BOK FINANCIAL CORP ET AL
Form 10-Q
November 03, 2008

As filed with the Securities and Exchange Commission on November 3, 2008

==

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

Oklahoma	73-1373454
(State or other jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

Bank of Oklahoma Tower P.O. Box 2300 Tulsa, Oklahoma	74192
(Address of Principal Executive Offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant 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 |X| 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 |X|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 67,433,837 shares of common stock ($.00006 par value) as of September 30, 2008.

==

BOK Financial Corporation
Form 10-Q
Quarter Ended September 30, 2008

Index

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

Performance Summary

BOK Financial Corporation reported earnings of $56.7 million or $0.84 per diluted share for the third quarter of 2008. The Company reported a net loss of $1.2 million or $.02 per diluted share for the second quarter of 2008 and net income of $59.8 million or $0.89 per diluted share for the third quarter of 2007.

Year-to-date net income totaled $117.8 million or $1.74 per diluted share for the nine months ended September 30, 2008 and $166.5 million or $2.46 per diluted share for the nine months ended September 30, 2007.

As disclosed in the previous quarter's Form 10-Q, the Company recognized $87.0 million of pre-tax charges for loan and energy derivative credit exposure to SemGroup LP in the second quarter of 2008. These charges reduced net income for the second quarter of 2008 by approximately $57.0 million or $0.84 per diluted share. A $19.4 million increase in the fair value of derivative contracts related to SemGroup, partially offset by a $12.7 million write off of derivative contracts with Lehman Brothers increased net income for the third quarter of 2008 by $4.5 million or $0.07 per diluted share.

Highlights of the third quarter of 2008 included:

- Net interest revenue totaled $164.3 million, up $5.4 million over the second quarter of 2008 and $24.9 million over the third quarter of 2007. Net interest margin was 3.48% for the third quarter of 2008, 3.44% for the second quarter of 2008 and 3.27% for the third quarter of 2007. Growth in net interest revenue and net interest margin was due largely to increased earning assets and widening spreads.

- Fees and commission revenue totaled $126.7 million for the third quarter of 2008, $63.6 million for the second quarter of 2008 and $103.7 million for the third quarter of 2007. Fees and commissions grew $16.9 million or 16% over the third quarter of 2007, excluding SemGroup and Lehman related items, due largely to brokerage and trading revenue. Fees and commissions decreased $2.4 million, excluding SemGroup and Lehman related items, from the second quarter of 2008.

o Combined reserves for credit losses totaled $209 million or 1.65% of outstanding loans at September 30, 2008, up from $177 million or 1.41% of outstanding loans at June 30, 2008. Net loans charged off and provision for credit losses were $20.2 million and $52.7 million, respectively, for the third quarter of 2008. Net loans charged off and provision for credit losses were $39.0 million and $59.3 million, respectively, for the second quarter of 2008 and $4.9 million and $7.2 million, respectively, for the third quarter of 2007.

3

o Non-performing assets totaled $252 million or 1.98% of outstanding loans and repossessed assets at September 30, 2008, up from $181 million or 1.45% of outstanding loans and repossessed assets at June 30, 2008. The increase in non-performing assets included an expected $36.0 million of unpaid amounts due from SemGroup in settlement of funded letters of credit and derivative contracts which terminated during the third quarter.

o The Company maintained strong Tier 1 and tangible capital ratios of 9.25% and 7.16%, respectively, at September 30, 2008. Tier 1 and tangible capital ratios were 8.69% and 7.15%, respectively, at June 30, 2008. The Company paid a dividend of $15.2 million or $0.225 per common share during the third quarter of 2008.

o On October 28, 2008, the Company's board of directors declared a dividend of $0.225 per common share payable on December 2, 2008 to shareholders of record as of November 14, 2008.

Results of Operations

Net Interest Revenue and Net Interest Margin

Net interest revenue totaled $164.3 million for the third quarter of 2008, up $5.4 million over the second quarter of 2008 and $24.9 million over the third quarter of 2007. Average earning assets for the third quarter of 2008 increased $1.7 billion over the third quarter of 2007. Average loans, excluding residential mortgage loans held for sale, increased $980 million and average securities increased $745 million. Growth in the securities portfolio generally consisted of fixed-rate mortgage backed securities issued by FNMA and FHLMC. These securities were purchased to take advantage of widening spreads caused by disruptions in the mortgage-backed securities market.

Growth in average earning assets was funded primarily by a $1.3 billion increase in average deposits. Average deposits were up 10% over the third quarter of 2007. Interest-bearing transaction accounts increased $973 million and demand deposit accounts increased $349 million. In addition to deposit growth, average funds purchased and other borrowings increased $458 million and $509 million, respectively.

Funds generated by growth in deposits and borrowings were also used to fund a $437 million increase in average margin assets. Margin assets are placed by the Company to secure its obligations under various derivative contracts. Margin assets are generally reported as reductions of the derivative liabilities they secure on the Company's consolidated balance sheet.

Net interest margin was 3.48% for the third quarter of 2008, 3.44% for the second quarter of 2008 and 3.27% for the third quarter of 2007. Growth in net interest margin compared with the third quarter of 2007 was due primarily to a widening of the spread between LIBOR and the federal funds rate. LIBOR is the basis for interest earned on many of our loans. The federal funds rate is the basis for interest paid on many of our interest-bearing liabilities.

The tax-equivalent yield on earning assets was 5.55% for the third quarter of 2008, down 144 basis points from the third quarter of 2007. Loan yields decreased 219 basis points to 5.69%. Securities portfolio yield was 5.15%, up 20 basis points over the third quarter of 2007. Our securities re-price as cash flow received is reinvested at current market rates. The resulting change in yield on the securities portfolio occurs more slowly and may not move in the same direction as changes in market rates.

The cost of interest-bearing liabilities was 2.41% for the third quarter of 2008, down 198 basis points from the third quarter of 2007. The cost of interest bearing deposits decreased 171 basis points to 2.39% and the cost of funds purchased and other borrowings decreased 288 basis points to 2.16%. Competition for deposits in all our markets limited our ability to move deposit rates down as interest rates declined. The benefit to the net interest margin from earning assets funded by non-interest bearing liabilities was 34 basis points in the third quarter of 2008 compared with 67 basis points in the third quarter of 2007 and 30 basis points in the preceding quarter.

Management regularly models the effects of changes in interest rates on net interest revenue. Based on this modeling, we expect net interest revenue to decrease slightly over a one-year forward looking period. However, other factors such as loan spread compression, deposit product mix, the overall balance sheet composition and the previously noted changes in the spread between LIBOR and the federal funds rate may affect this general expectation.

Our overall objective is to manage the Company's balance sheet to be relatively neutral to changes in interest rates. Approximately two-thirds of our commercial and commercial real estate loan portfolios are either variable rate or fixed rate that will re-price within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that re-price more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally re-price more quickly than liabilities. Among the strategies that we use to achieve a

4

relatively rate-neutral position, we purchase fixed-rate, mortgage-backed securities to offset the short-term nature of the majority of the Company's funding sources. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio. We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of $685 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives is to position our balance sheet to be relatively neutral to changes in interest rates.

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, 2008 / 2007			Nine mont September 30,	
	Change Due To (1)			C	
	Change	Volume	Yield / Rate	Change	V
Tax-equivalent interest revenue:					
Securities	$ 13,845	$ 10,525	$ 3,320	$ 42,959	$ 3
Trading securities	478	691	(213)	2,178	
Loans	(50,584)	16,912	(67,496)	(108,054)	6
Funds sold and resell agreements	(1,298)	(207)	(1,091)	(1,692)	
Total	(37,559)	27,921	(65,480)	(64,609)	9
Interest expense:					
Transaction deposits	(22,338)	6,469	(28,807)	(47,017)	2
Savings deposits	(263)	(59)	(204)	(618)	
Time deposits	(17,626)	(125)	(17,501)	(38,262)	(
Federal funds purchased and repurchase agreements	(17,231)	3,979	(21,210)	(45,096)	1
Other borrowings	(2,854)	5,039	(7,893)	2,038	2
Subordinated debentures	(1,613)	(1,074)	(539)	(2,420)	
Total	(61,925)	14,229	(76,154)	(131,375)	5
Tax-equivalent net interest revenue	24,366	13,692	10,674	66,766	4
Change in tax-equivalent adjustment	537			453	
Net interest revenue	$ 24,903			$ 67,219	

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

5

Other Operating Revenue

Other operating revenue increased $22.9 million compared with the third quarter of 2007. Fees and commissions revenue was up $22.9 million, including a $19.4 million increase in the fair value of derivative contracts related to SemGroup partially offset by charges of $12.7 million from the Lehman Brothers bankruptcy. The SemGroup-related contracts were with other counterparties to offset our exposure to commodity price changes.

Diversified sources of fees and commission revenue are a significant part of our business strategy and generally represent 40% to 45% of our total revenue, excluding gains and losses on asset sales, securities and derivatives. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile.

Fees and commissions revenue

Brokerage and trading revenue was $30.8 million for the third quarter of 2008, up $15.3 million over the third quarter of 2007. Excluding the net effect of transactions related to SemGroup and Lehman Brothers from the third quarters of 2008 and 2007, brokerage and trading revenue increased $9.3 million or 62%. Revenue from trading and institutional securities sales totaled $10.6 million for the third quarter of 2008, up $5.2 million over the third quarter of 2007. Customer hedging revenue, excluding SemGroup and Lehman Brothers, totaled $7.0 million for the third quarter of 2008, up $3.3 million over the third quarter of 2007. The Company is currently modifying the terms of its customer hedging program, which may affect future revenue.

Brokerage and trading revenue, excluding SemGroup and Lehman Brothers, increased $884 thousand compared to the second quarter of 2008. Revenue from trading and institutional securities sales decreased $1.0 million and customer hedging revenue increased $3.0 million. Retail brokerage fees totaled $5.0 million for the third quarter of 2008, down $1.2 million from the previous quarter.

Transaction card revenue totaled $25.6 million for the third quarter of 2008, up $1.8 million or 8% over the third quarter of 2007. ATM network revenue increased $1.0 million or 10% and check card revenue increased $971 thousand or 16%. Merchant discount fees were down $182 thousand or 3%. Transaction card revenue decreased $154 thousand or 2% annualized compared with the second quarter of 2008. Check card revenue was down $113 thousand or 6% annualized due to a general slow-down of consumer spending.

Trust fees and commissions totaled $20.1 million for the third quarter of 2008, an increase of $467 thousand or 2% over the third quarter of 2007. The fair value of all trust assets which is the basis for a significant portion of trust revenue totaled $33.2 billion at September 30, 2008 and $34.9 billion at September 30, 2007. The decrease in the fair value of trust assets primarily affected personal trust management fees and mutual fund fees. Personal trust management fees, which provide 29% of total trust fees and commissions decreased $101 thousand or 2% compared with 2007. Net fees from mutual fund advisory and administrative services which provide 20% of total trust fees and commissions decreased $150 thousand or 4%. Revenue from management of oil and gas properties increased $1.0 million compared with the third quarter of 2007 due to higher energy prices. Employee benefit plan management fees, which provide 18% of total trust fees and commissions, increased $462 thousand or 15%.

Trust fees and commissions decreased $841 thousand or 16% annualized compared with the second quarter of 2008. The fair value of all trust assets managed totaled $34.4 billion at June 30, 2008 or 3% more than the fair value of all trust assets at September 30, 2008 due to market conditions. Personal trust revenue decreased $1.0 million. Net fees from mutual fund advisory and administrative services decreased $463 thousand.

Deposit service charges and fees totaled $30.4 million for the third quarter of 2008, up $2.5 million or 9% over the third quarter of 2007. Overdraft fees grew $1.2 million or 6%. Service charges on retail accounts decreased $51 thousand or 4% due to continued migration to service charge free checking products. Commercial deposit account fees were up $1.4 million or 19% over the same period of 2007 due to a decrease in earnings credit available to commercial deposit customers and an increase in service charges for higher deposit insurance costs. The earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services, decreases when interest rates fall. Deposit service charges increased $205 thousand or 3% annualized compared with the second quarter of 2008. Overdraft fees were up $911 thousand. Commercial deposit account fees were down $684 thousand.

Mortgage banking revenue was up $421 thousand or 7% compared with 2007. Servicing revenue totaled $4.4 million, up $196 thousand or 5%. The outstanding principal balance of mortgage loans serviced for others totaled $5.1 billion at September 30, 2008 and $4.8 billion at September 30, 2007. Net gains on mortgage loans sold totaled $1.8 million, up $223 thousand over the third quarter of 2007. Mortgage loans originated for sale in the secondary market totaled $258 million for the third quarter of 2008, up 5% over the same period in 2007.

6

Margin asset fees totaled $1.9 million in the third quarter of 2008 and $1.1 million in the third quarter of 2007. Margin assets which are placed by the Company to secure its obligations under customer derivatives programs averaged $532 million for the third quarter of 2008, compared with $95 million for the third quarter of 2007. The increase in revenue earned on margin assets is offset by a decrease in net interest revenue due to the costs to fund the margin assets.

Securities and derivatives

Net gains and losses on securities consisted of the following (in thousands):

	Three Months Ended		
	September 30, 2008	June 30, 2008	September 30, 2007
Gain on portfolio securities	$ 917	$ 276	$ 21
Gain on Mastercard IPO securities	-	-	1,073
Gain (loss) on mortgage hedge securities	1,186	(5,518)	3,654
Net gain (loss) on securities	$2,103	$(5,242)	$ 4,748

BOK Financial recognized net gains of $2.1 million on securities for the third quarter of 2008, net gains on securities of $4.7 million for the third quarter of 2007 and net losses on securities of $5.2 million for the second quarter of 2008. Mortgage hedge securities held as an economic hedge of the changes in fair value of mortgage servicing rights are carried at fair value. Changes in fair value of these securities are recognized in earnings as they occur.

Net gains on derivatives totaled $4.4 million for the third quarter of 2008 and $865 thousand for the third quarter of 2007. Net gains or losses on derivatives consist of fair value adjustments of all derivatives used to manage interest rate risk and the related hedged liabilities when adjustments are permitted by generally accepted accounting principles. Derivative instruments generally consist of interest rate swaps where the Company pays a variable rate based on LIBOR and receives a fixed rate. The fair value of these swaps generally decreases as interest rates rise and increase in value as interest rates fall.

The Company adopted Statement of Financial Accounting Standards No. 159, Fair Value Option ("FAS 159") effective January 1, 2008. FAS 159 provides an option to measure eligible financial assets and financial liabilities at fair value. Certain certificates of deposit that were either currently designated as hedged or had previously been designated as hedged, but no longer met the correlation requirements of Statement of Financial Accounting Standards No. 133 were designated as being reported at fair value when FAS 159 was first adopted. In addition, certain certificates of deposit issued subsequent to the adoption of FAS 159 have been designated as reported at fair value. This determination is made when the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. The fair value of these fixed-rate certificates of deposit generally increases as interest rates fall.

