BOK FINANCIAL CORP ET AL
Form 10-Q
October 30, 2015

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2015
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 (State or other jurisdiction of Incorporation or Organization)	73-1373454 (IRS Employer Identification No.)
Bank of Oklahoma Tower Boston Avenue at Second Street Tulsa, Oklahoma (Address of Principal Executive Offices)	74192 (Zip Code)

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

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 67,713,031 shares of common stock ($.00006 par value) as of September 30, 2015.

BOK Financial Corporation
Form 10-Q
Quarter Ended September 30, 2015

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Management's Discussion and Analysis of Financial Condition and Results of Operations
Performance Summary

BOK Financial Corporation ("the Company") reported net income of $74.9 million or $1.09 per diluted share for the third quarter of 2015, compared to $75.6 million or $1.09 per diluted share for the third quarter of 2014 and $79.2 million or $1.15 per diluted share for the second quarter of 2015.

Highlights of the third quarter of 2015 included:

- Net interest revenue totaled $178.6 million for the third quarter of 2015, compared to $166.8 million for the third quarter of 2014 and $175.7 million for the second quarter of 2015. Net interest revenue increased over the prior year primarily due to growth in average earning assets. Net interest margin was 2.61% for the third quarter of 2015. Net interest margin was 2.67% for the third quarter of 2014 and 2.61% for the second quarter of 2015. The decrease compared to the prior year was primarily due lower loan portfolio yield.
- Fees and commissions revenue totaled $164.7 million for the third quarter of 2015, a $6.1 million or 4% increase over the third quarter of 2014. Mortgage banking revenue increased $6.4 million based on higher loan production volume. Fees and commissions revenue decreased $7.9 million compared to the second quarter of 2015. Brokerage and trading revenue decreased $4.4 million and mortgage banking revenue decreased $3.7 million.
- Changes in the fair value of mortgage servicing rights, net of economic hedges, decreased pre-tax net income in the third quarter of 2015 by $4.4 million, increased pre-tax net income in the third quarter of 2014 by $4.8 million and decreased pre-tax net income by $1.1 million in the second quarter of 2015. Net changes in the fair value of mortgage servicing rights for the third quarter of 2015 were largely driven by decreases in both the period end mortgage interest rates and escrow earnings rate.
- Operating expenses totaled $224.6 million for the third quarter of 2015, an increase of $2.8 million over the third quarter of 2014. Personnel expense increased $6.0 million and non-personnel expense decreased $3.2 million. Operating expenses decreased $2.5 million compared to the previous quarter.
- The Company recorded a $7.5 million provision for credit losses in the third quarter of 2015. The additional provision was primarily due to credit migration and loan portfolio growth during the third quarter. The Company recorded a $4.0 million provision in the second quarter of 2015. No provision for credit losses was recorded in the third quarter of 2014. Gross charge-offs were $5.3 million in the third quarter of 2015, $2.6 million in the third quarter of 2014 and $2.9 million in the second quarter of 2015. Recoveries were $3.5 million in the third quarter of 2015, compared to $3.1 million in the third quarter of 2014 and $2.2 million in the second quarter of 2015.
- The combined allowance for credit losses totaled $208 million or 1.35% of outstanding loans at September 30, 2015, compared to $202 million or 1.34% of outstanding loans at June 30, 2015. The portion of the combined allowance attributed to the energy portfolio totaled 2.05 percent of outstanding energy loans at September 30, an increase from 1.74 percent of outstanding energy loans at June 30.
- Nonperforming assets that are not guaranteed by U.S. government agencies totaled $119 million or 0.78% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at September 30, 2015 and $123 million or 0.82% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at June 30, 2015.
- Average loans increased by $287 million over the previous quarter due primarily to a $209 million increase in commercial real estate loans. Average commercial loans and personal loans also increased over the previous quarter. Period-end outstanding loan balances were $15.4 billion at September 30, 2015, a $243 million increase over June 30, 2015. Commercial real estate loans increased $202 million, personal loans increased $36 million and commercial loan balances increased $22 million.
- Average deposits decreased $401 million compared to the previous quarter, primarily due to a decrease in interest-bearing transaction accounts and time deposits. Period-end deposits were $20.6 billion at September 30, 2015, a decrease of $440 million compared to June 30, 2015.
- New regulatory capital rules were effective for BOK Financial on January 1, 2015 and established a 7% threshold for the common equity Tier 1 ratio. The Company's common equity Tier 1 ratio was 12.78% at September 30, 2015. In

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addition, the Company's Tier 1 capital ratio was 12.78%, total capital ratio was 13.89% and leverage ratio was 9.55% at September 30, 2015. The Company's common equity Tier 1 ratio was 13.01% at June 30, 2015. In addition, the Company's Tier 1 capital ratio was 13.01%, total capital ratio was 14.11% and leverage ratio was 9.75% at June 30, 2015.

- The Company paid a regular quarterly cash dividend of $29 million or $0.42 per common share during the third quarter of 2015. On October 27, 2015, the board of directors approved an increase in the regular quarterly cash dividend to $0.43 per common share payable on or about November 27, 2015 to shareholders of record as of November 13, 2015.
- The Company repurchased 1,258,348 common shares at an average price of $63.79 per share during the third quarter of 2015, completing the existing board approval for share repurchases. No shares were repurchased during the second quarter of 2015 and third quarter of 2014. On October 27, 2015, the board of directors authorized the Company to purchase up to five million additional common shares, subject to market conditions, securities law and other regulatory compliance limitations.

Results of Operations

Net Interest Revenue and Net Interest Margin

Net interest revenue is the interest earned on debt securities, loans and other interest-earning assets less interest paid for interest-bearing deposits and other borrowings. The net interest margin is calculated by dividing tax-equivalent net interest revenue by average interest-earning assets. Net interest spread is the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities. Net interest margin is typically greater than net interest spread due to interest income earned on assets funded by non-interest bearing liabilities such as demand deposits and equity.

Net interest revenue totaled $178.6 million for the third quarter of 2015 compared to $166.8 million for the third quarter of 2014 and $175.7 million for the second quarter of 2015. Net interest margin was 2.61% for the third quarter of 2015, 2.67% for the third quarter of 2014 and 2.61% for the second quarter of 2015.

Net interest revenue increased $11.8 million over the third quarter of 2014. Net interest revenue increased $16.0 million primarily due to the growth in average loan balances. Net interest revenue decreased $3.6 million primarily due to lower loan yields, partially offset by lower funding costs and increased yields on the available for sale securities portfolio.

The tax-equivalent yield on earning assets was 2.83% for the third quarter of 2015, down 10 basis points from the third quarter of 2014. Loan yields decreased 24 basis points primarily due to continued market pricing pressure and lower interest rates. The available for sale securities portfolio yield increased 6 basis points to 2.01%. Funding costs were down 9 basis points compared to the third quarter of 2014. The cost of interest-bearing deposits decreased 7 basis points and the cost of other borrowed funds increased 3 basis points largely due to the mix of funding sources. The cost of subordinated debentures decreased 142 basis points as $122 million of fixed-rate subordinated debt matured on June 1, 2015. The cost of this subordinated debt, including issuance discounts and hedge loss was 5.56%. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities was 10 basis points for the third quarter of 2015 and 15 basis points for the third quarter of 2014.

Average earning assets for the third quarter of 2015 increased $2.4 billion or 9% over the third quarter of 2014. Average loans, net of allowance for loan losses, increased $1.7 billion due primarily to growth in average commercial and commercial real estate loans. The average balance of interest-bearing cash and cash equivalents was up $821 million over the third quarter of 2014 as borrowings from the Federal Home Loan Banks were deposited in the Federal Reserve to earn a spread. The average balance of available for sale securities decreased $584 million as we reduced the size of our bond portfolio during 2014 through normal monthly runoff to better position the balance sheet for a longer-term rising rate environment. The average balances of fair value option securities held as an economic

hedge of our mortgage servicing rights, restricted equity securities, residential mortgage loans held for sale and trading securities were all up over the prior year.

Average deposits increased $466 million over the third quarter of 2014, including a $287 million increase in average interest-bearing transaction accounts and a $194 million increase in average demand deposit balances. Growth in average savings account balances was offset by a decrease in average time deposits compared to the prior year. Average borrowed funds increased $1.8 billion over the third quarter of 2014, primarily due to increased borrowings from the Federal Home Loan Banks. The average balance of subordinated debentures decreased $122 million.

Net interest margin was unchanged compared to the second quarter of 2015. The yield on average earning assets decreased 1 basis point. The loan portfolio yield decreased 11 basis points to 3.54%. The second quarter included a 6 basis point benefit from $2.3 million of nonaccrual interest recoveries. Competitive loan pricing and low interest rates continue to impact loan yields. The yield on the available for sale securities portfolio increased 7 basis points to 2.01%. Funding costs were down 3 basis points to 0.32%. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities decreased 2 basis points.

Average earning assets increased $203 million during the third quarter of 2015, primarily due to growth in average outstanding loans of $287 million over the previous quarter. Average commercial real estate loan balances increased $209 million and average commercial loan balances were up $51 million. The average balance of trading securities increased $52 million, the average balance of cash and cash equivalents increased $36 million and the average balance of restricted equity securities increased $34 million. This growth was partially offset by a $121 million decrease in the average balance of the available for sale securities portfolio and a $63 million decrease in the average balance of residential mortgage loans held for sale.

Average deposits decreased $401 million compared to the previous quarter. Interest-bearing transaction account balances decreased $303 million and average time deposit balances decreased $94 million. The average balance of borrowed funds increased $684 million over the second quarter of 2015, primarily due to increased borrowings from the Federal Home Loan Banks, partially offset by a decrease in average repurchase agreement balances. The average balance of subordinated debentures decreased $82 million.

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. More than three-fourths 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 manage toward 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 may use derivative instruments to manage our interest rate risk.

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 1 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

Table 1 -- Volume/Rate Analysis
(In thousands)

	Three Months Ended September 30, 2015 / 2014			Nine Months Ended September 30, 2015 / 2014		
		Change Due To[1]			Change Due To[1]	
	Change	Volume	Yield / Rate	Change	Volume	Yield /Rate
Tax-equivalent interest revenue:						
Interest-bearing cash and cash equivalents	$841	$505	$336	$2,865	$2,226	$639
Trading securities	384	377	7	597	797	(200)
Investment securities:						
Taxable securities	(27)	72	(99)	73	337	(264)
Tax-exempt securities	(137)	(118)	(19)	(642)	(431)	(211)
Total investment securities	(164)	(46)	(118)	(569)	(94)	(475)
Available for sale securities:						
Taxable securities	(1,784)	(2,902)	1,118	(10,037)	(12,100)	2,063
Tax-exempt securities	121	(85)	206	138	(302)	440
Total available for sale securities	(1,663)	(2,987)	1,324	(9,899)	(12,402)	2,503
Fair value option securities	1,567	1,382	185	4,245	3,690	555
Restricted equity securities	1,669	1,705	(36)	5,222	4,476	746
Residential mortgage loans held for sale	864	865	(1)	3,592	4,639	(1,047)
Loans	6,803	15,464	(8,661)	19,515	45,702	(26,187)
Total tax-equivalent interest revenue	10,301	17,265	(6,964)	25,568	49,034	(23,466)
Interest expense:						
Transaction deposits	(320)	115	(435)	(706)	128	(834)
Savings deposits	(4)	12	(16)	(11)	34	(45)
Time deposits	(1,664)	(179)	(1,485)	(3,663)	(275)	(3,388)
Funds purchased	(44)	(48)	4	(283)	(338)	55
Repurchase agreements	(92)	(42)	(50)	(260)	(52)	(208)
Other borrowings	1,633	1,982	(349)	4,832	6,088	(1,256)
Subordinated debentures	(1,558)	(533)	(1,025)	(2,045)	(918)	(1,127)
Total interest expense	(2,049)	1,307	(3,356)	(2,136)	4,667	(6,803)
Tax-equivalent net interest revenue	12,350	15,958	(3,608)	27,704	44,367	(16,663)
Change in tax-equivalent adjustment	505			1,141		
Net interest revenue	$11,845			$26,563		

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

Other Operating Revenue

Other operating revenue was $163.4 million for the third quarter of 2015, a $1.5 million decrease compared to the third quarter of 2014 and a $12.8 million decrease compared to the second quarter of 2015. Fees and commissions revenue increased $6.1 million over the third quarter of 2014 and decreased $7.9 million compared to the prior quarter. The change in the fair value of mortgage servicing rights, net of economic hedges, decreased other operating revenue by $4.4 million in the third quarter of 2015 and $1.1 million in the second quarter of 2015 and increased other operating revenue by $4.8 million in the third quarter of 2014.

Table 2 – Other Operating Revenue
(In thousands)

	Three Months Ended Sept. 30,				Three Months Ended June 30,		
	2015	2014	Increase (Decrease)	% Increase (Decrease)	2015	Increase (Decrease)	% Increase (Decrease)
Brokerage and trading revenue	$31,582	$35,263	$(3,681)	(10)%	$36,012	$(4,430)	(12)%
Transaction card revenue	32,514	31,578	936	3%	32,778	(264)	(1)%
Fiduciary and asset management revenue	30,807	29,738	1,069	4%	32,712	(1,905)	(6)%
Deposit service charges and fees	23,606	22,508	1,098	5%	22,328	1,278	6%
Mortgage banking revenue	33,170	26,814	6,356	24%	36,846	(3,676)	(10)%
Bank-owned life insurance	2,360	2,326	34	1%	2,398	(38)	(2)%
Other revenue	10,618	10,320	298	3%	9,473	1,145	12%
Total fees and commissions revenue	164,657	158,547	6,110	4%	172,547	(7,890)	(5)%
Gain on other assets, net	1,161	1,422	(261)	N/A	1,457	(296)	N/A
Gain (loss) on derivatives, net	1,283	(93)	1,376	N/A	(1,032)	2,315	N/A
Gain (loss) on fair value option securities, net	5,926	(332)	6,258	N/A	(8,130)	14,056	N/A
Change in fair value of mortgage servicing rights	(11,757)	5,281	(17,038)	N/A	8,010	(19,767)	N/A
Gain on available for sale securities, net	2,166	146	2,020	N/A	3,433	(1,267)	N/A
Total other operating revenue	$163,436	$164,971	$(1,535)	(1)%	$176,285	$(12,849)	(7)%

Certain percentage increases (decreases) in non-fees and commissions revenue are not meaningful for comparison purposes based on the nature of the item.

Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 48% of total revenue for the third quarter of 2015, excluding provision for credit losses and gains and losses on other

assets, securities and derivatives and the change in the fair value of mortgage servicing rights. We believe that a variety of fee revenue sources provides an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. As an example of this strength, many of the economic factors that cause net interest revenue compression such as falling interest rates may also drive growth in our mortgage banking revenue. We expect growth in other operating revenue to come through offering new products and services and by further development of our presence in other markets. 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 includes revenues from securities trading, customer hedging, retail brokerage and investment banking. Brokerage and trading revenue decreased $3.7 million compared to the third quarter of 2014.

Securities trading revenue was $11.7 million for the third quarter of 2015, an increase of $2.2 million over the third quarter of 2014. Securities trading revenue includes net realized and unrealized gains primarily related to sales of U.S. government securities, residential mortgage-backed securities guaranteed by U.S. government agencies and municipal securities to institutional customers.

Customer hedging revenue is based primarily on realized and unrealized changes in the fair value of derivative contracts held for customer risk management programs. As more fully discussed under Customer Derivative Programs in Note 3 of the Consolidated Financial Statements, we offer commodity, interest rate, foreign exchange and equity derivatives to our customers. Customer hedging revenue totaled $9.3 million for the third quarter of 2015, a $1.6 million decrease compared to the third quarter of 2014. Higher volumes of derivative contracts executed by our mortgage banking customers were offset by lower volumes of energy, foreign exchange and interest rate contracts.

Revenue earned from retail brokerage transactions decreased $2.4 million or 29% compared to the third quarter of 2014 to $6.0 million. Retail brokerage revenue is primarily based on fees and commissions earned on sales of fixed income securities, annuities and mutual funds to retail customers. Revenue is primarily based on the volume of customer transactions during the quarter. While sales volume increased over 2014, customers moved toward lower margin products.

Investment banking revenue, which includes fees earned upon completion of underwriting and financial advisory services and loan syndication fees, totaled $4.6 million for the third quarter of 2015, a $1.9 million or 29% decrease compared to the third quarter of 2014, primarily related to lower loan syndication fees.

Brokerage and trading revenue decreased $4.4 million compared to the second quarter of 2015. Investment banking fees decreased $2.5 million compared to the prior quarter primarily due to lower loan syndication, financial advisory and underwriting fees. Excluding the impact of $382 thousand of recoveries received from the Lehman Brothers bankruptcy in the second quarter of 2015, customer hedging revenue decreased $1.6 million. Securities trading revenue increased $303 thousand and retail brokerage fees were up $113 thousand over the prior quarter.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of TransFund automated teller machine (“ATM”) locations and the number of merchants served. Transaction card revenue for the third quarter of 2015 increased $936 thousand or 3% over the third quarter of 2014. Revenues from the processing of transactions on behalf of the members of our TransFund electronic funds transfer ("EFT") network totaled $16.1 million, largely unchanged compared to the prior year. Merchant services fees totaled $11.6 million, an increase of $946 thousand or 9% based on increased transaction activity. Revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled $4.8 million, an increase of $69 thousand or 1% over the third quarter of 2014.

Transaction card revenue decreased $264 thousand compared to the second quarter of 2015. Decreased EFT network revenues were partially offset by growth in merchant services fees. Interchange fee revenue from debit cards issued by the Company was largely unchanged compared to the prior quarter.

Fiduciary and asset management revenue grew by $1.1 million or 4% over the third quarter of 2014. The increase was primarily due to the growth in the fair value of fiduciary assets administered by the Company. Fiduciary assets are assets for which the Company possesses investment discretion on behalf of another or any other similar capacity. The fair value of fiduciary assets administered by the Company totaled $37.8 billion at September 30, 2015, $34.0 billion at September 30, 2014 and $38.8 billion at June 30, 2015.

Fiduciary and asset management revenue decreased $1.9 million compared to the second quarter of 2015 primarily due to the seasonal timing of tax service fees which were recognized in the previous quarter and a decrease in the fair value of assets under management.

We also earn fees as administrator to and investment adviser for the Cavanal Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940. The Bank is custodian and BOSC, Inc. is distributor for the Cavanal Hill Funds. Products of the Cavanal Hill Funds are offered to

customers, employee benefit plans, trusts and the general public in the ordinary course of business. We have voluntarily waived administration fees on the Cavanal Hill money market funds in order to maintain positive yields on these funds in the current low short-term interest rate environment. Waived fees totaled $3.4 million for the third quarter of 2015 compared to $2.6 million for the third quarter of 2014 and $2.9 million for the second quarter of 2015.

Deposit service charges and fees were $23.6 million for the third quarter of 2015, up $1.1 million or 5% over the third quarter of 2014. Overdraft fees were $11.0 million for the third quarter of 2015, an increase of $117 thousand or 1% compared to the third quarter of 2014. Commercial account service charge revenue totaled $10.8 million, an increase of $1.1 million or 11% over the prior year. Service charges on deposit accounts with a standard monthly fee were $1.8 million, a decrease of $111 thousand or 6% compared to the third quarter of 2014. Deposit service charges and fees grew by $1.3 million over the prior quarter primarily due to an increase in overdraft fee volumes.

Mortgage banking revenue increased $6.4 million over the third quarter of 2014. Mortgage production revenue increased $4.0 million largely due to increased production activity. Lower average primary mortgage interest rates and expansion of our correspondent and Home Direct lending channels increased loans closed during the quarter and outstanding loan commitments. Lower average interest rates also increased the percentage of refinanced mortgage loans to 30% in the third quarter of 2015 compared to 26% in the third quarter of 2014. Growth in our correspondent and Home Direct lending channels caused margins to compress compared to the third quarter of 2014. Additionally, production volumes in the third quarter of 2015 were impacted by the implementation of a new mortgage loan origination system during the quarter. Mortgage servicing revenue grew by $2.3 million or 19% over the third quarter of 2014. The outstanding principal balance of mortgage loans serviced for others totaled $18.9 billion, an increase of $3.4 billion or 22%.

Mortgage banking revenue decreased $3.7 million compared to the second quarter of 2015. Mortgage production revenue decreased $4.4 million. Increased average mortgage interest rates and implementation of a new mortgage origination system reduced mortgage production volume compared to the previous quarter. Total mortgage loans originated during the third quarter of 2015 decreased $214 million compared to the previous quarter and outstanding mortgage loan commitments at September 30 were $107 million lower compared to June 30. The increase in average mortgage interest rates during the quarter also reduced higher-margin refinance activity. Revenue from mortgage loan servicing grew by $720 thousand due to an increase in the volume of loans serviced. The outstanding balance of mortgage loans serviced for others increased $949 million over June 30, 2015.

Table 3 – Mortgage Banking Revenue
(In thousands)

	Three Months Ended Sept. 30,		Increase (Decrease)	% Increase (Decrease)	Three Months Ended	Increase (Decrease)	% Increase (Decrease)
	2015	2014			June 30, 2015		
Net realized gains on mortgage loans sold	$18,968	$17,100	$1,868	11 %	$23,856	$(4,888)	(20)%
Change in net unrealized gains on mortgage loans held for sale	(251)	(2,407)	2,156	(90)%	(743)	492	(66)%
Total mortgage production revenue	18,717	14,693	4,024	27 %	23,113	(4,396)	(19)%
Servicing revenue	14,453	12,121	2,332	19 %	13,733	720	5 %
Total mortgage revenue	$33,170	$26,814	$6,356	24 %	$36,846	$(3,676)	(10)%
Mortgage loans funded for sale	$1,614,225	$1,394,211	$220,014	16 %	$1,828,230	$(214,005)	(12)%
Mortgage loans sold	1,778,099	1,369,295	408,804	30 %	1,861,968	(83,869)	(5)%
Period end outstanding mortgage commitments, net	742,742	638,925	103,817	16 %	849,619	(106,877)	(13)%
Outstanding principal balance of mortgage loans	18,928,726	15,499,653	3,429,073	22 %	17,979,623	949,103	5 %

serviced for others

Primary residential mortgage interest rate – period end	3.86	%	4.20	%	(34	) bps	4.02	%	(16	) bps
Primary residential mortgage interest rate – average	3.95	%	4.14	%	(19	) bps	3.82	%	13	bps
Secondary residential mortgage interest rate – period end	2.87	%	3.20	%	(33	) bps	3.13	%	(26	) bps
Secondary residential mortgage interest rate – average	2.97	%	3.21	%	(24	) bps	2.85	%	12	bps

Net gains on securities, derivatives and other assets

In the third quarter of 2015, we recognized a $2.2 million net gain from sales of $451 million of available for sale securities. Securities were sold either because they had reached their expected maximum potential return or to move into securities that will perform better in the current rate environment. In the third quarter of 2014, we recognized a $146 thousand net gain from sales of $553 million of available for sale securities and in the second quarter of 2015, we recognized a $3.4 million net gain on sales of $379 million of available for sale securities.

We also maintain a portfolio of residential mortgage-backed securities issued by U.S. government agencies and interest rate derivative contracts designated as an economic hedge of the changes in the fair value of our mortgage servicing rights. The fair value of our mortgage servicing rights fluctuates due to changes in prepayment speeds and other assumptions as more fully described in Note 6 to the Consolidated Financial Statements. As benchmark mortgage rates increase, prepayment speeds slow and the value of our mortgage servicing rights increases. As benchmark mortgage rates fall, prepayment speeds increase and the value of our mortgage servicing rights decreases.

Changes in the fair value of mortgage servicing rights are highly dependent on changes in primary mortgage rates, rates offered to borrowers, and assumptions about servicing revenues, servicing costs and discount rates. Changes in the fair value of residential mortgage-backed securities and interest rate derivative contracts are highly dependent on changes in secondary mortgage rates, or rates required by investors. While primary and secondary mortgage rates generally move in the same direction, the spread between them may widen and narrow due to market conditions and government intervention. Changes in the spread between the primary and secondary rates can cause significant earnings volatility. Additionally, the fair value of mortgage servicing rights is dependent on short-term interest rates that affect the value of custodial funds, changes in the spread between short-term and long-term interest rates, and other assumptions such as estimated loan servicing costs.
Table 4 following shows the relationship between changes in the fair value of mortgage servicing rights and the fair value of fair value option residential mortgage-backed securities and interest rate derivative contracts designated as an economic hedge.

Table 4 - Gain (Loss) on Mortgage Servicing Rights
(In thousands)

	Three Months Ended		
	Sept. 30, 2015	June 30, 2015	Sept. 30, 2014
Gain (loss) on mortgage hedge derivative contracts, net	$1,460	$(1,005)	$(93)
Gain (loss) on fair value option securities, net	5,926	(8,130)	(341)
Gain (loss) on economic hedge of mortgage servicing rights, net	7,386	(9,135)	(434)
Gain (loss) on change in fair value of mortgage servicing rights	(11,757)	8,010	5,281
Gain (loss) on changes in fair value of mortgage servicing rights, net of economic hedges	$(4,371)	$(1,125)	$4,847
Net interest revenue on fair value option securities	$2,140	$1,985	$830

Primary rates disclosed in Table 3 above represent rates generally available to borrowers on 30 year conforming mortgage loans and affect the value of our mortgage servicing rights. Secondary rates represent rates generally paid on 30 year residential mortgage-backed securities guaranteed by U.S. government agencies and affect the value of securities and derivative contracts used as an economic hedge of our mortgage servicing rights.

Other Operating Expense

Other operating expense for the third quarter of 2015 totaled $224.6 million, a $2.8 million or 1% increase over the third quarter of 2014. Personnel expenses increased $6.0 million or 5%. Non-personnel expenses decreased $3.2 million or 3% compared to the prior year.

Operating expenses decreased $2.5 million compared to the previous quarter. Personnel expense decreased $3.6 million. Non-personnel expense increased $1.1 million.

Table 5 -- Other Operating Expense
(In thousands)

	Three Months Ended Sept. 30,		Increase (Decrease)	% Increase (Decrease)	Three Months Ended June 30, 2015	Increase (Decrease)	% Increase (Decrease)
	2015	2014					
Regular compensation	$79,208	$74,662	$4,546	6 %	$78,105	$1,103	1 %
Incentive compensation:							
Cash-based	30,462	28,721	1,741	6 %	32,347	(1,885)	(6)%
Share-based	2,885	3,824	(939)	(25)%	3,057	(172)	(6)%
Deferred compensation	(539)	(52)	(487)	N/A	118	(657)	N/A
Total incentive compensation	32,808	32,493	315	1 %	35,522	(2,714)	(8)%
Employee benefits	17,046	15,888	1,158	7 %	19,068	(2,022)	(11)%
Total personnel expense	129,062	123,043	6,019	5 %	132,695	(3,633)	(3)%
Business promotion	5,922	6,160	(238)	(4)%	7,765	(1,843)	(24)%
Charitable contributions to BOKF Foundation	796	—	796	N/A	—	796	N/A
Professional fees and services	10,147	14,763	(4,616)	(31)%	9,560	587	6 %
Net occupancy and equipment	18,689	18,892	(203)	(1)%	18,927	(238)	(1)%
Insurance	4,864	4,793	71	1 %	5,116	(252)	(5)%
Data processing and communications	31,228	29,971	1,257	4 %	31,463	(235)	(1)%
Printing, postage and supplies	3,376	3,380	(4)	— %	3,553	(177)	(5)%
Net losses and operating expenses of repossessed assets	267	4,966	(4,699)	(95)%	223	44	20 %
Amortization of intangible assets	1,089	1,100	(11)	(1)%	1,090	(1)	— %
Mortgage banking costs	8,587	7,734	853	11 %	7,419	1,168	16 %
Other expense	10,601	7,032	3,569	51 %	9,302	1,299	14 %
Total other operating expense	$224,628	$221,834	$2,794	1 %	$227,113	$(2,485)	(1)%
Average number of employees (full-time	4,846	4,669	177	4 %	4,776	70	1 %

equivalent)
Certain percentage increases (decreases) are not meaningful for comparison purposes.

