

BOK FINANCIAL CORP ET AL  
Form 10-Q  
May 01, 2015

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended March 31, 2015

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

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

Commission File No. 0-19341

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

Oklahoma  
(State or other jurisdiction  
of Incorporation or Organization)

73-1373454  
(IRS Employer  
Identification No.)

Bank of Oklahoma Tower  
Boston Avenue at Second Street  
Tulsa, Oklahoma  
(Address of Principal Executive Offices)

74192  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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):

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Large accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 68,922,314 shares of common stock (\$.00006 par value) as of March 31, 2015.

---

BOK Financial Corporation  
Form 10-Q  
Quarter Ended March 31, 2015

Index

Part I. Financial Information

|  |            |
|--|------------|
| Management's Discussion and Analysis (Item 2)          | <u>1</u>   |
| Market Risk (Item 3)                                   | <u>42</u>  |
| Controls and Procedures (Item 4)                       | <u>44</u>  |
| Consolidated Financial Statements – Unaudited (Item 1) | <u>46</u>  |
| Six Month Financial Summary – Unaudited (Item 2)       |            |
| Quarterly Financial Summary – Unaudited (Item 2)       | <u>121</u> |
| Quarterly Earnings Trend – Unaudited                   | <u>124</u> |

Part II. Other Information

|   |            |
|---|------------|
| Item 1. Legal Proceedings   | <u>124</u> |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | <u>124</u> |
| Item 6. Exhibits  | <u>124</u> |
| Signatures  | <u>125</u> |

---

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

Performance Summary

BOK Financial Corporation ("the Company") reported net income of \$74.8 million or \$1.08 per diluted share for the first quarter of 2015, compared to \$76.6 million or \$1.11 per diluted share for the first quarter of 2014 and \$64.3 million or \$0.93 per diluted share for the fourth quarter of 2014. Net income for the first quarter of 2014 included a \$10.2 million or \$0.15 per diluted share benefit from the reversal of accrued executive compensation costs.

Highlights of the first quarter of 2015 included:

Net interest revenue totaled \$167.7 million for the first quarter of 2015, compared to \$162.6 million for the first quarter of 2014 and \$169.7 million for the fourth quarter of 2014. Net interest margin decreased to 2.55% for the first quarter of 2015, primarily due to increased deposits at the Federal Reserve Bank funded by Federal Home Loan Bank borrowings and continued competitive loan pricing and low interest rates. Net interest margin was 2.71% for the first quarter of 2014 and 2.61% for the fourth quarter of 2014.

Fees and commissions revenue totaled \$166.0 million for the first quarter of 2015, a \$25.1 million or 18% increase over the first quarter of 2014. Mortgage banking revenue increased \$16.5 million based on higher loan production volume largely driven by lower primary mortgage interest rates. Fees and commissions revenue increased \$8.1 million over the fourth quarter of 2014, primarily due to mortgage banking revenue.

Changes in the fair value of mortgage servicing rights, net of economic hedges, decreased pre-tax net income in the first quarter of 2015 by \$5.0 million, decreased pre-tax net income in the first quarter of 2014 by \$908 thousand and decreased pre-tax net income by \$6.1 million in the fourth quarter of 2014. Net changes in the fair value of mortgage servicing rights were largely driven by lower mortgage interest rates.

Operating expenses totaled \$220.3 million for the first quarter of 2015, an increase of \$35.2 million over the first quarter of 2014. Operating expenses in the first quarter of 2014 were decreased by \$15.5 million from the reversal of accrued executive compensation costs. Additionally, personnel expense increased \$8.6 million and non-personnel expense increased \$11.0 million. Operating expenses decreased \$5.6 million compared to the previous quarter. The fourth quarter of 2014 included \$4.9 million of facilities and personnel costs related to the previously announced closure of 29 grocery store branches.

No provision for credit losses was recorded in the first quarter of 2015, the fourth quarter of 2014 or the first quarter of 2014. Gross charge-offs were \$2.2 million in the first quarter of 2015, \$2.8 million in the first quarter of 2014 and \$7.2 million in the fourth quarter of 2014. Recoveries were \$10.5 million in the first quarter of 2015, compared to \$5.4 million in the first quarter of 2014 and \$5.0 million in the fourth quarter of 2014.

The combined allowance for credit losses totaled \$199 million or 1.35% of outstanding loans at March 31, 2015, compared to \$190 million or 1.34% of outstanding loans at December 31, 2014. Nonperforming assets that are not guaranteed by U.S. government agencies totaled \$123 million or 0.85% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at March 31, 2015 and \$129 million or 0.92% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at December 31, 2014.

Average loans increased by \$673 million over the previous quarter due primarily to growth in commercial and commercial real estate loans. Average commercial loans were up \$421 million and average commercial real estate loans increased \$244 million. Period-end outstanding loan balances were \$14.7 billion at March 31, 2015, a \$476 million increase over December 31, 2014. Commercial loan balances increased \$295 million and commercial real estate loans increased \$207 million.

Average deposits increased \$551 million over the previous quarter, primarily due to an increase in interest-bearing transaction accounts. Average demand deposit and time deposit balances were largely unchanged compared to the prior quarter. Period-end deposits were \$21.2 billion at March 31, 2015, largely unchanged compared to December 31, 2014.

New regulatory capital rules were effective for BOK Financial on January 1, 2015 and established a 7% threshold for the common equity Tier 1 ratio. The Company's common equity Tier 1 ratio was 13.07% at March 31, 2015. In addition, the Company's Tier 1 capital ratio was 13.07%, total capital ratio was 14.39% and leverage ratio was 9.74% at March 31, 2015.

- 1 -

---

The Company paid a regular quarterly cash dividend of \$29 million or \$0.42 per common share during the first quarter of 2015. On April 28, 2015, the board of directors approved a regular quarterly cash dividend of \$0.42 per common share payable on or about May 29, 2015 to shareholders of record as of May 15, 2015. The Company also repurchased 502,156 common shares at an average price of \$58.71 per share during the first quarter of 2015.

#### Results of Operations

##### Net Interest Revenue and Net Interest Margin

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

Net interest revenue totaled \$167.7 million for the first quarter of 2015 compared to \$162.6 million for the first quarter of 2014 and \$169.7 million for the fourth quarter of 2014. Net interest margin was 2.55% for the first quarter of 2015, 2.71% for the first quarter of 2014 and 2.61% for the fourth quarter of 2014.

Net interest revenue increased \$5.1 million over the first quarter of 2014. Net interest revenue increased \$12.3 million primarily due to the growth in average loan balances, partially offset by a decrease in available for sale securities balances. Net interest revenue decreased \$6.8 million primarily due to continued lower loan yields, partially offset by lower funding costs and improved yields on available for sale securities.

The tax-equivalent yield on earning assets was 2.80% for the first quarter of 2015, down 19 basis points from the first quarter of 2014. Loan yields decreased 30 basis points primarily due to continued market pricing pressure and lower interest rates. The available for sale securities portfolio yield increased 7 basis points to 1.98%. Excess cash flows are currently being reinvested in short-duration securities that are yielding 1.50% to 2.00%. Funding costs were down 3 basis points compared to the first quarter of 2014. The cost of interest-bearing deposits decreased 4 basis points and the cost of other borrowed funds increased 6 basis points largely due to the mix of funding sources. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities was 13 basis points for both the first quarter of 2015 and the first quarter of 2014.

Average earning assets for the first quarter of 2015 increased \$2.7 billion or 11% over the first quarter of 2014. Average loans, net of allowance for loan losses, increased \$1.6 billion due primarily to growth in average commercial and commercial real estate loans. The average balance of interest-bearing cash and cash equivalents was up \$1.5 billion compared to the first quarter of 2014 as borrowings from the Federal Home Loan Banks were deposited in the Federal Reserve to earn a spread of approximately \$1.1 million. The average balance of available for sale securities decreased \$975 million as we reduced the size of our bond portfolio during 2014 through normal monthly runoff to better position the balance sheet for a longer-term rising rate environment. The average balances of fair value option securities held as an economic hedge of our mortgage servicing rights, residential mortgage loans held for sale, restricted equity securities, and trading securities were all up over the prior year.

Average deposits increased \$1.0 billion over the first quarter of 2014, including a \$573 million increase in average demand deposit balances and a \$438 million increase in average interest-bearing transaction accounts. Growth in average savings account balances were offset by a decrease in average time deposits. Average borrowed funds increased \$1.3 billion compared to the first quarter of 2014, primarily due to increased borrowings from the Federal Home Loan Banks.

Net interest margin decreased 6 basis points compared to the fourth quarter of 2014. The yield on average earning assets decreased 6 basis points. The loan portfolio yield decreased 14 basis points to 3.59% primarily due to continued competitive loan pricing and low interest rates. The yield on the available for sale securities portfolio decreased 1 basis point to 1.98%. Funding costs were down 1 basis point to 0.38%. The cost of other borrowed funds was unchanged compared to the fourth quarter. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities was unchanged.

- 2 -

---

Average earning assets increased \$782 million during the first quarter of 2015, primarily due to growth in average outstanding loans of \$673 million over the previous quarter. Average commercial loan balances were up \$421 million and average commercial real estate loan balances increased \$244 million. The average balance of fair value option securities held as an economic hedge of our mortgage servicing rights increased \$183 million and residential mortgage loans held for sale increased \$26 million. This growth was partially offset by a \$60 million decrease in the average balance of the available for sale securities portfolio and a \$24 million decrease in average trading securities balances. Average deposits increased \$551 million over the previous quarter. Interest-bearing transaction account balances increased \$608 million and time deposit account balances increased \$12 million. Demand deposit balances decreased \$89 million. The average balance of borrowed funds increased \$66 million over the fourth quarter of 2014, primarily due to increased borrowings from the Federal Home Loan Banks.

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

The effectiveness of these strategies is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 1 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.



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

|  | Three Months Ended<br>March 31, 2015 / 2014 |                            |                 |   |
|--|---|----------------------------|-----------------|---|
|  | Change                                      | Change Due To <sup>1</sup> |                 |   |
|  |   | Volume                     | Yield /<br>Rate |   |
| Tax-equivalent interest revenue:           |   |                            |                 |   |
| Interest-bearing cash and cash equivalents | \$1,157                                     | \$911                      | \$246           |   |
| Trading securities                         | 154   | 220                        | (66)            | ) |
| Investment securities:                     |   |                            |                 |   |
| Taxable securities                         | 44  | 121                        | (77)            | ) |
| Tax-exempt securities                      | (266)                                       | (151)                      | (115)           | ) |
| Total investment securities                | (222)                                       | (30)                       | (192)           | ) |
| Available for sale securities:             |   |                            |                 |   |
| Taxable securities                         | (4,150)                                     | (5,341)                    | 1,191           | ) |
| Tax-exempt securities                      | 186   | (99)                       | 285             | ) |
| Total available for sale securities        | (3,964)                                     | (5,440)                    | 1,476           | ) |
| Fair value option securities               | 1,152                                       | 957                        | 195             |   |
| Restricted equity securities               | 1,600                                       | 1,092                      | 508             |   |
| Residential mortgage loans held for sale   | 1,359                                       | 1,383                      | (24)            | ) |
| Loans                                      | 4,617                                       | 14,803                     | (10,186)        | ) |
| Total tax-equivalent interest revenue      | 5,853                                       | 13,896                     | (8,043)         | ) |
| Interest expense:                          |   |                            |                 |   |
| Transaction deposits                       | (94)  | 7                          | (101)           | ) |
| Savings deposits                           | (4)   | 11                         | (15)            | ) |
| Time deposits                              | (783)                                       | (112)                      | (671)           | ) |
| Funds purchased                            | (145)                                       | (181)                      | 36              | ) |
| Repurchase agreements                      | (47)  | 37                         | (84)            | ) |
| Other borrowings                           | 1,431                                       | 1,827                      | (396)           | ) |
| Subordinated debentures                    | 7   | 4                          | 3               |   |
| Total interest expense                     | 365   | 1,593                      | (1,228)         | ) |
| Tax-equivalent net interest revenue        | 5,488                                       | 12,303                     | (6,815)         | ) |
| Change in tax-equivalent adjustment        | 405   |                            |                 |   |
| Net interest revenue                       | \$5,083                                     |                            |                 |   |

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

## Other Operating Revenue

Other operating revenue was \$166.0 million for the first quarter of 2015, a \$27.1 million increase over the first quarter of 2014 and a \$14.1 million increase over the fourth quarter of 2014. Fees and commissions revenue increased \$25.1 million over the first quarter of 2014 and increased \$8.1 million compared to the prior quarter. The change in the fair value of mortgage servicing rights, net of economic hedges, decreased other operating revenue by \$5.0 million in the first quarter of 2015, \$6.1 million in the fourth quarter of 2014 and \$908 thousand in the first quarter of 2014.

Table 2 – Other Operating Revenue  
(In thousands)

|  | Three Months Ended<br>March 31, |           |                        |                          | Three<br>Months<br>Ended<br>Dec. 31,<br>2014 |                          |                        |                          |
|--|---------------------------------|-----------|------------------------|--------------------------|--|--------------------------|------------------------|--------------------------|
|  | 2015                            | 2014      | Increase<br>(Decrease) | % Increase<br>(Decrease) | Increase<br>(Decrease)                       | % Increase<br>(Decrease) | Increase<br>(Decrease) | % Increase<br>(Decrease) |
| Brokerage and trading revenue  | \$31,707                        | \$29,516  | \$2,191                | 7                        | % \$30,602                                   | \$1,105                  | 4                      | %                        |
| Transaction card revenue   | 31,010                          | 29,134    | 1,876                  | 6                        | % 31,467                                     | (457)                    | (1)                    | )%                       |
| Fiduciary and asset management revenue                                       | 31,469                          | 25,722    | 5,747                  | 22                       | % 30,649                                     | 820                      | 3                      | %                        |
| Deposit service charges and fees   | 21,684                          | 22,689    | (1,005)                | (4)                      | )% 22,581                                    | (897)                    | (4)                    | )%                       |
| Mortgage banking revenue   | 39,320                          | 22,844    | 16,476                 | 72                       | % 30,105                                     | 9,215                    | 31                     | %                        |
| Bank-owned life insurance  | 2,198                           | 2,106     | 92                     | 4                        | % 2,380                                      | (182)                    | (8)                    | )%                       |
| Other revenue  | 8,603                           | 8,852     | (249)                  | (3)                      | )% 10,071                                    | (1,468)                  | (15)                   | )%                       |
| Total fees and commissions revenue   | 165,991                         | 140,863   | 25,128                 | 18                       | % 157,855                                    | 8,136                    | 5                      | %                        |
| Gain on other assets, net  | 755                             | (2,328)   | 3,083                  | N/A                      | 338  | 417                      | N/A                    |                          |
| Gain on derivatives, net   | 911                             | 968       | (57)                   | N/A                      | 1,070  | (159)                    | N/A                    |                          |
| Gain on fair value option securities, net                                    | 2,647                           | 2,660     | (13)                   | N/A                      | 3,685  | (1,038)                  | N/A                    |                          |
| Change in fair value of mortgage servicing rights                            | (8,522)                         | (4,461)   | (4,061)                | N/A                      | (10,821)                                     | 2,299                    | N/A                    |                          |
| Gain on available for sale securities, net                                   | 4,327                           | 1,240     | 3,087                  | N/A                      | 149  | 4,178                    | N/A                    |                          |
| Total other-than-temporary impairment  | (781)                           | —         | (781)                  | N/A                      | (373)  | (408)                    | N/A                    |                          |
| Portion of loss recognized in (reclassified from) other comprehensive income | 689                             | —         | 689                    | N/A                      | —  | 689                      | N/A                    |                          |
| Net impairment losses recognized in earnings                                 | (92)                            | —         | (92)                   | N/A                      | (373)  | 281                      | N/A                    |                          |
| Total other operating revenue  | \$166,017                       | \$138,942 | \$27,075               | 19                       | % \$151,903                                  | \$14,114                 | 9                      | %                        |

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

#### Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 50% of total revenue for the first quarter of 2015, excluding provision for credit losses and gains and losses on other assets, securities and derivatives and the change in the fair value of mortgage servicing rights. We believe that a variety of fee revenue sources provides an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. As an example of this strength, many of the economic factors that cause net interest revenue compression such as falling interest rates may also drive growth in our mortgage banking revenue. We expect growth in other operating revenue to come through offering new products and services and by further development of our presence in other markets. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue, which includes revenues from securities trading, customer hedging, retail brokerage and investment banking, increased \$2.2 million over the first quarter of 2014.

Securities trading revenue was \$10.0 million for the first quarter of 2015, an increase of \$404 thousand over the first quarter of 2014. Securities trading revenue includes net realized and unrealized gains primarily related to sales of U.S. government securities, residential mortgage-backed securities guaranteed by U.S. government agencies and municipal securities to institutional customers.

Customer hedging revenue is based primarily on realized and unrealized changes in the fair value of derivative contracts held for customer risk management programs. As more fully discussed under Customer Derivative Programs in Note 3 of the Consolidated Financial Statements, we offer commodity, interest rate, foreign exchange and equity derivatives to our customers. Customer hedging revenue totaled \$10.3 million for the first quarter of 2015, a \$3.3 million increase over the prior year primarily due to higher volumes of derivative contracts executed by our mortgage banking customers.

Revenue earned from retail brokerage transactions decreased \$2.7 million or 28% compared to the first quarter of 2014 to \$6.8 million. Retail brokerage revenue is primarily based on fees and commissions earned on sales of fixed income securities, annuities and mutual funds to retail customers. Revenue is primarily based on the volume of customer transactions during the quarter. The number of transactions typically increases with market volatility and decreases with market stability.

Investment banking, which includes fees earned upon completion of underwriting and financial advisory services and loan syndication fees, totaled \$4.6 million for the first quarter of 2015, a \$1.2 million or 33% increase over the first quarter of 2014 primarily related to underwriting and financial advisory fees.

Brokerage and trading revenue increased \$1.1 million over the fourth quarter of 2014. Securities trading revenue increased \$654 thousand and customer hedging revenue increased \$333 thousand. Retail brokerage fees were up \$1.0 million, partially offset by a \$904 thousand decrease in investment banking primarily due to lower loan syndication fees due to the timing of completed transactions.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of TransFund automated teller machine ("ATM") locations and the number of merchants served. Transaction card revenue for the first quarter of 2015 increased \$1.9 million or 6% over the first quarter of 2014. Revenues from the processing of transactions on behalf of the members of our TransFund electronic funds transfer ("EFT") network totaled \$16.0 million, an \$817 thousand or 5% increase over the prior year, due to increased transaction volumes and increased dollar amounts per transaction. Merchant services fees totaled \$10.5 million, an increase of \$938 thousand or 10% on increased transaction activity. Revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled \$4.6 million, an increase of \$121 thousand or 3% compared to the first quarter of 2014.

Transaction card revenue decreased \$457 thousand compared to the fourth quarter of 2014. Growth in merchant services fees was primarily offset by a seasonal decrease in EFT network revenues and interchange fee revenue from debit cards issued by the Company.

Fiduciary and asset management revenue grew by \$5.7 million or 22% over the first quarter of 2014. A full quarter of earnings from the acquisition of Topeka, Kansas-based GTRUST Financial Corporation in the first quarter of 2014 and Houston, Texas-based MBM Advisors in the second quarter of 2014 added \$2.8 million of revenue in the first quarter of 2015 and \$2.1 billion of fiduciary assets as of March 31, 2015. The remaining increase was primarily due to the growth in the fair value of fiduciary assets administered by the Company. Fiduciary assets are assets for which the Company possesses investment discretion on behalf of another or any other similar capacity. The fair value of fiduciary assets administered by the Company totaled \$37.5 billion at March 31, 2015, \$31.3 billion at March 31, 2014 and \$36.0 billion at December 31, 2014.

Fiduciary and asset management revenue increased \$820 thousand over the fourth quarter of 2014 primarily due to the growth in the fair value of fiduciary assets administered by the Company.

We also earn fees as administrator to and investment adviser for the Cavanal Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940. The Bank is custodian and BOSCO, Inc. is distributor for the Cavanal Hill Funds. Products of the Cavanal Hill Funds are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. We have voluntarily waived administration fees on the Cavanal Hill money market funds in order to maintain positive yields on these funds in the current low short-term interest rate environment. Waived fees totaled \$2.7 million for the first quarter of 2015 compared to \$2.2 million for the first quarter of 2014 and \$2.8 million for the fourth quarter of 2014.

- 6 -

---

Deposit service charges and fees were \$21.7 million for the first quarter of 2015 compared to \$22.7 million for the first quarter of 2014. Overdraft fees totaled \$9.4 million for the first quarter of 2015, a decrease of \$1.6 million or 15% compared to the first quarter of 2014. Commercial account service charge revenue totaled \$10.5 million, an increase of \$688 thousand or 7% over the prior year. Service charges on deposit accounts with a standard monthly fee were \$1.8 million, a decrease of \$65 thousand or 4% compared to the first quarter of 2014. Deposit service charges and fees decreased \$897 thousand compared to the prior quarter primarily due to decreased overdraft fee volumes, partially offset by increased commercial account service charges.

Mortgage banking revenue increased \$16.5 million over the first quarter of 2014. Mortgage production revenue increased \$14.6 million largely due to increased production activity driven by a 63 basis point decrease in average primary mortgage interest rates. Mortgage loans funded for sale totaled \$1.6 billion during the first quarter of 2015, an increase of \$838 million over the first quarter of 2014. In addition, outstanding commitments to fund mortgage loans totaled \$651 million at March 31, 2015, an increase of \$263 million over March 31, 2014. The decrease in average interest rates also increased the percentage of refinanced mortgage loans, which generally are more profitable, to 56% in the first quarter of 2015 from 32% in the first quarter of 2014. Mortgage servicing revenue grew by \$1.9 million or 17% over the first quarter of 2014. The outstanding principal balance of mortgage loans serviced for others totaled \$16.9 billion, an increase of \$2.9 billion or 21%.