7

Table 2 - Other Operating Revenue
(In thousands)

	Three Months Ended			
	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 20
Brokerage and trading revenue	$ 30,846	$ (35,462)	$ 23,913	$ 2
Transaction card revenue	25,632	25,786	23,558	2
Trust fees and commissions	20,100	20,940	20,796	2
Deposit service charges and fees	30,404	30,199	27,686	2
Mortgage banking revenue	6,230	7,198	7,217	
Bank-owned life insurance	2,829	2,658	2,512	
Margin asset fees	1,934	4,460	1,967	
Other revenue	8,691	7,824	6,215	
Total fees and commissions	126,666	63,603	113,864	11
Gain (loss) on sales of assets	(839)	216	(35)	(
Gain (loss) on securities, net	2,103	(5,242)	4,620	(
Gain (loss) on derivatives, net	4,366	(2,961)	2,113	
Total other operating revenue	$ 132,296	$ 55,616	$ 120,562	$ 10

Other Operating Expense

Other operating expense for the third quarter of 2008 totaled $164.3 million, up $13.3 million or 9% over the third quarter of 2007. Personnel costs increased $1.7 million or 2%. Non-personnel expenses increased $11.5 million or 18% due largely to higher deposit insurance costs and losses on mortgage loans sold with recourse. In addition, the Company accrued $1.7 million in the third quarter of 2008 to recognize its additional contingent obligation to support Visa's antitrust litigation costs. This amount is expected to reverse in future periods when Visa issues additional common shares to provide additional funds to its litigation escrow account.

Personnel expense

Personnel expense totaled $87.5 million for the third quarter of 2008 and $85.8 million for the third quarter of 2007, including personnel expense of $2.5 million for net workforce reduction costs. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs totaled $55.4 million, up $1.8 million or 3% over the third quarter of 2007. The increase in regular compensation expense was due primarily to an increase in average regular compensation per full time equivalent employee. Average staffing levels were down 4% over the third quarter of last year.

Table 3 - Personnel Expense
(Dollars in thousands)

	Three Months Ended			
	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31, 2007
Regular compensation	$ 55,435	$ 54,024	$ 52,576	$ 52,316
Incentive compensation:				

Cash-based	20,110	19,503	19,287	19,568
Stock-based	68	2,760	2,272	1,794
Total incentive compensation	20,178	22,263	21,559	21,362
Employee benefits	11,936	13,310	13,971	10,834
Workforce reduction costs, net	-	-	-	-
Total personnel expense	$ 87,549	$ 89,597	$ 88,106	$ 84,512
Number of employees (full-time equivalent)	4,231	4,137	4,135	4,110

Incentive compensation increased $2.3 million or 13% to $20.2 million compared to the third quarter of 2007. Expense for cash-based incentive compensation plans increased $4.6 million or 29%. These plans are either intended to provide current rewards to employees who generate long-term business opportunities to the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. The increase in cash-based incentive compensation over the third quarter of 2007 included a

8

$2.8 million increase in commissions related to brokerage and trading revenue.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense related to liability awards decreased $2.7 million compared with the second quarter of 2008. This decrease reflected changes in the market value of BOK Financial common stock and other investments. The market value of BOK Financial common stock decreased $5.04 per share in the third quarter of 2008 and decreased $2.01 per share in the third quarter of 2007. Compensation expense for equity awards increased $371 thousand or 30% compared with the third quarter of 2007. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value.

Employee benefit expense totaled $11.9 million, a $120 thousand or 1% increase over the third quarter of 2007. Medical insurance costs were down $353 thousand or 8%. The Company self-insures a portion of its employee health care coverage.

Personnel expense decreased $2.0 million compared with the second quarter of 2008 due to lower incentive compensation and employee benefit expenses. Stock-based incentive compensation decreased $2.7 million due to lower cost of liability awards. Employee benefit expense decreased $1.4 million due primarily to seasonally lower payroll tax expense.

Data processing and communications expense

Data processing and communications expense totaled $19.9 million, up $1.6 million or 9% over the third quarter of 2007. This expense consists of two broad categories, data processing systems and transaction card processing. Data processing systems costs increased $1.5 million or 14% due to growth in processing volumes. Transaction card processing costs increased $145 thousand or 2% due to growth in processing volume.

Other operating expenses

Occupancy and equipment expenses totaled $15.6 million for the third quarter of 2008, up $818 thousand or 6% over 2007. Growth in occupancy expense was due to 3 new branch locations added in the past year. Insurance expense increased $1.7

million compared to the third quarter of 2007 due to an increase in FDIC insurance premiums. A one-time credit granted to eligible depository institutions by the Federal Deposit Insurance Reform Act of 2005 to offset deposit insurance premiums was largely used in 2007. The Company expects higher deposit insurance expense as recently-announced increases in deposit insurance premiums and other Treasury Department initiatives become effective.

Mortgage banking costs included a $1.4 million increase in provision for losses on residential mortgage loans sold with recourse. The Company's obligation to repurchase these loans is more-fully discussed in the Loan Commitments section of this report.

Subsequent to September 30, 2008, Visa and Mastercard announced that they had reached an agreement in principal to settle antitrust litigation with Discover Financial Services for approximately $2.8 billion. Management has estimated its additional obligation for this settlement under Visa's retrospective responsibility plan to be approximately $1.7 million. Management expects that this accrual will be offset in future periods as Visa issues additional Class A shares to provide funds for its litigation escrow account.

9

Table 4 - Other Operating Expense
(In thousands)

	Three Months Ended			
	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31, 2007
Personnel	$ 87,549	$ 89,597	$ 88,106	$ 84,512
Business promotion	5,837	5,777	4,639	6,528
Professional fees and services	6,501	6,973	5,648	6,209
Net occupancy and equipment	15,570	15,100	15,061	15,466
Insurance	2,436	2,626	3,710	843
Data processing & communications	19,911	19,523	18,893	19,086
Printing, postage and supplies	4,035	4,156	4,419	4,221
Net (gains) losses and operating expenses of repossessed assets	(136)	(229)	378	120
Amortization of intangible assets	1,884	1,885	1,925	2,382
Mortgage banking costs	5,811	6,054	5,681	4,225
Change in fair value of mortgage servicing rights	5,554	767	1,762	3,344
Visa retrospective responsibility obligation	1,700	-	(2,767)	2,767
Other expense	7,638	7,039	5,949	8,024
Total other operating expense	$ 164,290	$ 159,268	$ 153,404	$ 157,727

Income Taxes

Income tax expense was $23.0 million or 29% of book taxable income for the third quarter of 2008 compared with $30.8 million or 34% of book taxable income for the third quarter of 2007. The statute of limitations expired on an uncertain tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2007 during the third quarter of 2008. Income tax expense would have been $26.6 million or 33% of book taxable income for the third quarter of 2008, excluding these items.

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 approximately $11.7 million at September 30, 2008.

Lines of Business

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

In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the Company's 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, the provision for credit losses, tax-exempt income and tax credits and certain executive compensation costs that are not attributed to the lines of business.

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable

10

Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 90 days for certain rate-sensitive deposits to five years.

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

The increase in contribution to net income provided by the Oklahoma Corporate

Banking Division was due primarily to a $19.4 million increase in the fair value of derivative contracts related to SemGroup. The decrease in contribution to net income provided by the Regional Banking Division was due to increased net loans charged off, primarily in the Arizona market.

Table 5 - Net Income by Line of Business
(In thousands)

	Three months ended Sept. 30, 2008	2007	Nine mo 200
Regional banking	$ 11,854	$ 21,798	$ 53,63
Oklahoma corporate banking	34,125	21,694	16,72
Mortgage banking	(2,352)	503	(6,84
Oklahoma consumer banking	7,052	9,270	23,93
Wealth management	9,380	6,166	29,27
Subtotal	60,059	59,431	116,71
Funds management and other	(3,374)	417	1,07
Total	$ 56,685	$ 59,848	$117,78

Oklahoma Corporate Banking

The Oklahoma Corporate Banking Division provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and certain relationships in surrounding states. In addition to serving the banking needs of small businesses, middle market and larger customers, this Division has specialized groups that serve customers in the energy, agriculture, healthcare and banking/finance industries, and includes the TransFund network. The Oklahoma Corporate Banking Division contributed $34.1 million to net income for the third quarter of 2008, up from $21.7 million for the third quarter of 2007. This Division recognized a $53.0 million after-tax loss in the second quarter of 2008 on loans and derivative contracts with SemGroup. During the third quarter of 2008, the fair value of certain derivative contracts related to SemGroup increased by $19.4 million due to falling energy prices. The change in fair value of these contracts increased net income after taxes by $11.9 million for the third quarter of 2008. The increase in fair value of derivative contracts is included in Other Operating Revenue. Excluding changes in the fair value of these contracts, the Oklahoma Corporate Banking Division's net income for the third quarter of 2008 was $22.3 million, up $585 thousand over the third quarter of 2007.

Net interest revenue increased $829 thousand or 2% compared to the third quarter of 2007. Average earnings assets attributed to this division increased $151 million or 3% over the third quarter of 2007 to $4.7 billion. Average loans increased $23 million or 1% to $4.4 billion. Average commercial loans decreased $25 million or 1%. The decrease in average commercial loans was offset by a $38 million increase in average consumer loans, primarily indirect automobile loans, and a $13 million increase in average real estate loans. Average funds provided to the funds management unit by the Oklahoma Corporate Banking Division increased $104 million due to deposit growth.

Operating revenue increased $3.3 million, excluding changes in the fair value of SemGroup related derivative contracts. Operating revenue provided by TransFund increased $1.1 million or 12% and service charges on commercial deposit accounts were up $495 thousand or 9%. Fees received from standby letters of credit were up $404 thousand or 20% over the third quarter of 2007. Operating expenses, which consist primarily of personnel and data processing costs, increased $2.6 million or 9%.

11

Table 6 - Oklahoma Corporate Banking
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 48,311	$ 62,144	$ 150,18
NIR (expense) from internal sources	(8,777)	(23,439)	(39,28
Net interest revenue	39,534	38,705	110,90
Other operating revenue	46,870	24,174	36,56
Operating expense	31,116	28,532	91,24
Gains on financial instruments, net	-	1,073	4,68
Net loans charged off (recovered)	(512)	(33)	33,93
Net income	34,125	21,694	16,72
Average assets	$ 6,460,061	$ 5,743,011	$ 6,232,82
Average economic capital	475,380	405,620	443,78
Return on assets	2.10%	1.50%	0.
Return on economic capital	28.56%	21.22%	5.
Efficiency ratio	36.01%	45.38%	61.

Oklahoma Consumer Banking

The Oklahoma Consumer Banking Division provides a full line of deposit, loan and fee-based services to customers throughout Oklahoma through four major distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and the Internet. Additionally, the division is a significant referral source for the Bank of Oklahoma Mortgage Division and BOSC's retail brokerage division. Consumer banking services are offered through 36 locations in Tulsa, 32 locations in Oklahoma City and 15 locations throughout the state. Two locations are scheduled to open in the fourth quarter of 2008.

The Oklahoma Consumer Banking Division contributed net income of $7.1 million for the third quarter of 2008, compared to net income of $9.3 million for the third quarter of 2007. Net interest revenue decreased $2.8 million or 15% over 2007 due primarily to a decrease in the internal transfer pricing credit. Average loans attributed to the Oklahoma Consumer Banking Division in 2008 increased $17 million or 6% compared with 2007. Average deposits provided by the Oklahoma Consumer Banking Division grew $109 million or 4% to $3.0 billion. Average demand deposits were up $44 million or 13% over 2007. Interest bearing deposits increased $65 million or 3%, including a $213 million or 21% increase in interest bearing transaction accounts and a $152 million or 10% decrease in time deposits.

Other operating revenue was up $1.0 million or 5% over 2007 largely from check card revenue and overdraft fees. Operating expenses increased $2.0 million or 9% over 2007, including a $514 thousand or 6% increase in personnel expense and a $1.5 million or 14% increase in non-personnel expense. Net loans charged-off, which consist primarily of overdrawn deposit accounts, totaled $835 thousand for the third quarter of 2008 and $1.0 million for the third quarter of 2007.

Table 7 - Oklahoma Consumer Banking
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ (10,812)	$ (17,497)	$ (37,20
NIR (expense) from internal sources	26,455	35,899	85,27
Net interest revenue	15,643	18,402	48,06
Other operating revenue	20,991	19,975	60,93
Operating expense	24,258	22,242	69,61
Gains on financial instruments, net	-	-	1,57
Net loans charged off	835	1,005	1,79
Net income	7,052	9,270	23,93
Average assets	$ 3,044,296	$ 2,936,051	$ 3,023,75
Average economic capital	60,340	63,540	60,02
Return on assets	0.92%	1.25%	1.
Return on economic capital	46.49%	57.88%	53.
Efficiency ratio	66.22%	57.96%	63.

12

Mortgage Banking

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of Bank of Oklahoma. These activities include the origination, marketing and servicing of conventional and government-sponsored mortgage loans. BOk Mortgage incurred a net loss of $2.4 million in the third quarter of 2008 compared to net income of $504 thousand in the third quarter of 2007. Changes in the fair value of mortgage servicing rights, net of hedging activity, reduced net income $2.7 million in 2008 and increased net income $127 thousand in 2007. In addition, an increase in the provision for off-balance sheet credit risk on mortgage loans sold with recourse reduced net income $1.3 million in the third quarter of 2008 and $500 thousand for the third quarter of 2007.

Mortgage banking activities consisted primarily of two sectors, loan production and loan servicing. The loan production sector generally performs best when mortgage rates are relatively low and loan origination volumes are high. Conversely, the loan servicing sector generally performs best when mortgage rates are relatively high and prepayments are low. The Mortgage Banking Division also holds a permanent portfolio of $468 million of residential mortgage loans which generated net income of $513 thousand in the third quarter of 2008.

Loan Production Sector

Pre-tax losses from loan production totaled $1.0 million for the third quarter of 2008 and $201 thousand for the third quarter of 2007. Loan production revenue totaled $2.9 million in third quarter of 2008, including $5.1 million of capitalized mortgage servicing rights, partially offset by net losses on mortgage loans sold. Loan production revenue totaled $5.0 million in third quarter of 2007. Capitalized mortgage servicing rights totaled $4.0 million. The average initial fair value of servicing rights on mortgage loans funded was 1.47% for the third quarter of 2008 and 1.30% for the third quarter of 2007. Mortgage loans funded totaled $347 million in third quarter of 2008 and $305 million in the third quarter of 2007. Approximately 55% and 20% of the loans funded during the third quarter of 2008 were in Oklahoma and Texas, respectively. The pipeline of mortgage loan applications totaled $507 million at September 30, 2008, compared to $517 million at June 30, 2008 and $323 million at September 30, 2007. Operating expenses, excluding direct loan production costs which are recognized as part of the gain or loss on loans sold, totaled $5.2 million in 2008 and $5.6 million in 2007.

Loan Servicing Sector

The loan servicing sector had a pre-tax loss of $3.4 million for the third quarter of 2008 compared with pre-tax income of $467 thousand for the third quarter of 2007. We recognized a net pre-tax loss of $4.4 million in the third quarter of 2008 compared with a net pre-tax gain of $208 thousand in 2007 from changes in the value of mortgage servicing rights and economic hedging activities.