Personnel expense

Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, increased $4.5 million or 6% over the third quarter of 2014. Positions added since the prior year have primarily been higher-costing positions in compliance and risk management, technology and wealth management. In addition, standard annual merit increases in regular compensation were effective for the majority of our staff on March 1.

Incentive compensation increased $315 thousand over the third quarter of 2014. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities for 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 increased $1.7 million or 6% over the third quarter of 2014.

Share-based compensation expense represents expense for equity awards based on grant-date fair value and is largely unaffected by subsequent changes in fair value. Non-vested shares awarded prior to 2013 generally cliff vest in 5 years. Non-vested shares awarded since January 1, 2013 generally cliff vest in 3 years and are subject to a two year holding period after vesting.

Employee benefit expense increased $1.2 million or 7% over the third quarter of 2014 primarily due to increased employee retirement plan and payroll tax expense.
Personnel costs decreased by $3.6 million compared to the second quarter of 2015, primarily due to a $2.7 million decrease in incentive compensation expense and a $1.6 million seasonal decrease in payroll taxes. These decreases were partially offset by a $1.1 million increase in regular compensation expense.

Non-personnel operating expenses

Non-personnel operating expenses decreased $3.2 million or 3% compared to the third quarter of 2014. Net losses and operating expenses of repossessed assets were $4.7 million lower than in the prior year. Professional fees and services expense decreased $4.6 million. The third quarter of 2014 included $2.2 million of risk management and regulatory compliance costs related to testing our systems and processes. Other expense increased $2.8 million due to accruals for settled litigation. Data processing and communications expense increased $1.3 million due to increased transaction activity.
Non-personnel expense increased $1.1 million compared to the second quarter of 2015. Mortgage banking expense increased $1.2 million and other expense increased $1.3 million, partially offset by a $1.8 million decrease in business promotion expense.
Income Taxes

Income tax expense was $34.1 million or 31.0% of book taxable income for the third quarter of 2015 compared to $33.8 million or 30.7% of book taxable income for the third quarter of 2014 and $40.6 million or 33.6% of book taxable income for the second quarter of 2015.

The statute of limitations expired on uncertain income tax positions and the Company adjusted its current income tax liability to amounts on filed tax returns for 2014 during the third quarter of 2015. These adjustments reduced income tax expense by $2.0 million in the third quarter of 2015 and $2.3 million in the third quarter of 2014. The Company also made a charitable contribution to the BOKF Foundation in the third quarter of 2015, which reduced income tax expense by $99 thousand. Excluding these adjustments, income tax expense would have been 32.9% of book taxable income for the third quarter of 2015 and 32.8% of book taxable income for the third quarter of 2014.

The Company adopted FASB Accounting Standards Update No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, on January 1, 2015. This standard was retrospectively applied to all periods presented. Approximately $1.9 million was reclassified from pre-tax earnings to income tax expense in the third quarter of 2014 and approximately $7.4 million was reclassified from pre-tax earnings to income tax expense for the nine months ended September 30, 2014. This reclassification increased the effective tax rate by 120 basis points in the third quarter of 2014 and 150 basis points for the nine months ended September 30, 2014. Adoption of this standard did not affect net income.

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. The reserve for uncertain tax positions was $14 million at both September 30, 2015 and at June 30, 2015 and $12 million at September 30, 2014.

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 for small businesses, middle market and larger commercial customers. Commercial Banking also includes the TransFund EFT network. Consumer Banking includes retail lending and deposit services, lending and deposit services to small business customers served through our consumer branch network and all mortgage banking activities. Wealth Management provides fiduciary services, private banking services and investment advisory services in all markets. Wealth Management also underwrites state and municipal securities and engages in brokerage and trading activities.

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.

We allocate resources and evaluate the performance of our lines of business using the net direct contribution which includes the allocation of funds, actual net credit losses and capital costs. In addition, we measure the performance of our business lines after allocation of certain indirect expenses and taxes based on statutory rates.

The cost of funds borrowed from the Funds Management unit by the operating lines of business is transfer priced at rates that approximate market rates for funds with similar duration. Market rates are generally based on the applicable LIBOR or interest rate swap rates, adjusted for prepayment risk. This method of transfer-pricing funds that support assets of the operating lines of business tends to insulate them from interest rate risk.

The value of funds provided by the operating lines of business to the Funds Management unit is also based on rates which approximate wholesale market rates for funds with similar duration and re-pricing characteristics. Market rates are generally based on LIBOR or interest rate swap rates. The funds credit formula applied to deposit products with indeterminate maturities is established based on their re-pricing characteristics reflected in a combination of the short-term LIBOR rate and a moving average of an intermediate term swap rate, with an appropriate spread applied to both. Shorter duration products are weighted towards the short term LIBOR rate and longer duration products are weighted towards the intermediate swap rates. 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 management's assessment of risk. This model assigns capital based upon credit, operating, interest rate and other 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 6, net income attributable to our lines of business increased $3.2 million or 6% over the third quarter of 2014. Growth in both net interest revenue and fees and commissions revenue was partially offset by increased operating expenses. The third quarter of 2015 had $2.3 million of net charge-offs compared to net recoveries of $228 thousand in the third quarter of 2014.

Table 6 -- Net Income by Line of Business

(In thousands)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Commercial Banking	$45,012	$39,004	$136,260	$113,348
Consumer Banking	5,073	9,513	18,549	26,412
Wealth Management	3,870	2,258	12,921	9,568
Subtotal	53,955	50,775	167,730	149,328
Funds Management and other	20,936	24,857	61,234	78,789
Total	$74,891	$75,632	$228,964	$228,117

Commercial Banking

Commercial Banking contributed $45.0 million to consolidated net income in the third quarter of 2015, up $6.0 million or 15% over the third quarter of 2014. Increased net interest revenue and lower operating expenses, was partially offset by an increase net loans charged off. Commercial Banking had $828 thousand of net loans charged off in the third quarter of 2015 compared $1.7 million of net recoveries in the third quarter of 2014.

Table 7 -- Commercial Banking
(Dollars in thousands)

	Three Months Ended Sept. 30,		Increase (Decrease)	Nine Months Ended Sept. 30,		Increase (Decrease)
	2015	2014		2015	2014	
Net interest revenue from external sources	$109,495	$95,423	$14,072	$319,279	$281,064	$38,215
Net interest expense from internal sources	(12,730)	(9,796)	(2,934)	(37,928)	(33,419)	(4,509)
Total net interest revenue	96,765	85,627	11,138	281,351	247,645	33,706
Net loans charged off (recovered)	828	(1,702)	2,530	(8,122)	(8,894)	772
Net interest revenue after net loans charged off (recovered)	95,937	87,329	8,608	289,473	256,539	32,934
Fees and commissions revenue	45,317	44,994	323	133,527	127,505	6,022
Gain (loss) on financial instruments and other assets, net	(418)	127	(545)	(164)	(978)	814
Other operating revenue	44,899	45,121	(222)	133,363	126,527	6,836
Personnel expense	28,544	28,133	411	84,362	82,455	1,907
Non-personnel expense	23,955	27,399	(3,444)	71,493	73,074	(1,581)
Other operating expense	52,499	55,532	(3,033)	155,855	155,529	326
Net direct contribution	88,337	76,918	11,419	266,981	227,537	39,444
Corporate expense allocations	14,668	13,081	1,587	43,970	42,024	1,946
Income before taxes	73,669	63,837	9,832	223,011	185,513	37,498

Federal and state income tax	28,657	24,833	3,824	86,751	72,165	14,586
Net income	$45,012	$39,004	$6,008	$136,260	$113,348	$22,912
Average assets	$13,544,828	$11,508,661	$2,036,167	$13,114,958	$11,222,847	$1,892,111
Average loans	12,531,113	10,827,829	1,703,284	12,230,278	10,548,702	1,681,576
Average deposits	8,628,520	8,924,040	(295,520)	8,850,537	8,889,451	(38,914)
Average invested capital	1,062,053	940,091	121,962	1,028,013	937,281	90,732
Return on average assets	1.32%	1.35%	(3)bp	1.39%	1.35%	4bp
Return on invested capital	16.83%	16.47%	36bp	17.74%	16.21%	153bp
Efficiency ratio	36.90%	42.45%	(555)bp	37.51%	41.39%	(388)bp
Net recoveries (annualized) to average loans	0.03%	(0.06)%	9bp	(0.09)%	(0.11)%	2bp

Net interest revenue increased $11.1 million or 13% over the prior year. Growth in net interest revenue was primarily due to a $1.7 billion or 16% increase in average loan balances, partially offset by reduced yields on loans and a $296 million decrease in average deposit balances.

Fees and commissions revenue increased $323 thousand or 1% over the third quarter of 2014. Other revenue increased $1.6 million primarily related to merchant banking activity. Commercial deposit service charge revenue increased $994 thousand. Transaction card revenues from our TransFund electronic funds transfer network were up $931 thousand. These increases were partially offset by a $3.2 million decrease related to the timing and volume of commercial loan syndication fees.

Operating expenses decreased $3.0 million or 5% compared to the third quarter of 2014. Personnel costs increased $411 thousand or 1% primarily due to standard annual merit increases, partially offset by lower incentive compensation expense. Non-personnel expenses decreased $3.4 million or 13%. Net losses and operating expenses of repossessed assets decreased $5.2 million compared to the prior year. Data processing and communication expense increased $898 thousand related to growth in transaction activity and other expense increased $894 thousand primarily due to merchant banking investment activity. Corporate expense allocations increased $1.6 million over the prior year.

The average outstanding balance of loans attributed to Commercial Banking grew by $1.7 billion over the third quarter of 2014 to $12.5 billion. See the Loans section of Management's Discussion and Analysis of Financial Condition following for additional discussion of changes in commercial and commercial real estate loans which are primarily attributed to the Commercial Banking segment.

Average deposits attributed to Commercial Banking were $8.6 billion for the third quarter of 2015, a decrease of $296 million compared to the third quarter of 2014. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments.

Consumer Banking

Consumer Banking provides retail banking services through four primary distribution channels: traditional branches, the 24-hour ExpressBank call center, Internet banking and mobile banking. Consumer Banking also conducts mortgage banking activities through offices located outside of our consumer banking markets, through correspondent loan originators and through Home Direct Mortgage, an on-line origination channel.

Consumer Banking contributed $5.1 million to consolidated net income for the third quarter of 2015, a decrease of $4.4 million compared to the third quarter of 2014.

Changes in the fair value of our mortgage servicing rights, net of economic hedge, resulted in a $2.7 million decrease in Consumer Banking net income in the third quarter of 2015 compared to a $3.0 million increase in Consumer Banking net income in the third quarter of 2014. Mortgage banking revenue grew by $6.3 million over the prior year, mostly offset by a $3.6 million increase in corporate expense allocations.

Table 8 -- Consumer Banking
(Dollars in thousands)

	Three Months Ended Sept. 30,		Increase (Decrease)	Nine Months Ended Sept. 30,		Increase (Decrease)
	2015	2014		2015	2014	
Net interest revenue from external sources	$21,578	$19,742	$1,836	$64,030	$61,672	$2,358
Net interest revenue from internal sources	7,688	9,517	(1,829)	23,226	28,354	(5,128)
Total net interest revenue	29,266	29,259	7	87,256	90,026	(2,770)
Net loans charged off	1,488	1,599	(111)	1,488	1,599	(111)
Net interest revenue after net loans charged off	27,778	27,660	118	85,768	88,427	(2,659)
Fees and commissions revenue	55,117	48,508	6,609	171,760	145,018	26,742
Gain on financial instruments and other assets, net	9,618	1,454	8,164	8,282	14,636	(6,354)
Change in fair value of mortgage servicing rights	(11,757)	5,281	(17,038)	(12,269)	(5,624)	(6,645)
Other operating revenue	52,978	55,243	(2,265)	167,773	154,030	13,743
Personnel expense	26,063	23,667	2,396	78,751	71,401	7,350
Non-personnel expense	24,545	25,438	(893)	79,653	70,061	9,592
Total other operating expense	50,608	49,105	1,503	158,404	141,462	16,942
Net direct contribution	30,148	33,798	(3,650)	95,137	100,995	(5,858)
Corporate expense allocations	21,845	18,229	3,616	64,779	57,768	7,011
Income before taxes	8,303	15,569	(7,266)	30,358	43,227	(12,869)
Federal and state income tax	3,230	6,056	(2,826)	11,809	16,815	(5,006)
Net income	$5,073	$9,513	$(4,440)	$18,549	$26,412	$(7,863)
Average assets	$7,286,709	$7,123,786	$162,923	$7,307,097	$7,091,118	$215,979
Average loans	1,882,584	1,979,783	(97,199)	1,908,007	1,994,173	(86,166)
Average deposits	6,675,990	6,543,492	132,498	6,674,052	6,499,468	174,584
Average invested capital	264,540	271,705	(7,165)	268,427	278,396	(9,969)
Return on average assets	0.28 %	0.53 %	(25) bp	0.34 %	0.50 %	(16) bp
Return on invested capital	7.61 %	13.89 %	(628) bp	9.24 %	12.68 %	(344) bp
Efficiency ratio	56.97 %	58.99 %	(202) bp	58.28 %	56.26 %	202 bp
Net charge-offs (annualized) to average loans	0.31 %	0.32 %	(1) bp	0.10 %	0.11 %	(1) bp

Increase

	Sept. 30, 2015	Sept. 30, 2014	(Decrease)
Banking locations	154	186	(32)

Net interest revenue from Consumer Banking activities was largely unchanged compared to the third quarter of 2014. Average loan balances were $97 million or 5% lower than the prior year. This impact was partially offset by a $132 million or 2% increase in deposit balances, which are sold to the Funds Management unit.