Mortgage banking revenue increased \$9.2 million over the fourth quarter of 2014. Mortgage production revenue increased \$8.9 million largely due to increased production activity driven by a 24 basis point decrease in average primary mortgage interest rates. Total mortgage loans originated during the first quarter increased \$301 million or 24% over the previous quarter and outstanding mortgage loan commitments at March 31 increased \$130 million or 25% over December 31. In addition, the percentage of refinanced mortgage loans increased to 56% of first quarter originations, compared to 37% in the fourth quarter. Revenue from mortgage loan servicing grew by \$364 thousand due to an increase in the volume of loans serviced. The outstanding balance of mortgage loans serviced for others increased \$774 million over December 31, 2014.

Table 3 – Mortgage Banking Revenue

(In thousands)

|   | Three Months Ended |              | Increase<br>(Decrease) | %<br>Increase<br>(Decrease) | Three Months           |                        | Increase<br>(Decrease) | %<br>Increase<br>(Decrease) |   |
|---|--------------------|--------------|------------------------|-----------------------------|------------------------|------------------------|------------------------|-----------------------------|---|
|   | March 31,<br>2015  | 2014         |                        |                             | Ended<br>Dec. 31, 2014 | Ended<br>Dec. 31, 2014 |                        |                             |   |
| Net realized gains on mortgage loans sold                               | \$17,251           | \$9,179      | \$8,072                | 88                          | %                      | \$17,671               | \$(420)                | (2)                         | % |
| Change in net unrealized gains (losses) on mortgage loans held for sale | 3,451              | 2,797        | 654                    | 23                          | %                      | 618                    | 2,833                  | 458                         | % |
| Change in fair value of mortgage loan commitments                       | 7,529              | 3,379        | 4,150                  | 123                         | %                      | 1,491                  | 6,038                  | 405                         | % |
| Change in fair value of forward sales contracts                         | (2,191)            | (3,903)      | 1,712                  | (44)                        | %                      | (2,591)                | 400                    | (15)                        | % |
| Total mortgage production revenue                                       | 26,040             | 11,452       | 14,588                 | 127                         | %                      | 17,189                 | 8,851                  | 51                          | % |
| Servicing revenue   | 13,280             | 11,392       | 1,888                  | 17                          | %                      | 12,916                 | 364                    | 3                           | % |
| Total mortgage revenue  | \$39,320           | \$22,844     | \$16,476               | 72                          | %                      | \$30,105               | \$9,215                | 31                          | % |
| Mortgage loans funded for sale  | 1,565,016          | 727,516      | 837,500                | 115                         | %                      | 1,264,269              | 300,747                | 24                          | % |
| Mortgage loan refinances to total funded                                | 56                 | % 32         | %                      |                             |                        | 37                     | %                      |                             |   |
| Outstanding principal balance of mortgage loans serviced for others     | \$16,937,128       | \$14,045,642 | \$2,891,486            | 21                          | %                      | \$16,162,887           | \$774,241              | 5                           | % |
| Period end outstanding mortgage commitments                             | \$650,988          | \$387,755    | \$263,233              | 68                          | %                      | \$520,829              | \$130,159              | 25                          | % |
| Net gains on securities, derivatives and other assets                   |                    |              |                        |                             |                        |                        |                        |                             |   |

In the first quarter of 2015, we recognized a \$4.3 million net gain from sales of \$335 million of available for sale securities. Securities were sold either because they had reached their expected maximum potential return or to move into securities that will perform better in a rising rate environment. In the first quarter of 2014, we recognized a \$1.2 million net gain from sales of \$531 million of available for sale securities and in the fourth quarter of 2014, we recognized a \$149 thousand net gain on sales of \$772 million of available for sale securities.

We also maintain a portfolio of residential mortgage-backed securities issued by U.S. government agencies and interest rate derivative contracts designated as an economic hedge of the changes in the fair value of our mortgage servicing rights. The fair value of our mortgage servicing rights fluctuates due to changes in prepayment speeds and other assumptions as more fully described in Note 5 to the Consolidated Financial Statements. As benchmark

mortgage rates increase, prepayment speeds slow and the value of our mortgage servicing rights increases. As benchmark mortgage rates fall, prepayment speeds increase and the value of our mortgage servicing rights decreases.

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

Table 4 following shows the relationship between changes in the fair value of mortgage servicing rights and the fair value of fair value option residential mortgage-backed securities and interest rate derivative contracts designated as an economic hedge.



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

|  | Three Months Ended |                  |                   |   |
|--|--------------------|------------------|-------------------|---|
|  | March 31,<br>2015  | Dec. 31,<br>2014 | March 31,<br>2014 |   |
| Gain on mortgage hedge derivative contracts, net                                   | \$911              | \$1,070          | \$968             |   |
| Gain on fair value option securities, net  | 2,647              | 3,685            | 2,585             |   |
| Gain on economic hedge of mortgage servicing rights, net                           | 3,558              | 4,755            | 3,553             |   |
| Loss on change in fair value of mortgage servicing rights                          | (8,522)            | (10,821)         | (4,461)           | ) |
| Loss on changes in fair value of mortgage servicing rights, net of economic hedges | \$(4,964)          | \$(6,066)        | \$(908)           | ) |
| Net interest revenue on fair value option securities                               | \$1,739            | \$912            | \$790             |   |
| Primary residential mortgage interest rate – period end                            | 3.69               | % 3.83           | % 4.40            | % |
| Primary residential mortgage interest rate – average                               | 3.73               | % 3.97           | % 4.36            | % |
| Secondary residential mortgage interest rate – period end                          | 2.75               | % 2.91           | % 3.42            | % |
| Secondary residential mortgage interest rate – average                             | 2.69               | % 2.96           | % 3.44            | % |

Primary rates disclosed in Table 4 above represent rates generally available to borrowers on 30 year conforming mortgage loans and affect the value of our mortgage servicing rights. Secondary rates represent rates generally paid on 30 year residential mortgage-backed securities guaranteed by U.S. government agencies and affect the value of securities and derivative contracts used as an economic hedge of our mortgage servicing rights.

Gain (loss) on other assets included changes in the fair value of certain equity investments held as an economic hedge of a deferred compensation liability. During the first quarter of 2014, the value of certain of these investments was adjusted downward by \$1.7 million. Gain (loss) on other assets for the first quarter of 2014 also included a \$1.5 million charge against a merchant banking investment that is accounted for by the equity method.

## Other Operating Expense

Other operating expense for the first quarter of 2015 totaled \$220.3 million, a \$35.2 million or 19% increase over the first quarter of 2014. Personnel expenses increased \$24.1 million or 23%. The Company reversed \$15.5 million accrued during 2011 through 2013 in the first quarter of 2014 for amounts payable to certain executive officers under the 2011 True-Up Plan. Non-personnel expenses increased \$11.0 million or 14% over the prior year.

Operating expenses decreased \$5.6 million compared to the previous quarter. Personnel expense increased \$2.8 million. Non-personnel expense decreased \$8.4 million. The fourth quarter of 2014 included \$4.9 million of facilities and personnel costs related to the previously announced closure of 29 grocery store branches.

Table 5 -- Other Operating Expense  
(In thousands)

|   | Three Months Ended<br>March 31, |           | Increase<br>(Decrease) | %<br>Increase<br>(Decrease) | Three<br>Months<br>Ended<br>Dec. 31,<br>2014 | Increase<br>(Decrease) | %<br>Increase<br>(Decrease) |
|---|---------------------------------|-----------|------------------------|-----------------------------|--|------------------------|-----------------------------|
|   | 2015                            | 2014      |                        |                             |  |                        |                             |
| Regular compensation                                    | \$77,762                        | \$72,367  | \$5,395                | 7                           | % \$78,327                                   | \$(565)                | (1)%                        |
| Incentive compensation:                                 |                                 |           |                        |                             |  |                        |                             |
| Cash-based  | 26,941                          | 24,727    | 2,214                  | 9                           | % 29,264                                     | (2,323)                | (8)%                        |
| Share-based   | 2,140                           | 3,119     | (979)                  | (31)                        | )% 3,012                                     | (872)                  | (29)%                       |
| Deferred compensation                                   | 130                             | (16,312)  | 16,442                 | (101)                       | )% 60  | 70                     | 117%                        |
| Total incentive compensation                            | 29,211                          | 11,534    | 17,677                 | 153                         | % 32,336                                     | (3,125)                | (10)%                       |
| Employee benefits                                       | 21,575                          | 20,532    | 1,043                  | 5                           | % 15,078                                     | 6,497                  | 43%                         |
| Total personnel expense                                 | 128,548                         | 104,433   | 24,115                 | 23                          | % 125,741                                    | 2,807                  | 2%                          |
| Business promotion                                      | 5,748                           | 5,841     | (93)                   | (2)                         | )% 7,498                                     | (1,750)                | (23)%                       |
| Charitable contributions to BOKF Foundation             | —                               | 2,420     | (2,420)                | N/A                         | 1,847  | (1,847)                | N/A                         |
| Professional fees and services                          | 10,059                          | 7,565     | 2,494                  | 33                          | % 11,058                                     | (999)                  | (9)%                        |
| Net occupancy and equipment                             | 19,044                          | 16,896    | 2,148                  | 13                          | % 22,655                                     | (3,611)                | (16)%                       |
| Insurance   | 4,980                           | 4,541     | 439                    | 10                          | % 4,777                                      | 203                    | 4%                          |
| Data processing and communications                      | 30,620                          | 27,135    | 3,485                  | 13                          | % 30,872                                     | (252)                  | (1)%                        |
| Printing, postage and supplies                          | 3,461                           | 3,541     | (80)                   | (2)                         | )% 3,168                                     | 293                    | 9%                          |
| Net losses and operating expenses of repossessed assets | 613                             | 1,432     | (819)                  | (57)                        | )% (1,497)                                   | 2,110                  | (141)%                      |
| Amortization of intangible assets                       | 1,090                           | 816       | 274                    | 34                          | % 1,100                                      | (10)                   | (1)%                        |
| Mortgage banking costs                                  | 9,319                           | 3,634     | 5,685                  | 156                         | % 10,553                                     | (1,234)                | (12)%                       |
| Other expense   | 6,783                           | 6,850     | (67)                   | (1)                         | )% 8,105                                     | (1,322)                | (16)%                       |
| Total other operating expense                           | \$220,265                       | \$185,104 | \$35,161               | 19                          | % \$225,877                                  | \$(5,612)              | (2)%                        |

|  |       |       |     |   |   |       |     |   |   |   |
|--|-------|-------|-----|---|---|-------|-----|---|---|---|
| Average number of employees (full-time equivalent) | 4,741 | 4,640 | 101 | 2 | % | 4,751 | (10 | ) | — | % |
|--|-------|-------|-----|---|---|-------|-----|---|---|---|

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

Personnel expense

Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, increased \$5.4 million or 7% over the first quarter of 2014. Although the average number of employees was largely unchanged compared to the prior year, recent additions have been higher-costing positions in compliance and risk management, technology, commercial banking and wealth management. Growth in these positions was partially offset by a decrease in the average number of employees in consumer banking. In addition, standard annual merit increases in regular compensation were effective for the majority of our staff March 1.

- 10 -

---

Incentive compensation increased \$17.7 million over the first quarter of 2014. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities for the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation increased \$2.2 million or 9% over the first quarter of 2014.

Share-based compensation expense represents expense for equity awards based on grant-date fair value and is largely unaffected by subsequent changes in fair value. Share-based compensation expense plans include both equity and liability awards. Compensation expense for equity awards decreased \$979 thousand compared to the first quarter of 2014. Non-vested shares awarded prior to 2013 generally cliff vest in 5 years. Non-vested shares awarded since January 1, 2013 generally cliff vest in 3 years and are subject to a two year holding period after vesting.

Deferred compensation expense for the first quarter of 2014 included a \$15.5 million reduction in the accruals for amounts payable to certain executive officers of the Company under the 2011 True-Up Plan. Approved by shareholders on April 26, 2011, the True-Up Plan was designed to adjust annual and long-term performance-based incentive compensation for certain senior executives either upward or downward based on the earnings per share performance and compensation of comparable senior executives at peer banks for 2006 through 2013. The peer group of banks was determined based on asset size and included an equal number of publicly-traded SEC registered bank holding companies with the Company being the median bank. Based on annual Form 10-K and proxy statements filed by our peer banks in the first quarter of 2014, the composition of the peer group and the compensation levels of comparable senior executives used in determining amounts payable both changed. Amounts accrued related to the 2011 True-Up Plan were paid in May 2014.

Deferred compensation expense for the first quarter of 2014 also included amounts indexed to the investment performance. Certain executive officers were permitted to defer recognition of taxable income from their share-based compensation. Substantially all of this deferred compensation was distributed in 2014.

Employee benefit expense increased \$1.0 million or 5% compared to the first quarter of 2014 primarily due an increase in payroll taxes and employee retirement plan costs.

Personnel costs increased by \$2.8 million over the fourth quarter of 2014, primarily due to a \$4.2 million seasonal increase in payroll taxes. Incentive compensation expense decreased \$3.1 million. In addition, the fourth quarter of 2014 included \$800 thousand of costs related to the branch closures.

#### Non-personnel operating expenses

Non-personnel operating expenses increased \$11.0 million or 14% over the first quarter of 2014.

Mortgage banking costs were up \$5.7 million primarily due to a \$3.8 million increase in amortization of mortgage servicing rights due to higher actual prepayments. In addition, the Company finalized hold-back claims related to purchased mortgage loan servicing rights which reduced expenses by \$1.3 million in the first quarter of 2014.

Data processing and communication expense was up \$3.5 million primarily due to increased transaction activity. Professional fees and services expense increased \$2.5 million and occupancy and equipment costs were up \$2.1 million. During the first quarter of 2014, the Company made a \$2.4 million discretionary contribution of appreciated stock to the BOKF Foundation. This contribution decreased income tax expense by \$1.2 million.

Non-personnel expense decreased \$8.4 million over the fourth quarter of 2014. Net occupancy and equipment expense decreased \$3.6 million. Approximately \$4.1 million was expensed in the fourth quarter related to branch closure costs. Business promotion expense decreased \$1.8 million, mortgage banking expense decreased \$1.2 million and professional fees and services decreased \$1.0 million. The Company also made a \$1.8 million contribution of

developed commercial real estate to the BOKF Foundation during the fourth quarter of 2014. Net losses and operating expenses of repossessed assets were \$613 thousand for the first quarter of 2015, compared to a net gain of \$1.5 million in the fourth quarter.

- 11 -

---

## Income Taxes

Income tax expense was \$38.4 million or 33.8% of book taxable income for the first quarter of 2015 compared to \$39.4 million or 33.9% of book taxable income for the first quarter of 2014 and \$30.1 million or 31.5% of book taxable income for the fourth quarter of 2014. The Company made a charitable contribution of appreciated securities to the BOKF Foundation in the first quarter of 2014. The appreciation of these securities reduced tax expense by approximately \$400 thousand. The Company also made a charitable contribution of a building and land to the BOKF Foundation in the fourth quarter of 2014. The increase in the fair market value of these assets reduced tax expense by approximately \$300 thousand.

The Company adopted FASB Accounting Standards Update No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, on January 1, 2015. This standard was retrospectively applied to all periods presented. Approximately \$1.9 million was reclassified from pre-tax earnings to income tax expense in both the first quarter of 2014 and the fourth quarter of 2014. This reclassification increased the effective tax rate by 120 basis points in the first quarter of 2014 and 140 basis points in the fourth quarter of 2014. Adoption of this standard did not affect net income.

BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations. The reserve for uncertain tax positions was \$14 million at March 31, 2015, \$13 million at December 31, 2014 and \$12 million at March 31, 2014.

## Lines of Business

We operate three principal lines of business: Commercial Banking, Consumer Banking and Wealth Management. Commercial Banking includes lending, treasury and cash management services and customer risk management products for small businesses, middle market and larger commercial customers. Commercial Banking also includes the TransFund EFT network. Consumer Banking includes retail lending and deposit services, lending and deposit services to small business customers served through our consumer branch network and all mortgage banking activities. Wealth Management provides fiduciary services, private banking services and investment advisory services in all markets. Wealth Management also underwrites state and municipal securities and engages in brokerage and trading activities.

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

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

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

The value of funds provided by the operating lines of business to the Funds Management unit is also based on rates which approximate wholesale market rates for funds with similar duration and re-pricing characteristics. Market rates are generally based on LIBOR or interest rate swap rates. The funds credit formula applied to deposit products with indeterminate maturities is established based on their re-pricing characteristics reflected in a combination of the short-term LIBOR rate and a moving average of an intermediate term swap rate, with an appropriate spread applied to both. Shorter duration products are weighted towards the short term LIBOR rate and longer duration products are weighted towards the intermediate swap rates. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

Economic capital is assigned to the business units by a capital allocation model that reflects management's assessment of risk. This model assigns capital based upon credit, operating, interest rate and other market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk

- 12 -

---

taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Average invested capital includes economic capital and amounts we have invested in the lines of business.

As shown in Table 6, net income attributable to our lines of business increased \$9.1 million or 20% over the first quarter of 2014. The increase was primarily due to increased fees and commissions revenue and recoveries of loans previously charged off, partially offset by increased operating expenses and net decreases in the fair value of mortgage servicing rights.

Table 6 -- Net Income by Line of Business  
(In thousands)

|                            | Three Months Ended |          |
|----------------------------|--------------------|----------|
|                            | March 31,          |          |
|                            | 2015               | 2014     |
| Commercial Banking         | \$46,045           | \$35,092 |
| Consumer Banking           | 3,934              | 7,763    |
| Wealth Management          | 4,484              | 2,541    |
| Subtotal                   | 54,463             | 45,396   |
| Funds Management and other | 20,380             | 31,194   |
| Total                      | \$74,843           | \$76,590 |



## Commercial Banking

Commercial Banking contributed \$46.0 million to consolidated net income in the first quarter of 2015, up \$11.0 million or 31% over the first quarter of 2014. Increased net interest revenue, net recoveries of loans previously charged off and fees and commissions revenue was partially offset by increased operating expenses. Commercial Banking had \$9.3 million of net recoveries in the first quarter of 2015 compared \$3.5 million of net recoveries in the first quarter of 2014.

Table 7 -- Commercial Banking  
(Dollars in thousands)

|  | Three Months Ended |              | Increase    |     |
|--|--------------------|--------------|-------------|-----|
|  | March 31,          |              | (Decrease)  |     |
|  | 2015               | 2014         |             |     |
| Net interest revenue from external sources                   | \$101,168          | \$90,831     | \$10,337    |     |
| Net interest expense from internal sources                   | (12,555 )          | (12,275 )    | (280 )      |     |
| Total net interest revenue                                   | 88,613             | 78,556       | 10,057      |     |
| Net loans charged off (recovered)                            | (9,268 )           | (3,464 )     | (5,804 )    |     |
| Net interest revenue after net loans charged off (recovered) | 97,881             | 82,020       | 15,861      |     |
| Fees and commissions revenue                                 | 42,822             | 39,970       | 2,852       |     |
| Gain (loss) on financial instruments and other assets, net   | 62                 | (1,284 )     | 1,346       |     |
| Other operating revenue                                      | 42,884             | 38,686       | 4,198       |     |
| Personnel expense  | 27,313             | 26,871       | 442         |     |
| Net losses and operating expenses of repossessed assets      | 691                | 2,192        | (1,501 )    |     |
| Other non-personnel expense                                  | 22,576             | 20,227       | 2,349       |     |
| Other operating expense                                      | 50,580             | 49,290       | 1,290       |     |
| Net direct contribution                                      | 90,185             | 71,416       | 18,769      |     |
| Corporate expense allocations                                | 14,825             | 13,982       | 843         |     |
| Income before taxes  | 75,360             | 57,434       | 17,926      |     |
| Federal and state income tax                                 | 29,315             | 22,342       | 6,973       |     |
| Net income   | \$46,045           | \$35,092     | \$10,953    |     |
| Average assets   | \$12,654,200       | \$10,933,196 | \$1,721,004 |     |
| Average loans  | 11,892,703         | 10,257,540   | 1,635,163   |     |
| Average deposits   | 8,996,972          | 8,743,927    | 253,045     |     |
| Average invested capital                                     | 994,596            | 898,724      | 95,872      |     |
| Return on average assets                                     | 1.48               | % 1.31       | % 17        | bp  |
| Return on invested capital                                   | 18.79              | % 15.92      | % 287       | bp  |
| Efficiency ratio   | 38.43              | % 41.52      | % (309)     | )bp |
| Net recoveries (annualized) to average loans                 | (0.32 )%           | (0.14 )%     | (18 )       | )bp |

Net interest revenue increased \$10.1 million or 13% over the prior year. Growth in net interest revenue was primarily due to a \$1.6 billion or 16% increase in average loan balances and a \$253 million or 3% increase in average deposits over the first quarter of 2014, partially offset by reduced yields on loans.

Fees and commissions revenue increased \$2.9 million or 7% over the first quarter of 2014. Transaction card revenues from our TransFund electronic funds transfer network was up \$1.8 million over the prior year primarily due to

increased transaction activity. Commercial deposit service charge revenue increased \$600 thousand and brokerage and trading revenue related to our commercial banking customers increased \$356 thousand.