Servicing revenue, including revenue on loans serviced for affiliates, totaled $5.0 million in third quarter of 2008 compared to $4.7 million in the same period of 2007. The average outstanding balance of loans serviced, including loans serviced for affiliates, was $5.8 billion during the third quarter of 2008 compared to $5.4 billion during 2007. Servicing revenue per outstanding loan principal was 35 basis points in 2008 compared with 36 basis points in 2007. Servicing costs totaled $2.2 million for the third quarter of 2008 and $1.9 million for the third quarter of 2007. At September 30, 2008, the total number of loans serviced by BOk Mortgage totaled 57,970. Serviced loans delinquent 90 days or more or in process of foreclosure totaled 682 or 1.18% of the number of loans serviced; 404 of these loans are in Oklahoma, 90 are in Arkansas, 59 are in Kansas / Missouri and 35 are in Texas.

13

Table 8 - Mortgage Banking
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 11,362	$ 9,833	$ 34,89
NIR (expense) from internal sources	(8,000)	(8,620)	(25,82
Net interest revenue	3,362	1,213	9,07
Capitalized mortgage servicing rights	5,092	3,964	15,40
Other operating revenue	2,073	5,822	7,79
Operating expense	9,632	10,133	30,49
Change in fair value of mortgage servicing rights	5,554	3,446	8,08
Gains (losses) on financial instruments, net	1,186	3,654	(4,14
Net loans charged off	353	249	65
Net income (loss)	(2,352)	503	(6,84
Average assets	$ 905,650	$ 770,608	$ 892,88
Average economic capital	34,140	24,990	27,79
Return on assets	(1.03)%	0.26%	(1.
Return on economic capital	(27.41)%	7.99%	(32.
Efficiency ratio	91.50%	92.13%	94.

BOK Financial designated a portion of its securities portfolio as an economic hedge against the risk of changes in the fair value of its mortgage servicing rights. These securities, which are identified as mortgage trading securities are carried at fair value. Changes in fair value are recognized in earnings as they occur. Additionally, mortgage-related derivative contracts may also be designated as an economic hedge of the risk of loss on mortgage servicing rights. Because the fair values of these instruments are expected to vary inversely to the fair value of the servicing rights, they are expected to partially offset risk. No special hedge accounting treatment is applicable to either the mortgage servicing rights or the financial instruments designated as an economic hedge.

Our hedging strategy presents certain risks. A well-developed market determines the fair value for the securities and derivatives, however there is no comparable market for mortgage servicing rights. Therefore, the computed change in value of the servicing rights for a specified change in interest rates may not correlate to the change in value of the securities.

At September 30, 2008, financial instruments with a fair value of $198 million were held for the economic hedge program. The interest rate sensitivity of the mortgage servicing rights and securities held as a hedge is modeled over a range of +/- 50 basis points. At September 30, 2008, the pre-tax results of this modeling on reported earnings were:

Table 9 - Interest Rate Sensitivity - Mortgage Servicing
(Dollars in Thousands)

	50 bp increase	50 bp decrease
Anticipated change in:		
Fair value of mortgage servicing rights	$ 4,498	$ (4,927)
Fair value of hedging instruments	(4,649)	3,697
Net	$ (151)	$ (1,230)

Table 9 shows the non-linear effect of changes in mortgage commitment rates on the value of mortgage servicing rights. A 50 basis point increase in rates is expected to increase the fair value of our servicing rights $4.5 million while a 50 basis point decrease is expected to reduce the fair value $4.9 million. This considers that there is an upper limit to appreciation in the value of servicing rights as rates rise due to the contractual repayment terms of the loans and other factors. There is much less of a limit of the speed at which mortgage loans may prepay in a declining rate environment.

Modeling changes in the value of mortgage servicing rights due to changes in interest rates assumes stable relationships between mortgage commitment rates and discount rates used to determine the present value of future cash flows. It also assumes a stable relationship between the assumed loan prepayment speeds and actual prepayments of our loans. Changes in market conditions can increase or decrease the discount spread over benchmark rates expected by investors in mortgage servicing rights and actual prepayments may increase or decrease due to factors other than changes in interest rates. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

14

Wealth Management

BOK Financial provides a wide range of financial services through its wealth management line of business, including trust and private financial services, and brokerage and trading activities. This line of business includes the activities of BOSC, Inc., a registered broker / dealer and Cavanal Hill Investment Management, Inc., an SEC-registered investment advisor.

Trust and private financial services includes sales of institutional, investment and retirement products, loans and other services to affluent individuals, businesses, not-for-profit organizations, and governmental agencies. Trust services are provided primarily to clients throughout Oklahoma, Texas and New Mexico. Additionally, trust services include a nationally competitive, self-directed 401-(k) program and provides administrative and advisory services to the American Performance family of mutual funds. Brokerage and trading activities within the wealth management line of business consists of retail sales of mutual funds, securities, and annuities, institutional sales of securities and derivatives, bond underwriting and other financial advisory services and customer risk management programs.

Wealth Management contributed net income of $9.4 million in the third quarter of 2008. This compared to net income of $6.2 million in the third quarter of 2007. Growth in net income was due primarily to increased revenue from trading and institutional securities sales. Net income for the third quarter of 2007 was decreased $1.4 million for the after-tax cost of the settlement of certain matters with the American Performance Funds. Net income for the Wealth Management Division for the third quarter of 2008 increased $1.9 million or 25% over the same period of 2007, excluding this settlement cost.

Trust fees and commissions for the Wealth Management line of business totaled $17.5 million, up $501 thousand or 3% increase over last year. At September 30, 2008 and 2007, the Wealth Management line of business was responsible for trust assets with aggregate market values of $30.4 billion and $31.8 billion, respectively, under various fiduciary arrangements. The change in trust assets reflected lower market value of assets managed partially offset by new business generated during the year. We have sole or joint discretionary authority over $11.5 billion of trust assets at September 30, 2008 compared to $11.8 billion of trust assets at September 30, 2007. The fair value of non-managed assets was $11.8 billion at September 30, 2008 and $12.2 billion at September 30, 2007. Assets held in safekeeping totaled $7.1 billion at September 30, 2008.

Brokerage and trading activities provided $4.6 million of the Wealth Management Division's net income in the third quarter of 2008 compared to $2.5 million in 2007. Trading fees and commissions revenue increased $5.8 million due primarily to a $4.1 million increase in revenue from institutional securities and a $1.7 million increase in customer derivative revenue. Operating expenses, which consist primarily of compensation expense increased $2.4 million or 18%. Incentive compensation expense which is directly related to revenue growth was up $2.6 million.

Table 10 - Wealth Management
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 6,697	$ 3,398	$ 17,60
NIR (expense) from internal sources	(1,075)	4,775	(1,41
Net interest revenue	5,622	8,173	16,19
Other operating revenue	43,748	35,785	135,15
Operating expense	34,022	31,466	102,23

American Performance Fund settlement	-	2,232	
Net loans charged off (recovered)	(3)	168	1,19
Net income	9,380	6,166	29,27
Average assets	$ 2,848,047	$ 1,907,534	$ 2,705,40
Average economic capital	156,840	155,270	147,70
Return on assets	1.31%	1.28%	1.
Return on economic capital	23.79%	15.76%	26.
Efficiency ratio	68.91%	71.58%	67.

15

Regional Banking

Regional banking consists primarily of the corporate and commercial banking services provided by Bank of Texas, Bank of Albuquerque, Bank of Arkansas, Colorado State Bank and Trust, Bank of Arizona and Bank of Kansas City in their respective markets. It also includes fiduciary services provided by Colorado State Bank and Trust. Small businesses and middle-market corporations are the regional banks' primary customer focus. Regional banking contributed net income of $11.9 million during the third quarter of 2008. This compares with net income of $21.8 million during the third quarter of 2007. Net loans charged off at the regional banks totaled $19.2 million in the third quarter of 2008, including $10.8 million in Arizona and $5.0 million in Colorado. Net loans charged off at the regional banks totaled $3.5 million in the third quarter of 2007.

Net losses from banking operations in the Arizona market totaled $6.1 million for the third quarter of 2008, compared with net income of $142 thousand for the third quarter of 2007. Net loans charged off were $10.8 million, up $10 million over the third quarter of 2007. Substantially all of the third quarter's net loans charged off were residential development, construction and related land loans. Charge offs of two loans in the Tucson market totaled $6.1 million. Management has reviewed substantially all loans and loan commitments during the third quarter and has reorganized loan production staff in the Tucson market.

Net losses from banking operations in the Colorado market totaled $658 thousand for the third quarter of 2008, compared with net income of $3.2 million for the third quarter of 2007. Net loans charged off were $5.0 million, compared with a net recovery of $9 thousand in the third quarter of 2007. A single real estate credit comprised substantially all of the third quarter of 2008 charge off.

Average loans in the Colorado market increased $123 million or 16% over the third quarter of 2007. Average commercial loans and average commercial real estate loans were up $62 million and $60 million, respectively. Average deposits decreased $58 million. Average time deposits decreased $147 million and average interest-bearing transaction and savings deposits increased $75 million. Average demand deposits were up $15 million.

Net income provided by Texas operations was $12.0 million for the third quarter of 2008 a $937 thousand decrease from the third quarter of 2007. Net loans charged off totaled $2.3 million for the third quarter of 2008 and $1.1 million for the third quarter of 2007.

Average loans in the Texas market totaled $3.4 billion for the third quarter of 2008, up $324 million or 10% over the same quarter of last year. Average commercial loans were up $185 million and average real estate loans were up $85 million. Consumer loans, which consist primarily of indirect automobile loans, grew $63 million over the third quarter of 2007. Average loans in the Dallas market increased $330 million or 15% over the third quarter of 2007. Average loans in the Houston market increased $4.6 million or 1%. Growth in community banking loans was largely offset by a decrease in energy loans in the Houston market.

Average deposits in the Texas market were $3.1 billon for the third quarter of 2008, down $70 million or 2% compared with the third quarter of 2007. Average time deposits decreased $105 million and average interest-bearing transaction deposits decreased $60 million. Average demand deposits increased $98 million. Average deposits decreased $55 million or 3% in the Dallas market and $22 million or 2% in the Houston market.

Net income from banking operations in New Mexico and Arkansas totaled $5.0 million and $997 thousand, respectively, for the third quarter of 2008. Net income for the third quarter of 2007 was $5.0 million from banking operations in New Mexico and $886 thousand from banking operations in Arkansas. Average outstanding loans in the New Mexico market were $794 million for the third quarter of 2008, up $58 million or 8% over 2007. Average outstanding loans in the Arkansas market were $408 million for the third quarter of 2008, up $61 million or 18% over 2007.

Net income from banking operations in Kansas City was $732 thousand for the third quarter of 2008 compared with a net loss of $328 thousand for the third quarter of 2007. Net interest revenue was up $1.2 million and other operating revenue was up $623 thousand. Average loans were $387 million, up $193 million from last year. Average deposits were $77 million, up $27 million over the third quarter of 2007.

16

Table 11 - Bank of Texas
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 45,353	$ 49,475	$ 134,80
NIR (expense) from internal sources	(5,498)	(9,545)	(17,71
Net interest revenue	39,855	39,930	117,08
Other operating revenue	8,174	7,713	24,18
Operating expense	27,763	26,379	81,97
Gains on financial instruments, net	-	-	25
Net loans charged off	2,299	1,110	5,19
Net income	11,960	12,898	35,31
Average assets	$ 4,685,980	$ 4,617,458	$ 4,698,91
Average economic capital	238,100	286,290	198,52
Average invested capital	489,990	453,370	450,40
Return on assets	1.02%	1.11%	1.
Return on economic capital	19.98%	17.87%	23.
Return on average invested capital	9.71%	11.29%	10.
Efficiency ratio	57.80%	55.37%	58.

Table 12 - Bank of Albuquerque
(Dollars in Thousands)

Three months ended Sept. 30, Nine mont

	2008	2007	2008
NIR (expense) from external sources	$ 14,808	$ 18,685	$ 48,69
NIR (expense) from internal sources	(2,722)	(5,669)	(9,66
Net interest revenue	12,086	13,016	39,03
Other operating revenue	4,571	4,401	13,37
Operating expense	8,235	7,893	24,04
Gains on financial instruments, net	-	-	19
Net loans charged off	288	1,306	1,42
Net income	4,970	5,022	16,57
Average assets	$ 1,696,897	$ 1,621,220	$ 1,965,63
Average economic capital	96,730	94,450	93,42
Average invested capital	115,820	113,540	112,51
Return on assets	1.17%	1.23%	1.
Return on economic capital	20.44%	21.10%	23.
Return on average invested capital	17.07%	17.55%	19.
Efficiency ratio	49.44%	45.32%	45.

17

Table 13 - Bank of Arkansas
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 4,279	$ 4,555	$ 12,70
NIR (expense) from internal sources	(1,039)	(1,915)	(3,66
Net interest revenue	3,240	2,640	9,03
Other operating revenue	284	291	92
Operating expense	1,069	1,114	3,28
Gains on financial instruments, net	-	-	
Net loans charged off	825	367	2,18
Net income	997	886	2,75
Average assets	$ 428,078	$ 366,423	$ 422,12
Average economic capital	28,520	19,540	25,72
Average invested capital	28,520	19,540	25,72
Return on assets	0.93%	0.96%	0.8
Return on economic capital	13.91%	17.99%	14.2
Return on average invested capital	13.91%	17.99%	14.2
Efficiency ratio	30.33%	38.01%	33.0

Table 14 - Colorado State Bank and Trust
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont

	2008	2007	2008
NIR (expense) from external sources	$ 16,000	$ 19,551	$ 47,80
NIR (expense) from internal sources	(4,352)	(8,031)	(14,14
Net interest revenue	11,648	11,520	33,65
Other operating revenue	3,437	3,416	11,18
Operating expense	11,064	9,707	31,29
Gains on financial instruments, net	-	-	6
Net loans charged off (recovered)	4,998	(9)	5,43
Net income (loss)	(658)	3,178	4,96
Average assets	$ 1,880,419	$ 1,865,783	$ 1,885,98
Average economic capital	115,320	97,550	109,73
Average invested capital	170,620	152,840	165,03
Return on assets	(0.14)%	0.68%	0.3
Return on economic capital	(2.27)%	12.93%	6.0
Return on average invested capital	(1.53)%	8.25%	4.0
Efficiency ratio	73.34%	64.99%	69.8

18

Table 15 - Bank of Arizona
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008
NIR (expense) from external sources	$ 7,563	$ 10,422	$ 24,52
NIR (expense) from internal sources	(2,869)	(5,457)	(9,85
Net interest revenue	4,694	4,965	14,67
Other operating revenue	237	198	79
Operating expense	4,223	4,222	12,54
Net loans charged off	10,768	708	12,91
Net income (loss)	(6,147)	142	(6,10
Average assets	$ 611,729	$ 598,967	$ 614,94
Average economic capital	71,770	50,630	61,09
Average invested capital	88,420	67,280	77,74
Return on assets	(4.00)%	0.09%	(1.3
Return on economic capital	(34.07)%	1.11%	(13.3
Return on average invested capital	(27.66)%	0.84%	(10.4
Efficiency ratio	85.64%	81.77%	81.1

Table 16 - Bank of Kansas City
(Dollars in Thousands)

	Three months ended Sept. 30,		Nine mont
	2008	2007	2008

NIR (expense) from external sources	$ 4,719	$ 3,627	$ 14,48
NIR (expense) from internal sources	(2,150)	(2,247)	(7,23
Net interest revenue	2,569	1,380	7,25
Other operating revenue	1,373	750	3,82
Operating expense	2,746	2,667	8,48
Net loans charged off (recovered)	(3)	-	2,37
Net income (loss)	732	(328)	12
Average assets	$ 425,999	$ 236,883	$ 428,09
Average economic capital	40,050	12,590	28,69
Average invested capital	40,050	12,590	28,69
Return on assets	0.68%	(0.55)%	0.0
Return on economic capital	7.27%	(10.34)%	0.6
Return on average invested capital	7.27%	(10.34)%	0.6
Efficiency ratio	69.66%	125.21%	76.6

Financial Condition

Securities

Investment securities, which consist primarily of Oklahoma municipal bonds, are carried at cost and adjusted for amortization of premiums or accretion of discounts. At September 30, 2008, investment securities were carried at $244 million and had a fair value of $240 million. Management has the ability and intent to hold these securities until they mature.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled $6.4 billion at September 30, 2008, up $420 million compared with June 30, 2008. Mortgage-backed securities represented 97% of total available for sale securities. The Company holds no debt securities of corporate issuers.