Fees and commissions revenue increased $6.6 million or 14% over the third quarter of 2014, primarily due to a $6.3 million increase in mortgage banking revenue over the prior year. Deposit service charges and fees were largely unchanged compared to the prior year.

Operating expenses increased $1.5 million or 3% over the third quarter of 2014. Personnel expenses were up $2.4 million or 10%, including a $1.9 million increase in regular compensation expense primarily due to the expansion of our Home Direct Mortgage origination channel. Employee benefit expense and incentive compensation expense both increased over the prior year as well. Non-personnel expense decreased $893 thousand compared to the prior year. Net occupancy and equipment, professional fees and services, deposit insurance expense and business promotion decreased compared to the prior year, offset by an increase in mortgage banking, data processing and communications and other expense. Corporate expense allocations increased $3.6 million over the third quarter of 2014.

Average consumer deposits increased $132 million or 2% over the third quarter of 2014. Average demand deposit balances increased $138 million or 10%, average interest-bearing transaction accounts increased $124 million or 4% and average savings account balances increased $37 million or 11%. Average time deposit balances were down $167 million or 11% compared to the prior year.

Wealth Management

Wealth Management contributed $3.9 million to consolidated net income in the third quarter of 2015, up $1.6 million over the third quarter of 2014. Brokerage and trading revenue and fiduciary and asset management revenue both grew over the prior year. Increased operating expenses were offset by lower corporate expense allocations.

Table 9 -- Wealth Management
(Dollars in thousands)

	Three Months Ended Sept. 30,		Increase (Decrease)	Nine Months Ended Sept. 30,		Increase (Decrease)
	2015	2014		2015	2014	
Net interest revenue from external sources	$6,680	$5,956	$724	$18,289	$17,574	$715
Net interest revenue from internal sources	5,161	5,191	(30)	15,712	14,594	1,118
Total net interest revenue	11,841	11,147	694	34,001	32,168	1,833
Net loans charged off (recovered)	2	(125)	127	(745)	323	(1,068)
Net interest revenue after net loans charged off (recovered)	11,839	11,272	567	34,746	31,845	2,901
Fees and commissions revenue	63,304	61,173	2,131	192,314	181,542	10,772
Loss on financial instruments and other assets, net	(209)	(172)	(37)	(998)	(752)	(246)
Other operating revenue	63,095	61,001	2,094	191,316	180,790	10,526
Personnel expense	46,182	44,293	1,889	136,499	127,893	8,606
Non-personnel expense	11,560	12,008	(448)	35,261	32,953	2,308
Other operating expense	57,742	56,301	1,441	171,760	160,846	10,914
Net direct contribution	17,192	15,972	1,220	54,302	51,789	2,513
Corporate expense allocations	10,858	12,276	(1,418)	33,154	36,130	(2,976)
Income before taxes	6,334	3,696	2,638	21,148	15,659	5,489
Federal and state income tax	2,464	1,438	1,026	8,227	6,091	2,136
Net income	$3,870	$2,258	$1,612	$12,921	$9,568	$3,353
Average assets	$4,629,506	$4,324,204	$305,302	$4,696,750	$4,499,858	$196,892
Average loans	1,085,563	1,000,165	85,398	1,062,430	971,169	91,261
Average deposits	4,490,144	4,207,216	282,928	4,570,593	4,376,874	193,719
Average invested capital	226,477	220,489	5,988	225,222	212,729	12,493
Return on average assets	0.38 %	0.26 %	12 bp	0.42 %	0.33 %	9 bp

Return on invested capital	7.75 %	5.06 %	269 bp	8.66 %	6.89 %	177 bp
Efficiency ratio	76.56 %	77.69 %	(113)bp	75.69 %	75.13 %	56 bp
Net charge-offs (annualized) to average loans	— %	(0.05)%	5 bp	(0.09)%	0.04 %	(13)bp

	Sept. 30, 2015	2014	Increase (Decrease)
Fiduciary assets in custody for which BOKF has sole or joint discretionary authority	$14,027,771	$14,586,937	$(559,166)
Fiduciary assets not in custody for which BOKF has sole or joint discretionary authority	3,325,785	3,322,947	2,838
Non-managed trust assets in custody	20,427,113	16,110,558	4,316,555
Total fiduciary assets	37,780,669	34,020,442	3,760,227
Assets held in safekeeping	23,574,320	22,814,401	759,919
Brokerage accounts under BOKF administration	5,646,493	5,564,443	82,050
Assets under management or in custody	$67,001,482	$62,399,286	$4,602,196

Net interest revenue for the third quarter of 2015 increased $694 thousand or 6% over the third quarter of 2014. Average deposit balances were up $283 million or 7% over the third quarter of 2014. Time deposit balances increased $168 million and non-interest bearing demand deposits increased $98 million. Interest-bearing transaction account balances increased $17 million. Average loan balances were up $85 million or 9% over the prior year. The benefit of this growth was partially offset by lower yields.

Fees and commissions revenue was up $2.1 million or 3% over the third quarter of 2014. Brokerage and trading revenue increased $1.4 million or 5%. Fiduciary and asset management revenue increased $1.1 million or 4% over the prior year.

Other operating revenue includes fees earned from state and municipal bond and corporate debt underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In the third quarter of 2015, the Wealth Management division participated in 132 state and municipal bond underwritings that totaled $3.2 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately $997 million of these underwritings. The Wealth Management division also participated in three corporate debt underwritings that totaled $1.7 billion. Our interest in these underwritings was $27 million. In the third quarter of 2014, the Wealth Management division participated in 127 state and municipal bond underwritings that totaled approximately $2.2 billion. Our interest in these underwritings totaled approximately $668 million. The Wealth Management division also participated in 5 corporate debt underwritings that totaled $2.1 billion. Our interest in these underwritings was $61 million.

Operating expenses increased $1.4 million or 3% over the third quarter of 2014. Personnel expenses increased $1.9 million, primarily due to an increase in regular compensation and incentive compensation expense. Non-personnel expense decreased $448 thousand. Lower professional fees and service expense and deposit insurance expense, were partially offset by increased business promotion and data processing and communications expense. Corporate expense allocations decreased $1.4 million compared to the prior year.

Financial Condition
Securities

We maintain a securities portfolio to enhance profitability, manage interest rate risk, provide liquidity and comply with regulatory requirements. Securities are classified as trading, held for investment, or available for sale. See Note 2 to the consolidated financial statements for the composition of the securities portfolio as of September 30, 2015, December 31, 2014 and September 30, 2014.

At September 30, 2015, the carrying value of investment (held-to-maturity) securities was $612 million and the fair value was $643 million. Investment securities consist primarily of long-term, fixed rate Oklahoma and Texas municipal bonds, taxable Texas school construction bonds and residential mortgage-backed securities issued by U.S. government agencies. The investment security portfolio is diversified among issuers. The largest obligation of any single issuer is $30million. Substantially all of these bonds are general obligations of the issuers. Approximately $104 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program supervised by the State Board of Education for the State of Texas.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, net of deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled $8.7 billion at September 30, 2015, a decrease of $255 million compared to June 30, 2015. Available for sale securities consist primarily of U.S. government agency residential mortgage-backed securities and U.S. government agency commercial mortgage-backed securities. Commercial mortgage-backed securities have prepayment penalties similar to commercial loans. At September 30, 2015, residential mortgage-backed securities represented 68% of total available for sale securities.

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. Our best estimate of the duration of the combined residential mortgage-backed securities portfolio held in investment and available for sale securities at September 30, 2015 is 3.1 years. Management estimates the duration extends to 3.6 years assuming an immediate 200 basis point upward shock. The estimated duration contracts to 2.8 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 fully guaranteed. At September 30, 2015, approximately $5.7 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 $5.8 billion at September 30, 2015.

We also hold amortized cost of $134 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decrease of $8.4 million from June 30, 2015. The decrease was due to cash payments received during the quarter. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled $146 million at September 30, 2015.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included $75 million of Jumbo-A residential mortgage loans and $59 million of Alt-A residential mortgage loans. Jumbo-A residential mortgage loans generally meet government 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. Approximately 91% of our Alt-A mortgage-backed securities represent pools of fixed rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages

("ARMs"). Approximately 30% of our Jumbo-A residential mortgage-backed securities represent pools of fixed rate residential mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

The aggregate gross amount of unrealized losses on available for sale securities totaled $7.9 million at September 30, 2015, compared to $26 million at June 30, 2015. 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. No other-than-temporary impairment charges were recognized in earnings during the third quarter of 2015.

Certain residential mortgage-backed securities issued by U.S. government agencies and included in fair value option securities on the Consolidated Balance Sheets have been segregated and designated as economic hedges of changes in the fair value of our mortgage servicing rights. We have elected to carry these securities at fair value with changes in fair value recognized in current period income. These securities are held with the intent that gains or losses will offset changes in the fair value of mortgage servicing rights and related derivative contracts.

BOK Financial is required to hold stock as members of the Federal Reserve system and the Federal Home Loan Banks ("FHLB"). These restricted equity securities are carried at cost as these securities do not have a readily determined fair value because the ownership of these shares are restricted and they lack a market. Federal Reserve Bank stock totaled $35 million and holdings of FHLB stock totaled $228 million at September 30, 2015. Holdings of FHLB stock increased $32 million over June 30, 2015. We are required to hold stock in the FHLB in proportion to our borrowings with the FHLB.

Bank-Owned Life Insurance

We have approximately $301 million of bank-owned life insurance at September 30, 2015. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately $270 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 certain life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At September 30, 2015, the fair value of investments held in separate accounts was approximately $284 million. As the underlying fair value of the investments held in a separate account at September 30, 2015 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 domestic financial institution. The remaining cash surrender value of $31 million primarily represents the cash surrender value of policies held in general accounts and other amounts due from various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled $15.4 billion at September 30, 2015, an increase of $243 million over June 30, 2015. Outstanding commercial loans grew by $22 million over June 30, 2015, largely due to growth in healthcare, other commercial and industrial and services loans, partially offset by a decrease in wholesale/retail and energy loan balances. Commercial real estate loan balances were up $202 million primarily related to growth in loans secured by retail facilities, industrial facilities, office buildings and multifamily residential properties, partially offset by a decrease in other commercial real estate loans. Residential mortgage loans decreased $16 million compared to June 30, 2015 and personal loans increased $36 million over June 30, 2015.

Table 10 -- Loans
(In thousands)

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Commercial:					
Energy	$2,838,167	$2,902,143	$2,902,994	$2,860,428	$2,551,699
Services	2,706,624	2,681,126	2,592,876	2,391,530	2,339,951
Wholesale/retail	1,461,936	1,533,730	1,405,800	1,440,015	1,421,107
Manufacturing	555,677	579,549	560,925	532,594	479,543
Healthcare	1,741,680	1,646,025	1,511,177	1,454,969	1,382,399
Other commercial and industrial	493,338	433,148	417,391	416,134	397,339
Total commercial	9,797,422	9,775,721	9,391,163	9,095,670	8,572,038
Commercial real estate:					
Residential construction and land development	153,510	148,574	139,152	143,591	175,228
Retail	769,449	688,447	658,860	666,889	611,265
Office	626,151	563,085	513,862	415,544	438,909
Multifamily	758,658	711,333	749,986	704,298	739,757
Industrial	563,871	488,054	478,584	428,817	371,426
Other commercial real estate	363,428	434,004	395,020	369,011	387,614
Total commercial real estate	3,235,067	3,033,497	2,935,464	2,728,150	2,724,199
Residential mortgage:					
Permanent mortgage	937,664	946,324	964,264	969,951	991,107
Permanent mortgages guaranteed by U.S. government agencies	192,712	190,839	200,179	205,950	198,488
Home equity	738,619	747,565	762,556	773,611	790,068
Total residential mortgage	1,868,995	1,884,728	1,926,999	1,949,512	1,979,663
Personal	465,957	430,190	430,510	434,705	407,839
Total	$15,367,441	$15,124,136	$14,684,136	$14,208,037	$13,683,739

Certain loans previously classified Services in the prior periods have been reclassified to Wholesale/retail to conform with current classification guidelines.

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.

Commercial loans totaled $9.8 billion or 64% of the loan portfolio at September 30, 2015, an increase of $22 million over June 30, 2015. Healthcare sector loans grew by $96 million, other commercial and industrial loans increased $60 million and service sector loans increase by $25 million during the quarter. Wholesale/retail sector loans decreased $72 million and energy loan balances decreased $64 million compared to June 30, 2015.

Table 11 presents the commercial sector of our loan portfolio distributed primarily by collateral location. Loans for which collateral location is less relevant, such as unsecured loans and reserve-based energy loans, are distributed by the borrower's primary operating location. The majority of the collateral securing our commercial loan portfolio is located within our geographical footprint with 35% concentrated in the Texas market and 21% concentrated in the Oklahoma market. The Other category is primarily composed of two states, Louisiana and California, which represent $361 million or 4% of the commercial loan portfolio and $214 million or 2% of the commercial loan portfolio, respectively, at September 30, 2015. All other states individually represent one percent or less of total commercial loans.

Table 11 -- Commercial Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/Missouri	Other	Total
Energy	$554,340	$1,379,387	$66,958	$7,191	$355,005	$10,886	$74,277	$390,123	$2,838,167
Services	598,784	818,467	198,433	3,188	274,578	155,396	163,862	493,916	2,706,624
Wholesale/retail	399,540	573,974	38,250	39,159	61,332	46,799	49,946	252,936	1,461,936
Manufacturing	159,692	184,973	4,024	5,114	35,717	51,684	59,990	54,483	555,677
Healthcare	265,113	326,082	118,616	77,408	118,909	112,553	199,244	523,755	1,741,680
Other commercial and industrial	84,698	149,780	5,670	72,876	25,612	18,919	90,248	45,535	493,338
Total commercial loans	$2,062,167	$3,432,663	$431,951	$204,936	$871,153	$396,237	$637,567	$1,760,748	$9,797,422

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 a large 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.