- 14 -

---

Operating expenses increased \$1.3 million or 3% over the first quarter of 2014. Personnel costs increased \$442 thousand or 2% primarily due to standard annual merit increases, partially offset by lower incentive compensation expense. Net losses and operating expenses on repossessed assets decreased \$1.5 million. Other non-personnel expenses increased \$2.3 million or 12%, primarily related to a \$1.6 million increase in data processing expenses related to growth in the transaction activity and a \$593 thousand increase in professional fees and services expense. Corporate expense allocations increased \$843 thousand over the prior year.

The average outstanding balance of loans attributed to Commercial Banking grew by \$1.6 billion over the first quarter of 2014 to \$11.9 billion. See the Loans section of Management's Discussion and Analysis of Financial Condition following for additional discussion of changes in commercial and commercial real estate loans which are primarily attributed to the Commercial Banking segment.

Average deposits attributed to Commercial Banking were \$9.0 billion for the first quarter of 2015, up \$253 million or 3% over the first quarter of 2014. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments.

#### Consumer Banking

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

Consumer Banking contributed \$3.9 million to consolidated net income for the first quarter of 2015, a decrease of \$3.8 million compared to the first quarter of 2014. The first quarter of 2015 included \$3.0 million of actual facilities costs and \$633 thousand of actual personnel costs related to the previously announced closure of 29 grocery store branches. These costs were accrued in the fourth quarter in the Funds Management and Other unit, with actual costs charged to Consumer Banking as incurred during the first quarter. The Consumer Banking segment will begin to benefit from these branch closures through lower operating expenses in the second quarter of 2015.

Growth in fees and commissions revenue driven primarily by mortgage banking was offset by decreased net interest revenue and increased operating expenses. Changes in the fair value of our mortgage servicing rights, net of economic hedge, resulted in a \$3.0 million decrease in Consumer Banking net income in the first quarter of 2015 and a \$555 thousand decrease in Consumer Banking net income in the first quarter of 2014.

Table 8 -- Consumer Banking  
(Dollars in thousands)

|   | Three Months Ended |                   | Increase<br>(Decrease) |
|---|--------------------|-------------------|------------------------|
|   | March 31,<br>2015  | 2014              |                        |
| Net interest revenue from external sources                      | \$20,725           | \$20,983          | \$(258 )               |
| Net interest revenue from internal sources                      | 7,914              | 9,229             | (1,315 )               |
| Total net interest revenue                                      | 28,639             | 30,212            | (1,573 )               |
| Net loans charged off   | 1,510              | 1,090             | 420                    |
| Net interest revenue after net loans charged off                | 27,129             | 29,122            | (1,993 )               |
| Fees and commissions revenue                                    | 59,027             | 44,267            | 14,760                 |
| Gain on financial instruments and other assets, net             | 5,726              | 5,608             | 118                    |
| Change in fair value of mortgage servicing rights               | (8,522 )           | (4,461 )          | (4,061 )               |
| Other operating revenue   | 56,231             | 45,414            | 10,817                 |
| Personnel expense   | 26,446             | 24,004            | 2,442                  |
| Net losses (gains) and operating expenses of repossessed assets | 261                | (568 )            | 829                    |
| Other non-personnel expense                                     | 29,151             | 19,190            | 9,961                  |
| Total other operating expense                                   | 55,858             | 42,626            | 13,232                 |
| Net direct contribution   | 27,502             | 31,910            | (4,408 )               |
| Corporate expense allocations                                   | 21,064             | 19,204            | 1,860                  |
| Income before taxes   | 6,438              | 12,706            | (6,268 )               |
| Federal and state income tax                                    | 2,504              | 4,943             | (2,439 )               |
| Net income  | \$3,934            | \$7,763           | \$(3,829 )             |
| Average assets  | \$7,292,883        | \$7,058,658       | \$234,225              |
| Average loans   | 1,939,921          | 2,011,844         | (71,923 )              |
| Average deposits  | 6,621,377          | 6,441,020         | 180,357                |
| Average invested capital  | 272,315            | 282,705           | (10,390 )              |
| Return on average assets  | 0.22               | % 0.45            | % (23 ) bp             |
| Return on invested capital                                      | 5.86               | % 11.14           | % (528 ) bp            |
| Efficiency ratio  | 60.79              | % 53.53           | % 726 bp               |
| Net charge-offs (annualized) to average loans                   | 0.32               | % 0.22            | % 10 bp                |
| Residential mortgage loans funded for sale                      | \$1,565,016        | \$727,516         | \$837,500              |
|   | March 31,<br>2015  | March 31,<br>2014 | Increase<br>(Decrease) |
| Banking locations   | 154                | 202               | (48 )                  |
| Residential mortgage loan servicing portfolio <sup>1</sup>      | \$18,065,514       | \$15,156,948      | \$2,908,566            |

<sup>1</sup> Includes outstanding principal for loans serviced for affiliates

Net interest revenue from Consumer Banking activities decreased \$1.6 million or 5% compared to the first quarter of 2014, primarily due to a \$2.7 million decrease in revenue on a deposit advance product that was phased out during the second quarter of 2014. Average loan balances were \$72 million or 4% lower than the prior year.

Fees and commissions revenue increased \$14.8 million or 33% over the first quarter of 2014. Mortgage banking revenue grew by \$16.4 million over the prior year due largely to an increase in loan production activity. Deposit

service charges and fees decreased \$1.6 million compared to the prior year primarily due to lower overdraft fees.

- 16 -

---

Excluding the impact of the branch closure costs, operating expenses increased \$9.6 million or 23% over the first quarter of 2014. Personnel expenses were up \$1.8 million or 8% primarily due to increased incentive compensation expense and standard annual merit increases, partially offset by staffing reductions. Non-personnel expense increased \$7.0 million or 36%. Mortgage banking costs increased \$5.7 million compared to the prior year primarily due to increased amortization of mortgage servicing rights due to higher actual prepayments. In addition, we finalized hold-back claims related to purchased mortgage loan servicing rights which reduced expenses by \$1.3 million in the first quarter of 2014. Professional fees were up \$1.1 million, primarily related to higher mortgage compliance costs. Data processing and communications expense increased \$751 thousand primarily related to increased transaction activity. Corporate expense allocations were up \$1.9 million over the first quarter of 2014.

Average consumer deposits were up \$180 million or 3% over the first quarter of 2014. Average demand deposit balances increased \$191 million or 15%, average interest-bearing transaction accounts increased \$143 million or 4% and average savings account balances increased \$37 million or 12%. Average time deposit balances were down \$190 million or 12% compared to the prior year.

Mortgage banking activities include the origination, marketing and servicing of conventional and government-sponsored residential mortgage loans. A 63 basis point decrease in average primary mortgage loan interest rates drove increased origination activity. We funded \$1.6 billion of residential mortgage loans in the first quarter of 2015 and \$751 million in the first quarter of 2014. Approximately 11% of our mortgage loans funded were in the Oklahoma market and 9% in the Texas market. In addition, 42% of our mortgage loan fundings came from correspondent lenders compared to 36% in the first quarter of 2014 and 19% was originated from our Home Direct Mortgage on-line sales channel.

At March 31, 2015, we serviced \$16.9 billion of mortgage loans for others and \$1.1 billion of loans retained within the consolidated group. Approximately 88% of the mortgage loans serviced were to borrowers in our primary geographical market areas. Loans past due 90 days or more totaled \$68 million or 0.40% of loans serviced for others at March 31, 2015 compared to \$75 million or 0.46% of loans serviced for others at December 31, 2014. Mortgage servicing revenue, including revenue on loans serviced for the consolidated group, totaled \$13.7 million, up \$1.9 million or 16% over the first quarter of 2014.

## Wealth Management

Wealth Management contributed \$4.5 million to consolidated net income in the first quarter of 2015, up \$1.9 million over the first quarter of 2014. Growth in fiduciary and asset management revenue and brokerage and trading revenue was partially offset by increased operating expenses.

Table 9 -- Wealth Management  
(Dollars in thousands)

|  | Three Months Ended |              | Increase<br>(Decrease) |      |     |
|--|--------------------|--------------|------------------------|------|-----|
|  | March 31,<br>2015  | 2014         |                        |      |     |
| Net interest revenue from external sources   | \$5,384            | \$5,838      | \$(454                 | )    |     |
| Net interest revenue from internal sources   | 5,654              | 4,685        | 969                    |      |     |
| Total net interest revenue   | 11,038             | 10,523       | 515                    |      |     |
| Net loans charged off (recovered)  | 57                 | (45          | )                      | 102  |     |
| Net interest revenue after net loans charged off (recovered)                             | 10,981             | 10,568       | 413                    |      |     |
| Fees and commissions revenue   | 62,441             | 54,670       | 7,771                  |      |     |
| Loss on financial instruments and other assets, net                                      | (95                | )            | (409                   | )    | 314 |
| Other operating revenue  | 62,346             | 54,261       | 8,085                  |      |     |
| Personnel expense  | 43,398             | 39,588       | 3,810                  |      |     |
| Net losses and expenses of repossessed assets  | —                  | 327          | (327                   | )    |     |
| Other non-personnel expense  | 11,644             | 9,333        | 2,311                  |      |     |
| Other operating expense  | 55,042             | 49,248       | 5,794                  |      |     |
| Net direct contribution  | 18,285             | 15,581       | 2,704                  |      |     |
| Corporate expense allocations  | 10,946             | 11,422       | (476                   | )    |     |
| Income before taxes  | 7,339              | 4,159        | 3,180                  |      |     |
| Federal and state income tax   | 2,855              | 1,618        | 1,237                  |      |     |
| Net income   | \$4,484            | \$2,541      | \$1,943                |      |     |
| Average assets   | \$4,828,340        | \$4,621,817  | \$206,523              |      |     |
| Average loans  | 1,035,296          | 936,663      | 98,633                 |      |     |
| Average deposits   | 4,701,703          | 4,499,265    | 202,438                |      |     |
| Average invested capital   | 224,054            | 199,369      | 24,685                 |      |     |
| Return on average assets   | 0.42               | % 0.26       | % 16                   | bp   |     |
| Return on invested capital   | 9.12               | % 5.95       | % 317                  | bp   |     |
| Efficiency ratio   | 74.73              | % 75.40      | % (67                  | ) bp |     |
| Net charge-offs (annualized) to average loans  | 0.02               | % (0.02      | )% 4                   | bp   |     |
|  | March 31,<br>2015  | 2014         | Increase<br>(Decrease) |      |     |
| Fiduciary assets in custody for which BOKF has sole or joint discretionary authority     | \$15,197,567       | \$13,467,695 | \$1,729,872            |      |     |
| Fiduciary assets not in custody for which BOKF has sole or joint discretionary authority | 3,442,421          | 1,746,634    | 1,695,787              |      |     |
| Non-managed trust assets in custody  | 18,871,758         | 16,082,236   | 2,789,522              |      |     |
| Total fiduciary assets   | 37,511,746         | 31,296,565   | 6,215,181              |      |     |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|  |              |              |             |
|--|--------------|--------------|-------------|
| Assets held in safekeeping                   | 23,311,704   | 22,779,187   | 532,517     |
| Brokerage accounts under BOKF administration | 5,854,364    | 5,012,365    | 841,999     |
| Assets under management or in custody        | \$66,677,814 | \$59,088,117 | \$7,589,697 |

- 18 -

---



Net interest revenue for the first quarter of 2015 increased \$515 thousand or 5% over the first quarter of 2014. Average deposit balances were up \$202 million or 4% over the first quarter of 2014. Time deposit balances increased \$207 million and non-interest bearing demand deposits increased \$94 million. Interest-bearing transaction account balances decreased \$95 million. Average loan balances were up \$99 million or 11% over the prior year. The benefit of this growth was partially offset by lower yields.

Fees and commissions revenue was up \$7.8 million or 14% over the first quarter of 2014 primarily due to growth in fiduciary and asset management revenue. A full quarter of earnings from the acquisition of Topeka, Kansas-based GTRUST Financial Corporation in the first quarter of 2014 and Houston, Texas-based MBM Advisors in the second quarter of 2014 added \$2.8 million of revenue in the first quarter of 2015 and \$2.1 billion in fiduciary assets over the prior year. The remaining increase was primarily due to the increase in the fair value of assets managed. Brokerage and trading revenue increased \$1.9 million or 7%. Growth in securities trading revenue, customer hedging revenue and investment banking revenue was partially offset by a decrease in retail brokerage revenue.

Other operating revenue includes fees earned from state and municipal bond and corporate debt underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In the first quarter of 2015, the Wealth Management division participated in 93 state and municipal bond underwritings that totaled \$1.7 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately \$609 million of these underwritings. The Wealth Management division also participated in five corporate debt underwritings that totaled \$5.9 billion. Our interest in these underwritings was \$149 million. In the first quarter of 2014, the Wealth Management division participated in 76 state and municipal bond underwritings that totaled approximately \$872 million. Our interest in these underwritings totaled approximately \$461 million. The Wealth Management division also participated in three corporate debt underwritings that totaled \$3.2 billion. Our interest in these underwritings was \$51 million.

Operating expenses increased \$5.8 million or 12% over the first quarter of 2014. Personnel expenses increased \$3.8 million, including a \$2.2 million increase in regular compensation, a \$1.2 million increase in incentive compensation and a \$452 thousand increase in employee benefits primarily related to investments in Wealth Management talent. A full quarter of expenses from GTRUST and MBM acquisitions added \$805 thousand in personnel expense over the prior year. Non-personnel expense increased \$2.3 million, including a \$1.2 million increase related to the GTRUST and MBM acquisitions. The remaining increase was primarily due to increased data processing and communications and professional fees and services expense over the prior year. Corporate expense allocations decreased \$476 thousand compared to the prior year.

## Financial Condition Securities

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

At March 31, 2015, the carrying value of investment (held-to-maturity) securities was \$635 million and the fair value was \$658 million. Investment securities consist primarily of long-term, fixed rate Oklahoma and Texas municipal bonds, taxable Texas school construction bonds and residential mortgage-backed securities issued by U.S. government agencies. The investment security portfolio is diversified among issuers. The largest obligation of any single issuer is \$30 million. Substantially all of these bonds are general obligations of the issuers. Approximately \$105 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program supervised by the State Board of Education for the State of Texas.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, net of deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled \$9.0 billion at March 31, 2015, an increase of \$124 million from December 31, 2014. Available for sale securities consist primarily of U.S. government agency residential mortgage-backed securities and U.S. government agency commercial mortgage-backed securities. Commercial mortgage-backed securities have prepayment penalties similar to commercial loans. At March 31, 2015, residential mortgage-backed securities represented 75% of total available for sale securities.

A primary risk of holding residential mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. Our best estimate of the duration of the combined residential mortgage-backed securities portfolio held in investment and available for sale securities at March 31, 2015 is 2.9 years. Management estimates the duration extends to 3.3 years assuming an immediate 200 basis point upward shock. The estimated duration contracts to 2.6 years assuming a 50 basis point decline in the current low rate environment.

Residential mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. We mitigate this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are fully guaranteed. At March 31, 2015, approximately \$6.6 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled \$6.7 billion at March 31, 2015.

We also hold amortized cost of \$149 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decrease of \$5.3 million from December 31, 2014. The decrease was due to cash payments received during the quarter. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$160 million at March 31, 2015.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$85 million of Jumbo-A residential mortgage loans and \$64 million of Alt-A residential mortgage loans. Jumbo-A residential mortgage loans generally meet government underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Approximately 91% of our Alt-A mortgage-backed securities represent pools of fixed rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages

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

The aggregate gross amount of unrealized losses on available for sale securities totaled \$14 million at March 31, 2015, compared to \$33 million at December 31, 2014. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the Consolidated Financial Statements. During the first quarter of 2015, \$92 thousand other-than-temporary impairment charges were recognized in earnings related to certain privately-issued residential mortgage backed securities.

- 20 -

---

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

BOK Financial is required to hold stock as members of the Federal Reserve system and the Federal Home Loan Banks ("FHLB"). These restricted equity securities are carried at cost as these securities do not have a readily determined fair value because the ownership of these shares are restricted and they lack a market. Federal Reserve Bank stock totaled \$35 million and holdings of FHLB stock totaled \$178 million at March 31, 2015. Holdings of FHLB stock increased \$71 million over December 31, 2014. We are required to hold stock in the FHLB in proportion to our borrowings with the FHLB.

#### Bank-Owned Life Insurance

We have approximately \$296 million of bank-owned life insurance at March 31, 2015. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$265 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of certain life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At March 31, 2015, the cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately \$283 million. As the underlying fair value of the investments held in a separate account at March 31, 2015 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a domestic financial institution. The remaining cash surrender value of \$31 million primarily represents the cash surrender value of policies held in general accounts and other amounts due from various insurance companies.

## Loans

The aggregate loan portfolio before allowance for loan losses totaled \$14.7 billion at March 31, 2015, an increase of \$476 million over December 31, 2014. Outstanding commercial loans grew by \$295 million over December 31, 2014, largely due to growth in services and sector loans. Commercial real estate loan balances were up \$207 million primarily related to growth in loans secured by office buildings, industrial facilities and multifamily residential properties. Residential mortgage loans decreased \$23 million and consumer loans decreased \$4.2 million compared to December 31, 2014.

Table 10 -- Loans  
(In thousands)

|  | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| Commercial:  |                   |                  |                   |                  |                   |
| Energy   | \$2,902,994       | \$2,860,428      | \$2,551,699       | \$2,419,788      | \$2,344,072       |
| Services   | 2,728,354         | 2,518,229        | 2,487,817         | 2,377,065        | 2,232,471         |
| Wholesale/retail   | 1,270,322         | 1,313,316        | 1,273,241         | 1,318,151        | 1,225,990         |
| Manufacturing  | 560,925           | 532,594          | 479,543           | 452,866          | 444,215           |
| Healthcare   | 1,511,177         | 1,454,969        | 1,382,399         | 1,394,156        | 1,396,562         |
| Other commercial and industrial                            | 417,391           | 416,134          | 397,339           | 405,635          | 408,396           |
| Total commercial   | 9,391,163         | 9,095,670        | 8,572,038         | 8,367,661        | 8,051,706         |
| Commercial real estate:                                    |                   |                  |                   |                  |                   |
| Residential construction and land development              | 139,152           | 143,591          | 175,228           | 184,779          | 184,820           |
| Retail   | 658,860           | 666,889          | 611,265           | 642,110          | 640,506           |
| Office   | 513,862           | 415,544          | 438,909           | 394,217          | 436,264           |
| Multifamily  | 749,986           | 704,298          | 739,757           | 677,403          | 662,674           |
| Industrial   | 478,584           | 428,817          | 371,426           | 342,080          | 305,207           |
| Other commercial real estate                               | 395,020           | 369,011          | 387,614           | 414,389          | 401,936           |
| Total commercial real estate                               | 2,935,464         | 2,728,150        | 2,724,199         | 2,654,978        | 2,631,407         |
| Residential mortgage:                                      |                   |                  |                   |                  |                   |
| Permanent mortgage   | 964,264           | 969,951          | 991,107           | 1,020,928        | 1,033,572         |
| Permanent mortgages guaranteed by U.S. government agencies | 200,179           | 205,950          | 198,488           | 188,087          | 184,822           |
| Home equity  | 762,556           | 773,611          | 790,068           | 799,200          | 800,281           |
| Total residential mortgage                                 | 1,926,999         | 1,949,512        | 1,979,663         | 2,008,215        | 2,018,675         |
| Consumer   | 430,510           | 434,705          | 407,839           | 396,004          | 376,066           |
| Total  | \$14,684,136      | \$14,208,037     | \$13,683,739      | \$13,426,858     | \$13,077,854      |

## Commercial

Commercial loans represent loans for working capital, facilities acquisition or expansion, purchases of equipment and other needs of commercial customers primarily located within our geographical footprint. Commercial loans are underwritten individually and represent on-going relationships based on a thorough knowledge of the customer, the customer's industry and market. While commercial loans are generally secured by the customer's assets including real

property, inventory, accounts receivable, operating equipment, interests in mineral rights and other property and may also include personal guarantees of the owners and related parties, the primary source of repayment of the loans is the on-going cash flow from operations of the customer's business. Inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with commercial lending policies.

Commercial loans totaled \$9.4 billion or 64% of the loan portfolio at March 31, 2015, an increase of \$295 million over December 31, 2014. Services sector loans grew by \$210 million and healthcare sector loans increased \$56 million over the prior quarter. Energy loans grew by \$43 million and manufacturing sector loans increased \$28 million, partially offset by a \$43 million decrease in wholesale/retail sector loans.

- 22 -

---

Table 11 presents the commercial sector of our loan portfolio distributed primarily by collateral location. Loans for which collateral location is less relevant, such as unsecured loans and reserve-based energy loans, are distributed by the borrower's primary operating location. The majority of the collateral securing our commercial loan portfolio is located within our geographical footprint with 36% concentrated in the Texas market and 21% concentrated in the Oklahoma market. The Other category is primarily composed of two states, Louisiana and California, which represent \$256 million or 3% of the commercial loan portfolio and \$159 million or 2% of the commercial loan portfolio, respectively, at March 31, 2015. All other states individually represent one percent or less of total commercial loans.