19

Table 17 - Available for Sale Securities
(in thousands)

	September 30, 2008			
	Amortized	Fair	Gross Unrealized	
	Cost	Value	Gain	Loss
U.S. Treasury	$ 26,984	$ 27,005	$ 21	$ -
Municipal and other tax-exempt	18,833	18,534	57	(356)
Mortgage-backed securities:				
U. S. agencies	4,553,582	4,560,587	34,716	(27,711)
Private issue	1,685,742	1,523,021	44	(162,765)
Total mortgage-backed securities	6,239,324	6,083,608	34,760	(190,476)
Other debt securities	38	37	-	(1)
Equity securities and mutual funds	153,005	150,346	5,920	(8,579)

Total	$6,438,184	$6,279,530	$40,758	$(199,412)

A primary risk of holding mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. The expected duration of the mortgage-backed securities portfolio was approximately 2.8 years at September 30, 2008. Management estimates that the expected duration would extend to approximately 3.3 years assuming an immediate 300 basis point upward rate shock.

Mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. The Company mitigates this risk by primarily investing in securities issued by FNMA and FHLMC. Principal and interest payments on the underlying loans are fully guaranteed. At September 30, 2008, approximately $4.8 billion of the Company's mortgage-backed securities were issued by U.S. government agencies.

The Company also holds $1.5 billion of mortgage-backed securities privately issued by publicly-owned financial institutions. Credit risk on mortgage-backed securities originated by these issuers is mitigated by investment in senior tranches with additional collateral support. None of these securities are backed by sub-prime mortgage loans, collateralized debt obligations or collateralized loan obligations.

Approximately $439 million of the privately issued mortgage-backed securities consisted of Alt-A mortgage loans. Approximately 83% of these securities are credit enhanced with additional collateral support and approximately 87% of our Alt-A mortgage-backed securities represents pools of fixed-rate mortgage loans. None of the adjustable rate mortgages are payment option ARMs.

Our portfolio of available for sale securities also included preferred stocks issued by seven financial institutions. These stocks were originally purchased for $46 million and have a current carrying value of $32 million. Our carrying value of these stocks has been reduced by $14 million of other-than-temporary impairment charges recognized in previous periods. None of the institutions that issued these stocks are in default and all of the issuers are rated investment grade. BOK Financial does not own any equity securities issued by Fannie Mae or Freddie Mac. These preferred stocks have certain debt-like features such as a quarterly dividend based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. The aggregate fair value of these preferred stocks decreased to $24 million at September 30, 2008 due to a significant widening of spreads to LIBOR related to current market disruptions. Management believes that the fair value of these securities will recover to our carrying value as spreads to LIBOR return to a range of 400 basis points to 500 basis points over the next two years.

Net unrealized losses on available for sale debt and equity securities totaled $159 million at September 30, 2008 compared with net unrealized losses of $91 million at June 30, 2008. The aggregate gross amount of unrealized losses at September 30, 2008 totaled $199 million. Management evaluated the securities with unrealized losses to determine if we believed that the losses were temporary. This evaluation considered factors such as causes of the unrealized losses, support for debt securities provided by government guarantees or credit enhancements, ratings of the respective issuers and other factors to assess the prospects for recovery over various interest rate scenarios and time periods. We also considered our intent and ability to either hold or sell the securities. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary.

Certain mortgage-backed securities, identified as mortgage trading securities, have been designated as economic hedges of mortgage servicing rights. These securities are carried at fair value with changes in fair value recognized in current period income. These securities are held with the intent that gains or losses will offset changes in the fair value of mortgage servicing rights. The Company also maintains a separate trading portfolio. Trading portfolio securities, which

are also carried at fair value with changes in fair value recognized in current period income, are acquired and held with the intent to sell at a profit to the Company.

Bank-Owned Life Insurance

The Company has approximately $234 million of bank-owned life insurance at September 30, 2008. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Substantially all of the funds are held in separate accounts and are invested in U.S. government, mortgage-backed and corporate debt securities. 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, 2008, cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately $196 million and cash surrender value represented by the value of the stable value wrap was approximately $5.7 million. The stable value wrap was provided by a highly-rated, domestic bank. The remaining cash surrender value primarily represented the cash surrender value of policies held in the general accounts of various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled $12.7 billion at September 30, 2008, a $162 million or 5% annualized increase since June 30, 2008. Commercial loans and residential mortgage loans increased during the third quarter of 2008. Commercial real estate loans and consumer loans decreased during the same period.

Previously, the Company had reported residential loans held for sale by its mortgage banking division as part of its loan portfolio. These loans are now reported separately on the consolidated balance sheet and are excluded from this discussion. Information for prior periods has been reclassified for consistent presentation.

Table 18 - Loans
(In thousands)

	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31 2007
Commercial:				
Energy	$ 2,099,996	$ 1,895,050	$ 1,966,996	$ 1,954,9
Services	1,975,604	1,848,360	1,784,723	1,721,1
Wholesale/retail	1,199,216	1,226,875	1,206,224	1,081,1
Manufacturing	519,485	542,019	542,297	493,1
Healthcare	778,819	747,434	733,086	680,2
Agriculture	229,447	253,198	248,345	236,8

Other commercial and industrial	471,235	525,637	475,187	569,8
Total commercial	7,273,802	7,038,573	6,956,858	6,737,5
Commercial real estate:				
Construction and land development	968,522	1,021,135	1,066,096	1,004,5
Retail	375,929	378,241	409,690	371,9
Office	470,383	422,558	414,466	394,7
Multifamily	268,614	251,325	236,787	214,3
Industrial	151,187	180,358	161,068	151,7
Other real estate loans	479,357	573,880	543,817	613,1
Total commercial real estate	2,713,992	2,827,497	2,831,924	2,750,4
Residential mortgage:				
Permanent mortgage	1,193,488	1,130,417	1,052,785	1,089,0
Home equity	476,465	477,180	476,984	442,2
Total residential mortgage	1,669,953	1,607,597	1,529,769	1,531,2
Consumer:				
Indirect automobile	721,390	735,098	685,803	625,2
Other consumer	300,833	309,273	291,401	296,0
Total consumer	1,022,223	1,044,371	977,204	921,2
Total	$ 12,679,970	$ 12,518,038	$ 12,295,755	$ 11,940,5

The commercial loan portfolio increased $235 million during the third quarter of 2008 to $7.3 billion at September 30, 2008 from the second quarter of 2008. Energy loans totaled $2.1 billion or 17% of total loans. Outstanding energy loans increased $205 million during the third quarter of 2008. Approximately $1.8 billion of energy loans were to oil

21

and gas producers, up from $1.6 billion at June 30, 2008. The amount of credit available to these customers generally depends on a percentage of the value of their proven energy reserves based on anticipated prices. The energy category also included loans to borrowers involved in the transportation and sale of oil and gas and to borrowers that manufacture equipment or provide other services to the energy industry. The energy category of our loan portfolio is distributed $1.1 billion in Oklahoma, $615 million in Texas and $392 million in Colorado.

The services sector of the loan portfolio totaled $2.0 billion or 16% of total loans and consists of a large number of loans to a variety of businesses, including communications, gaming and transportation services. Approximately $1.3 billion of the services category is made up of loans with individual balances of less than $10 million. Approximately $718 million of the outstanding balance of services loans is attributed to Texas, $644 million to Oklahoma, $244 million to New Mexico, $141 million to Arizona and $108 million to Colorado.

Other notable loan concentrations by primary industry of the borrowers are presented in Table 18.

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. At September 30, 2008, the outstanding principal balance of these loans totaled $2.1 billion. Substantially all of these loans are to borrowers with local market relationships. BOK Financial serves as the agent lender in approximately 23% of its shared national credits, based on dollars committed. The Company's lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer.

Commercial real estate loans totaled $2.7 billion or 21% of the loan portfolio at September 30, 2008. Over the past five years, the percentage of commercial real estate loans to our total loan portfolio ranged from 20% to 23%. The outstanding balance of commercial real estate loans decreased $114 million from the previous quarter end. Construction and land development loans decreased $53 million to $969 million. Loans secured by industrial facilities decreased $29 million and other commercial real estate loans decreased $95 million. Loans secured by office buildings increased $48 million and loans secured by multifamily residential properties increased $17 million.

Loans secured by land, residential lots and construction totaled $969 billion at September 30, 2008. Approximately $252 million of these loans are attributed to the Oklahoma market, $267 million to the Texas market, $178 million to the Colorado market and $160 million to the Arizona market. The geographic distribution of all other commercial real estate loans included $575 million in Oklahoma, $586 million in Texas, $200 million in New Mexico, $166 million in Arizona and $89 million in Colorado.

Residential mortgage loans totaled $1.7 billion, up $62 million since June 30, 2008. Permanent 1-4 family mortgage loans increased $63 million and home equity loans decreased $1 million. We have no concentration in sub-prime residential mortgage loans and our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or loans with initial rates that are below market. Our portfolio of permanent 1- 4 family mortgage loans includes $130 million of community development loans. These loans are generally underwritten to prime standards and require full documentation. Approximately $1.1 billion of our residential mortgage loan portfolio is attributed to borrowers in Oklahoma and $308 million to borrowers in Texas.

At September 30, 2008, consumer loans included $721 million of indirect automobile loans. Approximately $454 million of these loans were purchased from dealers in Oklahoma and $176 million were purchased from dealers in Arkansas. The remaining $91 million were purchased from dealers in Texas. Indirect automobile loans decreased $14 million since June 30, 2008. Approximately 6% of the outstanding balance at September 30, 2008 is considered near-prime, which is defined as loans to borrowers that had poor credit in the past but have re-established credit over a period of time. We generally do not originate sub-prime indirect automobile loans.

22

Table 19 - Loans by Principal Market Area
(In thousands)

	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 3 2007
Oklahoma:				

Commercial	$ 3,368,823	$ 3,228,179	$ 3,248,424	$ 3,219,1
Commercial real estate	827,357	875,546	940,686	890,7
Residential mortgage	1,134,066	1,099,277	1,080,882	1,080,4
Consumer	580,211	601,184	586,695	576,0
Total Oklahoma	$ 5,910,457	$ 5,804,186	$ 5,856,687	$ 5,766,4
Texas:				
Commercial	$ 2,205,169	$ 2,166,925	$ 2,124,192	$ 1,985,6
Commercial real estate	853,653	889,364	838,781	846,3
Residential mortgage	307,655	299,996	262,305	275,5
Consumer	214,133	204,081	168,949	142,9
Total Texas	$ 3,580,610	$ 3,560,366	$ 3,394,227	$ 3,250,4
New Mexico:				
Commercial	$ 442,644	$ 451,225	$ 472,543	$ 473,2
Commercial real estate	281,061	271,177	258,731	252,8
Residential mortgage	95,165	89,469	85,834	84,3
Consumer	18,296	16,977	14,977	16,1
Total New Mexico	$ 837,166	$ 828,848	$ 832,085	$ 826,5
Arkansas:				
Commercial	$ 104,630	$ 96,775	$ 100,489	$ 106,3
Commercial real estate	127,925	124,049	130,956	124,3
Residential mortgage	16,941	19,527	16,621	16,3
Consumer	183,543	197,979	180,551	163,6
Total Arkansas	$ 433,039	$ 438,330	$ 428,617	$ 410,6
Colorado:				
Commercial	$ 598,519	$ 489,844	$ 486,525	$ 490,3
Commercial real estate	266,739	276,062	261,099	252,5
Residential mortgage	49,676	38,517	31,011	26,5
Consumer	18,328	16,367	17,552	16,4
Total Colorado	$ 933,262	$ 820,790	$ 796,187	$ 785,9
Arizona:				
	$ 213,861	$ 207,173	$ 174,360	$ 157,3
Commercial				
Commercial real estate	326,615	351,058	361,567	342,6
Residential mortgage	58,800	53,321	50,719	46,2
Consumer	5,551	5,315	6,815	5,5
Total Arizona	$ 604,827	$ 616,867	$ 593,461	$ 551,8
Kansas / Missouri:				
Commercial	$ 340,156	$ 398,452	$ 350,325	$ 305,3
Commercial real estate	30,642	40,241	40,104	41,0
Residential mortgage	7,650	7,490	2,397	1,7
Consumer	2,161	2,468	1,665	5
Total Kansas / Missouri	$ 380,609	$ 448,651	$ 394,491	$ 348,7

Total BOK Financial loans	$ 12,679,970	$ 12,518,038	$ 12,295,755	$ 11,940,5

Loan Commitments

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $5.3 billion and standby letters of credit which totaled $601 million at September 30, 2008. 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

23

represent future cash requirements. Approximately $311 thousand of the outstanding standby letters of credit were issued on behalf of customers whose loans are non-performing at September 30, 2008.

The Company also has off-balance sheet commitments for residential mortgage loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs and sold to U.S. government agencies. These loans were underwritten to standards approved by the agencies, including full documentation. However, these loans have a higher risk of delinquency and losses given default than traditional residential mortgage loans. A separate recourse reserve is maintained as part of other liabilities.

At September 30, 2008, the principal balance of loans sold subject to recourse obligations totaled $388 million. Substantially all of these loans are to borrowers in our primary markets including $274 million to borrowers in Oklahoma, $44 million to borrowers in Arkansas, $22 million to borrowers in New Mexico, $18 million to borrowers in the Kansas City area and $16 million to borrowers in Texas. The separate reserve for these off-balance sheet commitments was $8.6 million at September 30, 2008. Approximately 2.17% of the loans sold with recourse with an outstanding principal balance of $8.2 million were either delinquent more than 90 days, in bankruptcy or in foreclosure. The provision for credit losses on loans sold with recourse, which is included in mortgage banking costs, was $2.2 million for the third quarter of 2008. Net losses charged against the reserve totaled $1.2 million for the third quarter of 2008.

Derivatives with Credit Risk

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

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

Counterparty credit risk is evaluated through existing policies and procedures. This evaluation considers the total relationship between BOK Financial and each 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 counterparty's ability to provide margin collateral was impaired.