Outstanding energy loans totaled $2.8 billion or 18% of total loans at September 30, 2015. Unfunded energy loan commitments increased by $147 million to $2.7 billion at September 30, 2015. Approximately $2.3 billion of energy loans were to oil and gas producers, down $135 million compared to June 30, 2015. Approximately 61% of the committed production loans are secured by properties primarily producing oil and 39% of the committed production loans are secured by properties primarily producing natural gas. Loans to borrowers that provide services to the energy industry increased $79 million to $323 million at September 30, 2015. Loans to midstream oil and gas companies

totaled $149 million at September 30, 2015, an increase of $42 million over June 30, 2015. Loans to other energy borrowers, including those engaged in wholesale or retail energy sales, totaled $35 million, a $50 million decrease compared to the prior quarter.

The services sector of the loan portfolio totaled $2.7 billion or 18% of total loans and consists of a large number of loans to a variety of businesses, including governmental, finance and insurance, not-for-profit, educational services and loans to entities providing services for real estate and construction. Service sector loans increased by $25 million compared to June 30, 2015. 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.

The healthcare sector of the loan portfolio consists primarily of loans for the development and operation of senior housing and care facilities, including independent living, assisted living and skilled nursing. Healthcare also includes loans to hospitals and other medical service providers.

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 September 30, 2015, the outstanding principal balance of these loans totaled $3.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 18% of our shared national credits, based on dollars committed. We hold shared 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, banking regulators annually review a sample of shared national credits for proper risk grading.

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 generally within our geographical footprint, with larger concentrations in Texas and Oklahoma which represent 31% and 13% of the total commercial real estate portfolio at September 30, 2015, respectively. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project and a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Commercial real estate loans totaled $3.2 billion or 21% of the loan portfolio at September 30, 2015. The outstanding balance of commercial real estate loans increased $202 million during the third quarter of 2015. Retail sector loans increased $81 million. Loans secured by industrial facilities grew $76 million. Loans secured by office buildings increased $63 million and loans secured by multifamily residential properties increased $47 million. These increases were partially offset by a $71 million decrease in other commercial real estate loan balances. The commercial real estate loan balance as a percentage of our total loan portfolio has ranged from 18% to 21% over the past five years. The commercial real estate sector of our loan portfolio distributed by collateral location follows in Table 12.

Table 12 -- Commercial Real Estate Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/Missouri	Other	Total
Residential construction and land development	$21,230	$31,260	$17,699	$14,303	$48,592	$8,227	$ 6,571	$5,628	$153,510
Retail	97,207	274,728	84,729	4,076	60,447	41,924	9,273	197,065	769,449
Office	98,237	198,959	58,472	4,264	24,769	37,709	48,947	154,794	626,151
Multifamily	85,511	274,411	30,533	22,197	69,903	93,322	41,715	141,066	758,658
Industrial	53,781	154,908	36,379	395	6,541	13,796	43,398	254,673	563,871
Other real estate	76,206	80,473	23,266	8,780	19,335	27,340	13,012	115,016	363,428
Total commercial real estate loans	$432,172	$1,014,739	$251,078	$54,015	$229,587	$222,318	$ 162,916	$868,242	$3,235,067

Residential Mortgage and Personal

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. Personal loans consist primarily of loans to wealth management clients secured by the cash surrender value of insurance policies and marketable securities. It also includes direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as unsecured loans. Residential mortgage and personal loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Loans may be individually underwritten or credit scored based on size and other criteria. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability.

Residential mortgage loans totaled $1.9 billion, a $16 million decrease compared to June 30, 2015. In general, we sell the majority of our conforming fixed rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market. Collateral for 98% of our residential mortgage loan portfolio is located within our geographical footprint.

The majority of our permanent mortgage loan portfolio is composed of various non-conforming 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. Jumbo loans may be fixed or variable rate and are fully amortizing. The size of jumbo loans exceed maximums set under government sponsored entity standards, but otherwise generally conform to those 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 healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

At September 30, 2015, $193 million of permanent residential mortgage loans are guaranteed by U.S. government agencies. We have minimal credit exposure on loans guaranteed by the agencies. This amount includes residential mortgage loans previously sold into GNMA mortgage pools that the Company may repurchase when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet. Permanent residential mortgage loans guaranteed by U.S. government agencies increased $1.9 million over June 30, 2015.

Home equity loans totaled $739 million at September 30, 2015, a decrease of $8.9 million compared to June 30, 2015. Our home equity loan portfolio is primarily composed of first-lien, fully amortizing home equity loans. Home equity loans generally 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 $400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayment. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term subject to an update of certain credit information. A summary of our home equity loan portfolio at September 30, 2015 by lien position and amortizing status follows in Table 13.

Table 13 -- Home Equity Loans
(In thousands)

	Revolving	Amortizing	Total
First lien	$37,478	$469,130	$506,608
Junior lien	76,012	155,999	232,011
Total home equity	$113,490	$625,129	$738,619

The distribution of residential mortgage and personal loans at September 30, 2015 is as follows in Table 14. Residential mortgage loans are distributed by collateral location. Personal loans are generally distributed by borrower location.

Table 14 -- Residential Mortgage and Consumer Loans by Collateral Location
(In thousands)

	Oklahoma	Texas	New Mexico	Arkansas	Colorado	Arizona	Kansas/Missouri	Other	Total
Residential mortgage:									
Permanent mortgage	$193,087	$390,123	$38,696	$15,200	$135,065	$90,747	$ 50,940	$23,806	$937,664
Permanent mortgages guaranteed by U.S. government agencies	63,015	22,642	65,635	5,881	7,666	1,850	12,966	13,057	192,712
Home equity	436,449	131,460	116,800	5,362	30,723	9,749	7,509	567	738,619
Total residential mortgage	$692,551	$544,225	$221,131	$26,443	$173,454	$102,346	$ 71,415	$37,430	$1,868,995
Personal	$187,360	$189,746	$10,524	$915	$30,833	$17,007	$ 22,686	$6,886	$465,957

The Company secondarily evaluates loan portfolio performance based on the primary geographical market managing the loan. Loans attributed to a geographical market may not represent the location of the borrower or the collateral. All permanent mortgage loans serviced by our mortgage banking unit and held for investment by the Bank are centrally managed by the Bank of Oklahoma.

Table 15 -- Loans Managed by Primary Geographical Market
(In thousands)

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Bank of Oklahoma:					
Commercial	$3,514,391	$3,529,406	$3,276,553	$3,142,689	$3,106,264
Commercial real estate	677,372	614,995	612,639	603,610	592,865
Residential mortgage	1,405,235	1,413,690	1,442,340	1,467,096	1,481,264
Personal	185,463	190,909	205,496	206,115	193,207
Total Bank of Oklahoma	5,782,461	5,749,000	5,537,028	5,419,510	5,373,600
Bank of Texas:					
Commercial	3,752,193	3,738,742	3,709,467	3,549,128	3,169,458
Commercial real estate	1,257,741	1,158,056	1,130,973	1,027,817	1,046,322
Residential mortgage	222,395	228,683	237,985	235,948	247,117
Personal	194,051	156,260	149,827	154,363	148,965
Total Bank of Texas	5,426,380	5,281,741	5,228,252	4,967,256	4,611,862
Bank of Albuquerque:					
Commercial	368,027	392,362	388,005	383,439	378,663
Commercial real estate	312,953	291,953	296,696	296,358	313,905
Residential mortgage	121,232	123,376	127,326	127,999	130,045
Personal	10,477	11,939	12,095	10,899	11,714
Total Bank of Albuquerque	812,689	819,630	824,122	818,695	834,327
Bank of Arkansas:					
Commercial	76,044	99,086	91,485	95,510	74,866
Commercial real estate	82,225	85,997	87,034	88,301	96,874
Residential mortgage	8,063	6,999	6,807	7,261	7,492
Personal	4,921	5,189	5,114	5,169	5,508
Total Bank of Arkansas	171,253	197,271	190,440	196,241	184,740
Colorado State Bank & Trust:					
Commercial	1,029,694	1,019,454	1,008,316	977,961	957,917
Commercial real estate	229,835	229,721	209,272	194,553	190,812
Residential mortgage	50,138	54,135	55,925	57,119	56,705
Personal	30,683	30,373	27,792	27,918	24,812
Total Colorado State Bank & Trust	1,340,350	1,333,683	1,301,305	1,257,551	1,230,246
Bank of Arizona:					
Commercial	608,235	572,477	519,767	547,524	500,208
Commercial real estate	482,918	472,061	432,269	355,140	316,698
Residential mortgage	41,722	37,493	36,161	35,872	39,256
Personal	17,609	12,875	12,394	12,883	11,201
Total Bank of Arizona	1,150,484	1,094,906	1,000,591	951,419	867,363
Bank of Kansas City:					
Commercial	448,838	424,194	397,570	399,419	384,662
Commercial real estate	192,023	180,714	166,581	162,371	166,723

Residential mortgage	20,210	20,352	20,455	18,217	17,784
Personal	22,753	22,645	17,792	17,358	12,432
Total Bank of Kansas City	683,824	647,905	602,398	597,365	581,601
Total BOK Financial loans	$15,367,441	$15,124,136	$14,684,136	$14,208,037	$13,683,739

Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled $8.3 billion and standby letters of credit which totaled $480 million at September 30, 2015. 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 $4.1 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at September 30, 2015.

Table 16 – Off-Balance Sheet Credit Commitments
(In thousands)

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Loan commitments	$8,325,540	$8,064,841	$8,116,482	$8,328,416	$7,715,279
Standby letters of credit	479,638	444,947	394,282	447,599	450,828
Mortgage loans sold with recourse	161,897	168,581	174,386	179,822	174,526

As more fully described in Note 6 to the Consolidated Financial Statements, we have off-balance sheet commitments related to certain residential mortgage loans originated under community development loan programs that were sold to a U.S. government agency with full recourse. These mortgage loans were underwritten to standards approved by the agencies, including full documentation and originated under programs available only for owner-occupied properties. The Company no longer sells residential mortgage loans with recourse. We are obligated to repurchase these loans for the life of these loans in the event of foreclosure for the unpaid principal and interest at the time of foreclosure. Substantially all of these loans are to borrowers in our primary markets including $106 million to borrowers in Oklahoma, $17 million to borrowers in Arkansas and $12 million to borrowers in New Mexico.

We also have an off-balance sheet obligation to repurchase residential mortgage loans sold to government sponsored entities through our mortgage banking activities due to standard representations and warranties made under contractual agreements as described further in Note 6 to the Consolidated Financial Statements. For the period from 2010 through the third quarter of 2015 combined, approximately 21% of repurchase requests have currently resulted in actual repurchases or indemnification by the Company. The accrual for credit losses related to potential loan repurchases under representations and warranties totaled $3.0 million at September 30, 2015 and $2.8 million at June 30, 2015.

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. 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 market risk due to 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 cash margin or other collateral in conjunction with our credit agreements 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 may be 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 BOK Financial 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 the counterparty's ability to provide margin collateral was impaired. Credit losses on customer derivatives reduce brokerage and trading revenue in the Consolidated Statement of Earnings.

Derivative contracts are carried at fair value. At September 30, 2015, the net fair values of derivative contracts, before consideration of cash margin, reported as assets under these programs totaled $755 million compared to $652 million at June 30, 2015. At September 30, 2015, the fair value of our derivative contracts included $557 million for foreign exchange contracts, $86 million related to to-be-announced residential mortgage-backed securities, $61 million for energy contracts and $43 million for interest rate swaps. The aggregate net fair value of derivative contracts, before consideration of cash margin, held under these programs reported as liabilities totaled $748 million at September 30, 2015 and $643 million at June 30, 2015.

At September 30, 2015, total derivative assets were reduced by $29 million of cash collateral received from counterparties and total derivative liabilities were reduced by $112 million of cash collateral paid 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 September 30, 2015 follows in Table 17.

Table 17 -- Fair Value of Derivative Contracts
(In thousands)

Customers	$595,234
Banks and other financial institutions	96,487
Exchanges and clearing organizations	33,924
Fair value of customer risk management program asset derivative contracts, net	$725,645

At September 30, 2015, our largest derivative exposure was to an exchange for energy derivative contracts which totaled $29 million. At September 30, 2015, our aggregate gross exposure to internationally active domestic financial institutions was approximately $195 million comprised of $175 million of cash and securities positions and $20 million of gross derivative positions. We have no direct exposure to European sovereign debt and our aggregate gross exposure to European financial institutions totaled $35 million at September 30, 2015.

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 exceeds 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 $24.84 per barrel of oil would decrease the fair value of derivative assets by $381 thousand. An increase in prices equivalent to $83.34 per barrel of oil would increase the fair value of derivative assets by $37 million as current prices move towards 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 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $21 million. The fair value of our to-be-announced residential mortgage-backed securities and interest rate swap derivative contracts is affected by changes in interest rates. Based on our assessment as of September 30, 2015, changes in interest rates

would not materially impact regulatory capital or liquidity needed to support this portion of our customer derivative program.

Summary of Loan Loss Experience

We maintain an allowance for loan losses and an accrual for off-balance sheet credit risk. The combined allowance for loan losses and off-balance sheet credit losses totaled $208 million or 1.35% of outstanding loans and 232% of nonaccruing loans at September 30, 2015. The allowance for loan losses was $204 million and the accrual for off-balance sheet credit losses was $3.6 million. At June 30, 2015, the combined allowance for credit losses was $202 million or 1.34% of outstanding loans and 222% of nonaccruing loans. The allowance for loan losses was $201 million and the accrual for off-balance sheet credit losses was $882 thousand.