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

|                                 | Oklahoma    | Texas       | New Mexico | Arkansas  | Colorado  | Arizona   | Kansas/Missouri | Other       | Total       |
|---------------------------------|-------------|-------------|------------|-----------|-----------|-----------|-----------------|-------------|-------------|
| Energy                          | \$602,340   | \$1,368,935 | \$54,856   | \$7,241   | \$393,259 | \$12,082  | \$69,172        | \$395,109   | \$2,902,994 |
| Services                        | 556,768     | 954,361     | 210,022    | 12,804    | 232,998   | 196,026   | 113,629         | 451,746     | 2,728,354   |
| Wholesale/retail                | 331,639     | 504,743     | 41,813     | 60,596    | 64,779    | 47,723    | 66,559          | 152,470     | 1,270,322   |
| Manufacturing                   | 167,807     | 186,190     | 4,399      | 12,616    | 26,386    | 45,272    | 69,962          | 48,293      | 560,925     |
| Healthcare                      | 256,675     | 304,293     | 114,909    | 74,553    | 111,732   | 57,823    | 208,266         | 382,926     | 1,511,177   |
| Other commercial and industrial | 75,617      | 92,746      | 10,740     | 32,272    | 26,657    | 7,353     | 69,489          | 102,517     | 417,391     |
| Total commercial loans          | \$1,990,846 | \$3,411,268 | \$436,739  | \$200,082 | \$855,811 | \$366,279 | \$597,077       | \$1,533,061 | \$9,391,163 |

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

Outstanding energy loans totaled \$2.9 billion or 20% of total loans at March 31, 2015. Unfunded energy loan commitments decreased by \$117 million to \$2.7 billion at March 31, 2015. Approximately \$2.5 billion of energy loans were to oil and gas producers, up \$30 million over December 31, 2014. Approximately 61% of the committed production loans are secured by properties primarily producing oil and 39% of the committed production loans are secured by properties primarily producing natural gas. Loans to borrowers that provide services to the energy industry increased \$4.0 million to \$226 million at March 31, 2015. Loans to midstream oil and gas companies totaled \$107 million at March 31, 2015, an increase of \$6.0 million from December 31, 2014. Loans to other energy borrowers, including those engaged in wholesale or retail energy sales, totaled \$85 million, a \$3.0 million increase over the prior quarter.

The services sector of the loan portfolio totaled \$2.7 billion or 19% of total loans and consists of a large number of loans to a variety of businesses, including governmental, finance and insurance, educational services, religious and similar entities. Service sector loans grew by \$210 million over December 31, 2014. Service sector loans are generally

secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with three or more non-affiliated banks as participants. At March 31, 2015, the outstanding principal balance of these loans totaled \$3.3 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 16% of our shared national credits, based on dollars committed. We hold shared credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, banking regulators annually review a sample of shared national credits for proper risk grading.

- 23 -

---



## Commercial Real Estate

Commercial real estate represents loans for the construction of buildings or other improvements to real estate and property held by borrowers for investment purposes generally within our geographical footprint, with larger concentrations in Texas and Oklahoma which represent 34% and 15% of the total commercial real estate portfolio at March 31, 2015, respectively. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project and a portion of the project already sold, leased or permanent financing already secured. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. As with commercial loans, inherent lending risks are centrally monitored on a continuous basis from underwriting throughout the life of the loan for compliance with applicable lending policies.

Commercial real estate loans totaled \$2.9 billion or 20% of the loan portfolio at March 31, 2015. The outstanding balance of commercial real estate loans increased \$207 million during the first quarter of 2015. Loans secured by office buildings increased \$98 million. Loans secured by industrial facilities grew by \$50 million and loans secured by multifamily residential properties were up \$46 million. Other commercial real estate loan balances increased \$26 million. These increases were partially offset by a decrease in retail sector and residential construction and land development loan balances compared to December 31, 2014. The commercial real estate loan balance as a percentage of our total loan portfolio has ranged from 18% to 21% over the past five years. The commercial real estate sector of our loan portfolio distributed by collateral location follows in Table 12.

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

|   | Oklahoma  | Texas     | New Mexico | Arkansas | Colorado  | Arizona   | Kansas/Missouri | Other     | Total       |
|---|-----------|-----------|------------|----------|-----------|-----------|-----------------|-----------|-------------|
| Residential construction and land development | \$32,961  | \$31,989  | \$18,529   | \$12,593 | \$37,423  | \$651     | \$3,696         | \$1,310   | \$139,152   |
| Retail  | 75,422    | 243,269   | 75,376     | 5,599    | 69,360    | 57,684    | 6,337           | 125,813   | 658,860     |
| Office  | 80,476    | 209,702   | 28,508     | 570      | 21,279    | 37,159    | 11,992          | 124,176   | 513,862     |
| Multifamily                                   | 126,186   | 265,059   | 33,072     | 24,172   | 66,715    | 73,937    | 47,511          | 113,334   | 749,986     |
| Industrial                                    | 45,769    | 150,546   | 35,898     | 516      | 6,371     | 19,831    | 43,805          | 175,848   | 478,584     |
| Other real estate                             | 70,906    | 87,328    | 47,535     | 13,973   | 35,141    | 45,174    | 21,946          | 73,017    | 395,020     |
| Total commercial real estate loans            | \$431,720 | \$987,893 | \$238,918  | \$57,423 | \$236,289 | \$234,436 | \$135,287       | \$613,498 | \$2,935,464 |

## Residential Mortgage and Consumer

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

Residential mortgage loans totaled \$1.9 billion, a \$23 million decrease compared to December 31, 2014. In general, we sell the majority of our conforming fixed rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market. Collateral for 98% of our residential mortgage loan portfolio is located within our geographical footprint.

- 24 -

---

The majority of our permanent mortgage loan portfolio is composed of various non-conforming mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals or certain professionals. Jumbo loans may be fixed or variable rate and are fully amortizing. The size of jumbo loans exceed maximums set under government sponsored entity standards, but otherwise generally conform to those standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio (“DTI”) of 38%. Loan-to-value ratios (“LTV”) are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable rate fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

At March 31, 2015, \$200 million of permanent residential mortgage loans are guaranteed by U.S. government agencies. We have minimal credit exposure on loans guaranteed by the agencies. This amount includes residential mortgage loans previously sold into GNMA mortgage pools that the Company may repurchase when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet. Permanent residential mortgage loans guaranteed by U.S. government agencies decreased \$5.8 million compared to December 31, 2014.

Home equity loans totaled \$763 million at March 31, 2015, a decrease of \$11 million compared to December 31, 2014. Our home equity loan portfolio is primarily composed of first-lien, fully amortizing home equity loans. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayment. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management’s discretion for an additional 5 year revolving term subject to an update of certain credit information. A summary of our home equity loan portfolio at March 31, 2015 by lien position and amortizing status follows in Table 13.

Table 13 -- Home Equity Loans  
(In thousands)

|                   | Revolving | Amortizing | Total     |
|-------------------|-----------|------------|-----------|
| First lien        | \$36,375  | \$493,976  | \$530,351 |
| Junior lien       | 67,666    | 164,539    | 232,205   |
| Total home equity | \$104,041 | \$658,515  | \$762,556 |

The distribution of residential mortgage and consumer loans at March 31, 2015 is as follows in Table 14. Residential mortgage loans are distributed by collateral location. Consumer loans are generally distributed by borrower location.

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

|   | Oklahoma  | Texas     | New Mexico | Arkansas | Colorado  | Arizona  | Kansas/Missouri | Other    | Total     |
|---|-----------|-----------|------------|----------|-----------|----------|-----------------|----------|-----------|
| Residential mortgage:                             |           |           |            |          |           |          |                 |          |           |
| Permanent mortgage                                | \$210,443 | \$381,817 | \$38,217   | \$16,776 | \$152,989 | \$86,615 | \$52,672        | \$24,735 | \$964,264 |
| Permanent mortgages guaranteed by U.S. government | 64,550    | 23,902    | 66,567     | 7,293    | 10,236    | 2,679    | 14,003          | 10,949   | 200,179   |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|                            |           |           |           |          |           |          |           |          |             |
|----------------------------|-----------|-----------|-----------|----------|-----------|----------|-----------|----------|-------------|
| agencies                   |           |           |           |          |           |          |           |          |             |
| Home equity                | 452,569   | 135,296   | 122,231   | 4,605    | 29,695    | 9,869    | 7,698     | 593      | 762,556     |
| Total residential mortgage | \$727,562 | \$541,015 | \$227,015 | \$28,674 | \$192,920 | \$99,163 | \$ 74,373 | \$36,277 | \$1,926,999 |
| Consumer                   | \$209,875 | \$149,246 | \$12,173  | \$848    | \$27,852  | \$12,393 | \$ 16,690 | \$1,433  | \$430,510   |

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

- 25 -

---

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

|   | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|---|-------------------|------------------|-------------------|------------------|-------------------|
| <b>Bank of Oklahoma:</b>                |                   |                  |                   |                  |                   |
| Commercial                              | \$3,276,553       | \$3,142,689      | \$3,106,264       | \$3,101,513      | \$2,782,997       |
| Commercial real estate                  | 612,639           | 603,610          | 592,865           | 598,790          | 593,282           |
| Residential mortgage                    | 1,442,340         | 1,467,096        | 1,481,264         | 1,490,171        | 1,505,702         |
| Consumer                                | 205,496           | 206,115          | 193,207           | 187,914          | 179,733           |
| Total Bank of Oklahoma                  | 5,537,028         | 5,419,510        | 5,373,600         | 5,378,388        | 5,061,714         |
| <b>Bank of Texas:</b>                   |                   |                  |                   |                  |                   |
| Commercial                              | 3,709,467         | 3,549,128        | 3,169,458         | 3,107,808        | 3,161,203         |
| Commercial real estate                  | 1,130,973         | 1,027,817        | 1,046,322         | 995,182          | 969,804           |
| Residential mortgage                    | 237,985           | 235,948          | 247,117           | 251,290          | 256,332           |
| Consumer                                | 149,827           | 154,363          | 148,965           | 147,322          | 136,782           |
| Total Bank of Texas                     | 5,228,252         | 4,967,256        | 4,611,862         | 4,501,602        | 4,524,121         |
| <b>Bank of Albuquerque:</b>             |                   |                  |                   |                  |                   |
| Commercial                              | 388,005           | 383,439          | 378,663           | 381,843          | 351,454           |
| Commercial real estate                  | 296,696           | 296,358          | 313,905           | 309,421          | 305,080           |
| Residential mortgage                    | 127,326           | 127,999          | 130,045           | 137,110          | 131,932           |
| Consumer                                | 12,095            | 10,899           | 11,714            | 12,346           | 12,972            |
| Total Bank of Albuquerque               | 824,122           | 818,695          | 834,327           | 840,720          | 801,438           |
| <b>Bank of Arkansas:</b>                |                   |                  |                   |                  |                   |
| Commercial                              | 91,485            | 95,510           | 74,866            | 71,859           | 73,804            |
| Commercial real estate                  | 87,034            | 88,301           | 96,874            | 85,633           | 81,181            |
| Residential mortgage                    | 6,807             | 7,261            | 7,492             | 8,334            | 7,898             |
| Consumer                                | 5,114             | 5,169            | 5,508             | 6,323            | 6,881             |
| Total Bank of Arkansas                  | 190,440           | 196,241          | 184,740           | 172,149          | 169,764           |
| <b>Colorado State Bank &amp; Trust:</b> |                   |                  |                   |                  |                   |
| Commercial                              | 1,008,316         | 977,961          | 957,917           | 856,323          | 825,315           |
| Commercial real estate                  | 209,272           | 194,553          | 190,812           | 200,995          | 213,850           |
| Residential mortgage                    | 55,925            | 57,119           | 56,705            | 60,360           | 57,345            |
| Consumer                                | 27,792            | 27,918           | 24,812            | 23,330           | 22,095            |
| Total Colorado State Bank & Trust       | 1,301,305         | 1,257,551        | 1,230,246         | 1,141,008        | 1,118,605         |
| <b>Bank of Arizona:</b>                 |                   |                  |                   |                  |                   |
| Commercial                              | 519,767           | 547,524          | 500,208           | 446,814          | 453,799           |
| Commercial real estate                  | 432,269           | 355,140          | 316,698           | 292,799          | 301,266           |
| Residential mortgage                    | 36,161            | 35,872           | 39,256            | 41,059           | 42,899            |
| Consumer                                | 12,394            | 12,883           | 11,201            | 7,821            | 7,145             |
| Total Bank of Arizona                   | 1,000,591         | 951,419          | 867,363           | 788,493          | 805,109           |
| <b>Bank of Kansas City:</b>             |                   |                  |                   |                  |                   |
| Commercial                              | 397,570           | 399,419          | 384,662           | 401,501          | 403,134           |
| Commercial real estate                  | 166,581           | 162,371          | 166,723           | 172,158          | 166,944           |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|                           |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Residential mortgage      | 20,455        | 18,217        | 17,784        | 19,891        | 16,567        |
| Consumer                  | 17,792        | 17,358        | 12,432        | 10,948        | 10,458        |
| Total Bank of Kansas City | 602,398       | 597,365       | 581,601       | 604,498       | 597,103       |
| Total BOK Financial loans | \$ 14,684,136 | \$ 14,208,037 | \$ 13,683,739 | \$ 13,426,858 | \$ 13,077,854 |

- 26 -

---

## Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled \$8.1 billion and standby letters of credit which totaled \$394 million at March 31, 2015. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately \$100 thousand of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at March 31, 2015.

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

|                                   | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|-----------------------------------|-------------------|------------------|-------------------|------------------|-------------------|
| Loan commitments                  | \$8,116,482       | \$8,328,416      | \$7,715,279       | \$7,535,313      | \$7,158,488       |
| Standby letters of credit         | 394,282           | 447,599          | 450,828           | 468,995          | 439,493           |
| Mortgage loans sold with recourse | 174,386           | 179,822          | 174,526           | 180,682          | 186,991           |

As more fully described in Note 5 to the Consolidated Financial Statements, we have off-balance sheet commitments related to certain residential mortgage loans originated under community development loan programs that were sold to a U.S. government agency with full recourse. These mortgage loans were underwritten to standards approved by the agencies, including full documentation and originated under programs available only for owner-occupied properties. The Company no longer sells residential mortgage loans with recourse. We are obligated to repurchase these loans for the life of these loans in the event of foreclosure for the unpaid principal and interest at the time of foreclosure. Substantially all of these loans are to borrowers in our primary markets including \$115 million to borrowers in Oklahoma, \$18 million to borrowers in Arkansas and \$13 million to borrowers in New Mexico.

We also have an off-balance sheet obligation to repurchase residential mortgage loans sold to government sponsored entities through our mortgage banking activities due to standard representations and warranties made under contractual agreements as described further in Note 5 to the Consolidated Financial Statements. For the period from 2010 through the first quarter of 2015 combined, approximately 19% of repurchase requests have currently resulted in actual repurchases or indemnification by the Company. The accrual for credit losses related to potential loan repurchases under representations and warranties totaled \$3.0 million at March 31, 2015 and \$3.2 million at December 31, 2014.

## Customer Derivative Programs

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

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

limit our credit risk.

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

- 27 -

---



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. Credit losses on customer derivatives reduce brokerage and trading revenue in the Consolidated Statement of Earnings.

Derivative contracts are carried at fair value. At March 31, 2015, the net fair values of derivative contracts, before consideration of cash margin, reported as assets under these programs totaled \$524 million compared to \$433 million at December 31, 2014. Derivative contracts carried as assets included to-be-announced residential mortgage-backed securities sold to our mortgage banking customers considered interest rate derivative contracts. At March 31, 2015, the fair value of our derivative contracts included \$78 million related to these to-be-announced residential mortgage-backed securities, \$40 million for interest rate swaps, \$86 million for energy contracts and \$312 million for foreign exchange contracts. The aggregate net fair value of derivative contracts, before consideration of cash margin, held under these programs reported as liabilities totaled \$517 million at March 31, 2015 and \$432 million at December 31, 2014.

At March 31, 2015, total derivative assets were reduced by \$62 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$98 million of cash collateral paid to counterparties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at March 31, 2015 follows in Table 17.

Table 17 -- Fair Value of Derivative Contracts

(In thousands)

|  |           |
|--|-----------|
| Customers  | \$357,824 |
| Banks and other financial institutions   | 78,764    |
| Exchanges and clearing organizations   | 25,595    |
| Fair value of customer risk management program asset derivative contracts, net | \$462,183 |

At March 31, 2015, our largest derivative exposure was to an exchange for energy derivative contracts which totaled \$16 million. At March 31, 2015, our aggregate gross exposure to internationally active domestic financial institutions was approximately \$176 million comprised of \$172 million of cash and securities positions and \$4.2 million of gross derivative positions. We have no direct exposure to European sovereign debt and our aggregate gross exposure to European financial institutions totaled \$22 million at March 31, 2015.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceeds established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to \$27.86 per barrel of oil would increase the fair value of derivative assets by \$3.5 million. An increase in prices equivalent to \$77.68 per barrel of oil would increase the fair value of derivative assets by \$51 million as current prices move towards the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in our credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$22 million. The fair

value of our to-be-announced residential mortgage-backed securities and interest rate swap derivative contracts is affected by changes in interest rates. Based on our assessment as of March 31, 2015, changes in interest rates would not materially impact regulatory capital or liquidity needed to support this portion of our customer derivative program.

- 28 -

---

## Summary of Loan Loss Experience

We maintain an allowance for loan losses and an accrual for off-balance sheet credit risk. The combined allowance for loan losses and off-balance sheet credit losses totaled \$199 million or 1.35% of outstanding loans and 246% of nonaccruing loans at March 31, 2015. The allowance for loan losses was \$198 million and the accrual for off-balance sheet credit losses was \$1.0 million. At December 31, 2014, the combined allowance for credit losses was \$190 million or 1.34% of outstanding loans and 236% of nonaccruing loans. The allowance for loan losses was \$189 million and the accrual for off-balance sheet credit losses was \$1.2 million.

The provision for credit losses is the amount necessary to maintain the allowance for loan losses and an accrual for off-balance sheet credit risk at an amount determined by management to be appropriate based on its evaluation. The provision includes the combined charge to expense for both the allowance for loan losses and the accrual for off-balance sheet credit risk. All losses incurred from lending activities will ultimately be reflected in charge-offs against the allowance for loan losses following funds advanced against outstanding commitments. After evaluating all credit factors, the Company determined that no provision for credit losses was necessary during the first quarter of 2015, fourth quarter of 2014 or the first quarter of 2014.

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

|  | Three Months Ended |                  |                   |                  |                   |   |
|--|--------------------|------------------|-------------------|------------------|-------------------|---|
|  | March 31,<br>2015  | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |   |
| Allowance for loan losses:                       |                    |                  |                   |                  |                   |   |
| Beginning balance                                | \$ 189,056         | \$ 191,244       | \$ 190,690        | \$ 188,318       | \$ 185,396        |   |
| Loans charged off:                               |                    |                  |                   |                  |                   |   |
| Commercial                                       | (174 )             | (3,279 )         | (117 )            | (29 )            | (144 )            |   |
| Commercial real estate                           | (28 )              | (1,682 )         | (145 )            | —                | (220 )            |   |
| Residential mortgage                             | (624 )             | (837 )           | (773 )            | (1,842 )         | (996 )            |   |
| Consumer   | (1,343 )           | (1,426 )         | (1,603 )          | (1,651 )         | (1,488 )          |   |
| Total  | (2,169 )           | (7,224 )         | (2,638 )          | (3,522 )         | (2,848 )          |   |
| Recoveries of loans previously<br>charged off:   |                    |                  |                   |                  |                   |   |
| Commercial                                       | 357                | 2,262            | 260               | 1,196            | 1,985             |   |
| Commercial real estate                           | 8,819              | 1,145            | 1,410             | 2,621            | 1,827             |   |
| Residential mortgage                             | 437                | 774              | 150               | 722              | 354               |   |
| Consumer   | 910                | 855              | 1,294             | 985              | 1,194             |   |
| Total  | 10,523             | 5,036            | 3,114             | 5,524            | 5,360             |   |
| Net loans recovered (charged off)                | 8,354              | (2,188 )         | 476               | 2,002            | 2,512             |   |
| Provision for loan losses                        | 276                | —                | 78                | 370              | 410               |   |
| Ending balance                                   | \$ 197,686         | \$ 189,056       | \$ 191,244        | \$ 190,690       | \$ 188,318        |   |
| Accrual for off-balance sheet credit<br>losses:  |                    |                  |                   |                  |                   |   |
| Beginning balance                                | \$ 1,230           | \$ 1,230         | \$ 1,308          | \$ 1,678         | \$ 2,088          |   |
| Provision for off-balance sheet<br>credit losses | (276 )             | —                | (78 )             | (370 )           | (410 )            |   |
| Ending balance                                   | \$ 954             | \$ 1,230         | \$ 1,230          | \$ 1,308         | \$ 1,678          |   |
| Total combined provision for<br>credit losses    | \$—                | \$—              | \$—               | \$—              | \$—               |   |
|  | 1.35               | % 1.33           | % 1.40            | % 1.42           | % 1.44            | % |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |        |    |       |   |        |    |        |    |        |    |
|---|--------|----|-------|---|--------|----|--------|----|--------|----|
| Allowance for loan losses to loans outstanding at period-end                        |        |    |       |   |        |    |        |    |        |    |
| Net charge-offs (annualized) to average loans                                       | (0.23  | )% | 0.06  | % | (0.01  | )% | (0.06) | )% | (0.08  | )% |
| Total provision for credit losses (annualized) to average loans                     | —      | %  | —     | % | —      | %  | —      | %  | —      | %  |
| Recoveries to gross charge-offs   | 485.15 | %  | 69.71 | % | 118.04 | %  | 156.84 | %  | 188.20 | %  |
| Accrual for off-balance sheet credit losses to off-balance sheet credit commitments | 0.01   | %  | 0.01  | % | 0.02   | %  | 0.02   | %  | 0.02   | %  |
| Combined allowance for credit losses to loans outstanding at period-end             | 1.35   | %  | 1.34  | % | 1.41   | %  | 1.43   | %  | 1.45   | %  |

- 29 -

---

## Allowance for Loan Losses

The appropriateness of the allowance for loan losses is assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio. The allowance consists of specific allowances attributed to certain impaired loans, general allowances based on estimated loss rates by loan class and non-specific allowances based on general economic conditions, concentration in loans with large balances and other relevant factors.