Derivative contracts are carried at fair value. At September 30, 2008, the net fair values of derivative contracts reported as assets under these programs totaled $572 million, down from $1.4 billion at June 30, 2008 due to cash settlements and falling energy prices. At September 30, derivative contracts carried as assets included energy contracts with fair values of $415 million, interest rate contracts with fair values of $93 million, agricultural product contracts with fair values of $4 million and foreign exchange contracts with fair values of $53 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled $374 million. As of January 1, 2008, the Company adopted FASB Staff Position FIN 39-1 which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative liabilities at September 30, 2008 was reduced by $217 million of cash collateral. A table showing the fair value of derivative assets and liabilities, net of cash margin, is presented in Footnote 3 to the Consolidated Financial Statements (Unaudited), which follows this report.

24

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, 2008 was (in thousands):

Customers	$362,308
Banks	73,619
Energy companies	82,802
Exchanges	51,196
Other	1,583
Fair value of customer hedge asset derivative contracts, net	$571,508

In addition to cash margin, the Company accepts liens against physical commodities as collateral for derivative contracts. The fair value of contracts backed by energy production totaled approximately $221 million. Approximately $67 million of the fair value of derivative contracts are with customers which store or transport energy products. Credit risk of these contracts is backed by physical product and other collateral, including cash margin held by the Company and letters of credit issued by third-party banks for the benefit of the Company.

The largest amount due from a single counterparty, a subsidiary of an international energy company, at September 30, 2008 was $67 million. The amount due from this counterparty decreased to $35 million through receipt of cash margin the next day.

Summary of Loan Loss Experience

BOK Financial maintains separate reserves for loan losses and reserves for off-balance sheet credit risk. The combined allowance for loan losses and reserve for off-balance sheet credit losses totaled $209 million or 1.65% of outstanding loans and 99% of non-accruing loans at September 30, 2008. The allowance for loan losses was $187 million and the reserve for off-balance sheet credit losses was $22 million. At June 30, 2008, the combined allowance for loan losses and off-balance sheet credit losses was $177 million or 1.41% of outstanding loans and 119% of non-accruing loans.

Net loans charged off during the third quarter of 2008 totaled $20.2 million compared to $39.0 million in the previous quarter and $4.9 million in the third quarter of 2007. The ratio of net loans charged off to average outstanding loans was 0.64% for the third quarter of 2008 compared with 1.26% for the second quarter of 2008 and 0.17% for the third quarter of 2007.

Gross loans charged off in the third quarter of 2008 increased to $33.9 million from $15.2 million in the second quarter of 2008, excluding a $26.0 million SemGroup loan charge-off. Gross loans charged off included $11.4 million of commercial loans, $14.4 million of commercial real estate loans and $5.3 million of consumer loans. Recoveries of loans previously charged off increased to $13.7 million in the third quarter of 2008 from $2.5 million in the previous quarter. We recovered $7.1 million from a loan charged off in 2005 and $4.0 million from a loan charged off in 2001 during the third quarter of 2008.

Consumer loan net charge-offs, which includes indirect auto loan and deposit account overdraft losses, totaled $3.7 million for the third quarter of 2008, up $774 thousand over the previous quarter. Net charge-offs of indirect auto loans totaled $2.3 million for the third quarter of 2008 and $1.7 million for the second quarter of 2008. Net indirect auto loans charged off were $1.4 million in the Oklahoma market, $668 thousand in the Arkansas market and $239 thousand in the Texas market. Approximately 2.29% of the indirect automobile loan portfolio is past due 30 days or more, including 2.23% in Oklahoma, 2.56% in Arkansas and 2.08% in Texas. At June 30, 2008, approximately 1.95% of the indirect automobile loan portfolio was past due 30 days or more. This compares to a national average of 2.60% for indirect automobile loans past due 30 days or more at June 30, 2008.

The Company considers the credit risk from loan commitments and letters of credit in its evaluation of the adequacy of the reserve for loan losses. A separate reserve for off-balance sheet credit risk is maintained. Table 20 presents the trend of reserves for off-balance sheet credit losses and the relationship between the reserve and loan commitments. The relationship between the combined reserve for credit losses and outstanding loans is also presented for comparison with peer banks and others who have not adopted the preferred presentation. The provision for credit losses included the combined charge to expense for both the reserve for loan losses and the reserve for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the reserve for loan losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts.

Table 20 - Summary of Loan Loss Experience
(In thousands)

	Three Months Ended		
	Sept. 30, 2008	June 30, 2008	March 31, 2008
Reserve for loan losses:			
Beginning balance	$ 154,018	$ 136,584	$ 126,677 $
Loans charged off:			
Commercial	11,393	33,502	4,244
Commercial real estate	14,394	2,572	1,602
Residential mortgage	2,865	1,068	814
Consumer	5,274	4,384	4,418
Total	33,926	41,526	11,078
Recoveries of loans previously charged off:			
Commercial	11,882	842	435
Commercial real estate	175	98	52
Residential mortgage	65	121	58
Consumer	1,590	1,474	1,676
Total	13,712	2,535	2,221
Net loans charged off	20,214	38,991	8,857
Provision for loan losses	52,712	56,425	18,764
Adjustments due to acquisitions	-	-	-
Ending balance	$ 186,516	$ 154,018	$ 136,584 $
Reserve for off-balance sheet credit losses:			
Beginning balance	$ 22,545	$ 19,660	$ 20,853 $
Provision for off-balance sheet credit losses	(1)	2,885	(1,193)
Ending balance	$ 22,544	$ 22,545	$ 19,660 $
Total provision for credit losses	$ 52,711	$ 59,310	$ 17,571 $
Reserve for loan losses to loans outstanding at period-end	1.47%	1.23%	1.11%
Net charge-offs (annualized) to average loans	0.64	1.26	0.29
Total provision for credit losses (annualized) to average loans	1.67	1.91	0.58
Recoveries to gross charge-offs	40.42	6.10	20.05
Reserve for loan losses as a multiple of net charge-offs (annualized)	2.31x	0.99x	3.86x
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	0.38%	0.36%	0.32%
Combined reserves for credit losses to loans outstanding at period-end	1.65	1.41	1.27

Specific impairment reserves are determined through evaluation of estimated future cash flows and collateral value. At September 30, 2008, specific impairment reserves totaled $4.0 million on total impaired loans of $201 million. Specific impairment reserves were $11.0 million on total impaired loans of $139 million at June 30, 2008. Approximately $7.5 million of loans impaired at June 30, 2008 were charged off in the third quarter.

Nonspecific reserves are maintained for risks beyond factors specific to an individual loan or those identified through migration analysis. A range of potential losses is determined for each risk factor identified. The range of nonspecific reserves for general economic factors includes their effect on our commercial, commercial real estate, residential mortgage and consumer loan portfolios. Nonspecific reserves attributed to general economic conditions increased in the third quarter of 2008. Weakness in the economy became more apparent due to disruption in the credit markets, lower consumer confidence and continued weakness in residential real estate markets.

The provision for credit losses totaled $52.7 million for the third quarter of 2008, $59.3 million for the second quarter of 2008 and $7.2 million for the third quarter of 2007. The second quarter of 2008 provision included $26.3 million directly related to the Company's loans and loan commitments to SemGroup. Factors considered in determining the provision for credit losses for the third quarter of 2008 included trends in net losses and nonperforming loans, the application of statistical migration factors to loan growth and concentrations in commercial real estate and residential homebuilder loans. In addition, the outstanding balances of potential problem loans increased.

Nonperforming Assets

Non-performing assets totaled $252 million or 1.98% of outstanding loans and repossessed assets at September 30, 2008, up $71 million since June 30, 2008. The increase in non-performing assets included an expected $36 million from amounts due from SemGroup on funded letters of credit and derivative contracts that terminated during the third quarter. Non-performing assets included $9.6 million of restructured residential mortgage loans guaranteed by agencies of the U.S. government and $16 million of loans and repossessed assets acquired with First United Bank in the second quarter of 2007. The Company will be reimbursed by the sellers up to $8 million for any losses incurred during a three-year period after the June 2007 acquisition date.

Non-accruing loans totaled $212 million at September 30, 2008 and $149 million at June 30, 2008. Newly identified non-accruing loans totaled $101 million, including $36 million from SemGroup. Cash payment received on non-accruing loans totaled $19 million and $19 million of non-accruing loans were charged-off.

Non-accruing commercial loans totaled $106 million or 1.45% of total commercial loans at September 30, 2008. Approximately $50 million of non-accruing commercial loans are in the energy sector of the portfolio, including $48 million due from SemGroup. This amount represents one-third of our pre-bankruptcy amounts due from SemGroup. In addition, $27 million of non-accruing commercial loans are in the services sector of the loan portfolio. The distribution of non-accruing commercial loans among our various markets included $75 million in Oklahoma, $12 million in Colorado and $10 million in Texas. Non-accruing commercial loans included $21.5 million of shared national credits at September 30, 2008. This represents 1.03% of the outstanding principal balance of shared national credits. The total of non-accruing commercial loans was unchanged during the third quarter of 2008, excluding SemGroup funded letters of credit and derivative contracts.

Non-accruing commercial real estate loans totaled $78 million or 2.88% of outstanding commercial real estate loans at September 30, 2008. Non-accruing commercial real estate loans included $54 million of land and residential lot and construction loans, $13 million of loans secured by retail properties and $3 million of loans secured by office buildings. The distribution of non-accruing commercial real estate loans among our various markets included $51 million in Arizona, $8 million in Texas, $8 million in Colorado and $5 million in New Mexico. Non-accruing commercial real estate loans increased $18 million during the third quarter of 2008.

At September 30, 2008, non-performing assets in the Arizona market totaled $58 million or 9.47% of Arizona loans and repossessed assets, up from $35 million or 5.67% at June 30, 2008. Non-performing land and residential lot and construction properties in Arizona totaled $41 million at September 30, 2008, up from $30 million at June 30, 2008.

Non-accruing residential mortgage loans totaled $27 million or 1.62% of outstanding residential mortgage loans at September 30, 2008. Non-accruing home equity loans totaled $674 thousand or 0.14% of outstanding home equity loans and non-accruing permanent residential mortgage loans totaled $26 million or 2.21% of outstanding permanent residential mortgage loans. The distribution of non-accruing residential mortgage loans among our various markets included $10 million in Texas, $9 million in Oklahoma and $3 million in Arizona. Non-accruing residential mortgage loans increased $9 million during the third quarter of 2008 compared to the previous quarter.

Real estate and other repossessed assets totaled $28 million at September 30, 2008, up from $21 million at June 30, 2008. Real estate and other repossessed assets included $17 million of 1-4 family residential properties and residential land development properties, $5 million of developed commercial real estate properties, $4 million of undeveloped land and $2 million of automobiles. Real estate owned and other repossessed assets are primarily located in Oklahoma, Texas, Arkansas and Colorado. Approximately $2 million of real estate and other repossessed assets are supported by the First United Bank sellers' guaranty.

Table 21 - Nonperforming Assets
(In thousands)

	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec 20
Nonaccrual loans:				
Commercial	$ 105,757	$ 69,679	$ 41,966	$ 42
Commercial real estate	78,235	60,456	40,399	25
Residential mortgage	27,075	17,861	15,960	15
Consumer	758	611	812	
Total nonaccrual loans	211,825	148,607	99,137	84
Renegotiated loans (2)	12,326	11,840	11,850	10
Total nonperforming loans	224,151	160,447	110,987	94
Other nonperforming assets	28,088	21,025	15,112	9
Total nonperforming assets	$ 252,239	$ 181,472	$ 126,099	$ 104
Nonaccrual loans by principal market:				
Oklahoma	$ 87,885	$ 57,155	$ 52,211	$ 47
Texas	29,141	20,860	8,157	4
New Mexico	12,293	9,838	7,497	11
Arkansas	3,386	2,924	2,866	1
Colorado (3)	20,980	23,812	8,101	9

Arizona	54,832	33,482	18,811	9
Kansas / Missouri	3,308	536	1,494	
Total nonaccrual loans	$ 211,825	$ 148,607	$ 99,137	$ 84
Nonaccrual loans by loan portfolio sector:				
Commercial:				
Energy	$ 49,839	$ 12,342	$ 475	$
Manufacturing	6,479	6,731	9,274	9
Wholesale / retail	7,806	3,735	3,868	3
Agriculture	755	811	1,848	
Services	26,581	30,080	23,849	25
Healthcare	3,300	3,791	2,079	2
Other	10,997	12,189	573	
Total commercial	105,757	69,679	41,966	42
Commercial real estate:				
Land development and construction	53,624	45,291	29,439	13
Retail	13,011	7,591	5,258	5
Office	3,022	3,304	1,985	1
Multifamily	896	896	1,906	3
Industrial	390	396	-	
Other commercial real estate	7,292	2,978	1,811	1
Total commercial real estate	78,235	60,456	40,399	25
Residential mortgage:				
Permanent mortgage	26,401	17,039	15,135	14
Home equity	674	822	825	
Total residential mortgage	27,075	17,861	15,960	15
Consumer	758	611	812	
Total nonaccrual loans	$ 211,825	$ 148,607	$ 99,137	$ 84
Ratios:				
Reserve for loan losses to nonperforming loans	83.21%	95.99%	123.06%	133
Nonperforming loans to period-end loans	1.77	1.28	0.90	0
Loans past due (90 days) (1)	$ 20,213	$ 10,683	$ 11,266	$ 5,
(1) Includes residential mortgages guaranteed by agencies of the U.S. Government.	$ 1,210	$ 1,015	$ 788	$ 1
(2) Includes residential mortgages guaranteed by agencies of the U.S. Government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.	9,604	8,638	8,386	7
(3) Includes loans subject to First United Bank sellers escrow.	13,262	11,973	8,101	8

Our loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in Nonperforming Assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $81 million at September 30, 2008 and $40 million at June 30, 2008. The current composition of potential problem loans by primary industry included real estate - $66 million, healthcare - $11 million and services - $4 million. Potential problem real estate loans consisted primarily of loans to residential builders in the Colorado market of $20 million, the Arizona market of $16 million and the Texas market of $16 million.

Deposits

Deposit accounts represent our largest funding source. Average deposits represented approximately 65% of total liabilities and capital for the third quarter of 2008, compared with 62% for the second quarter of 2008 and 67% for the third quarter of 2007. The increase in average deposits relative to other funding sources in the third quarter was due largely to an increase in brokered deposits as the Company changed its mix of funding sources to increase short-term liquidity. Average brokered deposits were $1.0 billion for the third quarter of 2008 and $482 million for the second quarter of 2008.

During the third quarter of 2008, the Company revised the presentation of certain deposit accounts. Previously, demand deposit accounts were shown net of adjustments made to manage its reserve requirements. These adjustments were excluded from the current presentation to provide a more-meaningful presentation of the Company's deposit accounts. All prior periods have been reclassified for a consistent presentation. The reclassification had no effect on total deposits, interest expense, net interest revenue or net interest margin.

Average deposits totaled $14.3 billion for the third quarter of 2008, a $967 million increase over the second quarter of 2008. Average deposits increased $1.3 billion compared with the third quarter of 2007.

Average time deposits increased $716 million over the second quarter of 2008, including a $453 million increase in average brokered deposits. Average time deposits increased $263 million excluding brokered deposits. Time deposits generated through our Wealth Management Division and Oklahoma Corporate Banking Division increased $136 million and $48 million, respectively. Average consumer time deposits increased $18 million in New Mexico and $17 million in Texas.