The provision for credit losses is the amount necessary to maintain the allowance for loan losses and an accrual for off-balance sheet credit risk at an amount determined by management to be appropriate based on its evaluation. The provision includes the combined charge to expense for both the allowance for loan losses and the accrual for off-balance sheet credit risk. 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. After evaluating all credit factors, the Company determined that a $7.5 million provision for credit losses was necessary during the third quarter of 2015, due to credit migration in the energy portfolio and loan portfolio growth. A $4.0 million provision for credit losses was recorded in the second quarter of 2015 and no provision for credit losses was necessary in the third quarter of 2014.

Table 18 -- Summary of Loan Loss Experience
(In thousands)

	Three Months Ended				
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Allowance for loan losses:					
Beginning balance	$201,087	$197,686	$189,056	$191,244	$190,690
Loans charged off:					
Commercial	(3,497)	(881)	(174)	(3,279)	(117)
Commercial real estate	—	(16)	(28)	(1,682)	(145)
Residential mortgage	(446)	(714)	(624)	(837)	(773)
Personal	(1,331)	(1,266)	(1,343)	(1,426)	(1,603)
Total	(5,274)	(2,877)	(2,169)	(7,224)	(2,638)
Recoveries of loans previously charged off:					
Commercial	759	685	357	2,262	260
Commercial real estate	1,865	275	8,819	1,145	1,410
Residential mortgage	205	481	437	774	150
Personal	692	765	910	855	1,294
Total	3,521	2,206	10,523	5,036	3,114
Net loans recovered (charged off)	(1,753)	(671)	8,354	(2,188)	476
Provision for loan losses	4,782	4,072	276	—	78
Ending balance	$204,116	$201,087	$197,686	$189,056	$191,244
Accrual for off-balance sheet credit losses:					
Beginning balance	$882	$954	$1,230	$1,230	$1,308
Provision for off-balance sheet credit losses	2,718	(72)	(276)	—	(78)
Ending balance	$3,600	$882	$954	$1,230	$1,230
Total combined provision for credit losses	$7,500	$4,000	$—	$—	$—
Allowance for loan losses to loans outstanding at period-end	1.33%	1.33%	1.35%	1.33%	1.40%
Net charge-offs (annualized) to average loans	0.05%	0.02%	(0.23)%	0.06%	(0.01)%
Total provision for credit losses (annualized) to average loans	0.20%	0.11%	—%	—%	—%
Recoveries to gross charge-offs	66.76%	76.68%	485.15%	69.71%	118.04%
Accrual for off-balance sheet credit losses to off-balance sheet credit commitments	0.04%	0.01%	0.01%	0.01%	0.02%
Combined allowance for credit losses to loans outstanding at period-end	1.35%	1.34%	1.35%	1.34%	1.41%

Allowance for Loan Losses

The appropriateness 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 certain impaired loans, general allowances based on estimated loss rates by loan class and non-specific

allowances based on general economic conditions, concentration in loans with large balances and other relevant factors.

Loans are considered to be impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreement. This includes all nonaccruing loans, all loans modified in troubled debt restructurings and all government guaranteed loans repurchased from GNMA pools. At September 30, 2015, impaired loans totaled $278 million, including $14 million with specific allowances of $5.0 million and $264 million with no specific allowances because the loan balances represent the amounts we expect to recover. At June 30, 2015, impaired loans totaled $278 million, including $1.7 million of impaired loans with specific allowances of $465 thousand and $276 million with no specific allowances.

General allowances for unimpaired loans are based on an estimated loss rate by loan class. Estimated loss rates for risk-graded loans are either increased or decreased based on changes in risk grading for each loan class. Estimated loss rates for both risk-graded and non-risk graded loans may be further adjusted for inherent risk identified for the given loan class which have not yet been captured in the loss rate.

The aggregate amount of general allowances for all unimpaired loans totaled $171 million at September 30, 2015, largely unchanged from June 30, 2015.

Nonspecific allowances are maintained for risks beyond factors specific to a particular portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentrations in loans with large balances and other relevant factors. Nonspecific allowances totaled $28 million at September 30, 2015, compared to $29 million at June 30, 2015. The nonspecific allowance includes consideration of the indirect impact of falling energy prices on the broader economies within our geographical footprint that are highly dependent on the energy industry. The nonspecific allowance also considers the possible impact of the European debt crisis and similar economic factors on our loan portfolio. As demonstrated by continued domestic and European accommodative monetary policies, these factors remain a continued significant risk, although they have remained stable compared to the previous quarter.

An allocation of the allowance for loan losses by portfolio segment is included in Note 4 to the Consolidated Financial Statements.

Our loan monitoring process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in nonperforming assets. Known information does, however, cause management concern as to the borrowers’ ability to comply with current repayment terms. These potential problem loans totaled $120 million at September 30, 2015, primarily composed of $96 million of energy loans, $8.1 million of service sector loans $7.7 million of loans secured by multifamily residential properties. Potential problem loans totaled $181 million at June 30, 2015 including $124 million of potential problem energy loans.

Our performing loan totals include loans that management considers to be "other loans especially mentioned" based on regulatory guidelines. Other loans especially mentioned are in compliance with the original terms of the agreement but may have a weakness that deserves management's close attention. Energy loans classified as other loans especially mentioned totaled $196 million or 7% of outstanding energy loans at September 30, 2015 and $113 million or 4% outstanding energy loans at June 30, 2015.

We continue to believe that the credit quality of our energy loan portfolio is sound as supported by an update of our stress test at quarter end. We modified our assumptions slightly with oil prices starting at $34 per barrel for year one and escalating gradually to $45 per barrel in year five. Our natural gas stress test started at $2.25 in year one and gradually escalates to $2.70 in year five. The results of the updated stress test did not alter the general view that the loan portfolio is currently well positioned. The portion of the combined allowance for credit losses attributed to the energy portfolio totaled 2.05% of outstanding energy loans at September 30, 2015, an increase from 1.74% of outstanding energy loans at June 30, 2015.

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. Internally risk graded loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Non-risk graded loans are generally charged off when payments are between 60 days and 180

days past due, depending on loan class. In addition, non-risk graded loans are generally charged-down to collateral value within 60 days of being notified of a borrower's bankruptcy filing, regardless of payment status.

BOK Financial had net loans charged off of $1.8 million in the third quarter of 2015, compared to net loans charged off of $671 thousand in the second quarter of 2015 and net recoveries of $476 thousand in the third quarter of 2014. The ratio of net loans charged off (recovered) to average loans on an annualized basis was 0.05% for the third quarter of 2015, compared with 0.02% for the second quarter of 2015 and (0.01)% for the third quarter of 2014.

Net commercial loans charged off totaled $2.7 million in the third quarter of 2015, compared to net loans charged off of $196 thousand in the second quarter of 2015. Net commercial real estate loan recoveries were $1.9 million in the third quarter, compared to net recoveries of $259 thousand in the second quarter. Residential mortgage net charge-offs were $241 thousand and personal loan net charge-offs were $639 thousand for the third quarter. Personal loan net charge-offs include deposit account overdraft losses.

Nonperforming Assets

Table 19 -- Nonperforming Assets
(In thousands)

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Nonaccruing loans:					
Commercial	$33,798	$24,233	$13,880	$13,527	$16,404
Commercial real estate	10,956	20,139	19,902	18,557	30,660
Residential mortgage	44,099	45,969	46,487	48,121	48,907
Personal	494	550	464	566	580
Total nonaccruing loans	89,347	90,891	80,733	80,771	96,551
Accruing renegotiated loans guaranteed by U.S. government agencies	81,598	82,368	80,287	73,985	70,459
Total nonperforming loans	170,945	173,259	161,020	154,756	167,010
Real estate and other repossessed assets:					
Guaranteed by U.S. government agencies[1]	—	—	—	49,898	46,809
Other	33,116	35,499	45,551	51,963	51,062
Real estate and other repossessed assets	33,116	35,499	45,551	101,861	97,871
Total nonperforming assets	$204,061	$208,758	$206,571	$256,617	$264,881
Total nonperforming assets excluding those guaranteed by U.S. government agencies	$118,578	$122,673	$123,028	$129,022	$143,778
Nonaccruing loans by loan portfolio segment and class:					
Commercial:					
Energy	$17,880	$6,841	$1,875	$1,416	$1,508
Services	10,692	10,944	4,744	5,201	3,584
Wholesale / retail	3,058	4,166	4,401	4,149	5,502
Manufacturing	352	379	417	450	3,482
Healthcare	1,218	1,278	1,558	1,380	1,417
Other commercial and industrial	598	625	885	931	911
Total commercial	33,798	24,233	13,880	13,527	16,404
Commercial real estate:					
Residential construction and land development	4,748	9,367	9,598	5,299	14,634
Retail	1,648	3,826	3,857	3,926	4,009
Office	684	2,360	2,410	3,420	3,499
Multifamily	185	195	—	—	—
Industrial	76	76	76	—	—
Other commercial real estate	3,615	4,315	3,961	5,912	8,518
Total commercial real estate	10,956	20,139	19,902	18,557	30,660
Residential mortgage:					
Permanent mortgage	30,660	32,187	33,365	34,845	35,137
Permanent mortgage guaranteed by U.S. government agencies	3,885	3,717	3,256	3,712	3,835

Home equity	9,554	10,065	9,866	9,564	9,935
Total residential mortgage	44,099	45,969	46,487	48,121	48,907
Personal	494	550	464	566	580
Total nonaccruing loans	$89,347	$90,891	$80,733	$80,771	$96,551

	Sept. 30, 2015		June 30, 2015		March 31, 2015		Dec. 31, 2014		Sept. 30, 2014	
Nonaccruing loans as % of outstanding balance for class:										
Commercial:										
Energy	0.63	%	0.24	%	0.06	%	0.05	%	0.06	%
Services	0.40	%	0.41	%	0.18	%	0.22	%	0.15	%
Wholesale / retail	0.21	%	0.27	%	0.31	%	0.29	%	0.39	%
Manufacturing	0.06	%	0.07	%	0.07	%	0.08	%	0.73	%
Healthcare	0.07	%	0.08	%	0.10	%	0.09	%	0.10	%
Other commercial and industrial	0.12	%	0.14	%	0.21	%	0.22	%	0.23	%
Total commercial	0.34	%	0.25	%	0.15	%	0.15	%	0.19	%
Commercial real estate:										
Residential construction and land development	3.09	%	6.30	%	6.90	%	3.69	%	8.35	%
Retail	0.21	%	0.56	%	0.59	%	0.59	%	0.66	%
Office	0.11	%	0.42	%	0.47	%	0.82	%	0.80	%
Multifamily	0.02	%	0.03	%	—	%	—	%	—	%
Industrial	0.01	%	0.02	%	0.02	%	—	%	—	%
Other commercial real estate	0.99	%	0.99	%	1.00	%	1.60	%	2.20	%
Total commercial real estate	0.34	%	0.66	%	0.68	%	0.68	%	1.13	%
Residential mortgage:										
Permanent mortgage	3.27	%	3.40	%	3.46	%	3.59	%	3.55	%
Permanent mortgage guaranteed by U.S. government agencies	2.02	%	1.95	%	1.63	%	1.80	%	1.93	%
Home equity	1.29	%	1.35	%	1.29	%	1.24	%	1.26	%
Total residential mortgage	2.36	%	2.44	%	2.41	%	2.47	%	2.47	%
Personal	0.11	%	0.13	%	0.11	%	0.13	%	0.14	%
Total nonaccruing loans	0.58	%	0.60	%	0.55	%	0.57	%	0.71	%
Ratios:										
Allowance for loan losses to nonaccruing loans	228.45	%	221.24	%	244.86	%	234.06	%	198.08	%
Accruing loans 90 days or more past due[2]	$101		$99		$523		$125		$25	

[1] Approximately $50 million was reclassified from Real estate and other repossessed assets to Receivables on the balance sheet on January 1, 2015 with the adoption of Financial Accounting Standards Board Update No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure ("ASU 2014-14"). Upon foreclosure of loans for which the loan balance is expected to be recovered from the guarantee by a U.S. government agency, the loan balance will be directly reclassified to other receivables without including such foreclosed assets in real estate and other repossessed assets.

[2] Excludes residential mortgages guaranteed by agencies of the U.S. Government.

Nonperforming assets totaled $204 million or 1.33% of outstanding loans and repossessed assets at September 30, 2015. Nonaccruing loans totaled $89 million, accruing renegotiated residential mortgage loans totaled $82 million and real estate and other repossessed assets totaled $33 million. All accruing renegotiated residential mortgage loans and $3.9 million of nonaccruing loans are guaranteed by U.S. government agencies. Excluding assets guaranteed by U.S.

government agencies, nonperforming assets decreased $4.1 million during the third quarter. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to decrease more slowly.

Loans are generally classified as nonaccruing when it becomes probable that we will not collect the full contractual principal and interest. As more fully discussed in Note 4 to the Consolidated Financial Statements, we may modify loans in troubled debt restructurings. Modifications may include extension of payment terms and rate concessions. We generally do not forgive principal or accrued but unpaid interest. All loans modified in troubled debt restructurings, except for residential mortgage loans guaranteed by U.S. government agencies, are classified as nonaccruing. We may also renew matured nonaccruing loans. All nonaccruing loans, including those renewed or modified in troubled debt restructurings, are charged off when the loan balance is no longer covered by the paying capacity of the borrower based on a quarterly evaluation of available cash resources and collateral value. All nonaccruing loans generally remain on nonaccrual status until full collection of principal and interest in accordance with the original terms, including principal previously charged off, is probable. We generally do not voluntarily modify personal loans to troubled borrowers. Personal loans modified at the direction of bankruptcy court orders are identified as troubled debt restructurings and classified as nonaccruing.

At September 30, 2015, renegotiated loans consist solely of accruing residential mortgage loans guaranteed by U.S. government agencies that have been modified in troubled debt restructurings. See Note 4 to the Consolidated Financial Statements for additional discussion of troubled debt restructurings. Generally, we modify residential mortgage loans primarily by reducing interest rates and extending the number of payments in accordance with U.S. government agency guidelines. Generally, no unpaid principal or interest is forgiven. Interest continues to accrue based on the modified terms of the loan. Modified loans guaranteed by U.S. government agencies under residential mortgage loan programs may be sold once they become eligible according to U.S. government agency guidelines.