Loans are considered to be impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreement. This includes all nonaccruing loans, all loans modified in troubled debt restructurings and all government guaranteed loans repurchased from GNMA pools. At March 31, 2015, impaired loans totaled \$278 million, including \$1.3 million with specific allowances of \$317 thousand and \$276 million with no specific allowances because the loan balances represent the amounts we expect to recover. At December 31, 2014, impaired loans totaled \$283 million, including \$1.2 million of impaired loans with specific allowances of \$312 thousand and \$282 million with no specific allowances.

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

The aggregate amount of general allowances for all unimpaired loans totaled \$169 million at March 31, 2015, an \$8.6 million increase over December 31, 2014. This increase was primarily due to an increase in potential problem loans and overall growth in the commercial loan portfolio.

Nonspecific allowances are maintained for risks beyond factors specific to a particular portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentrations in loans with large balances and other relevant factors. Nonspecific allowances totaled \$28 million at March 31, 2015, largely unchanged compared to December 31, 2014. The nonspecific allowance includes consideration of the indirect impact of falling energy prices on the broader economies within our geographical footprint that are highly dependent on the energy industry. The nonspecific allowance also considers the possible impact of the European debt crisis and similar economic factors on our loan portfolio. As demonstrated by continued domestic and European accommodative monetary policies, these factors remain a continued significant risk, although they have remained stable compared to the previous quarter.

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

Our loan monitoring process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in nonperforming assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. The potential problem loans totaled \$118 million at March 31, 2015, primarily composed of \$44 million of energy loans, \$24 million of wholesale/retail sector loans, \$14 million of service sector loans, \$14 million of manufacturing sector loans and \$12 million of loans secured by multifamily residential properties. Potential problem loans totaled \$79 million at December 31, 2014.

We continue to believe that the credit quality of our energy loan portfolio is sound as supported by an update of our stress test at quarter end. We modified our assumptions slightly with oil prices starting at \$40 per barrel for year one and escalating gradually to \$60 per barrel in year five. Our natural gas stress test started at \$2.50 in year one and gradually escalates to \$3.50 in year five. The results of the updated stress test did not alter the general view that the loan portfolio is well positioned to withstand a short-term correction in oil and natural gas prices.

- 30 -

---

### Net Loans Charged Off

Loans are charged off against the allowance for loan losses when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Internally risk graded loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Non-risk graded loans are generally charged off when payments are between 60 days and 180 days past due, depending on loan class. In addition, non-risk graded loans are generally charged-down to collateral value within 60 days of being notified of a borrower's bankruptcy filing, regardless of payment status.

BOK Financial had a net recovery of \$8.4 million in the first quarter of 2015, compared to net charge-offs of \$2.2 million in the fourth quarter of 2014 and net recoveries of \$2.5 million in the first quarter of 2014. The ratio of net loans charged off (recovered) to average loans on an annualized basis was (0.23)% for the first quarter of 2015, compared with 0.06% for the fourth quarter of 2014 and (0.08)% for the first quarter of 2014.

Net commercial loan recoveries totaled \$183 thousand in the first quarter of 2015 compared to net charge-offs of \$1.0 million in the fourth quarter of 2014. Net commercial real estate loan recoveries were \$8.8 million in the first quarter, compared to net charge-offs of \$537 thousand in the fourth quarter. Residential mortgage net charge-offs were \$187 thousand and consumer net charge-offs were \$433 thousand for the first quarter. Consumer loan net charge-offs include deposit account overdraft losses.

## Nonperforming Assets

Table 19 -- Nonperforming Assets  
(In thousands)

|   | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|---|-------------------|------------------|-------------------|------------------|-------------------|
| Nonaccruing loans:  |                   |                  |                   |                  |                   |
| Commercial  | \$ 13,880         | \$ 13,527        | \$ 16,404         | \$ 17,103        | \$ 19,047         |
| Commercial real estate  | 19,902            | 18,557           | 30,660            | 34,472           | 39,305            |
| Residential mortgage  | 46,487            | 48,121           | 48,907            | 44,340           | 45,380            |
| Consumer  | 464               | 566              | 580               | 765              | 974               |
| Total nonaccruing loans   | 80,733            | 80,771           | 96,551            | 96,680           | 104,706           |
| Accruing renegotiated loans guaranteed<br>by U.S. government agencies                   | 80,287            | 73,985           | 70,459            | 57,818           | 55,507            |
| Total nonperforming loans   | 161,020           | 154,756          | 167,010           | 154,498          | 160,213           |
| Real estate and other repossessed assets:   |                   |                  |                   |                  |                   |
| Guaranteed by U.S. government<br>agencies <sup>1</sup>                                  | —                 | 49,898           | 46,809            | 49,720           | 45,638            |
| Other   | 45,551            | 51,963           | 51,062            | 50,391           | 49,877            |
| Real estate and other repossessed assets  | 45,551            | 101,861          | 97,871            | 100,111          | 95,515            |
| Total nonperforming assets  | \$ 206,571        | \$ 256,617       | \$ 264,881        | \$ 254,609       | \$ 255,728        |
| Total nonperforming assets excluding<br>those guaranteed by U.S. government<br>agencies | \$ 123,028        | \$ 129,022       | \$ 143,778        | \$ 145,124       | \$ 153,011        |
| Nonaccruing loans by loan portfolio segment and class:                                  |                   |                  |                   |                  |                   |
| Commercial:   |                   |                  |                   |                  |                   |
| Energy  | \$ 1,875          | \$ 1,416         | \$ 1,508          | \$ 1,619         | \$ 1,759          |
| Services  | 4,744             | 5,201            | 3,584             | 3,669            | 4,581             |
| Wholesale / retail  | 4,401             | 4,149            | 5,502             | 5,885            | 6,854             |
| Manufacturing   | 417               | 450              | 3,482             | 3,507            | 3,565             |
| Healthcare  | 1,558             | 1,380            | 1,417             | 1,422            | 1,443             |
| Other commercial and industrial   | 885               | 931              | 911               | 1,001            | 845               |
| Total commercial  | 13,880            | 13,527           | 16,404            | 17,103           | 19,047            |
| Commercial real estate:   |                   |                  |                   |                  |                   |
| Residential construction and land<br>development  | 9,598             | 5,299            | 14,634            | 15,146           | 16,547            |
| Retail  | 3,857             | 3,926            | 4,009             | 4,199            | 4,626             |
| Office  | 2,410             | 3,420            | 3,499             | 3,591            | 6,301             |
| Multifamily   | —                 | —                | —                 | —                | —                 |
| Industrial  | 76                | —                | —                 | 631              | 886               |
| Other commercial real estate  | 3,961             | 5,912            | 8,518             | 10,905           | 10,945            |
| Total commercial real estate  | 19,902            | 18,557           | 30,660            | 34,472           | 39,305            |
| Residential mortgage:   |                   |                  |                   |                  |                   |
| Permanent mortgage  | 33,365            | 34,845           | 35,137            | 32,952           | 36,342            |
| Permanent mortgage guaranteed by U.S.<br>government agencies                            | 3,256             | 3,712            | 3,835             | 1,947            | 1,572             |



Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|                            |          |          |          |          |           |
|----------------------------|----------|----------|----------|----------|-----------|
| Home equity                | 9,866    | 9,564    | 9,935    | 9,441    | 7,466     |
| Total residential mortgage | 46,487   | 48,121   | 48,907   | 44,340   | 45,380    |
| Consumer                   | 464      | 566      | 580      | 765      | 974       |
| Total nonaccruing loans    | \$80,733 | \$80,771 | \$96,551 | \$96,680 | \$104,706 |

- 32 -

---

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|  | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |   |
|--|-------------------|------------------|-------------------|------------------|-------------------|---|
| Nonaccruing loans as % of<br>outstanding balance for class:  |                   |                  |                   |                  |                   |   |
| Commercial:  |                   |                  |                   |                  |                   |   |
| Energy   | 0.06              | % 0.05           | % 0.06            | % 0.07           | % 0.08            | % |
| Services   | 0.17              | % 0.21           | % 0.14            | % 0.15           | % 0.21            | % |
| Wholesale / retail   | 0.35              | % 0.32           | % 0.43            | % 0.45           | % 0.56            | % |
| Manufacturing  | 0.07              | % 0.08           | % 0.73            | % 0.77           | % 0.80            | % |
| Healthcare   | 0.10              | % 0.09           | % 0.10            | % 0.10           | % 0.10            | % |
| Other commercial and industrial                              | 0.21              | % 0.22           | % 0.23            | % 0.25           | % 0.21            | % |
| Total commercial   | 0.15              | % 0.15           | % 0.19            | % 0.20           | % 0.24            | % |
| Commercial real estate:                                      |                   |                  |                   |                  |                   |   |
| Residential construction and land<br>development             | 6.90              | % 3.69           | % 8.35            | % 8.20           | % 8.95            | % |
| Retail   | 0.59              | % 0.59           | % 0.66            | % 0.65           | % 0.72            | % |
| Office   | 0.47              | % 0.82           | % 0.80            | % 0.91           | % 1.44            | % |
| Multifamily  | —                 | % —              | % —               | % —              | % —               | % |
| Industrial   | 0.02              | % —              | % —               | % 0.18           | % 0.29            | % |
| Other commercial real estate                                 | 1.00              | % 1.60           | % 2.20            | % 2.63           | % 2.72            | % |
| Total commercial real estate                                 | 0.68              | % 0.68           | % 1.13            | % 1.30           | % 1.49            | % |
| Residential mortgage:  |                   |                  |                   |                  |                   |   |
| Permanent mortgage   | 3.46              | % 3.59           | % 3.55            | % 3.23           | % 3.52            | % |
| Permanent mortgage guaranteed by<br>U.S. government agencies | 1.63              | % 1.80           | % 1.93            | % 1.04           | % 0.85            | % |
| Home equity  | 1.29              | % 1.24           | % 1.26            | % 1.18           | % 0.93            | % |
| Total residential mortgage                                   | 2.41              | % 2.47           | % 2.47            | % 2.21           | % 2.25            | % |
| Consumer   | 0.11              | % 0.13           | % 0.14            | % 0.19           | % 0.26            | % |
| Total nonaccruing loans                                      | 0.55              | % 0.57           | % 0.71            | % 0.72           | % 0.80            | % |
| Ratios:  |                   |                  |                   |                  |                   |   |
| Allowance for loan losses to<br>nonaccruing loans            | 244.86            | % 234.06         | % 198.08          | % 197.24         | % 179.86          | % |
| Nonaccruing loans to period-end loans                        | 0.55              | % 0.57           | % 0.71            | % 0.72           | % 0.80            | % |
| Accruing loans 90 days or more past<br>due <sup>2</sup>      | \$523             | \$125            | \$25              | \$67             | \$1,991           |   |

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

<sup>2</sup> Excludes residential mortgages guaranteed by agencies of the U.S. Government.

Nonperforming assets totaled \$207 million or 1.40% of outstanding loans and repossessed assets at March 31, 2015. Nonaccruing loans totaled \$81 million, accruing renegotiated residential mortgage loans totaled \$80 million and real estate and other repossessed assets totaled \$46 million. All accruing renegotiated residential mortgage loans and \$3.3

million of nonaccruing loans are guaranteed by U.S. government agencies. On January 1, 2015, approximately \$50 million of real estate and other repossessed assets related to loans guaranteed by U.S. government agencies was reclassified to receivables in accordance with a newly required accounting standard. Excluding assets guaranteed by U.S. government agencies, nonperforming assets decreased \$6.0 million during the first quarter. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to decrease more slowly.

Loans are generally classified as nonaccruing when it becomes probable that we will not collect the full contractual principal and interest. As more fully discussed in Note 4 to the Consolidated Financial Statements, we may modify loans in troubled debt restructurings. Modifications may include extension of payment terms and rate concessions. We generally do not forgive

- 33 -

---

principal or accrued but unpaid interest. All loans modified in troubled debt restructurings, except for residential mortgage loans guaranteed by U.S. government agencies, are classified as nonaccruing. We may also renew matured nonaccruing loans. All nonaccruing loans, including those renewed or modified in troubled debt restructurings, are charged off when the loan balance is no longer covered by the paying capacity of the borrower based on a quarterly evaluation of available cash resources and collateral value. All nonaccruing loans generally remain on nonaccrual status until full collection of principal and interest in accordance with the original terms, including principal previously charged off, is probable. We generally do not voluntarily modify consumer loans to troubled borrowers. Consumer loans modified at the direction of bankruptcy court orders are identified as troubled debt restructurings and classified as nonaccruing.

At March 31, 2015, renegotiated loans consist solely of accruing residential mortgage loans guaranteed by U.S. government agencies that have been modified in troubled debt restructurings. See Note 4 to the Consolidated Financial Statements for additional discussion of troubled debt restructurings. Generally, we modify residential mortgage loans primarily by reducing interest rates and extending the number of payments in accordance with U.S. government agency guidelines. Generally, no unpaid principal or interest is forgiven. Interest continues to accrue based on the modified terms of the loan. Modified loans guaranteed by U.S. government agencies under residential mortgage loan programs may be sold once they become eligible according to U.S. government agency guidelines.

A rollforward of nonperforming assets for the three months ended March 31, 2015 follows in Table 20.

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

|   | Three Months Ended<br>March 31, 2015 |                       |  | Total<br>Nonperforming<br>Assets |
|---|--------------------------------------|-----------------------|--|----------------------------------|
|   | Nonaccruing<br>Loans                 | Renegotiated<br>Loans | Real Estate<br>and Other<br>Reposessed<br>Assets |                                  |
| Balance, Dec. 31, 2014  | \$80,771                             | \$73,985              | \$101,861  | \$256,617                        |
| Additions   | 14,192                               | 20,641                | —  | 34,833                           |
| Payments  | (7,814)                              | (466)                 | —  | (8,280)                          |
| Charge-offs   | (2,169)                              | —                     | —  | (2,169)                          |
| Net gains and write-downs   | —                                    | —                     | (732)  | (732)                            |
| Foreclosure of nonperforming loans  | (2,768)                              | —                     | 2,768  | —                                |
| Foreclosure of loans guaranteed by U.S. government agencies <sup>1</sup>                        | (1,801)                              | (2,136)               | —  | (3,937)                          |
| Proceeds from sales   | —                                    | (11,610)              | (9,888)  | (21,498)                         |
| Transfer of foreclosed loans guaranteed by U.S. government agencies to Receivables <sup>1</sup> | —                                    | —                     | (49,898)   | (49,898)                         |
| Net transfers to nonaccruing loans  | 400                                  | (400)                 | —  | —                                |
| Return to accrual status  | (78)                                 | —                     | —  | (78)                             |
| Other, net  | —                                    | 273                   | 1,440  | 1,713                            |
| Balance, March 31, 2015   | \$80,733                             | \$80,287              | \$45,551   | \$206,571                        |

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

We foreclose on loans guaranteed by U.S. government agencies in accordance with agency guidelines. Generally these loans are not eligible for modification programs or have failed to comply with modified loan terms. Principal is guaranteed by agencies of the U.S. government, subject to limitations and credit risk is minimal. These properties will be conveyed to the agencies once applicable criteria have been met. During the first quarter of 2015, \$3.9 million of properties guaranteed by U.S. government agencies were foreclosed and transferred to Receivable in accordance a newly required accounting standard.

Nonaccruing loans totaled \$81 million or 0.55% of outstanding loans at March 31, 2015 and \$81 million or 0.57% of outstanding loans at December 31, 2014. Nonaccruing loans were largely unchanged compared to December 31, 2014. Newly identified nonaccruing loans totaled \$14 million for the first quarter of 2015. These loans were offset by \$7.8 million of payments, \$4.6 million of foreclosures and \$2.2 million of charge-offs.

- 34 -

---

## Commercial

Nonaccruing commercial loans totaled \$14 million or 0.15% of total commercial loans at March 31, 2015, largely unchanged compared to December 31, 2014. There were \$2.0 million in newly identified nonaccruing commercial loans during the quarter, offset by \$1.4 million in payments, \$174 thousand of charge-offs and \$104 thousand of foreclosures.

Nonaccruing commercial loans at March 31, 2015 were primarily composed of \$4.7 million or 0.17% of total services sector loans and \$4.4 million or 0.35% of total wholesale/retail sector loans. Over half of the balance of nonaccruing wholesale/retail sector loans was comprised of a single customer in the New Mexico market.

## Commercial Real Estate

Nonaccruing commercial real estate loans totaled \$20 million or 0.68% of outstanding commercial real estate loans at March 31, 2015, compared to \$19 million or 0.68% of outstanding commercial real estate loans at December 31, 2014. Newly identified nonaccruing commercial real estate loans of \$4.8 million were offset by \$3.4 million of cash payments received and \$28 thousand of charge-offs. There were no foreclosures of commercial real estate loans in the first quarter.

Nonaccruing commercial real estate loans were primarily composed of \$10 million or 6.90% of residential construction and land development loans, \$4.0 million or 1.00% of other commercial real estate loans and \$3.9 million or 0.59% of loans secured by retail facilities.

## Residential Mortgage and Consumer

Nonaccruing residential mortgage loans totaled \$46 million or 2.41% of outstanding residential mortgage loans at March 31, 2015, compared to \$48 million or 2.47% of outstanding residential mortgage loans at December 31, 2014. Newly identified nonaccruing residential mortgage loans totaled \$6.0 million, offset by \$4.4 million of foreclosures, \$2.9 million of payments and \$624 thousand of loans charged off during the quarter.

Nonaccruing residential mortgage loans primarily consist of non-guaranteed permanent residential mortgage loans which totaled \$33 million or 3.46% of outstanding non-guaranteed permanent residential mortgage loans at March 31, 2015. Nonaccruing home equity loans totaled \$9.9 million or 1.29% of total home equity loans.

Payments of accruing residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage loans and consumer loans past due but still accruing is included in the following Table 21. Substantially all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due decreased \$1.6 million in the first quarter to \$7.1 million at March 31, 2015. Consumer loans past due 30 to 89 days decreased \$119 thousand compared to December 31, 2014.

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

|                                 | March 31, 2015     |                  | December 31, 2014  |                  |
|---------------------------------|--------------------|------------------|--------------------|------------------|
|                                 | 90 Days or<br>More | 30 to 89<br>Days | 90 Days or<br>More | 30 to 89<br>Days |
| Residential mortgage:           |                    |                  |                    |                  |
| Permanent mortgage <sup>1</sup> | \$—                | \$4,051          | \$46               | \$5,970          |
| Home equity                     | —                  | 3,072            | 77                 | 2,723            |
| Total residential mortgage      | \$—                | \$7,123          | 123                | \$8,693          |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|          |     |       |     |       |
|----------|-----|-------|-----|-------|
| Consumer | \$— | \$428 | \$2 | \$547 |
|----------|-----|-------|-----|-------|

<sup>1</sup> Excludes past due residential mortgage loans guaranteed by agencies of the U.S. government.

- 35 -

---

## Real Estate and Other Repossessed Assets

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

Real estate and other repossessed assets totaled \$46 million at March 31, 2015, a decrease of \$56.3 million compared to December 31, 2014. This decrease was primarily due to the transfer of of repossessed assets guaranteed by U.S. government agencies to receivables in accordance with a newly required accounting standard. The distribution of real estate and other repossessed assets attributed by geographical market is included in Table 22 following.

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

|  | Oklahoma | Texas   | Colorado | Arkansas | New Mexico | Arizona | Kansas/<br>Missouri | Other   | Total    |
|--|----------|---------|----------|----------|------------|---------|---------------------|---------|----------|
| 1-4 family residential properties              | \$6,089  | \$2,659 | \$—      | \$1,630  | \$3,505    | \$3,671 | \$730               | \$472   | \$18,756 |
| Developed commercial real estate properties    | 2,200    | 3,797   | 3,438    | 796      | 3,645      | 885     | —                   | 1,950   | 16,711   |
| Undeveloped land                               | 328      | 1,530   | 2,021    | —        | —          | 1,004   | 1,210               | —       | 6,093    |
| Residential land development properties        | 422      | —       | 835      | —        | —          | 2,165   | 4                   | —       | 3,426    |
| Other  | —        | 25      | 216      | —        | —          | 324     | —                   | —       | 565      |
| Total real estate and other repossessed assets | \$9,039  | \$8,011 | \$6,510  | \$2,426  | \$7,150    | \$8,049 | \$1,944             | \$2,422 | \$45,551 |

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



## Liquidity and Capital

## Subsidiary Bank

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary bank. Based on the average balances for the first quarter of 2015, approximately 71% of our funding was provided by deposit accounts, 14% from borrowed funds, 1% from long-term subordinated debt and 11% from equity. Our funding sources, which primarily include deposits and borrowings from the Federal Home Loan Banks and other banks, provide adequate liquidity to meet our operating needs.