Average interest-bearing transaction deposit accounts continued to grow in the third quarter of 2008, up $145 million over the second quarter of 2008. Average demand deposits increased $105 million over the second quarter of 2008 due primarily to our commercial energy customers.

Core deposits, which we define as deposits of less than $100,000, excluding public funds and brokered deposits, averaged $6.5 billion for the third quarter of 2008, $6.5 billion for the second quarter of 2008 and $6.6 billion for the third quarter of 2007. Accounts with balances in excess of $100,000 excluding brokered deposit accounts averaged $5.9 billion for the third quarter of 2008, $5.5 billion for the second quarter of 2008 and $5.1 billion for the third quarter of 2007.

The distribution of deposit accounts among our principal markets is shown in Table 22.

Table 22 - Deposits by Principal Market Area

(In thousands)

	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31 2007
Oklahoma:				
Demand	$ 1,681,325	$ 1,455,997	$ 1,464,258	$ 1,394,8
Interest-bearing:				
Transaction	4,151,430	3,997,136	3,659,002	3,477,2
Savings	86,900	90,100	88,141	80,4
Time	3,036,297	2,672,401	2,230,110	2,426,8
Total interest-bearing	7,274,627	6,759,637	5,977,253	5,984,4
Total Oklahoma	$ 8,955,952	$ 8,215,634	$ 7,441,511	$ 7,379,3
Texas:				
Demand	$ 956,846	$ 1,046,651	$ 940,141	$ 1,035,1
Interest-bearing:				
Transaction	1,543,974	1,713,131	1,708,424	1,753,8
Savings	32,400	33,207	32,191	34,6
Time	794,911	723,146	759,892	800,4
Total interest-bearing	2,371,285	2,469,484	2,500,507	2,588,9
Total Texas	$ 3,328,131	$ 3,516,135	$ 3,440,648	$ 3,624,0
New Mexico:				
Demand	$ 176,477	$ 168,621	$ 169,449	$ 151,2
Interest-bearing:				
Transaction	376,941	417,607	425,976	432,9
Savings	16,316	16,432	16,141	15,1
Time	475,560	445,505	455,861	486,8
Total interest-bearing	868,817	879,544	897,978	934,9
Total New Mexico	$ 1,045,294	$ 1,048,165	$ 1,067,427	$ 1,086,1
Arkansas:				
Demand	$ 23,565	$ 21,142	$ 20,493	$ 13,2
Interest-bearing:				
Transaction	19,146	24,524	22,091	19,0
Savings	865	895	945	8
Time	47,684	39,305	39,803	40,6
Total interest-bearing	67,695	64,724	62,839	60,6
Total Arkansas	$ 91,260	$ 85,866	$ 83,332	$ 73,8
Colorado:				
Demand	$ 115,677	$ 109,697	$ 99,584	$ 117,9
Interest-bearing:				
Transaction	440,888	507,260	529,771	446,4
Savings	19,300	20,245	22,233	23,8
Time	428,872	423,014	455,262	539,5
Total interest-bearing	889,060	950,519	1,007,266	1,009,7

Total Colorado	$ 1,004,737	$ 1,060,216	$ 1,106,850	$ 1,127,6
Arizona:				
Demand	$ 45,725	$ 49,895	$ 46,508	$ 46,7
Interest-bearing:				
Transaction	64,463	73,034	84,648	65,7
Savings	1,033	1,233	878	1,4
Time	14,433	6,364	8,395	11,6
Total interest-bearing	79,929	80,631	93,921	78,8
Total Arizona	$ 125,654	$ 130,526	$ 140,429	$ 125,5
Kansas / Missouri:				
Demand	$ 5,548	$ 7,157	$ 6,580	$ 9,6
Interest-bearing:				
Transaction	9,780	10,342	8,754	8,3
Savings	33	26	92	
Time	19,794	51,649	33,837	24,6
Total interest-bearing	29,607	62,017	42,683	32,9
Total Kansas / Missouri	$ 35,155	$ 69,174	$ 49,263	$ 42,6
Total BOK Financial deposits	$ 14,586,183	$ 14,125,716	$ 13,329,460	$ 13,459,2

30

Borrowings and Capital

On July 21, 2008, the Company entered into a $188 million, unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. Interest on the outstanding balance is based on one-month LIBOR plus 125 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 25 basis points. This agreement has no restrictive covenants, which provides greater flexibility to fund the needs of BOK Financial and its subsidiaries. The lack of restrictive covenants in this agreement also provides the Company time to maximize the recovery on nonperforming assets. At September 30, 2008, the outstanding balance under this credit agreement was $50 million.

Subsequent to September 30, the U.S. Treasury announced its TARP Capital Purchase Program. The TARP program allows participating banks to increase capital by issuing preferred stock and common stock warrants to the U.S. government. The Company has been encouraged to apply and will make a decision about participating in the TARP program before the November 14, 2008 deadline.

The primary source of liquidity for BOK Financial is dividends from subsidiary banks, which are limited by various banking regulations to net profits, as defined, for the preceding two years. Dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations, the subsidiary banks could declare up to $128 million of dividends without regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. The subsidiary banks could declare dividends of up to $109 million under this policy.

Equity capital for BOK Financial was $1.9 billion at September 30, 2008, down $1.9 million from June 30, 2008. Net income less cash dividend paid increased equity $41.5 million. Accumulated other comprehensive losses increased $41.9 million during the third quarter of 2008 due primarily to an increase in net unrealized losses on available for sale securities. Employee stock option transactions increased equity capital $1.8 million.

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 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, securities law limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. Since this program began, 784,073 shares have been repurchased by the Company for $38.7 million. The Company repurchased 75,000 shares for $3.3 million in the third quarter of 2008.

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

For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. All of the Company's banking subsidiaries exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 23.

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. 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 mortgage-backed securities, 1-4 family mortgage loans and multifamily mortgage loans). At September 30, 2008, the outstanding balance of federal funds purchased totaled $1.7 billion, securities repurchase agreements totaled $2.0 billion and Federal Home Loan Bank borrowings totaled $991 million.

Subsequent to September 30, 2008, the U.S. Treasury announced its Treasury Liquidity Guarantee Program ("TGLP"). TGLP is intended to improve market liquidity by providing FDIC insurance to certain non-interest bearing transaction deposit accounts, interbank funding and newly issued unsecured debt. The cost of the TGLP ranges from an additional 10 basis points for certain non-interest bearing transaction accounts to an additional 75 basis points on interbank funding

(federal funds purchased) and newly issued unsecured debt.

Table 23 - Capital Ratios	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 30 2007
Average shareholders' equity				
to average assets	8.83%	9.19%	9.69%	9.48
Tangible capital ratio	7.16%	7.15%	7.83%	7.72
Risk-based capital:				
Tier 1 capital	9.25	8.69	9.35	9.38
Total capital	12.55	11.69	12.44	12.54
Leverage	7.94	7.83	8.23	8.20

Off-Balance Sheet Arrangements

During the third quarter of 2007, Bank of Oklahoma agreed to guarantee rents totaling $28.4 million over 10 years to the City of Tulsa ("City") as owner of a building immediately adjacent to the bank's main office. These rents are due for space rented by third-party tenants in the building as of the date of the agreement. All guaranteed space has been rented since the date of the agreement. In return for this guarantee, Bank of Oklahoma will receive 80% of net rent as defined in an agreement with the City over the next 10 years from space in the same building that was vacant as of the date of the agreement. The maximum amount that Bank of Oklahoma may receive under this agreement is $4.5 million. The fair value of this agreement at inception was zero and no asset or liability is currently recognized in the Company's financial statements.

Market Risk

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

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

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

Interest Rate Risk - Other than Trading

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company's balance sheet to be relatively neutral to changes in interest rates over a twelve month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next twelve and 24 months based on eight interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 100 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful. The Company also performs a sensitivity analysis based on a "most likely" interest rate scenario, which includes non-parallel shifts in interest rates. An independent source is used to determine the most likely interest rate scenario.

32

The Company's primary interest rate exposures included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 24 due to the extreme volatility over such a large rate range. The effects of interest rate changes on the value of mortgage servicing rights and securities identified as economic hedges are presented in the Lines of Business - Mortgage Banking section of this report.

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 24 - Interest Rate Sensitivity
(Dollars in Thousands)

	200 bp Increase		100 bp Decrease		
	2008	2007	2008	2007	
Anticipated impact over the next twelve months on					
net interest revenue	$(16,405)	$ (6,738)	$ 6,644	***	$
	(1.1)%	(1.1)%	0.3%	***	

-------------------------------- --------------- ------------ --- ----------- -------------- -- -

*** A 100 basis point decrease was not computed in 2007. A 200 basis point decrease in interest rates was expected to increase net interest revenue by $1.1 million or 0.2%.

Trading Activities

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

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

Management uses a Value at Risk ("VAR") methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to $3.6 million. At September 30, 2008, the VAR was $1.8 million. The greatest value at risk during the third quarter of 2008 was $2.1 million. The value at risk guideline was exceeded with appropriate approvals by management to take advantage of wide yields available on certain securities during the quarter.

33

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

Consolidated Statements of Earnings (Unaudited)
(In Thousands Except Share and Per Share Data)

		Three Months Ended September 30, 2008		2007	
Interest Revenue					
Loans	$	181,590	$	232,150	$
Taxable securities		78,030		63,244	
Tax-exempt securities		2,668		3,010	
Total securities		80,698		66,254	
Trading securities		780		388	
Funds sold and resell agreements		290		1,588	
Total interest revenue		263,358		300,380	
Interest Expense					
Deposits		69,269		109,496	
Borrowed funds		24,188		44,273	
Subordinated debentures		5,553		7,166	
Total interest expense		99,010		160,935	
Net Interest Revenue		164,348		139,445	
Provision for Credit Losses		52,711		7,201	
Net Interest Revenue After Provision for Credit Losses		111,637		132,244	
Other Operating Revenue					

Brokerage and trading revenue		30,846		15,541	
Transaction card revenue		25,632		23,812	
Trust fees and commissions		20,100		19,633	
Deposit service charges and fees		30,404		27,885	
Mortgage banking revenue		6,230		5,809	
Bank-owned life insurance		2,829		2,520	
Margin asset fees		1,934		1,061	
Other revenue		8,691		7,456	
Total fees and commissions		126,666		103,717	
Gain (loss) on sales of assets		(839)		42	
Gain (loss) on securities, net		2,103		4,748	
Gain on derivatives, net		4,366		865	
Total other operating revenue		132,296		109,372	
Other Operating Expense					
Personnel		87,549		85,811	
Business promotion		5,837		5,399	
Professional fees and services		6,501		5,749	
Net occupancy and equipment		15,570		14,752	
Insurance		2,436		759	
Data processing and communications		19,911		18,271	
Printing, postage and supplies		4,035		4,201	
Net (gains) losses and operating expenses of repossessed assets		(136)		172	
Amortization of intangible assets		1,884		2,397	
Mortgage banking costs		5,811		3,877	
Change in fair value of mortgage servicing rights		5,554		3,446	
Visa retrospective responsibility obligation		1,700		-	
Other expense		7,638		6,184	
Total other operating expense		164,290		151,018	
Income Before Taxes		79,643		90,598	
Federal and state income tax		22,958		30,750	
Net Income	$	56,685	$	59,848	$
Earnings Per Share:					
Basic	$	0.84	$	0.89	$
Diluted	$	0.84	$	0.89	$
Average Shares Used in Computation:					
Basic		67,263,317		67,078,378	
Diluted		67,471,376		67,537,643	
Dividends Declared per Share	$	0.225	$	0.20	$

See accompanying notes to consolidated financial statements.

35

Consolidated Balance Sheets
(In Thousands Except Share Data)

	September 30, 2008	December 31, 2007
	(Unaudited)	(Footnote 1)
Assets		
Cash and due from banks	$ 669,914	$ 717,259
Funds sold and resell agreements	105,594	173,154
Trading securities	92,588	45,724
Securities:		
Available for sale	5,047,524	5,323,001
Available for sale securities pledged to creditors	1,232,006	327,539
Investment (fair value: September 30, 2008 - $239,688; December 31, 2007 - $248,788; September 30, 2007 - $246,716)	243,617	247,949
Mortgage trading securities	198,201	154,701
Total securities	6,721,348	6,053,190
Residential mortgage loans held for sale	113,121	76,677
Loans	12,679,970	11,940,570
Less reserve for loan losses	(186,516)	(126,677)
Loans, net of reserve	12,493,454	11,813,893
Premises and equipment, net	267,749	258,786
Accrued revenue receivable	118,096	128,350
Intangible assets, net	363,177	368,353
Mortgage servicing rights, net	68,680	70,009
Real estate and other repossessed assets	28,088	9,475
Bankers' acceptances	23,933	1,780
Derivative contracts	572,391	502,446
Cash surrender value of bank-owned life insurance	234,293	229,540
Receivable on unsettled securities trades	169,494	19,964
Other assets	335,882	199,101
Total assets	$ 22,377,802	$ 20,667,701
Liabilities and Shareholders' Equity		
Noninterest-bearing demand deposits	$ 3,005,163	$ 2,768,769
Interest-bearing deposits:		
Transaction	6,606,622	6,203,516
Savings	156,847	156,368
Time (includes $528,715 at fair value at September 30, 2008)	4,817,551	4,330,638
Total deposits	14,586,183	13,459,291
Funds purchased and repurchase agreements	3,667,225	3,225,131
Other borrowings	1,077,450	1,027,564
Subordinated debentures	398,372	398,273
Accrued interest, taxes and expense	120,280	124,029
Bankers' acceptances	23,933	1,780
Derivative contracts	377,973	341,677
Other liabilities	185,883	154,572
Total liabilities	20,437,299	18,732,317
Shareholders' equity:		

Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: September 30, 2008 - 69,838,173; December 31, 2007 - 69,465,154; September 30, 2007 - 69,092,403)	4	4
Capital surplus	740,578	722,088
Retained earnings	1,406,971	1,332,954
Treasury stock (shares at cost: September 30, 2008 - 2,404,336; December 31, 2007 - 2,158,774; September 30, 2007 - 2,029,886)	(100,801)	(88,428)
Accumulated other comprehensive loss	(106,249)	(31,234)
Total shareholders' equity	1,940,503	1,935,384
Total liabilities and shareholders' equity	$ 22,377,802	$ 20,667,701

See accompanying notes to consolidated financial statements.

