 million of residential mortgage loans guaranteed by U.S. government agencies) and real estate and other repossessed assets totaled $141 million. The Company generally retains nonperforming assets to maximize potential recovery.

Renegotiated loans represent troubled debt restructurings of residential mortgage loans. Generally, we modify residential mortgage loans by reducing interest rates and extending the number of payments. We do not forgive principal or unpaid interest. At December 31, 2010, approximately $10 million of the renegotiated residential mortgage loans are currently performing in accordance with the modified terms, $4.8 million are 30 to 89 days past due and $7.2 million are past due 90 days or more. Restructured residential mortgage loans guaranteed by agencies of the U.S. government in accordance with agency guidelines represent $19 million of our $22 million portfolio of renegotiated loans. Interest continues to accrue on these guaranteed loans based on the modified terms of the loan. Renegotiated loans may be transferred to loans held for sale after a period of satisfactory performance, generally at least nine months. If it becomes probable that we will not be able to collect all amounts due according to the modified loan terms, the loans are placed on nonaccrual status and included in nonaccrual loans.

Commercial and commercial real estate loans are considered distressed when it becomes probable that we will not collect the full contractual principal and interest. All distressed commercial and commercial real estate loans are placed on nonaccrual status. We may modify loans to distressed borrowers generally consisting of extension of payment terms, not to exceed the final contractual maturity date of the original loan. We do not forgive principal or accrued but unpaid interest, nor do we grant interest rate concessions. We do not modify consumer loans to troubled borrowers.

A rollforward of nonperforming assets for the year ended December 31, 2010 follows in Table 34.

Table 34 Rollforward of Nonperforming Assets
(Dollars in thousands)

	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Beginning balance	$ 339,355	$ 15,906	$ 129,034	$ 484,295
Additions	199,274	13,435	167	212,876
Transfers from premises and equipment	–	–	9,786	9,786
Payments	(102,422)	(50)	–	(102,472)
Charge-offs	(123,988)	–	–	(123,988)
Net writedowns and losses	–	-	(23,633)	(23,633)
Foreclosures	(63,059)	–	63,059	–
Proceeds from sales	–	(6,217)	(37,446)	(43,663)
Return to accrual	(22,596)	–	–	(22,596)
Transfer to nonaccrual	855	(855)	–	–
Other, net	3,395	42	427	3,864
Ending balance	$ 230,814	$ 22,261	$ 141,394	$ 394,469

This distribution of nonaccruing loans among our various markets follows in Table 35.

Table 35 Nonaccruing Loans by Principal Market
(Dollars in thousands)

	December 31, 2010		December 31, 2009	Change
Amount		% of outstanding loans		