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

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

|                            | Three Months Ended |                  |                   |               |                   |
|----------------------------|--------------------|------------------|-------------------|---------------|-------------------|
|                            | March 31,<br>2015  | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30, 2014 | March 31,<br>2014 |
| Commercial Banking         | \$8,996,972        | \$8,882,937      | \$8,924,040       | \$8,998,408   | \$8,743,927       |
| Consumer Banking           | 6,621,377          | 6,584,240        | 6,543,492         | 6,512,764     | 6,441,020         |
| Wealth Management          | 4,701,703          | 4,434,637        | 4,207,216         | 4,427,350     | 4,499,265         |
| Subtotal                   | 20,320,052         | 19,901,814       | 19,674,748        | 19,938,522    | 19,684,212        |
| Funds Management and other | 928,987            | 796,194          | 552,226           | 558,597       | 551,304           |
| Total                      | \$21,249,039       | \$20,698,008     | \$20,226,974      | \$20,497,119  | \$20,235,516      |

Average deposits for the first quarter of 2015 totaled \$21.2 billion and represented approximately 71% of total liabilities and capital, compared with \$20.7 billion and 71% of total liabilities and capital for the fourth quarter of 2014. Average deposits increased \$551 million over the fourth quarter of 2014. Average interest-bearing transaction deposit accounts increased \$608 million and average time deposits increased \$12 million. Average demand deposit balances decreased \$89 million compared to the fourth quarter.

Average Commercial Banking deposit balances increased \$114 million over the fourth quarter of 2014. Treasury services customer balances increased \$236 million, balances related to commercial & industrial customers increased \$119 million and healthcare customer balances increased \$48 million. Balances related to energy customers decreased \$266 million and commercial real estate customer balances decreased \$39 million. Commercial customers continue to retain large cash reserves primarily due to low yields available on other high quality investment alternatives and to minimize deposit service charges through the earnings credit. The earnings credit is a non-cash method that enables commercial customers to offset deposit service charges based on account balances. If economic activity were to improve significantly or if short-term interest rates were to increase, deposits may decline as customers deploy funds into projects or shift demand deposits into money market instruments.

Average Consumer Banking deposit balances increased \$37 million. Demand deposit balances increased \$37 million, interest-bearing transaction deposits grew by \$31 million and savings account balances increased by \$21 million. This growth was partially offset by a \$51 million decrease in time deposits. Average Wealth Management deposits increased \$267 million compared to the fourth quarter of 2014 primarily due to a \$218 million increase in

interest-bearing transaction deposit account balances and an \$86 million increase in time deposit balances, partially offset by a \$37 million decrease in demand deposits.

Brokered deposits included in time deposits averaged \$412 million for the first quarter of 2015, an increase of \$92 million over the fourth quarter of 2014. Average interest-bearing transaction accounts for the first quarter included \$571 million of brokered deposits, an increase of \$104 million compared to the fourth quarter of 2014. Changes in average brokered deposits largely affect Funds Management and Other.

- 37 -

---

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

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

|   | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|---|-------------------|------------------|-------------------|------------------|-------------------|
| <b>Bank of Oklahoma:</b>                |                   |                  |                   |                  |                   |
| Demand                                  | \$3,982,534       | \$3,828,819      | \$3,915,560       | \$3,785,922      | \$3,476,876       |
| <b>Interest-bearing:</b>                |                   |                  |                   |                  |                   |
| Transaction                             | 6,199,468         | 6,117,886        | 5,450,692         | 5,997,474        | 6,148,712         |
| Savings                                 | 227,855           | 206,357          | 201,690           | 210,330          | 211,770           |
| Time                                    | 1,372,250         | 1,301,194        | 1,292,738         | 1,195,586        | 1,209,002         |
| Total interest-bearing                  | 7,799,573         | 7,625,437        | 6,945,120         | 7,403,390        | 7,569,484         |
| Total Bank of Oklahoma                  | 11,782,107        | 11,454,256       | 10,860,680        | 11,189,312       | 11,046,360        |
| <b>Bank of Texas:</b>                   |                   |                  |                   |                  |                   |
| Demand                                  | 2,511,032         | 2,639,732        | 2,636,713         | 2,617,194        | 2,513,729         |
| <b>Interest-bearing:</b>                |                   |                  |                   |                  |                   |
| Transaction                             | 2,062,063         | 2,065,723        | 2,020,737         | 1,957,236        | 1,967,107         |
| Savings                                 | 76,128            | 72,037           | 66,798            | 67,012           | 70,890            |
| Time                                    | 547,371           | 547,316          | 569,929           | 606,248          | 621,925           |
| Total interest-bearing                  | 2,685,562         | 2,685,076        | 2,657,464         | 2,630,496        | 2,659,922         |
| Total Bank of Texas                     | 5,196,594         | 5,324,808        | 5,294,177         | 5,247,690        | 5,173,651         |
| <b>Bank of Albuquerque:</b>             |                   |                  |                   |                  |                   |
| Demand                                  | 537,466           | 487,819          | 480,023           | 515,554          | 524,191           |
| <b>Interest-bearing:</b>                |                   |                  |                   |                  |                   |
| Transaction                             | 535,791           | 519,544          | 502,787           | 489,378          | 516,734           |
| Savings                                 | 42,088            | 37,471           | 36,127            | 36,442           | 37,481            |
| Time                                    | 290,706           | 295,798          | 303,074           | 309,540          | 320,352           |
| Total interest-bearing                  | 868,585           | 852,813          | 841,988           | 835,360          | 874,567           |
| Total Bank of Albuquerque               | 1,406,051         | 1,340,632        | 1,322,011         | 1,350,914        | 1,398,758         |
| <b>Bank of Arkansas:</b>                |                   |                  |                   |                  |                   |
| Demand                                  | 31,002            | 35,996           | 35,075            | 44,471           | 40,026            |
| <b>Interest-bearing:</b>                |                   |                  |                   |                  |                   |
| Transaction                             | 253,691           | 158,115          | 234,063           | 205,216          | 212,144           |
| Savings                                 | 1,677             | 1,936            | 2,222             | 2,287            | 2,264             |
| Time                                    | 28,277            | 28,520           | 38,811            | 41,155           | 32,312            |
| Total interest-bearing                  | 283,645           | 188,571          | 275,096           | 248,658          | 246,720           |
| Total Bank of Arkansas                  | 314,647           | 224,567          | 310,171           | 293,129          | 286,746           |
| <b>Colorado State Bank &amp; Trust:</b> |                   |                  |                   |                  |                   |
| Demand                                  | 412,532           | 445,755          | 422,044           | 396,185          | 399,820           |
| <b>Interest-bearing:</b>                |                   |                  |                   |                  |                   |
| Transaction                             | 604,665           | 631,874          | 571,807           | 566,320          | 536,438           |
| Savings                                 | 31,524            | 29,811           | 29,768            | 29,234           | 28,973            |
| Time                                    | 340,006           | 353,998          | 372,401           | 385,252          | 399,948           |
| Total interest-bearing                  | 976,195           | 1,015,683        | 973,976           | 980,806          | 965,359           |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|                                   |           |           |           |           |           |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Colorado State Bank & Trust | 1,388,727 | 1,461,438 | 1,396,020 | 1,376,991 | 1,365,179 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|

- 38 -

---

|                              | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
|------------------------------|-------------------|------------------|-------------------|------------------|-------------------|
| Bank of Arizona:             |                   |                  |                   |                  |                   |
| Demand                       | 271,091           | 369,115          | 279,811           | 293,836          | 265,149           |
| Interest-bearing:            |                   |                  |                   |                  |                   |
| Transaction                  | 295,480           | 347,214          | 336,584           | 379,170          | 409,200           |
| Savings                      | 2,900             | 2,545            | 3,718             | 2,813            | 2,711             |
| Time                         | 28,086            | 36,680           | 38,842            | 37,666           | 37,989            |
| Total interest-bearing       | 326,466           | 386,439          | 379,144           | 419,649          | 449,900           |
| Total Bank of Arizona        | 597,557           | 755,554          | 658,955           | 713,485          | 715,049           |
| Bank of Kansas City:         |                   |                  |                   |                  |                   |
| Demand                       | 263,920           | 259,121          | 268,903           | 254,843          | 252,496           |
| Interest-bearing:            |                   |                  |                   |                  |                   |
| Transaction                  | 157,044           | 273,999          | 128,039           | 103,610          | 109,321           |
| Savings                      | 1,618             | 1,274            | 1,315             | 1,511            | 1,507             |
| Time                         | 45,082            | 45,210           | 48,785            | 40,379           | 40,646            |
| Total interest-bearing       | 203,744           | 320,483          | 178,139           | 145,500          | 151,474           |
| Total Bank of Kansas City    | 467,664           | 579,604          | 447,042           | 400,343          | 403,970           |
| Total BOK Financial deposits | \$21,153,347      | \$21,140,859     | \$20,289,056      | \$20,571,864     | \$20,389,713      |

In addition to deposits, subsidiary bank liquidity is provided primarily by federal funds purchased, securities repurchase agreements and Federal Home Loan Bank borrowings. Federal funds purchased consist primarily of unsecured, overnight funds acquired from other financial institutions. Funds are primarily purchased from bankers' banks and Federal Home Loan banks from across the country. There were no wholesale federal funds purchased outstanding at March 31, 2015. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities. Federal Home Loan Bank borrowings are generally short term and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family residential mortgage loans, multifamily and other qualifying commercial real estate loans). Amounts borrowed from the Federal Home Loan Bank of Topeka averaged \$3.1 billion during the quarter, up from \$3.0 billion during the fourth quarter of 2014.

At March 31, 2015, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately \$6.1 billion.

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

Table 25 -- Borrowed Funds  
(In thousands)

|                                 | Three Months Ended<br>March 31, 2015 |   |        |  | Three Months Ended<br>December 31, 2014 |   |        |  |
|---------------------------------|--------------------------------------|---|--------|--|---|---|--------|--|
|                                 | March 31,<br>2015                    | Average<br>Balance<br>During the<br>Quarter | Rate   | Maximum<br>Outstanding<br>At Any<br>Month<br>End During<br>the Quarter | December 31,<br>2014                    | Average<br>Balance<br>During the<br>Quarter | Rate   | Maximum<br>Outstanding<br>At Any<br>Month<br>End During<br>the Quarter |
| Funds purchased                 | \$66,320                             | \$69,730                                    | 0.09 % | \$72,389   | \$ 57,031                               | \$71,728                                    | 0.08 % | \$59,104   |
| Repurchase agreements           | 897,663                              | 1,000,839                                   | 0.04 % | 1,008,144  | 1,187,489                               | 996,308                                     | 0.04 % | 1,187,489  |
| Other borrowings:               |                                      |   |        |  |   |   |        |  |
| Federal Home Loan Bank advances | 3,700,000                            | 3,052,434                                   | 0.26 % | 3,700,000  | 2,103,400                               | 2,984,379                                   | 0.25 % | 2,903,400  |
| GNMA repurchase liability       | 11,011                               | 15,674                                      | 5.07 % | 16,561   | 14,298                                  | 20,191                                      | 5.08 % | 24,980   |
| Other                           | 16,039                               | 16,106                                      | 2.41 % | 16,140   | 16,076                                  | 16,523                                      | 1.07 % | 16,582   |
| Total other borrowings          | 3,727,050                            | 3,084,214                                   | 0.32 % |  | 2,133,774                               | 3,021,093                                   | 0.32 % |  |
| Subordinated debentures         | 348,030                              | 348,007                                     | 2.52 % | 348,030  | 347,983                                 | 347,960                                     | 2.50 % | 347,983  |
| Total Borrowed Funds            | \$5,039,063                          | \$4,502,790                                 | 0.43 % |  | \$ 3,726,277                            | \$4,437,089                                 | 0.43 % |  |

In 2007, the Company issued \$250 million of subordinated debt due May 15, 2017 to fund the Worth National Bank and First United Bank acquisitions and fund continued asset growth. Interest on this debt was based on a fixed rate of 5.75% through May 14, 2012 which then converted to a floating rate of three-month LIBOR plus 0.69%. At March 31, 2015, \$227 million of this subordinated debt remains outstanding.

In 2005, the Bank issued \$150 million of 10-year, fixed rate subordinated debt. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay \$95 million of BOK Financial's unsecured revolving line of credit and to provide additional capital to support asset growth. At March 31, 2015, \$122 million of this subordinated debt remains outstanding.

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

#### Parent Company

At March 31, 2015 cash and interest-bearing cash and cash equivalents held by the Parent Company totaled \$424 million. The primary sources of liquidity for BOK Financial are cash on hand and dividends from the subsidiary bank. Dividends from the subsidiary bank are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the two preceding years. Dividends are further restricted by minimum capital requirements. Based on the implementation of the new capital rules on January 1, 2015 as well as management's internal capital policy, the dividend capacity of the subsidiary bank has been reduced to zero at March 31, 2015. Dividend constraints may be alleviated through increases in retained earnings, capital issuances or changes in risk weighted assets. Future losses or increases in required regulatory capital at the subsidiary bank could affect its ability to pay dividends to the parent company.

The Company has a \$100 million senior unsecured 364 day revolving credit facility with Wells Fargo Bank, National Association, administrative agent and other commercial banks (“the Credit Facility”). Interest on amounts outstanding under the Credit Facility is to be paid at a defined base rate minus 1.25% or LIBOR plus 1.00% based upon the Company’s option. Interest on amounts borrowed for certain acquisitions converted to a term loan at the Company’s option is to be paid at a defined base rate minus 1.25% or LIBOR plus 1.25%. A commitment fee equal to 0.20% shall be paid quarterly on the unused portion of the credit commitment under the Credit Facility and there are no prepayment penalties. Any amounts outstanding at the end of the Credit Facility term shall be converted into a term loan which, except for amounts borrowed for certain acquisitions, shall be payable June 5, 2015. The Credit Agreement contains customary representations and warranties, as well as affirmative and negative covenants including limits on the Company’s ability to borrow additional funds, make investments and sell assets. These covenants also require BOKF to maintain minimum capital levels. No amounts were outstanding under the Credit Facility at March 31, 2015 and the Company met all of the covenants.

- 40 -

---

Our equity capital at March 31, 2015 was \$3.4 billion, an increase of \$54 million over December 31, 2014. Net income less cash dividends paid increased equity \$46 million during the first quarter of 2015 and accumulated other comprehensive income increased \$34 million primarily related to the change in unrealized gains on available for sale securities due to changes in interest rates, partially offset by \$30 million of share repurchases during the quarter. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

On April 24, 2012, the Board of Directors authorized the Company to purchase up to two million shares of our common stock. The specific timing and amount of shares repurchased will vary based on market conditions, regulatory limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. As of March 31, 2015, the Company has repurchased 741,652 shares for \$42 million under this program. During the first quarter of 2015, 502,156 shares were repurchased at an average cost of \$58.71 per share.

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

New capital rules were effective for BOK Financial on January 1, 2015. Components of these rules will phase in through January 1, 2019. The new capital rules reduced instruments that qualify as regulatory capital and generally increased risk weighted assets. The impact of these changes was partially offset by improved data granularity. The new capital rules establish a 7% threshold for the common equity Tier 1 ratio consisting of a minimum level plus capital conservation buffer. The Company has elected to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, consistent with the treatment under previous capital rules.

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

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

Table 26 -- Capital Ratios

|                      | Minimum<br>Capital<br>Requirement <sup>1</sup> | Capital<br>Conservation<br>Buffer <sup>2</sup> | Minimum<br>Capital<br>Requirement<br>Including<br>Capital<br>Conservation<br>Buffer | March 31,<br>2015 |
|----------------------|--|--|---|-------------------|
| Risk-based capital:  |  |  |   |                   |
| Common equity Tier 1 | 4.50   | % 2.50   | % 7.00  | % 13.07 %         |
| Tier 1 capital       | 6.00   | % 2.50   | % 8.50  | % 13.07 %         |
| Total capital        | 8.00   | % 2.50   | % 10.50   | % 14.39 %         |
| Tier 1 Leverage      | 4.00   | % N/A  | 4.00  | % 9.74 %          |



|  |       |   |
|--|-------|---|
| Average total equity to average assets | 11.18 | % |
| Tangible common equity ratio           | 9.86  | % |
| <sup>1</sup> Effective January 1, 2015 |       |   |
| <sup>2</sup> Effective January 1, 2016 |       |   |

|  | Calculated Under Then Current Capital Rules |                   |                  |                   |   |
|--|---|-------------------|------------------|-------------------|---|
|  | Dec. 31,<br>2014                            | Sept. 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |   |
| Risk-based capital:                    |   |                   |                  |                   |   |
| Tier 1 capital                         | 13.33                                       | % 13.72           | % 13.63          | % 13.77           | % |
| Total capital                          | 14.66                                       | % 15.11           | % 15.38          | % 15.55           | % |
| Tier 1 Leverage                        | 9.96  | % 10.22           | % 10.26          | % 10.17           | % |
| Average total equity to average assets | 11.36                                       | % 11.55           | % 11.56          | % 11.40           | % |
| Tangible common equity ratio           | 10.08                                       | % 9.86            | % 10.20          | % 10.06           | % |

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

In accordance with the Dodd-Frank Act, the Federal Reserve must publish regulations that require bank holding companies with \$10 billion to \$50 billion in assets to perform annual capital stress tests. The requirements for annual capital stress tests became effective for the Company in the fourth quarter of 2013. Existing regulations indicate that results will be made public in June of 2015. The resulting capital stress test process may place constraints on capital distributions or increases in required regulatory capital under certain circumstances.

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

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

|   | March 31,<br>2015 | Dec. 31,<br>2014 | Sept. 30<br>2014 | June 30,<br>2014 | March 31,<br>2014 |   |
|---|-------------------|------------------|------------------|------------------|-------------------|---|
| Tangible common equity ratio:             |                   |                  |                  |                  |                   |   |
| Total shareholders' equity                | \$3,357,161       | \$3,302,179      | \$3,243,093      | \$3,212,517      | \$3,109,925       |   |
| Less: Goodwill and intangible assets, net | 411,066           | 412,156          | 413,256          | 414,356          | 396,131           |   |
| Tangible common equity                    | 2,946,095         | 2,890,023        | 2,829,837        | 2,798,161        | 2,713,794         |   |
| Total assets                              | 30,299,978        | 29,089,698       | 29,105,020       | 27,843,770       | 27,364,714        |   |
| Less: Goodwill and intangible assets, net | 411,066           | 412,156          | 413,256          | 414,356          | 396,131           |   |
| Tangible assets                           | \$29,888,912      | \$28,677,542     | \$28,691,764     | \$27,429,414     | \$26,968,583      |   |
| Tangible common equity ratio              | 9.86              | % 10.08          | % 9.86           | % 10.20          | % 10.06           | % |

#### Off-Balance Sheet Arrangements

See Note 6 to the Consolidated Financial Statements for a discussion of the Company's significant off-balance sheet commitments.

#### Market Risk

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

- 42 -

---

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

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

#### Interest Rate Risk – Other than Trading

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

The Company's primary interest rate exposures include the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable rate loan pricing. Additionally, residential mortgage rates directly affect the prepayment speeds for residential mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. In addition, the impact on the level and composition of DDA and other core deposit balances resulting from a significant increase in short-term market interest rates and the overall interest rate environment is likely to be material. The simulation incorporates assumptions regarding the effects of such changes based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 28 due to the extreme volatility over such a large rate range and our active risk management approach for that asset. The effects of interest rate changes on the value of mortgage servicing rights and financial instruments identified as economic hedges are presented in Note 5 to the Consolidated Financial Statements.

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

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

|  | 200 bp Increase   |             | 50 bp Decrease    |             |
|--|-------------------|-------------|-------------------|-------------|
|  | March 31,<br>2015 | 2014        | March 31,<br>2015 | 2014        |
| Anticipated impact over the next twelve months on net interest revenue | \$(5,364 )        | \$(11,626 ) | \$(20,193 )       | \$(13,161 ) |
|  | (0.72 )%          | (1.66 )%    | (2.73 )%          | (1.88 )%    |

- 43 -

---

## Trading Activities

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

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

Management uses a Value at Risk ("VaR") methodology to measure market risk due to changes in interest rates inherent in its trading activities. VaR is calculated based upon historical simulations over the past five years using a variance/covariance matrix of interest rate changes, a 10 business day holding period and a 99% confidence interval. It represents an amount of market loss that is likely to be exceeded in only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VaR to \$7.3 million. There were no instances of VaR being exceeded during the three months ended March 31, 2015 and 2014. At March 31, 2015, there were no trading positions for the purposes of enhancing returns on the Company's securities portfolio.

The average, high and low VaR amounts for three months ended March 31, 2015 and March 31, 2014 are as follows in Table 29.