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

	Common Stock		Accumulated Other Comprehensive	Capital	Retained	Treasury Stock		
	Shares	Amount	Loss	Surplus	Earnings	Shares	Amount	
Balances at December 31, 2006	68,705	$ 4	$ (73,444)	$ 688,861	$1,166,994	1,637	$ (61,393)	$1,
Effect of implementing FAS 157, net of income taxes	-	-	-	-	(679)	-	-	
Effect of implementing FIN 48	-	-	-	-	(609)	-	-	
Comprehensive income:								
Net income	-	-	-	-	166,504	-	-	
Other comprehensive income, net of tax (1)	-	-	21,462	-	-	-	-	
Comprehensive income								
Treasury stock purchase	-	-	-	-	-	306	(15,583)	
Exercise of stock options	387	-	-	11,443	-	87	(4,643)	
Tax benefit on exercise of stock options	-	-	-	1,562	-	-	-	
Stock-based compensation	-	-	-	5,061	-	-	-	
Cash dividends on common stock	-	-	-	-	(36,977)	-	-	
Balances at September 30, 2007	69,092	$ 4	$(51,982)	$ 706,927	$1,295,233	2,030	$(81,619)	$1
Balances at December 31, 2007	69,465	$ 4	$ (31,234)	$ 722,088	$1,332,954	2,159	$(88,428)	$1

Effect of implementing FAS 159, net of income taxes	-	-	-	-	62	-	-	
Comprehensive income:								
Net income	-	-	-	-	117,789	-	-	
Other comprehensive income, net of tax (1)	-	-	(75,015)	-	-	-	-	
Comprehensive income								
Treasury stock purchase	-	-	-	-	-	166	(7,992)	
Exercise of stock options	373	-	-	11,359	-	79	(4,381)	
Tax benefit on exercise of stock options	-	-	-	1,004	-	-	-	
Stock-based compensation	-	-	-	6,127	-	-	-	
Cash dividends on common stock	-	-	-	-	(43,834)	-	-	
Balances at September 30, 2008	69,838	$ 4	$(106,249)	$ 740,578	$1,406,971	2,404	$(100,801)	$1,

(1)	September 30, 2008	September 30, 2007
Changes in other comprehensive loss:		
Unrealized gains (losses) on securities	$(103,510)	$ 29,224
Unrealized gains on cash flow hedges	216	1,188
Tax benefit (expense) on unrealized gains (losses)	29,776	(10,322)
Reclassification adjustment for (gains) losses realized and included in net income	(2,103)	2,077
Reclassification adjustment for tax expense (benefit) on realized (gains) losses	606	(705)
Net change in other comprehensive loss	$ (75,015)	$ 21,462

See accompanying notes to consolidated financial statements.

38

Consolidated Statements of Cash Flows (Unaudited)
(In Thousands)

	Nine Months E
	2008
Cash Flows From Operating Activities:	
Net income	$ 117,789
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for credit losses	129,592
Change in fair value of mortgage servicing rights	8,083
Unrealized losses (gains) from derivatives	71,258
Tax benefit on exercise of stock options	(1,004)
Change in bank-owned life insurance	(4,753)
Stock-based compensation	5,097

Depreciation and amortization		38,749
Net (accretion) amortization of securities discounts and premiums		(12,200)
Net (gain) loss on sale of assets		(9,334)
Mortgage loans originated for resale		(902,186)
Proceeds from sale of mortgage loans held for resale		879,728
Change in trading securities, including mortgage trading securities		(89,485)
Change in accrued revenue receivable		10,254
Change in other assets		(58,373)
Change in accrued interest, taxes and expense		(3,749)
Change in other liabilities		38,630
Net cash provided by operating activities		218,096
Cash Flows From Investing Activities:		
Proceeds from maturities of investment securities		68,708
Proceeds from maturities of available for sale securities		706,594
Purchases of investment securities		(65,506)
Purchases of available for sale securities		(3,593,515)
Proceeds from sales of investment securities		982
Proceeds from sales of available for sale securities		2,158,216
Loans originated or acquired net of principal collected		(841,462)
Proceeds from derivative asset contracts		53,779
Net change in other investment assets		35
Proceeds from disposition of assets		37,174
Purchases of assets		(65,202)
Cash and equivalents of subsidiaries and branches acquired and sold, net		-
Net cash used in investing activities		(1,540,197)
Cash Flows From Financing Activities:		
Net change in demand deposits, transaction deposits and savings accounts		639,979
Net change in time deposits		494,609
Net change in other borrowings		491,980
Payments on derivative liability contracts		(140,428)
Net change in derivative margin accounts		(85,570)
Change in amount receivable (due) on unsettled security transactions		(149,530)
Issuance of common and treasury stock, net		6,978
Issuance of subordinated debenture, net		-
Pay down of subordinated debentures		-
Tax benefit on exercise of stock options		1,004
Repurchase of common stock		(7,992)
Dividends paid		(43,834)
Net cash provided by financing activities		1,207,196
Net decrease in cash and cash equivalents		(114,905)
Cash and cash equivalents at beginning of period		890,413
Cash and cash equivalents at end of period	$	775,508
Cash paid for interest	$	329,982
Cash paid for taxes	$	80,441
Net loans transferred to repossessed real estate and other assets	$	25,532

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

(1) Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements of BOK Financial Corporation ("BOK Financial" or "the Company") have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The unaudited consolidated financial statements include accounts of BOK Financial and its subsidiaries, principally Bank of Oklahoma, N.A. and its subsidiaries ("BOk"), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., Bank of Kansas City, N.A., and BOSC, Inc. Certain prior period amounts have been reclassified to conform to current period classification.

Previously, the Company had reported residential loans held for sale by its mortgage banking division as part of its loan portfolio. These loans are now reported separately on the consolidated balance sheet.

The Company revised the presentation of certain deposit accounts. Previously, demand deposit accounts were shown net of adjustments made to manage its reserve requirements. These adjustments were excluded from the current presentation to provide a more meaningful presentation of the Company's deposit accounts. This reclassification had no effect on total deposits, interest expense, net interest revenue or net interest margin.

The financial information should be read in conjunction with BOK Financial's 2007 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2007 have been derived from BOK Financial's 2007 Form 10-K.

Newly Adopted and Pending Accounting Policies

The Company adopted Statement of Financial Accounting Standards No. 159, Fair Value Option ("FAS 159") effective January 1, 2008. FAS 159 provides an option to measure eligible financial assets and financial liabilities at fair value. Certain certificates of deposit that were either currently designated as hedged or had previously been designated as hedged, but no longer met the correlation requirements of Statement of Financial Accounting Standards No. 133 were designated as being reported at fair value. Adoption of FAS 159 increased opening retained earnings for the first quarter of 2008 by $62 thousand. Interest expense on certificates of deposit carried at fair value is based on the instruments' contractual interest rates and outstanding principal balances.

As of January 1, 2008, the Company adopted Financial Accounting Standards Board Staff Position FIN 39-1, which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative assets and liabilities at September 30, 2008 was reduced by $19 million and $217 million, respectively, of cash collateral.

Statement of Financial Accounting Standards No. 160, "Noncontrolling Interest in

Consolidated Financial Statements, an amendment of ARB Statement No. 51," ("FAS 160") amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, FAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. FAS 160 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 161, "Disclosures About Derivative Instruments and Hedging Activities, an

Amendment of FASB Statement No. 133," ("FAS 161") amends and expands the disclosure requirements of FAS 133, "Accounting for Derivative Instruments and Hedging Activities," to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

(2) Fair Value Measurements

Fair value measurements as of September 30, 2008 are as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Sign Unobs In
Assets:				
Trading securities	$92,588	$ 10,336	$82,252	
Available for sale securities	6,279,530	55,079	6,224,451	
Mortgage trading securities	198,201		198,201	
Mortgage servicing rights	68,680			68
Derivative contracts	572,391		572,391	
Liabilities:				
Certificates of deposit	528,715		528,715	
Derivative contracts	377,973		377,973	

(1) A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 4, Mortgage Banking Activities.

The fair value of assets and liabilities based on significant other observable inputs are generally provided to us by third-party pricing services and are based on one or more of the following:

- Quoted prices for similar, but not identical, assets or liabilities in active markets;

- Quoted prices for identical or similar assets or liabilities in inactive markets;

- Inputs other than quoted prices that are observable, such as interest rate and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates;

- Other inputs derived from or corroborated by observable market inputs.

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

At June 30, 2008, the fair value of derivative contracts with SemGroup LP of $36.6 million was largely based on significant unobservable inputs. On July 22, 2008, SemGroup and 24 related entities filed for bankruptcy protection. BOK Financial assessed a range of values for the derivative contracts with SemGroup using information currently available, including information provided by a nationally recognized financial advisor to SemGroup. During the third quarter of 2008, the fair value of these contracts decreased by $4.6 million. The decrease in fair value, which was based largely on significant unobservable inputs and changes in energy prices during the quarter, was recognized as a reduction of fees and commissions revenue. All derivative contracts with SemGroup either expired or were terminated during the third quarter. The fair value of amounts due from SemGroup under these contracts totaled $32.0 million. This amount is included in outstanding commercial loans at September 30, 2008.

No significant fair value measurements of significant assets or liabilities measured on a non-recurring basis were made during the first three quarters of 2008. Assets measured on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments, real property and other assets acquired to satisfy loans, which are based primarily on comparisons of completed sales of similar assets, and goodwill, which is based on significant unobservable inputs.

Certain certificates of deposit were designated as carried at fair value as permitted by FAS 159. These certificates have been converted from fixed interest rates to variable interest rates based on LIBOR with interest rate swaps. The fair value election for these liabilities better represents the economic effect of these instruments on the Company. At September 30, 2008, the fair value and contractual principal amount of these certificates was $529 million and $537 million, respectively. Change in the fair value of these certificates of deposit resulted in an unrealized gain during the third quarter and first three quarters of 2008 of $7.1 million and $7.7 million, respectively, which is included in Gain (Loss) on Derivatives, net on the Consolidated Statement of Earnings.

40

(3) Derivatives

The fair values of derivative contracts at September 30, 2008 are as follows (in thousands):

	Assets	Liabilities
Customer Risk Management Programs:		
Interest rate contracts	$96,364	$77,549
Energy contracts	433,438	453,248
Agriculture contracts	3,534	3,273
Foreign exchange contracts	53,019	53,019
CD options	3,947	3,947
Fair value before cash collateral	590,302	591,036
Less: cash collateral	(18,794)	(216,912)
Total Customer Derivatives	571,508	374,124
Interest Rate Risk Management Programs	883	3,849
Total Derivative Contracts	$ 572,391	$377,973

As of January 1, 2008, the Company adopted Financial Accounting Standards Board Staff Position FIN 39-1, which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative assets and liabilities at September 30, 2008 were reduced by $19 million and $217 million, respectively, of cash collateral.

41

(4) Mortgage Banking Activities

At September 30, 2008, BOK Financial owned the rights to service 57,970 mortgage loans with outstanding principal balances of $5.8 billion, including $709 million serviced for affiliates. The weighted average interest rate and remaining term was 6.16% and 283 months, respectively.

For the three and nine months ended September 30, 2008, mortgage banking revenue includes servicing fee income of $4.4 million and $13.0 million, respectively. For the three and nine months ended September 30, 2007, mortgage banking revenue includes servicing fee income of $4.2 million and $12.7 million, respectively.

Activity in capitalized mortgage servicing rights and related valuation allowance during the nine months ending September 30, 2008 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at December 31, 2007	$ 13,906	$ 56,103	$ 70,009
Additions, net	-	15,406	15,406
Change in fair value due to loan runoff	(1,719)	(6,933)	(8,652)
Change in fair value due to market changes	(1,063)	(7,020)	(8,083)
Balance at September 30, 2008	$ 11,124	$ 57,556	$ 68,680

Changes in the fair value of mortgage servicing rights are included in Other

Operating Expense in the Consolidated Statements of Earnings (Unaudited). Changes in fair value due to loan runoff are included in mortgage banking costs. Changes in fair value due to market changes are reported separately. Changes in fair value due to market changes during the period relate to assets held at the reporting date.

Fair value is determined by discounting the projected net cash flows. Significant assumptions used to determine fair value are:

	September 30, 2008	December 31, 2
Discount rate - risk-free rate plus a market premium	9.89%	10.02%
Prepayment rate - based upon loan interest rate, original term and loan type	5.5% - 15.4%	6.8% - 15
Loan servicing costs - annually per loan based upon loan type	$43 - $73	$43 - $7
Escrow earnings rate - indexed to rates paid on deposit accounts with comparable average life	3.83%	5.01%

Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at September 30, 2008 follows (in thousands):

	<5.51%	5.51% - 6.50%	6.51% - 7.50%	> 7.
Fair value	$ 12,244	$ 39,296	$ 14,437	$
Outstanding principal of loans serviced (1)	$ 950,900	$ 2,892,500	$ 1,061,600	$1

(1) Excludes outstanding principal of $709 million for loans serviced for affiliates and $36 million of mortgage loans for which there are no capitalized mortgage servicing rights.

42

(5) Disposal of Available for Sale Securities

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

	Nine Months Ended September 30,	
	2008	2007

Proceeds	$ 2,158,216	$ 548,025
Gross realized gains	12,763	2,169
Gross realized losses	(8,623)	(2,473)
Related federal and state income tax expense (benefit)	1,310	(106)

(6) Employee Benefits

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. The Company recognized no periodic pension cost and made no Pension Plan contributions during the nine months ended September 30, 2008 and September 30, 2007.

Management has been advised that no minimum contribution will be required for 2008. The maximum allowable contribution for 2008 has not yet been determined.

(7) Shareholders' Equity

On October 28, 2008, the Board of Directors of BOK Financial Corporation approved a $0.225 per share quarterly common stock dividend. The quarterly dividend will be payable on December 2, 2008 to shareholders of record on November 14, 2008.

Dividends declared during the three and nine month periods ended September 30, 2008 were $0.225 per share and $0.65 per share, respectively. Dividends declared during the three and nine month periods ended September 30, 2007 were $0.20 per share and $0.55 per share, respectively.

43

(8) Earnings Per Share

The following table presents the computation of basic and diluted earnings per share (dollars in thousands, except share data):

	Three Months Ended		Nine Mont
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008
Numerator:			
Net income	$ 56,685	$ 59,848	$ 117,789
Denominator:			
Denominator for basic earnings per share - weighted average shares	67,263,317	67,078,378	67,252,296
Effect of dilutive potential common shares:			
Employee stock compensation plans (1)	208,059	459,265	311,863
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	67,471,376	67,537,643	67,564,159
Basic earnings (loss) per share	$ 0.84	$ 0.89	$ 1.75
Diluted earnings (loss) per share	$ 0.84	$ 0.89	$ 1.74

(1) Excludes employee stock options with exercise prices greater than current market price.	2,892,091	830,479	1,149,905

(9) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2008 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	
Total reportable segments	$ 404,965	$ 310,142	$ 463,319	$
Unallocated items:				
Tax-equivalent adjustment	6,165	-	-	
Funds management and other	59,285	(6,667)	13,643	
BOK Financial consolidated	$ 470,415	$ 303,475	$ 476,962	$

(1) Excluding financial instruments gains/(losses).

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2008 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	
Total reportable segments	$ 138,253	$ 136,850	$ 159,682	$
Unallocated items:				
Tax-equivalent adjustment	1,927	-	-	
Funds management and other	24,168	(11,023)	4,608	
BOK Financial consolidated	$ 164,348	$ 125,827	$ 164,290	$

(1) Excluding financial instruments gains/(losses).

44

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2007 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	

Total reportable segments	$	412,223	$	297,141	$	406,108	$
Unallocated items:							
Tax-equivalent adjustment		6,618		-		-	
Funds management and other		(15,645)		(4,485)		11,152	
BOK Financial consolidated	$	403,196	$	292,656	$	417,260	$

(1) Excluding financial instruments gains/(losses).