A rollforward of nonperforming assets for the three and nine months ended September 30, 2015 follows in Table 20.

Table 20 -- Rollforward of Nonperforming Assets
(In thousands)

	Three Months Ended September 30, 2015			
	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Balance, June 30, 2015	$90,891	$82,368	$35,499	$208,758
Additions	23,147	16,073	—	39,220
Transfers to premises and equipment	—	—	(1,130)	(1,130)
Payments	(11,677)	(471)	—	(12,148)
Charge-offs	(5,274)	—	—	(5,274)
Net gains and write-downs	—	—	517	517
Foreclosure of nonperforming loans	(6,426)	—	6,426	—
Foreclosure of loans guaranteed by U.S. government agencies[1]	(582)	(1,003)	—	(1,585)
Proceeds from sales	—	(15,195)	(7,328)	(22,523)
Contribution to BOKF Foundation	—	—	(796)	(796)
Transfer of foreclosed loans guaranteed by U.S. government agencies to Receivables[1]	—	—	—	—
Net transfers to nonaccruing loans	243	(243)	—	—
Return to accrual status	(975)	—	—	(975)
Other, net	—	69	(72)	(3)
Balance, Sept. 30, 2015	$89,347	$81,598	$33,116	$204,061

	Nine Months Ended September 30, 2015			
	Nonaccruing Loans	Renegotiated Loans	Real Estate and Other Repossessed Assets	Total Nonperforming Assets
Balance, Dec. 31, 2014	$80,771	$73,985	$101,861	$256,617
Additions	57,418	53,206	—	110,624
Transfers from premises and equipment	—	—	(1,051)	(1,051)
Payments	(24,485)	(2,216)	—	(26,701)
Charge-offs	(10,320)	—	—	(10,320)
Net gains and write-downs	—	—	1,702	1,702
Foreclosure of nonperforming loans	(10,609)	—	10,609	—
Foreclosure of loans guaranteed by U.S. government agencies[1]	(3,721)	(4,381)	—	(8,102)
Proceeds from sales	—	(37,850)	(29,043)	(66,893)
Contribution to BOKF Foundation	—	—	(796)	(796)
Transfer of foreclosed loans guaranteed by U.S. government agencies to Receivables[1]	—	—	(49,898)	(49,898)
Net transfers to nonaccruing loans	1,555	(1,555)	—	—
Return to accrual status	(1,262)	—	—	(1,262)
Other, net	—	409	(268)	141
Balance, Sept. 30, 2015	$89,347	$81,598	$33,116	$204,061

1 Approximately $50 million was reclassified from Real estate and other repossessed assets to Receivables on the balance sheet on January 1, 2015 with the adoption of Financial Accounting Standards Board Update No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure ("ASU 2014-14"). Upon foreclosure of loans for which the loan balance is expected to be recovered from the guarantee by a U.S. government agency, the loan balance will be directly reclassified to other receivables without including such foreclosed assets in real estate and other repossessed assets.

We foreclose on loans guaranteed by U.S. government agencies in accordance with agency guidelines. Generally these loans are not eligible for modification programs or have failed to comply with modified loan terms. Principal is guaranteed by agencies of the U.S. government, subject to limitations and credit risk is minimal. These properties will be conveyed to the agencies once applicable criteria have been met.

Nonaccruing loans totaled $89 million or 0.58% of outstanding loans at September 30, 2015, compared to $91 million or 0.60% of outstanding loans at June 30, 2015. Newly identified nonaccruing loans totaled $23 million for the third quarter of 2015. These loans were offset by $12 million of payments, $7.0 million of foreclosures and $5.3 million of charge-offs.

Commercial

Nonaccruing commercial loans totaled $34 million or 0.34% of total commercial loans at September 30, 2015, compared to $24 million or 0.25% of commercial loans at June 30, 2015. There were $15 million in newly identified nonaccruing commercial loans during the quarter, offset by $3.5 million of charge-offs, $1.2 million in payments and $288 thousand of foreclosures.

Nonaccruing commercial loans at September 30, 2015 were primarily composed of $18 million or 0.63% of total energy loans, $11 million or 0.40% of total services sector loans and $3.1 million or 0.21% of total wholesale/retail sector loans. Most of the balance of nonaccruing wholesale/retail sector loans was comprised of a single customer in

the New Mexico market.

Commercial Real Estate

Nonaccruing commercial real estate loans totaled $11 million or 0.34% of outstanding commercial real estate loans at September 30, 2015, compared to $20 million or 0.66% of outstanding commercial real estate loans at June 30, 2015. Newly identified nonaccruing commercial real estate loans of $827 thousand were offset by $7.0 million of cash payments received and $3.0 million of foreclosures. There were no charge-offs of nonaccruing commercial real estate loans during the third quarter.

Nonaccruing commercial real estate loans were primarily composed of $4.7 million or 3.09% of residential construction and land development loans, $3.6 million or 0.99% of other commercial real estate loans and $1.6 million or 0.21% of loans secured by retail facilities.

Residential Mortgage and Personal

Nonaccruing residential mortgage loans totaled $44 million or 2.36% of outstanding residential mortgage loans at September 30, 2015, compared to $46 million or 2.44% of outstanding residential mortgage loans at June 30, 2015. Newly identified nonaccruing residential mortgage loans totaled $5.4 million, offset by $3.4 million of payments, $3.1 million of foreclosures and $446 thousand of loans charged off during the quarter.

Nonaccruing residential mortgage loans primarily consist of non-guaranteed permanent residential mortgage loans which totaled $31 million or 3.27% of outstanding non-guaranteed permanent residential mortgage loans at September 30, 2015. Nonaccruing home equity loans totaled $10 million or 1.29% of total home equity loans.

Payments of accruing residential mortgage loans and personal loans may be delinquent. The composition of residential mortgage loans and personal loans past due but still accruing is included in the following Table 21. Substantially all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due decreased $2.0 million in the third quarter to $6.8 million at September 30, 2015. Personal loans past due 30 to 89 days also decreased $181 thousand compared to June 30, 2015.

Table 21 -- Residential Mortgage and Consumer Loans Past Due
(In thousands)

	September 30, 2015		June 30, 2015	
	90 Days or More	30 to 89 Days	90 Days or More	30 to 89 Days
Residential mortgage:				
Permanent mortgage[1]	$—	$3,318	$—	$6,277
Home equity	1	3,492	99	2,564
Total residential mortgage	$1	$6,810	99	$8,841
Personal	$—	$245	$—	$426

[1] Excludes past due residential mortgage loans guaranteed by agencies of the U.S. government.

Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are assets acquired in partial or total forgiveness of loans. The assets are carried at the lower of cost as determined by fair value at the date of foreclosure or current fair value, less estimated selling costs.

Real estate and other repossessed assets totaled $33 million at September 30, 2015, a decrease of $2.4 million compared to June 30, 2015. The distribution of real estate and other repossessed assets attributed by geographical market is included in Table 22 following.

Table 22 -- Real Estate and Other Repossessed Assets by Collateral Location
(In thousands)

	Oklahoma	Texas	Colorado	Arkansas	New Mexico	Arizona	Kansas/ Missouri	Other	Total
1-4 family residential properties	$4,939	$1,945	$1,800	$1,165	$2,442	$3,309	$626	$117	$16,343
Developed commercial real estate properties	262	988	3,456	—	756	554	3,024	1,950	10,990
Undeveloped land	328	1,530	203	—	—	792	—	—	2,853
Residential land development properties	162	—	835	—	—	1,593	3	—	2,593
Other	13	—	—	—	—	324	—	—	337
Total real estate and other repossessed assets	$5,704	$4,463	$6,294	$1,165	$3,198	$6,572	$3,653	$2,067	$33,116

Undeveloped land is primarily zoned for commercial development. Developed commercial real estate properties are primarily completed with no additional construction necessary for sale.

Liquidity and Capital

Subsidiary Bank

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary bank. Based on the average balances for the third quarter of 2015, approximately 67% of our funding was provided by deposit accounts, 18% from borrowed funds, 1% from long-term subordinated debt and 11% from equity. Our funding sources, which primarily include deposits and borrowings from the Federal Home Loan Banks and other banks, provide adequate liquidity to meet our operating needs.

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

Table 23 - Average Deposits by Line of Business
(In thousands)

	Three Months Ended				
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Commercial Banking	$8,628,520	$8,930,168	$8,996,972	$8,882,937	$8,924,040
Consumer Banking	6,675,990	6,724,188	6,621,377	6,584,240	6,543,492
Wealth Management	4,490,144	4,522,257	4,701,703	4,434,637	4,207,216
Subtotal	19,794,654	20,176,613	20,320,052	19,901,814	19,674,748
Funds Management and other	898,494	917,346	928,987	796,194	552,226
Total	$20,693,148	$21,093,959	$21,249,039	$20,698,008	$20,226,974

Average deposits for the third quarter of 2015 totaled $20.7 billion and represented approximately 67% of total liabilities and capital, compared with $21.1 billion and 69% of total liabilities and capital for the second quarter of 2015. Average deposits decreased $401 million from the second quarter of 2015. Average interest-bearing transaction deposit accounts decreased $303 million and and average time deposits decreased $94 million.

Average Commercial Banking deposit balances decreased $302 million compared to the second quarter of 2015, primarily due to a seasonal decline in Public Funds customer balances. Commercial customers continue to retain large cash reserves primarily due to low yields available on other high quality investment alternatives and to minimize deposit service charges through the earnings credit. The earnings credit is a non-cash method that enables commercial customers to offset deposit service charges based on account balances. If economic activity were to improve significantly or if short-term interest rates were to increase, deposits may decline as customers deploy funds into projects or shift demand deposits into money market instruments.

Average Consumer Banking deposit balances decreased $48 million. Demand deposit balances decreased $27 million and time deposits decreased $32 million. Interest-bearing transaction deposits grew by $13 million. Average Wealth Management deposits decreased $32 million compared to the second quarter of 2015 primarily due to a $68 million decrease in time deposit balances, partially offset by a $40 million increase in demand deposits.

Brokered deposits, included in time deposits, averaged $400 million for the third quarter of 2015, a decrease of $48 million compared to the second quarter of 2015. Average interest-bearing transaction accounts for the third quarter

included $579 million of brokered deposits, a decrease of $1.9 million compared to the second quarter of 2015. Changes in average brokered deposits largely affect Funds Management and Other.

The distribution of our period end deposit account balances among principal markets follows in Table 24.

Table 24 -- Period End Deposits by Principal Market Area
(In thousands)

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Bank of Oklahoma:					
Demand	$3,834,145	$4,068,088	$3,982,534	$3,828,819	$3,915,560
Interest-bearing:					
Transaction	5,783,258	6,018,381	6,199,468	6,117,886	5,450,692
Savings	225,580	225,694	227,855	206,357	201,690
Time	1,253,137	1,380,566	1,372,250	1,301,194	1,292,738
Total interest-bearing	7,261,975	7,624,641	7,799,573	7,625,437	6,945,120
Total Bank of Oklahoma	11,096,120	11,692,729	11,782,107	11,454,256	10,860,680
Bank of Texas:					
Demand	2,689,493	2,565,234	2,511,032	2,639,732	2,636,713
Interest-bearing:					
Transaction	1,996,223	2,020,817	2,062,063	2,065,723	2,020,737
Savings	74,674	74,373	76,128	72,037	66,798
Time	554,106	536,844	547,371	547,316	569,929
Total interest-bearing	2,625,003	2,632,034	2,685,562	2,685,076	2,657,464
Total Bank of Texas	5,314,496	5,197,268	5,196,594	5,324,808	5,294,177
Bank of Albuquerque:					
Demand	520,785	508,224	537,466	487,819	480,023
Interest-bearing:					
Transaction	529,862	537,156	535,791	519,544	502,787
Savings	41,380	41,802	42,088	37,471	36,127
Time	281,426	285,890	290,706	295,798	303,074
Total interest-bearing	852,668	864,848	868,585	852,813	841,988
Total Bank of Albuquerque	1,373,453	1,373,072	1,406,051	1,340,632	1,322,011
Bank of Arkansas:					
Demand	25,397	19,731	31,002	35,996	35,075
Interest-bearing:					
Transaction	290,728	284,349	253,691	158,115	234,063
Savings	1,573	1,712	1,677	1,936	2,222
Time	26,203	28,220	28,277	28,520	38,811
Total interest-bearing	318,504	314,281	283,645	188,571	275,096
Total Bank of Arkansas	343,901	334,012	314,647	224,567	310,171
Colorado State Bank & Trust:					
Demand	430,675	403,491	412,532	445,755	422,044
Interest-bearing:					
Transaction	655,206	601,741	604,665	631,874	571,807
Savings	31,398	31,285	31,524	29,811	29,768
Time	320,279	322,432	340,006	353,998	372,401
Total interest-bearing	1,006,883	955,458	976,195	1,015,683	973,976

Total Colorado State Bank & Trust	1,437,558	1,358,949	1,388,727	1,461,438	1,396,020

	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Bank of Arizona:					
Demand	306,425	352,024	271,091	369,115	279,811
Interest-bearing:					
Transaction	293,319	298,073	295,480	347,214	336,584
Savings	4,121	2,726	2,900	2,545	3,718
Time	26,750	28,165	28,086	36,680	38,842
Total interest-bearing	324,190	328,964	326,466	386,439	379,144
Total Bank of Arizona	630,615	680,988	597,557	755,554	658,955
Bank of Kansas City:					
Demand	234,847	239,609	263,920	259,121	268,903
Interest-bearing:					
Transaction	150,253	139,260	157,044	273,999	128,039
Savings	1,570	1,580	1,618	1,274	1,315
Time	36,630	42,262	45,082	45,210	48,785
Total interest-bearing	188,453	183,102	203,744	320,483	178,139
Total Bank of Kansas City	423,300	422,711	467,664	579,604	447,042
Total BOK Financial deposits	$20,619,443	$21,059,729	$21,153,347	$21,140,859	$20,289,056

In addition to deposits, subsidiary bank liquidity is provided primarily by federal funds purchased, securities repurchase agreements and Federal Home Loan Bank borrowings. Federal funds purchased consist primarily of unsecured, overnight funds acquired from other financial institutions. Funds are primarily purchased from bankers' banks and Federal Home Loan banks from across the country. There were no wholesale federal funds purchased outstanding at September 30, 2015. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities. Federal Home Loan Bank borrowings are generally short term and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and agency mortgage-backed securities, 1-4 family residential mortgage loans, multifamily and other qualifying commercial real estate loans). Amounts borrowed from the Federal Home Loan Bank of Topeka averaged $4.7 billion during the quarter, compared to $4.0 billion in the second quarter of 2015.