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

|         | Three Months Ended<br>March 31, |         |
|---------|---------------------------------|---------|
|         | 2015                            | 2014    |
| Average | \$1,475                         | \$1,480 |
| High    | 2,053                           | 3,731   |
| Low     | 782                             | 984     |

### 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 allowance for loan losses involve judgments as to expected events and are inherently forward-looking statements. Assessments that BOK Financial's acquisitions and other growth endeavors will be profitable are necessary statements of belief as to the outcome of future events, based in part on information provided by others that BOK Financial has not independently verified. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what is expressed, implied, or forecasted in such forward-looking statements. Internal and external factors that might cause such a difference include, but are not limited to: (1) the ability to fully realize expected cost savings from mergers within the expected time frames, (2) the ability of other companies on which BOK Financial relies to provide goods and services in a timely and accurate manner, (3) changes in interest rates and interest rate relationships, (4) demand 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<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2015                            | 2014      |
| Interest revenue   |                                 |           |
| Loans  | \$126,696                       | \$122,471 |
| Residential mortgage loans held for sale                                     | 2,949                           | 1,590     |
| Trading securities   | 507                             | 411       |
| Taxable securities   | 3,326                           | 3,282     |
| Tax-exempt securities  | 1,344                           | 1,504     |
| Total investment securities  | 4,670                           | 4,786     |
| Taxable securities   | 43,105                          | 47,255    |
| Tax-exempt securities  | 620                             | 494       |
| Total available for sale securities  | 43,725                          | 47,749    |
| Fair value option securities   | 2,003                           | 851       |
| Restricted equity securities   | 2,597                           | 997       |
| Interest-bearing cash and cash equivalents                                   | 1,422                           | 265       |
| Total interest revenue   | 184,569                         | 179,120   |
| Interest expense   |                                 |           |
| Deposits   | 12,105                          | 12,986    |
| Borrowed funds   | 2,573                           | 1,334     |
| Subordinated debentures  | 2,165                           | 2,158     |
| Total interest expense   | 16,843                          | 16,478    |
| Net interest revenue   | 167,726                         | 162,642   |
| Provision for credit losses  | —                               | —         |
| Net interest revenue after provision for credit losses                       | 167,726                         | 162,642   |
| Other operating revenue  |                                 |           |
| Brokerage and trading revenue  | 31,707                          | 29,516    |
| Transaction card revenue   | 31,010                          | 29,134    |
| Fiduciary and asset management revenue                                       | 31,469                          | 25,722    |
| Deposit service charges and fees   | 21,684                          | 22,689    |
| Mortgage banking revenue   | 39,320                          | 22,844    |
| Bank-owned life insurance  | 2,198                           | 2,106     |
| Other revenue  | 8,603                           | 8,852     |
| Total fees and commissions   | 165,991                         | 140,863   |
| Gain (loss) on other assets, net   | 755                             | (2,328)   |
| Gain on derivatives, net   | 911                             | 968       |
| Gain on fair value option securities, net                                    | 2,647                           | 2,660     |
| Change in fair value of mortgage servicing rights                            | (8,522)                         | (4,461)   |
| Gain on available for sale securities, net                                   | 4,327                           | 1,240     |
| Total other-than-temporary impairment losses                                 | (781)                           | —         |
| Portion of loss recognized in (reclassified from) other comprehensive income | 689                             | —         |
| Net impairment losses recognized in earnings                                 | (92)                            | —         |
| Total other operating revenue  | 166,017                         | 138,942   |
| Other operating expense  |                                 |           |
| Personnel  | 128,548                         | 104,433   |
| Business promotion   | 5,748                           | 5,841     |
| Charitable contributions to BOKF Foundation                                  | —                               | 2,420     |
| Professional fees and services   | 10,059                          | 7,565     |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |            |
|---|------------|------------|
| Net occupancy and equipment                                       | 19,044     | 16,896     |
| Insurance   | 4,980      | 4,541      |
| Data processing and communications                                | 30,620     | 27,135     |
| Printing, postage and supplies                                    | 3,461      | 3,541      |
| Net losses and operating expenses of repossessed assets           | 613        | 1,432      |
| Amortization of intangible assets                                 | 1,090      | 816        |
| Mortgage banking costs  | 9,319      | 3,634      |
| Other expense   | 6,783      | 6,850      |
| Total other operating expense                                     | 220,265    | 185,104    |
| Net income before taxes   | 113,478    | 116,480    |
| Federal and state income taxes                                    | 38,384     | 39,437     |
| Net income  | 75,094     | 77,043     |
| Net income attributable to non-controlling interests              | 251        | 453        |
| Net income attributable to BOK Financial Corporation shareholders | \$74,843   | \$76,590   |
| Earnings per share:   |            |            |
| Basic   | \$1.08     | \$1.11     |
| Diluted   | \$1.08     | \$1.11     |
| Average shares used in computation:                               |            |            |
| Basic   | 68,254,780 | 68,273,685 |
| Diluted   | 68,344,886 | 68,436,478 |
| Dividends declared per share                                      | \$0.42     | \$0.40     |
| See accompanying notes to consolidated financial statements.      |            |            |

- 46 -

---

## Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands, except share and per share data)

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2015                            | 2014      |
| Net income  | \$75,094                        | \$77,043  |
| Other comprehensive income (loss) before income taxes:                |                                 |           |
| Net change in unrealized gain (loss)                                  | 59,387                          | 54,613    |
| Reclassification adjustments included in earnings:                    |                                 |           |
| Interest revenue, Investments securities, Taxable securities          | (179 )                          | (403 )    |
| Interest expense, Subordinated debentures                             | 65                              | 83        |
| Net impairment losses recognized in earnings                          | 92                              | —         |
| Gain on available for sale securities, net                            | (4,327 )                        | (1,240 )  |
| Other comprehensive income before income taxes                        | 55,038                          | 53,053    |
| Federal and state income taxes  | 21,408                          | 20,635    |
| Other comprehensive income, net of income taxes                       | 33,630                          | 32,418    |
| Comprehensive income  | 108,724                         | 109,461   |
| Comprehensive income attributable to non-controlling interests        | 251                             | 453       |
| Comprehensive income attributable to BOK Financial Corp. shareholders | \$108,473                       | \$109,008 |

See accompanying notes to consolidated financial statements.

- 47 -

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Consolidated Balance Sheets

(In thousands, except share data)

|   | March 31,<br>2015<br>(Unaudited) | Dec 31,<br>2014<br>(Footnote 1) | March 31,<br>2014<br>(Unaudited) |
|---|----------------------------------|---------------------------------|----------------------------------|
| <b>Assets</b>   |                                  |                                 |                                  |
| Cash and due from banks   | \$490,683                        | \$550,576                       | \$645,435                        |
| Interest-bearing cash and cash equivalents  | 2,119,987                        | 1,925,266                       | 708,571                          |
| Trading securities  | 118,044                          | 188,700                         | 86,571                           |
| Investment securities (fair value: March 31, 2015 – \$657,971; December 31, 2014 – \$673,626 ; March 31, 2014 – \$685,063)                      | 634,587                          | 652,360                         | 668,976                          |
| Available for sale securities   | 9,158,175                        | 8,978,945                       | 9,933,723                        |
| Fair value option securities  | 434,077                          | 311,597                         | 160,884                          |
| Restricted equity securities  | 212,685                          | 141,494                         | 85,643                           |
| Residential mortgage loans held for sale  | 513,196                          | 304,182                         | 226,512                          |
| Loans   | 14,684,136                       | 14,208,037                      | 13,077,854                       |
| Allowance for loan losses   | (197,686 )                       | (189,056 )                      | (188,318 )                       |
| Loans, net of allowance   | 14,486,450                       | 14,018,981                      | 12,889,536                       |
| Premises and equipment, net   | 279,075                          | 273,833                         | 279,257                          |
| Receivables   | 183,447                          | 132,408                         | 114,437                          |
| Goodwill  | 377,780                          | 377,780                         | 364,570                          |
| Intangible assets, net  | 33,286                           | 34,376                          | 31,561                           |
| Mortgage servicing rights   | 175,051                          | 171,976                         | 153,774                          |
| Real estate and other repossessed assets, net of allowance (March 31, 2015 – \$18,886; December 31, 2014 – \$22,937; March 31, 2014 – \$23,555) | 45,551                           | 101,861                         | 95,515                           |
| Derivative contracts  | 462,386                          | 361,874                         | 218,507                          |
| Cash surrender value of bank-owned life insurance   | 296,192                          | 293,978                         | 286,932                          |
| Receivable on unsettled securities sales  | 9,598                            | 74,259                          | 18,199                           |
| Other assets  | 269,728                          | 195,252                         | 396,111                          |
| <b>Total assets</b>   | <b>\$30,299,978</b>              | <b>\$29,089,698</b>             | <b>\$27,364,714</b>              |
| <b>Liabilities and Equity</b>   |                                  |                                 |                                  |
| <b>Liabilities:</b>   |                                  |                                 |                                  |
| Noninterest-bearing demand deposits   | \$8,009,577                      | \$8,066,357                     | \$7,472,287                      |
| Interest-bearing deposits:  |                                  |                                 |                                  |
| Transaction   | 10,108,202                       | 10,114,355                      | 9,899,656                        |
| Savings   | 383,790                          | 351,431                         | 355,596                          |
| Time  | 2,651,778                        | 2,608,716                       | 2,662,174                        |
| <b>Total deposits</b>   | <b>21,153,347</b>                | <b>21,140,859</b>               | <b>20,389,713</b>                |
| Funds purchased   | 66,320                           | 57,031                          | 1,166,178                        |
| Repurchase agreements   | 897,663                          | 1,187,489                       | 777,108                          |
| Other borrowings  | 3,727,050                        | 2,133,774                       | 1,031,693                        |
| Subordinated debentures   | 348,030                          | 347,983                         | 347,846                          |
| Accrued interest, taxes and expense   | 147,184                          | 120,211                         | 160,351                          |
| Derivative contracts  | 419,351                          | 354,554                         | 185,499                          |
| Due on unsettled securities purchases   | 25,935                           | 290,540                         | 39,641                           |
| Other liabilities   | 124,846                          | 121,051                         | 122,086                          |
| <b>Total liabilities</b>  | <b>26,909,726</b>                | <b>25,753,492</b>               | <b>24,220,115</b>                |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Shareholders' equity:

|   |              |              |              |
|---|--------------|--------------|--------------|
| Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: March 31, 2015 – 74,351,392; December 4 31, 2014 – 74,003,754; March 31, 2014 – 73,547,801) |              | 4            | 4            |
| Capital surplus   | 959,650      | 954,644      | 913,642      |
| Retained earnings   | 2,576,953    | 2,530,837    | 2,398,636    |
| Treasury stock (shares at cost: March 31, 2015 – 5,429,078; December 31, 2014 – 4,890,018; March 31, 2014 – 4,407,591)  | (269,749 )   | (239,979 )   | (209,152 )   |
| Accumulated other comprehensive income  | 90,303       | 56,673       | 6,795        |
| Total shareholders' equity  | 3,357,161    | 3,302,179    | 3,109,925    |
| Non-controlling interests   | 33,091       | 34,027       | 34,674       |
| Total equity  | 3,390,252    | 3,336,206    | 3,144,599    |
| Total liabilities and equity  | \$30,299,978 | \$29,089,698 | \$27,364,714 |

See accompanying notes to consolidated financial statements.

- 48 -

---

## Consolidated Statements of Changes in Equity (Unaudited)

(In thousands)

|  | Common Stock |        | Capital Surplus Amount | Retained Earnings | Treasury Stock |             | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity | Non-Controlling Interests | Total Equity |
|--|--------------|--------|------------------------|-------------------|----------------|-------------|---|----------------------------|---------------------------|--------------|
|  | Shares       | Amount |                        |                   | Shares         | Amount      |   |                            |                           |              |
| Balance, December 31, 2013                 | 73,163       | \$4    | \$898,586              | \$2,349,428       | 4,305          | \$(202,346) | \$(25,623)                                    | \$3,020,049                | \$34,924                  | \$3,054,973  |
| Net income                                 | —            | —      | —                      | 76,590            | —              | —           | —   | 76,590                     | 453                       | 77,043       |
| Other comprehensive income                 | —            | —      | —                      | —                 | —              | —           | 32,418  | 32,418                     | —                         | 32,418       |
| Repurchase of common stock                 | —            | —      | —                      | —                 | —              | —           | —   | —                          | —                         | —            |
| Issuance of shares for equity compensation | 385          | —      | 10,461                 | —                 | 103            | (6,806)     | —   | 3,655                      | —                         | 3,655        |
| Tax effect from equity compensation, net   | —            | —      | 1,732                  | —                 | —              | —           | —   | 1,732                      | —                         | 1,732        |
| Share-based compensation                   | —            | —      | 2,863                  | —                 | —              | —           | —   | 2,863                      | —                         | 2,863        |
| Cash dividends on common stock             | —            | —      | —                      | (27,382)          | —              | —           | —   | (27,382)                   | —                         | (27,382)     |
| Capital calls and distributions, net       | —            | —      | —                      | —                 | —              | —           | —   | —                          | (703)                     | (703)        |
| Balance, March 31, 2014                    | 73,548       | \$4    | \$913,642              | \$2,398,636       | 4,408          | \$(209,152) | \$6,795                                       | \$3,109,925                | \$34,674                  | \$3,144,599  |
| Balances at December 31, 2014              | 74,004       | \$4    | \$954,644              | \$2,530,837       | 4,890          | \$(239,979) | \$56,673                                      | \$3,302,179                | \$34,027                  | \$3,336,206  |
| Net income                                 | —            | —      | —                      | 74,843            | —              | —           | —   | 74,843                     | 251                       | 75,094       |
| Other comprehensive income                 | —            | —      | —                      | —                 | —              | —           | 33,630  | 33,630                     | —                         | 33,630       |
| Repurchase of common stock                 | —            | —      | —                      | —                 | 502            | (29,484)    | —   | (29,484)                   | —                         | (29,484)     |
| Issuance of shares for                     | 347          | —      | 2,926                  | —                 | 37             | (286)       | —   | 2,640                      | —                         | 2,640        |

|  |        |     |           |             |       |             |          |             |          |             |
|--|--------|-----|-----------|-------------|-------|-------------|----------|-------------|----------|-------------|
| equity compensation                      |        |     |           |             |       |             |          |             |          |             |
| Tax effect from equity compensation, net | —      | —   | 215       | —           | —     | —           | —        | 215         | —        | 215         |
| Share-based compensation                 | —      | —   | 1,865     | —           | —     | —           | —        | 1,865       | —        | 1,865       |
| Cash dividends on common stock           | —      | —   | —         | (28,727)    | )     | —           | —        | (28,727)    | )        | (28,727)    |
| Capital calls and distributions, net     | —      | —   | —         | —           | —     | —           | —        | —           | (1,187)  | (1,187)     |
| Balance, March 31, 2015                  | 74,351 | \$4 | \$959,650 | \$2,576,953 | 5,429 | \$(269,749) | \$90,303 | \$3,357,161 | \$33,091 | \$3,390,252 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)  
(in thousands)

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2015                            | 2014       |
| Cash Flows From Operating Activities:   |                                 |            |
| Net income  | \$75,094                        | \$77,043   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                 |            |
| Provision for credit losses   | —                               | —          |
| Change in fair value of mortgage servicing rights   | 8,522                           | 4,461      |
| Unrealized losses (gains) from derivative contracts   | 641                             | 563        |
| Tax effect from equity compensation, net  | (215                            | ) (1,732   |
| Change in bank-owned life insurance   | (2,198                          | ) (2,106   |
| Share-based compensation  | 1,865                           | 2,863      |
| Depreciation and amortization   | 16,800                          | 12,362     |
| Net amortization of securities discounts and premiums                                       | 14,511                          | 14,560     |
| Net realized losses (gains) on financial instruments and other assets                       | (5,956                          | ) (1,202   |
| Net gain on mortgage loans held for sale  | (20,702                         | ) (11,968  |
| Mortgage loans originated for sale  | (1,565,016                      | ) (727,516 |
| Proceeds from sale of mortgage loans held for sale  | 1,382,042                       | 713,002    |
| Capitalized mortgage servicing rights   | (19,150                         | ) (8,644   |
| Change in trading and fair value option securities  | (52,479                         | ) 10,890   |
| Change in receivables   | (16,008                         | ) 3,246    |
| Change in other assets  | (6,293                          | ) 14,111   |
| Change in accrued interest, taxes and expense   | 5,521                           | (41,114    |
| Change in other liabilities   | 8,173                           | 1,555      |
| Net cash provided by (used in) operating activities   | (174,848                        | ) 60,374   |
| Cash Flows From Investing Activities:   |                                 |            |
| Proceeds from maturities or redemptions of investment securities                            | 19,378                          | 13,019     |
| Proceeds from maturities or redemptions of available for sale securities                    | 513,939                         | 403,191    |
| Purchases of investment securities  | (3,363                          | ) (5,834   |
| Purchases of available for sale securities  | (980,768                        | ) (679,171 |
| Proceeds from sales of available for sale securities  | 334,825                         | 531,385    |
| Change in amount receivable on unsettled securities transactions                            | 64,661                          | (1,025     |
| Loans originated, net of principal collected  | (458,118                        | ) (271,214 |
| Net payments on derivative asset contracts  | (83,354                         | ) 40,220   |
| Acquisitions, net of cash acquired  | —                               | (12,624    |
| Proceeds from disposition of assets   | 66,111                          | 20,071     |
| Purchases of assets   | (108,579                        | ) (20,945  |
| Net cash provided by (used in) investing activities   | (635,268                        | ) 17,073   |
| Cash Flows From Financing Activities:   |                                 |            |
| Net change in demand deposits, transaction deposits and savings accounts                    | (30,574                         | ) 154,205  |
| Net change in time deposits   | 43,062                          | (33,819    |
| Net change in other borrowed funds  | 1,283,330                       | 221,650    |
| Net proceeds on derivative liability contracts  | 70,377                          | (40,228    |
| Net change in derivative margin accounts  | (101,290                        | ) (84,368  |
| Change in amount due on unsettled security transactions                                     | (264,605                        | ) (6,099   |
| Issuance of common and treasury stock, net  | 2,640                           | 3,655      |



Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |             |             |
|---|-------------|-------------|
| Tax effect from equity compensation, net  | 215         | 1,732       |
| Repurchase of common stock  | (29,484 )   | —           |
| Dividends paid  | (28,727 )   | (27,382 )   |
| Net cash provided by financing activities   | 944,944     | 189,346     |
| Net increase in cash and cash equivalents   | 134,828     | 266,793     |
| Cash and cash equivalents at beginning of period  | 2,475,842   | 1,087,213   |
| Cash and cash equivalents at end of period  | \$2,610,670 | \$1,354,006 |
| <br>  |             |             |
| Cash paid for interest  | \$15,380    | \$14,394    |
| Cash paid for taxes   | \$3,232     | \$56        |
| Net loans and bank premises transferred to repossessed real estate and other assets                                     | \$2,768     | \$19,577    |
| Residential mortgage loans guaranteed by U.S. government agencies that became eligible for repurchase during the period | \$29,409    | \$31,441    |
| Conveyance of other real estate owned guaranteed by U.S. government agencies  | \$66,912    | \$9,100     |
| See accompanying notes to consolidated financial statements.  |             |             |

- 50 -

---

Notes to Consolidated Financial Statements (Unaudited)

(1) Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed 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 BOKF, NA (“the Bank”), BOSCO, Inc., The Milestone Group, Inc. and Cavanal Hill Investment Management Inc. Operating divisions of the Bank include Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Oklahoma, Bank of Texas, Colorado State Bank and Trust, Bank of Kansas City, BOK Financial Mortgage and the TransFund electronic funds network.

Certain reclassifications have been made to conform to the current period presentation.

The financial information should be read in conjunction with BOK Financial’s 2014 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2014 have been derived from the audited financial statements included in BOK Financial’s 2014 Form 10-K but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the three-month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Newly Adopted and Pending Accounting Policies

Financial Accounting Standards Board (“FASB”)

FASB Accounting Standards Update No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects (“ASU 2014-01”)

On January 15, 2014, the FASB issued ASU 2014-01 to simplify the amortization method an entity uses and modify the criteria to elect a measurement and presentation alternative, including the simplified amortization method, for certain investments in qualified affordable housing projects. This alternative permits the entity to present the investment's performance net of the related tax benefits as part of income tax expense. ASU 2014-01 was effective for the Company for interim and annual periods beginning after December 15, 2014. Adoption of ASU 2014-01 affected income statement presentation, but otherwise did not have a material impact on the Company's consolidated financial statements.

FASB Accounting Standards Update No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure (“ASU 2014-04”)

On January 17, 2014, the FASB issued ASU 2014-04 to clarify when an entity is considered to have obtained physical possession (from an in-substance possession or foreclosure) of a residential real estate property collateralizing a mortgage loan. Upon physical possession of such real property, an entity is required to reclassify the nonperforming

mortgage loan to other real estate owned. ASU 2014-04 was effective for the Company for interim and annual periods beginning after December 15, 2014. Adoption of ASU 2014-04 did not have a material impact on the Company's consolidated financial statements.

- 51 -

---

FASB Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")

On May 28, 2014, the FASB issued ASU 2014-09 to clarify the principles for recognizing revenue by providing a more robust framework that will give greater consistency and comparability in revenue recognition practices. In the new framework, an entity recognizes revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The new model requires the identification of performance obligations included in contracts with customers, a determination of the transaction price and an allocation of the price to those performance obligations. The entity recognizes revenue when performance obligations are satisfied. ASU 2014-09 is effective for the Company for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial statements.

FASB Accounting Standards Update No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure ("ASU 2014-14")

On August 8, 2014, the FASB issued ASU 2014-14 to give greater consistency in the classification of government-guaranteed loans upon foreclosure. ASU 2014-14 applies to all loans that contain a government guarantee that is not separable from the loan or for which the creditor has both the intent and ability to recover a fixed amount under the guarantee by conveying the property to the guarantor. Upon foreclosure, the creditor should reclassify the mortgage loan to an other receivable that is separate from loans and should measure the receivable at the amount of the loan balance expected to be recovered from the guarantor. ASU 2014-14 was effective for the Company for interim and annual periods beginning after December 15, 2014. At January 1, 2015, approximately \$50 million of real estate owned was reclassified from Real estate and other repossessed assets to Receivables on the balance sheet with adoption of ASC 2014-14.

FASB Accounting Standards Update No. 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity ("ASU 2014-16")

On November 3, 2014, the FASB issued ASU 2014-16 to eliminate the use of different methods and reduce diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. For hybrid financial instruments issued in the form of share, an entity should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument. The entity should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. For public business entities, the ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Early adoption is permitted. Adoption of ASU 2014-16 is not expected to have a material impact on the Company's consolidated financial statements.