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2007 is as follows (in thousands):

		Net Interest Revenue		Other Operating Revenue(1)		Other Operating Expense		Ne
Total reportable segments	$	139,944	$	106,489	$	150,033	$	
Unallocated items:								
Tax-equivalent adjustment		2,464		-		-		
Funds management and other		(2,963)		(2,730)		985		
BOK Financial consolidated	$	139,445	$	103,759	$	151,018	$	

(1) Excluding financial instruments gains/(losses).

(10) Commitments and Contingent Liabilities

In September 2006, BISYS settled the SEC's two-year investigation of BISYS Fund Services Ohio, Inc. ("BISYS") marketing assistance agreements with 27 different families of mutual funds, including a BISYS marketing arrangement with AXIA, which had been terminated effective January 1, 2004. In the SEC settlement, BISYS consented to an order in which the SEC determined that BISYS had "willfully aided and abetted and caused" the 27 investment advisors to (i) violate provisions of the Investment Advisors Act of 1940 that prohibit fraudulent conduct; (ii) violate provisions of the 1940 Act that prohibit the making of any untrue statement of a material fact in a registration statement filed by the mutual fund with the SEC, and (iii) violate provisions of the 1940 Act that require the disclosure and inclusion of all distribution arrangements and expenses in the fund's 12b-1 fee plan ("the SEC BYSIS Order"). AXIA was one of the 27 advisors and the AP Funds one of the 27 mutual fund families to which the SEC referred in its BISYS Order. On October 10, 2006, the Examinations Division of the Securities and Exchange Commission (the "SEC") conducted an examination of AXIA. The examination was concluded in July 2007 with no action taken by the Examinations Division. In August 2007, AXIA settled all claims relating to the BISYS marketing arrangements with the AP Funds for $2.2 million and the AP Funds regard the matter as fully concluded. The settlement with the AP Funds is not binding on the SEC.

On April 7, 2008, AXIA and its parent, BOK, received a Wells notice from the regional office of the SEC in Los Angeles indicating that the staff is considering recommending that the SEC bring a civil injunctive action against AXIA and BOK for violations of Section 17(a) of the Securities Act of 1955, Section 10(b) of the Securities Exchange Act of 1934, Sections 206(1) and (2) of the Investment Advisors Act of 1940, and Sections 12(b) and 34(b) of the Investment Company Act of 1940. BOK and AXIA have been cooperating fully with

45

the SEC in connection with these matters that arose prior to December 31, 2003. BOK and AXIA are not bound by the SEC BISYS Order and disagree with the SEC position as it relates to BOK and AXIA. On May 27, 2008, BOK and AXIA responded to the Wells notice denying the SEC position. On June 26, 2008, BOK and AXIA representatives met with SEC Staff at which time the SEC Staff advised that the Staff had not determined whether to recommend any action to the Commission. On September 25, 2008, The SEC Staff requested, and BOK and AXIA agreed to, a tolling agreement for any action the SEC might take until January 15, 2009. Nothing further has occurred as of the time of this filing.

As a member of Visa, BOK Financial is obligated for a proportionate share of certain covered litigation losses incurred by Visa under a retrospective responsibility plan. A contingent liability was recognized for the Company's share of Visa's covered litigation liabilities. Visa funded an escrow account to cover litigation claims, including covered litigation losses under the retrospective responsibility plan, with proceeds from its initial public offering in the first quarter of 2008. BOK Financial recognized a receivable for its proportionate share of this escrow account which equals the contingent liability previously recognized.

Subsequent to the third quarter of 2008, Visa announced an agreement to settle covered litigation with Discover Financial Services for approximately $1.8 billion. BOK Financial recognized an additional contingent liability of $1.7 million for its proportionate share of this settlement in the third quarter of 2008. This additional liability is expected to be offset in future periods as additional funds are provided to the escrow account.

BOK Financial received 410,562 Visa Class B shares as part of Visa's initial public offering in the first quarter of 2008. A partial redemption of Class B shares was completed and the Company received $6.8 million in cash in exchange for 158,725 Class B shares. The remaining 251,837 Class B shares are convertible into Visa Class A shares at the later of three years after the date of Visa's initial public offering or the final settlement of all covered litigation. The current exchange rate is approximately 0.71 Class A shares for each Class B share. However, the Company's Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. Therefore, under currently issued accounting guidance, no value has been currently assigned to the Class B shares and no value may be assigned until the Class B shares are converted into a known number of Class A shares.

In the ordinary course of business, BOK Financial and its subsidiaries are subject to legal actions and complaints. Management believes, based upon the opinion of counsel, that the actions and liability or loss, if any, resulting from the final outcomes of the proceedings, will not be material in the aggregate.

During the third quarter of 2007, Bank of Oklahoma agreed to guarantee rents totaling $28.4 million over 10 years to the City of Tulsa ("City") as owner of a building immediately adjacent to the bank's main office. These rents are due for space rented by third-party tenants in the building as of the date of the agreement. All guaranteed space has been rented since the date of the agreement. In return for this guarantee, Bank of Oklahoma will receive 80% of net rent as defined in an agreement with the City over the next 10 years from space in the same building that was vacant as of the date of the agreement. The maximum amount that Bank of Oklahoma may receive under this agreement is $4.5 million. The fair value of this agreement at inception was zero and no asset or liability is currently recognized in the Company's financial statements.

46

(11) Federal and State Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Amount:				
Federal statutory tax	$ 27,875	$ 31,709	$ 60,317	$ 89,511
Tax exempt revenue	(1,062)	(1,042)	(3,186)	(3,125)
Effect of state income taxes, net of federal benefit	1,241	1,649	2,828	4,684
Utilization of tax credits	(297)	(284)	(890)	(852)
Bank-owned life insurance	(987)	(844)	(2,961)	(2,531)
Other, net	(3,812)	(438)	(1,562)	1,556
Total	$ 22,958	$ 30,750	$ 54,546	$ 89,243

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Percent of pretax income:				
Federal statutory tax	35%	35%	35%	35%
Tax exempt revenue	(1)	(1)	(2)	(1)
Effect of state income taxes, net of federal benefit	2	2	2	2
Bank-owned life insurance	(1)	(1)	(2)	(1)
Other, net	(6)	(1)	(1)	-
Total	29%	34%	32%	35%

(12) Financial Instruments with Off-Balance Sheet Risk

BOK Financial is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to manage interest rate risk. Those financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in BOK Financial's Consolidated Balance Sheets. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the notional amount of those instruments.

As of September 30, 2008, outstanding commitments and letters of credit were as follows (in thousands):

September 30,

	2008
Commitments to extend credit	$ 5,340,615
Standby letters of credit	600,689
Commercial letters of credit	20,793

(13) Related Parties

On July 21, 2008, the Company entered into a $188 million, unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. Interest on the outstanding balance is based on one-month LIBOR plus 125 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 25 basis points. This agreement has no restrictive covenants. The outstanding balance at September 30, 2008 was $50 million. This credit agreement matures on December 2, 2010.

47

Nine Month Financial Summary - Unaudited
Consolidated Daily Average Balances, Average Yields and Rates
(Dollars in Thousands, Except Per Share Data)

	Nine Months Ended			
	September 30, 2008			
	Average Balance	Revenue/ Expense(1)	Yield /Rate	Average Balance
Assets				
Taxable securities (3)	$ 5,903,319	$ 226,044	5.09%	$ 5,008,8
Tax-exempt securities (3)	259,507	12,520	6.49	346,2
Total securities (3)	6,162,826	238,564	5.15	5,355,0
Trading securities	71,792	3,637	6.77	28,9
Funds sold and resell agreements	77,688	1,485	2.55	74,8
Loans (2)	12,474,755	561,964	6.02	11,316,6
Less reserve for loan losses	153,372	-	-	118,2
Loans, net of reserve	12,321,383	561,964	6.09	11,198,4
Total earning assets (3)	18,633,689	805,650	5.77	16,657,3
Cash and other assets	2,749,490			2,003,2
Total assets	$ 21,383,179			$ 18,660,5
Liabilities And Shareholders' Equity				
Transaction deposits	$ 6,418,290	98,242	2.04%	$ 5,389,9
Savings deposits	158,872	533	0.45	167,6
Time deposits	4,366,120	124,755	3.82	4,576,8
Total interest-bearing deposits	10,943,282	223,530	2.73	10,134,3
Funds purchased and repurchase				

agreements	3,084,312	54,082	2.34	2,623,5
Other borrowings	1,665,046	34,685	2.78	805,8
Subordinated debentures	398,313	16,773	5.63	394,0
Total interest-bearing liabilities	16,090,953	329,070	2.73	13,957,7
Demand deposits	2,605,971			2,342,2
Other liabilities	720,886			575,8
Shareholders' equity	1,965,369			1,784,6
Total liabilities and shareholders' equity	$ 21,383,179			$ 18,660,5
Tax-Equivalent Net Interest Revenue (3)		476,580	3.04%	
Tax-Equivalent Net Interest Revenue To Earning Assets (3)			3.41	
Less tax-equivalent adjustment (1)		6,165		
Net Interest Revenue		470,415		
Provision for credit losses		129,592		
Other operating revenue		308,474		
Other operating expense		476,962		
Income Before Taxes		172,335		
Federal and state income tax		54,546		
Net Income		$ 117,789		
Earnings Per Average Common Share Equivalent:				
Net Income:				
Basic		$ 1.75		
Diluted		$ 1.74		

(1) Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.
(2) The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.
(3) Yield calculations exclude security trades that have been recorded on trade date with no corresponding interest income.

48

Quarterly Financial Summary - Unaudited
Consolidated Daily Average Balances, Average Yields and Rates
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended			
	September 30, 2008			
	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
Assets				
Taxable securities (3)	$ 6,056,909	$ 78,030	5.09%	$ 6,026,76
Tax-exempt securities (3)	254,803	4,166	6.64	259,41

Total securities (3)	6,311,712	82,196	5.15	6,286,17
Trading securities	66,419	937	5.61	74,05
Funds sold and resell agreements	79,862	290	1.44	72,44
Loans (2)	12,713,356	181,862	5.69	12,527,01
Less reserve for loan losses	182,844	-	-	145,52
Loans, net of reserve	12,530,512	181,862	5.77	12,381,48
Total earning assets (3)	18,988,505	265,285	5.55	18,814,16
Cash and other assets	2,832,658			2,794,13
Total assets	$ 21,821,163			$ 21,608,30
Liabilities And Shareholders' Equity				
Transaction deposits	$ 6,565,935	$ 28,312	1.72%	$ 6,420,29
Savings deposits	159,856	147	0.37	159,79
Time deposits	4,792,366	40,810	3.39	4,076,16
Total interest-bearing deposits	11,518,157	69,269	2.39	10,656,25
Funds purchased and repurchase agreements	3,061,186	15,253	1.98	3,126,11
Other borrowings	1,390,233	8,935	2.56	2,267,07
Subordinated debentures	398,361	5,553	5.55	398,33
Total interest-bearing liabilities	16,367,937	99,010	2.41	16,447,77
Demand deposits	2,739,209			2,634,03
Other liabilities	787,420			541,69
Shareholders' equity	1,926,597			1,984,79
Total liabilities and shareholders' equity	$ 21,821,163			$ 21,608,30
Tax-Equivalent Net Interest Revenue (3)		$ 166,275	3.14%	
Tax-Equivalent Net Interest Revenue To Earning Assets (3)			3.48	
Less tax-equivalent adjustment (1)		1,927		
Net Interest Revenue		164,348		
Provision for credit losses		52,711		
Other operating revenue		132,296		
Other operating expense		164,290		
Income (loss) before taxes		79,643		
Federal and state income tax		22,958		
Net Income (Loss)		$ 56,685		
Earnings Per Average Common Share Equivalent:				
Net income (loss):				
Basic		$ 0.84		
Diluted		$ 0.84		

(1) Tax equivalent at the statutory federal and state rates for the periods

presented. The taxable equivalent adjustments shown are for comparative purposes.

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

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

49

Three Months Ended						
March 31, 2008			December 31, 2007			Sept
Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
$ 5,624,430	$ 72,055	5.11%	$ 5,633,173	$ 68,670	4.86%	$ 5,206,482
264,398	4,189	6.38	328,900	5,990	7.19	360,710
5,888,828	76,244	5.17	5,962,073	74,660	4.99	5,567,192
74,957	1,433	7.69	29,303	489	6.62	24,413
80,735	840	4.18	86,948	1,303	5.95	101,281
12,181,279	199,678	6.59	11,806,242	223,146	7.50	11,709,638
131,709	-	-	125,996	-	-	123,059
12,049,570	199,678	6.66	11,680,246	223,146	7.58	11,586,579
18,094,090	278,195	6.17	17,758,570	299,598	6.70	17,279,465
2,402,963			2,224,045			2,056,910
$ 20,497,053			$ 19,982,615			$ 19,336,375
$ 6,267,021	$ 42,175	2.71%	$ 5,861,544	$ 49,358	3.34%	$ 5,593,043
156,953	238	0.61	160,170	348	0.86	200,362
4,225,141	45,734	4.35	4,544,802	53,613	4.68	4,798,812
10,649,115	88,147	3.33	10,566,516	103,319	3.88	10,592,217
3,061,783	23,649	3.11	3,158,153	35,169	4.42	2,603,372
1,340,846	11,718	3.51	936,353	11,611	4.92	880,894
398,241	5,399	5.45	398,109	5,708	5.69	471,458
15,449,985	128,913	3.36	15,059,131	155,807	4.10	14,547,941
2,443,201			2,448,011			2,390,293
618,721			580,574			577,161
1,985,146			1,894,899			1,820,980
$ 20,497,053			$ 19,982,615			$ 19,336,375
	$ 149,282	2.81%		$ 143,791	2.60%	
						3.05

	3.31		3.22
2,154		2,502	
147,128		141,289	
17,571		13,200	
120,562		107,316	
153,404		157,727	
96,715		77,678	
34,450		26,518	
$ 62,265		$ 51,160	
$ 0.93		$ 0.76	
$ 0.92		$ 0.76	

50

PART II. Other Information

Item 1. Legal Proceedings

See discussion of legal proceedings at footnote 10 to the consolidated financial statements.

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended September 30, 2008.

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)
July 1, 2008 to July 31, 2008	75,000	$44.49	75,000
August 1, 2008 to August 31, 2008	2,254	$42.15	-
September 1, 2008 to September 30, 2008	3,939	$57.00	-
Total	81,193		75,000

(1) The Company had a stock repurchase plan that was initially authorized by the Company's board of directors on February 24, 1998 and amended on May 25, 1999. Under the terms of that plan, the Company could repurchase up to 800,000 shares of its common stock. As of March 31, 2005, the Company had repurchased 638,642 shares under that plan. On April 26, 2005, the Company's board of directors terminated this authorization and replaced it with a new stock repurchase plan authorizing the Company to repurchase up to two million shares of the Company's common stock. As of September 30, 2008, the Company had repurchased 784,073 shares under the new plan.

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

Item 6. Exhibits

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

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

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

Signatures

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

BOK FINANCIAL CORPORATION
(Registrant)

Date: November 3, 2008

/s/ Steven E. Nell

Steven E. Nell
Executive Vice President and
Chief Financial Officer

/s/ John C. Morrow

John C. Morrow
Senior Vice President and
Chief Accounting Officer