At September 30, 2015, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately $5.2 billion.

A summary of other borrowings by the subsidiary bank follows in Table 25.

Table 25 -- Borrowed Funds
(In thousands)

		Three Months Ended September 30, 2015				Three Months Ended June 30, 2015		
	September 30, 2015	Average Balance During the Quarter	Rate	Maximum Outstanding At Any Month End During the Quarter	June 30, 2015	Average Balance During the Quarter	Rate	Maximum Outstanding At Any Month End During the Quarter
Funds purchased	$62,297	$70,281	0.08 %	$65,218	$64,677	$63,312	0.08 %	$65,029
Repurchase agreements	555,677	672,085	0.03 %	687,048	712,033	773,977	0.03 %	780,405
Other borrowings:								
Federal Home Loan Bank advances	4,600,000	4,746,197	0.27 %	4,800,000	4,300,000	3,972,528	0.26 %	4,300,000
GNMA repurchase liability	16,330	14,615	4.91 %	17,734	13,411	11,242	5.06 %	13,411
Other	18,820	19,169	5.44 %	26,057	18,751	17,709	5.58 %	18,751
Total other borrowings	4,635,150	4,779,981	0.30 %		4,332,162	4,001,479	0.31 %	
Subordinated debentures	226,314	226,296	1.04 %	226,314	226,278	307,903	2.21 %	348,076
Total Borrowed Funds	$5,479,438	$5,748,643	0.30 %		$5,335,150	$5,146,671	0.38 %	

In 2007, the Company issued $250 million of subordinated debt due May 15, 2017 to fund the Worth National Bank and First United Bank acquisitions and fund continued asset growth. Interest on this debt was based on a fixed rate of 5.75% through May 14, 2012 which then converted to a floating rate of three-month LIBOR plus 0.69%. At September 30, 2015, $227 million of this subordinated debt remains outstanding.

In 2005, the Bank issued $150 million of 10-year, fixed rate subordinated debt. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay $95 million of BOK Financial's unsecured revolving line of credit and to provide additional capital to support asset growth. The remaining outstanding balance of $122 million matured on June 1, 2015.

The Bank also has a liability related to the repurchase of certain delinquent residential mortgage loans previously sold in GNMA mortgage pools. Interest is payable monthly at rates contractually due to investors.

Parent Company

At September 30, 2015, cash and interest-bearing cash and cash equivalents held by the Parent Company totaled $298 million. The primary sources of liquidity for BOK Financial are cash on hand and dividends from the subsidiary bank. Dividends from the subsidiary bank are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the two preceding years. Dividends are further restricted by minimum capital requirements. At September 30, 2015, based upon the most restrictive limitations as well as management's internal capital policy, the subsidiary bank could declare up to $245 million of dividends without regulatory approval. Dividend constraints may be alleviated through increases in retained earnings, capital issuances or changes in risk weighted assets. Future losses or increases in required regulatory capital at the subsidiary bank could affect its ability to pay dividends to the parent company.

The Company had a $100 million senior unsecured 364 day revolving credit facility with Wells Fargo Bank, National Association, administrative agent and other commercial banks ("the Credit Facility") which matured on June 5, 2015 and was not renewed by us.

Our equity capital at September 30, 2015 was $3.4 billion, an increase of $3.3 million over June 30, 2015. Net income less cash dividends paid increased equity $46 million during the third quarter of 2015. Accumulated other comprehensive income increased $34 million primarily related to the change in unrealized gains on available for sale securities due to changes in interest rates. The Company also repurchased $80 million of our common stock during the third quarter of 2015. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

On April 24, 2012, the Board of Directors authorized the Company to purchase up to two million shares of our common stock. The specific timing and amount of shares repurchased will vary based on market conditions, regulatory limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. As of September 30, 2015, the Company has repurchased all 2,000,000 shares authorized under this program for $124 million. The Company repurchased 1,258,348 shares during the third quarter of 2015.

On October 27, 2015, the board of directors authorized the Company to purchase up to five million additional common shares, subject to market conditions, securities law and other regulatory compliance limitations.

BOK Financial and the subsidiary bank are subject to various capital requirements administered by federal agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that could have a material impact on operations. These capital requirements include quantitative measures of assets, liabilities and off-balance sheet items. The capital standards are also subject to qualitative judgments by the regulators.
New capital rules were effective for BOK Financial on January 1, 2015. Components of these rules will phase in through January 1, 2019. The new capital rules reduced instruments that qualify as regulatory capital and generally increased risk weighted assets. The impact of these changes was partially offset by improved data granularity. The new capital rules establish a 7% threshold for the common equity Tier 1 ratio consisting of a minimum level plus capital conservation buffer. The Company has elected to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, consistent with the treatment under previous capital rules.

The rules also change both the Tier 1 risk based capital requirements and the total risk based requirements to a minimum of 6% and 8%, respectively, plus a capital conservation buffer of 2.5% totaling 8.5% and 10.5%, respectively. The leverage ratio requirement under the rule is 4%. A bank which falls below these levels, including the capital conservation buffer, would be subject to regulatory restrictions on capital distributions (including but not limited to dividends and share repurchases) and executive bonus payments.

The capital ratios for BOK Financial on a consolidated basis are presented in Table 26.

Table 26 -- Capital Ratios

	Minimum Capital Requirement[1]		Capital Conservation Buffer[2]		Minimum Capital Requirement Including Capital Conservation Buffer		Sept. 30, 2015		June 30, 2015		March 31, 2015	
Risk-based capital:												
Common equity Tier 1	4.50	%	2.50	%	7.00	%	12.78	%	13.01	%	13.07	%
Tier 1 capital	6.00	%	2.50	%	8.50	%	12.78	%	13.01	%	13.07	%
Total capital	8.00	%	2.50	%	10.50	%	13.89	%	14.11	%	14.39	%
Tier 1 Leverage	4.00	%	N/A		4.00	%	9.55	%	9.75	%	9.74	%
Average total equity to average assets							11.05	%	11.10	%	11.18	%
Tangible common equity ratio							9.78	%	9.72	%	9.86	%

[1] Effective January 1, 2015

[2] Effective January 1, 2016

	Calculated Under Then Current Capital Rules			
	Dec. 31, 2014		Sept. 30, 2014	
Risk-based capital:				
Tier 1 capital	13.33	%	13.72	%
Total capital	14.66	%	15.11	%
Tier 1 Leverage	9.96	%	10.22	%
Average total equity to average assets	11.36	%	11.55	%
Tangible common equity ratio	10.08	%	9.86	%

Capital resources of financial institutions are also regularly measured by the tangible common shareholders' equity ratio. Tangible common shareholders' equity is shareholders' equity as defined by generally accepted accounting principles in the United States of America ("GAAP") less intangible assets and equity which does not benefit common shareholders. Equity that does not benefit common shareholders includes preferred equity. This non-GAAP measure is a valuable indicator of a financial institution's capital strength since it eliminates intangible assets from shareholders' equity and retains the effect of unrealized losses on securities and other components of accumulated other comprehensive income in shareholders' equity.

Table 27 provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 27 -- Non-GAAP Measure
(Dollars in thousands)

	Sept. 30, 2015		June 30, 2015		March 31, 2015		Dec. 31, 2014		Sept. 30, 2014	
Tangible common equity ratio:										
Total shareholders' equity	$3,377,226		$3,375,632		$3,357,161		$3,302,179		$3,243,093	
Less: Goodwill and intangible assets, net	430,460		431,515		411,066		412,156		413,256	
Tangible common equity	2,946,766		2,944,117		2,946,095		2,890,023		2,829,837	
Total assets	30,566,905		30,725,563		30,299,978		29,089,698		29,105,020	
Less: Goodwill and intangible assets, net	430,460		431,515		411,066		412,156		413,256	
Tangible assets	$30,136,445		$30,294,048		$29,888,912		$28,677,542		$28,691,764	
Tangible common equity ratio	9.78	%	9.72	%	9.86	%	10.08	%	9.86	%

On June 17, 2015, BOK Financial published the results of its annual capital stress test. In accordance with the Dodd-Frank Act, the Federal Reserve must publish regulations that require bank holding companies with $10 billion to $50 billion in assets to perform annual capital stress tests. The requirements for annual capital stress tests became effective for the Company in the fourth quarter of 2013. The Dodd-Frank Act Stress Test ("DFAST") is a forward-looking exercise under which the Company and its banking subsidiary estimate the impact of a hypothetical severely adverse macroeconomic scenario provided by the Federal Reserve and Office of the Comptroller of the Currency on its financial condition and regulatory capital ratios over a nine-quarter time horizon. Under the scenario provided by the regulatory agencies, all capital ratio measures remain comfortably above minimum regulatory thresholds. Additional information concerning the annual stress test may be found on the Company's Investor Relations page at www.bokf.com under the "Presentations" tab. The results of future capital stress tests may place constraints on capital distributions or increases in required regulatory capital under certain circumstances.

Off-Balance Sheet Arrangements

See Note 7 to the Consolidated Financial Statements for a discussion of the Company's significant off-balance sheet commitments.

Market Risk

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

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

The Asset/Liability Committee is responsible for managing market risk in accordance with policy guidelines established by the Board of Directors. The Committee monitors projected variation in net interest revenue, net income and economic value of equity due to specified changes in interest rates. The internal policy limit for net interest revenue variation is a maximum decline of 5% to an up or down 200 basis point change over twelve months. These guidelines also set maximum levels for short-term borrowings, short-term assets, public funds and brokered deposits and establish minimum levels for unpledged assets, among other things. Compliance with these internal guidelines is reviewed monthly.

Interest Rate Risk – Other than Trading

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company’s balance sheet to have relatively limited exposure to changes in interest rates over a twelve-month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates on the Company's performance across multiple interest rate scenarios. While the current internal policy limit for net interest revenue variation is a maximum decline of 5% or 200 basis point change over twelve months, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful. We report the effect of a 50 basis point decrease in the interim.

The Company’s primary interest rate exposures include the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable rate loan pricing. Additionally, residential mortgage rates directly affect the prepayment speeds for residential mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. In addition, the impact on the level and composition of DDA and other core deposit balances resulting from a significant increase in short-term market interest rates and the overall interest rate environment is likely to be material. The simulation incorporates assumptions regarding the effects of such changes based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 28 due to the extreme volatility over such a large rate range and our active risk management approach for that asset. The effects of interest rate changes on the value of mortgage servicing rights and financial instruments identified as economic hedges are presented in Note 6 to the Consolidated Financial Statements.

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

Table 28 -- Interest Rate Sensitivity
(Dollars in thousands)

	200 bp Increase		50 bp Decrease	
	Sept. 30,		Sept. 30,	
	2015	2014	2015	2014
Anticipated impact over the next twelve months on net interest revenue	$(5,325)	$(7,658)	$(20,047)	$(16,325)
	(0.70)%	(1.07)%	(2.62)%	(2.28)%

Trading Activities

BOK Financial enters into trading activities both as an intermediary for customers and for its own account. As an intermediary, BOK Financial will take positions in securities, generally residential mortgage-backed securities, government agency securities and municipal bonds. These securities are purchased for resale to customers, which include individuals, corporations, foundations and financial institutions. On a limited basis, BOK Financial may also take trading positions in U.S. Treasury securities, residential mortgage-backed securities and municipal bonds to enhance returns on its securities portfolios. Both of these activities involve interest rate risk. BOK Financial has an insignificant exposure to foreign exchange risk and does not take positions in commodity derivatives.

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

Management uses a Value at Risk ("VaR") methodology to measure market risk due to changes in interest rates inherent in its trading activities. VaR is calculated based upon historical simulations over the past five years using a variance/covariance matrix of interest rate changes, a 10 business day holding period and a 99% confidence interval. It represents an amount of market loss that is likely to be exceeded in only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VaR to $7.3 million. There were no instances of VaR being exceeded during the three and nine months ended September 30, 2015 and 2014. At September 30, 2015, there were no trading positions for the purposes of enhancing returns on the Company's securities portfolio.

The average, high and low VaR amounts for the three months and nine months ended September 30, 2015 and September 30, 2014 are as follows in Table 29.

Table 29 -- Value at Risk (VaR)
(In thousands)

	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2015	2014	2015	2014
Average	$1,799	$1,601	$1,635	$1,739
High	2,680	3,064	2,680	3,731
Low	1,048	479	782	479

Controls and Procedures

As required by Rule 13a-15(b), BOK Financial’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by their report, of the effectiveness of the Company’s disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that

evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), BOK Financial's management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

Forward-Looking Statements

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections about BOK Financial, the financial services industry and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such wo and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the provision and allowance for loan losses involve judgments as to expected events and are inherently forward-looking statements. Assessments that BOK Financial's acquisitions and other growth endeavors will be profitable are necessary statements of belief as to the outcome of future events, based in part on information provided by others that BOK Financial has not independently verified. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what is expressed, implied, or forecasted in such forward-looking statements. Internal and external factors that might cause such a difference include, but are not limited to: (1) the ability to fully realize expected cost savings from mergers within the expected time frames, (2) the ability of other companies on which BOK Financial relies to provide goods and services in a timely and accurate manner, (3) changes in interest rates and interest rate relationships, (4) demand