FASB Accounting Standards Update No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02")

On February 18, 2015, the FASB issued ASU 2015-02 to address concerns that current U.S. GAAP may require a reporting entity to consolidate another legal entity where the reporting entity's contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity's voting rights, or the reporting entity is not exposed to a majority of the legal entity's economic benefits or obligations. The amendments affect limited partnerships and similar legal entities, the evaluation of fees paid to a decision maker or a service provider as a variable interest, the effect of fee arrangements and related parties on the primary beneficiary determination, and certain investment funds. The ASU will be effective for periods beginning after December 15,

2015 for public companies. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact the adoption of ASU 2015-02 will have on the Company's financial statements.

- 52 -

---

(2) Securities  
Trading Securities

The fair value and net unrealized gain (loss) included in trading securities is as follows (in thousands):

|  | March 31, 2015 |                            | December 31, 2014 |                            | March 31, 2014 |                            |
|--|----------------|----------------------------|-------------------|----------------------------|----------------|----------------------------|
|  | Fair Value     | Net Unrealized Gain (Loss) | Fair Value        | Net Unrealized Gain (Loss) | Fair Value     | Net Unrealized Gain (Loss) |
| U.S. Government agency debentures                  | \$26,283       | \$40                       | \$85,092          | \$(62)                     | \$28,588       | \$14                       |
| U.S. agency residential mortgage-backed securities | 17,179         | 5                          | 31,199            | 269                        | 23,595         | 83                         |
| Municipal and other tax-exempt securities          | 54,164         | (4)                        | 38,951            | 18                         | 27,280         | 58                         |
| Other trading securities                           | 20,418         | 53                         | 33,458            | (38)                       | 7,108          | (19)                       |
| Total  | \$118,044      | \$94                       | \$188,700         | \$187                      | \$86,571       | \$136                      |

## Investment Securities

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

|  | March 31, 2015 |                             |            |                       |           |
|--|----------------|-----------------------------|------------|-----------------------|-----------|
|  | Amortized Cost | Carrying Value <sup>1</sup> | Fair Value | Gross Unrealized Gain | Loss      |
| Municipal and other tax-exempt                             | \$396,063      | \$396,063                   | \$400,112  | \$4,443               | \$(394)   |
| U.S. agency residential mortgage-backed securities – Other | 33,109         | 33,545                      | 35,253     | 1,708                 | —         |
| Other debt securities                                      | 204,979        | 204,979                     | 222,606    | 18,500                | (873)     |
| Total  | \$634,151      | \$634,587                   | \$657,971  | \$24,651              | \$(1,267) |

Carrying value includes \$436 thousand of net unrealized gain which remains in Accumulated other

<sup>1</sup> comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio in 2011.

<sup>2</sup> Gross unrealized gains and losses are not recognized in AOCI in the Consolidated Balance Sheets.

|  | December 31, 2014 |                             |            |                       |           |
|--|-------------------|-----------------------------|------------|-----------------------|-----------|
|  | Amortized Cost    | Carrying Value <sup>1</sup> | Fair Value | Gross Unrealized Gain | Loss      |
| Municipal and other tax-exempt                             | \$405,090         | \$405,090                   | \$408,344  | \$4,205               | \$(951)   |
| U.S. agency residential mortgage-backed securities – Other | 35,135            | 35,750                      | 37,463     | 1,713                 | —         |
| Other debt securities                                      | 211,520           | 211,520                     | 227,819    | 16,956                | (657)     |
| Total  | \$651,745         | \$652,360                   | \$673,626  | \$22,874              | \$(1,608) |

Carrying value includes \$615 thousand of net unrealized gain which remains in Accumulated other

<sup>1</sup> comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio in 2011.

<sup>2</sup> Gross unrealized gains and losses are not recognized in AOCI in the Consolidated Balance Sheets.

|  | March 31, 2014 |                             |            |                       |                              |
|--|----------------|-----------------------------|------------|-----------------------|------------------------------|
|  | Amortized Cost | Carrying Value <sup>1</sup> | Fair Value | Gross Unrealized Gain | Unrealized Loss <sup>2</sup> |
| Municipal and other tax-exempt                             | \$440,303      | \$440,303                   | \$441,532  | \$3,182               | \$(1,953)                    |
| U.S. agency residential mortgage-backed securities – Other | 44,489         | 45,917                      | 47,834     | 1,957                 | (40)                         |
| Other debt securities                                      | 182,756        | 182,756                     | 195,697    | 13,114                | (173)                        |
| Total  | \$667,548      | \$668,976                   | \$685,063  | \$18,253              | \$(2,166)                    |

Carrying value includes \$1.4 million of net unrealized gain which remains in Accumulated other comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio in 2011.

<sup>2</sup> Gross unrealized gains and losses are not recognized in AOCI in the Consolidated Balance Sheets.

The amortized cost and fair values of investment securities at March 31, 2015, by contractual maturity, are as shown in the following table (dollars in thousands):

|   | Less than One Year | One to Five Years | Six to Ten Years | Over Ten Years | Total     | Weighted Average Maturity <sup>2</sup> |
|---|--------------------|-------------------|------------------|----------------|-----------|--|
| Municipal and other tax-exempt:         |                    |                   |                  |                |           |  |
| Carrying value                          | \$51,635           | \$287,099         | \$19,461         | \$37,868       | \$396,063 | 3.62                                   |
| Fair value                              | 51,726             | 288,383           | 19,757           | 40,246         | 400,112   |  |
| Nominal yield <sup>1</sup>              | 1.72 %             | 1.76 %            | 4.04 %           | 5.36 %         | 2.21 %    |  |
| Other debt securities:                  |                    |                   |                  |                |           |  |
| Carrying value                          | 13,799             | 39,787            | 85,557           | 65,836         | 204,979   | 9.31                                   |
| Fair value                              | 13,896             | 40,991            | 92,995           | 74,724         | 222,606   |  |
| Nominal yield                           | 3.36 %             | 4.70 %            | 5.62 %           | 5.83 %         | 5.35 %    |  |
| Total fixed maturity securities:        |                    |                   |                  |                |           |  |
| Carrying value                          | \$65,434           | \$326,886         | \$105,018        | \$103,704      | \$601,042 | 5.56                                   |
| Fair value                              | 65,622             | 329,374           | 112,752          | 114,970        | 622,718   |  |
| Nominal yield                           | 2.07 %             | 2.12 %            | 5.33 %           | 5.65 %         | 3.28 %    |  |
| Residential mortgage-backed securities: |                    |                   |                  |                |           |  |
| Carrying value                          |                    |                   |                  |                | \$33,545  | <sup>3</sup>                           |
| Fair value                              |                    |                   |                  |                | 35,253    |  |
| Nominal yield <sup>4</sup>              |                    |                   |                  |                | 2.74      | %                                      |
| Total investment securities:            |                    |                   |                  |                |           |  |
| Carrying value                          |                    |                   |                  |                | \$634,587 |  |
| Fair value                              |                    |                   |                  |                | 657,971   |  |
| Nominal yield                           |                    |                   |                  |                | 3.26      | %                                      |

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

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

<sup>3</sup> The average expected lives of residential mortgage-backed securities were 2.7 years based upon current prepayment assumptions.

The nominal yield on residential mortgage-backed securities is based upon prepayment assumptions at the purchase

<sup>4</sup> date. Actual yields earned may differ significantly based upon actual prepayments. See Quarterly Financial Summary - Unaudited for current yields on the investment securities portfolio.





## Available for Sale Securities

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

|   | March 31, 2015    |               |                               |            |                   |
|---|-------------------|---------------|-------------------------------|------------|-------------------|
|   | Amortized<br>Cost | Fair<br>Value | Gross Unrealized <sup>1</sup> |            | OTTI <sup>2</sup> |
|   |                   |               | Gain                          | Loss       |                   |
| U.S. Treasury   | \$1,000           | \$1,001       | \$1                           | \$—        | \$—               |
| Municipal and other tax-exempt  | 60,298            | 60,818        | 1,242                         | (722)      | ) —               |
| Residential mortgage-backed securities:   |                   |               |                               |            |                   |
| U. S. government agencies:  |                   |               |                               |            |                   |
| FNMA  | 3,844,253         | 3,930,186     | 87,993                        | (2,060)    | ) —               |
| FHLMC   | 2,040,364         | 2,079,310     | 39,989                        | (1,043)    | ) —               |
| GNMA  | 698,346           | 703,206       | 6,031                         | (1,171)    | ) —               |
| Other   | 4,533             | 4,867         | 334                           | —          | —                 |
| Total U.S. government agencies  | 6,587,496         | 6,717,569     | 134,347                       | (4,274)    | ) —               |
| Private issue:  |                   |               |                               |            |                   |
| Alt-A loans   | 63,765            | 69,369        | 6,601                         | —          | (997 )            |
| Jumbo-A loans   | 85,269            | 90,662        | 5,769                         | —          | (376 )            |
| Total private issue   | 149,034           | 160,031       | 12,370                        | —          | (1,373 )          |
| Total residential mortgage-backed securities                                    | 6,736,530         | 6,877,600     | 146,717                       | (4,274)    | ) (1,373 )        |
| Commercial mortgage-backed securities<br>guaranteed by U.S. government agencies | 2,157,985         | 2,164,842     | 13,849                        | (6,992)    | ) —               |
| Other debt securities   | 9,405             | 9,155         | —                             | (250)      | ) —               |
| Perpetual preferred stock   | 22,171            | 24,983        | 2,812                         | —          | —                 |
| Equity securities and mutual funds  | 18,679            | 19,776        | 1,117                         | (20)       | ) —               |
| Total   | \$9,006,068       | \$9,158,175   | \$165,738                     | \$(12,258) | ) \$(1,373 )      |

<sup>1</sup> Gross unrealized gain/loss recognized in AOCI in the consolidated balance sheet.

<sup>2</sup> Amounts represent unrealized loss that remains in AOCI after an other-than-temporary credit loss has been recognized in income.

|   | December 31, 2014 |               |                               |            |                   |
|---|-------------------|---------------|-------------------------------|------------|-------------------|
|   | Amortized<br>Cost | Fair<br>Value | Gross Unrealized <sup>1</sup> |            | OTTI <sup>2</sup> |
|   |                   |               | Gain                          | Loss       |                   |
| U.S. Treasury   | \$1,005           | \$1,005       | \$—                           | \$—        | \$—               |
| Municipal and other tax-exempt  | 63,018            | 63,557        | 1,280                         | (741)      | ) —               |
| Residential mortgage-backed securities:   |                   |               |                               |            |                   |
| U. S. government agencies:  |                   |               |                               |            |                   |
| FNMA  | 3,932,200         | 3,997,428     | 71,200                        | (5,972)    | ) —               |
| FHLMC   | 1,810,476         | 1,836,870     | 29,043                        | (2,649)    | ) —               |
| GNMA  | 801,820           | 807,443       | 8,240                         | (2,617)    | ) —               |
| Other   | 4,808             | 5,143         | 335                           | —          | —                 |
| Total U.S. government agencies  | 6,549,304         | 6,646,884     | 108,818                       | (11,238)   | ) —               |
| Private issue:  |                   |               |                               |            |                   |
| Alt-A loans   | 65,582            | 71,952        | 6,677                         | —          | (307)             |
| Jumbo-A loans   | 88,778            | 94,005        | 5,584                         | —          | (357)             |
| Total private issue   | 154,360           | 165,957       | 12,261                        | —          | (664)             |
| Total residential mortgage-backed securities                                    | 6,703,664         | 6,812,841     | 121,079                       | (11,238)   | ) (664)           |
| Commercial mortgage-backed securities<br>guaranteed by U.S. government agencies | 2,064,091         | 2,048,609     | 4,437                         | (19,919)   | ) —               |
| Other debt securities   | 9,438             | 9,212         | 26                            | (252)      | ) —               |
| Perpetual preferred stock   | 22,171            | 24,277        | 2,183                         | (77)       | ) —               |
| Equity securities and mutual funds  | 18,603            | 19,444        | 871                           | (30)       | ) —               |
| Total   | \$8,881,990       | \$8,978,945   | \$129,876                     | \$(32,257) | ) \$(664)         |

<sup>1</sup> Gross unrealized gain/loss recognized in AOCI in the consolidated balance sheet.

<sup>2</sup> Amounts represent unrealized loss that remains in AOCI after an other-than-temporary credit loss has been recognized in income.

|   | March 31, 2014    |               |                               |          |                   |
|---|-------------------|---------------|-------------------------------|----------|-------------------|
|   | Amortized<br>Cost | Fair<br>Value | Gross Unrealized <sup>1</sup> |          | OTTI <sup>2</sup> |
|   |                   |               | Gain                          | Loss     |                   |
| U.S. Treasury   | \$1,033           | \$1,034       | \$1                           | \$—      | \$—               |
| Municipal and other tax-exempt  | 69,434            | 70,065        | 1,548                         | (917)    | ) —               |
| Residential mortgage-backed securities:   |                   |               |                               |          |                   |
| U. S. government agencies:  |                   |               |                               |          |                   |
| FNMA  | 4,380,066         | 4,409,566     | 65,393                        | (35,893) | ) —               |
| FHLMC   | 2,158,750         | 2,162,580     | 25,644                        | (21,814) | ) —               |
| GNMA  | 885,058           | 888,989       | 9,612                         | (5,681)  | ) —               |
| Other   | 13,426            | 14,434        | 1,008                         | —        | —                 |
| Total U.S. government agencies  | 7,437,300         | 7,475,569     | 101,657                       | (63,388) | ) —               |
| Private issue:  |                   |               |                               |          |                   |
| Alt-A loans   | 73,244            | 77,557        | 4,597                         | —        | (284)             |
| Jumbo-A loans   | 106,258           | 111,691       | 5,741                         | —        | (308)             |
| Total private issue   | 179,502           | 189,248       | 10,338                        | —        | (592)             |
| Total residential mortgage-backed securities                                    | 7,616,802         | 7,664,817     | 111,995                       | (63,388) | ) (592)           |
| Commercial mortgage-backed securities<br>guaranteed by U.S. government agencies | 2,159,704         | 2,123,762     | 1,329                         | (37,271) | ) —               |
| Other debt securities   | 35,031            | 35,119        | 275                           | (187)    | ) —               |
| Perpetual preferred stock   | 22,171            | 24,281        | 2,110                         | —        | —                 |
| Equity securities and mutual funds  | 14,102            | 14,645        | 602                           | (59)     | ) —               |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Total \$9,918,277 \$9,933,723 \$117,860 \$(101,822) \$(592 )

<sup>1</sup> Gross unrealized gain/loss recognized in AOCI in the consolidated balance sheet.

<sup>2</sup> Amounts represent unrealized loss that remains in AOCI after an other-than-temporary credit loss has been recognized in income.

- 56 -

---

The amortized cost and fair values of available for sale securities at March 31, 2015, by contractual maturity, are as shown in the following table (dollars in thousands):

|  | Less than<br>One Year | One to<br>Five Years | Six to<br>Ten Years | Over<br>Ten Years | Total               | Weighted<br>Average<br>Maturity <sup>5</sup> |
|--|-----------------------|----------------------|---------------------|-------------------|---------------------|--|
| <b>U.S. Treasuries:</b>                        |                       |                      |                     |                   |                     |  |
| Amortized cost                                 | \$—                   | \$1,000              | \$—                 | \$—               | \$1,000             | 2.80   |
| Fair value                                     | —                     | 1,001                | —                   | —                 | 1,001               |  |
| Nominal yield                                  | —                     | % 0.87               | % —                 | % —               | % 0.87              | %  |
| <b>Municipal and other tax-exempt:</b>         |                       |                      |                     |                   |                     |  |
| Amortized cost                                 | \$9,807               | \$25,059             | \$2,084             | \$23,348          | \$60,298            | 8.30   |
| Fair value                                     | 9,904                 | 25,836               | 2,295               | 22,783            | 60,818              |  |
| Nominal yield <sup>1</sup>                     | 3.61                  | % 4.25               | % 6.35              | % 1.94            | % <sup>6</sup> 3.32 | %  |
| <b>Commercial mortgage-backed securities:</b>  |                       |                      |                     |                   |                     |  |
| Amortized cost                                 | \$—                   | \$915,951            | \$907,546           | \$334,488         | \$2,157,985         | 8.24   |
| Fair value                                     | —                     | 918,759              | 913,201             | 332,882           | 2,164,842           |  |
| Nominal yield                                  | —                     | % 1.44               | % 1.77              | % 1.33            | % 1.56              | %  |
| <b>Other debt securities:</b>                  |                       |                      |                     |                   |                     |  |
| Amortized cost                                 | \$5,005               | \$—                  | \$—                 | \$4,400           | \$9,405             | 15.18  |
| Fair value                                     | 5,005                 | —                    | —                   | 4,150             | 9,155               |  |
| Nominal yield                                  | 2.12                  | % —                  | % —                 | % 1.71            | % <sup>6</sup> 1.93 | %  |
| <b>Total fixed maturity securities:</b>        |                       |                      |                     |                   |                     |  |
| Amortized cost                                 | \$14,812              | \$942,010            | \$909,630           | \$362,236         | \$2,228,688         | 8.27   |
| Fair value                                     | 14,909                | 945,596              | 915,496             | 359,815           | 2,235,816           |  |
| Nominal yield                                  | 3.11                  | % 1.52               | % 1.78              | % 1.38            | % 1.61              | %  |
| <b>Residential mortgage-backed securities:</b> |                       |                      |                     |                   |                     |  |
| Amortized cost                                 |                       |                      |                     |                   | \$6,736,530         | <sup>2</sup>                                 |
| Fair value                                     |                       |                      |                     |                   | 6,877,600           |  |
| Nominal yield <sup>4</sup>                     |                       |                      |                     |                   | 1.92                | %  |
| <b>Equity securities and mutual funds:</b>     |                       |                      |                     |                   |                     |  |
| Amortized cost                                 |                       |                      |                     |                   | \$40,850            | <sup>3</sup>                                 |
| Fair value                                     |                       |                      |                     |                   | 44,759              |  |
| Nominal yield                                  |                       |                      |                     |                   | 1.28                | %  |
| <b>Total available-for-sale securities:</b>    |                       |                      |                     |                   |                     |  |
| Amortized cost                                 |                       |                      |                     |                   | \$9,006,068         |  |
| Fair value                                     |                       |                      |                     |                   | 9,158,175           |  |
| Nominal yield                                  |                       |                      |                     |                   | 1.84                | %  |

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

<sup>2</sup> The average expected lives of mortgage-backed securities were 3.3 years based upon current prepayment assumptions.

<sup>3</sup> Primarily common stock and preferred stock of corporate issuers with no stated maturity.

<sup>4</sup> The nominal yield on mortgage-backed securities is based upon prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments. See Quarterly Financial Summary — Unaudited following for current yields on available for sale securities portfolio.

<sup>5</sup>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

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

- 57 -

---

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

|  | Three Months Ended |           |
|--|--------------------|-----------|
|  | March 31,<br>2015  | 2014      |
| Proceeds                                     | \$334,825          | \$531,385 |
| Gross realized gains                         | 4,900              | 6,433     |
| Gross realized losses                        | (573               | ) (5,193  |
| Related federal and state income tax expense | 1,683              | 482       |

A summary of investment and available for sale securities that have been pledged as collateral for repurchase agreements, public trust funds on deposit and for other purposes, as required by law was as follows (in thousands):

|                     | March 31,<br>2015 | Dec. 31,<br>2014 | March 31,<br>2014 |
|---------------------|-------------------|------------------|-------------------|
| Investment:         |                   |                  |                   |
| Carrying value      | \$63,425          | \$63,495         | \$87,757          |
| Fair value          | 65,723            | 65,855           | 90,765            |
| Available for sale: |                   |                  |                   |
| Amortized cost      | 6,065,705         | 5,855,220        | 5,177,411         |
| Fair value          | 6,155,570         | 5,893,972        | 5,169,432         |

The secured parties do not have the right to sell or re-pledge these securities.

## Impaired Securities as of March 31, 2015

(in thousands):

|   | Number<br>of<br>Securities | Less Than 12 Months<br>Fair<br>Value | Unrealized<br>Loss | 12 Months or Longer<br>Fair<br>Value | Unrealized<br>Loss | Total<br>Fair<br>Value | Unrealized<br>Loss |
|---|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|------------------------|--------------------|
| Investment:   |                            |                                      |                    |                                      |                    |                        |                    |
| Municipal and other<br>tax-exempt                     | 37                         | \$41,048                             | \$173              | \$53,662                             | \$221              | \$94,710               | \$394              |
| U.S. Agency residential<br>mortgage-backed securities | —                          | —                                    | —                  | —                                    | —                  | —                      | —                  |
| Other   |                            |                                      |                    |                                      |                    |                        |                    |
| Other debt securities                                 | 97                         | 31,451                               | 846                | 2,478                                | 27                 | 33,929                 | 873                |
| Total investment                                      | 134                        | \$72,499                             | \$1,019            | \$56,140                             | \$248              | \$128,639              | \$1,267            |

|   | Number<br>of<br>Securities | Less Than 12 Months<br>Fair<br>Value | Unrealized<br>Loss | 12 Months or Longer<br>Fair<br>Value | Unrealized<br>Loss | Total<br>Fair<br>Value | Unrealized<br>Loss |
|---|----------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|------------------------|--------------------|
| Available for sale:   |                            |                                      |                    |                                      |                    |                        |                    |
| Municipal and other<br>tax-exempt   | 20                         | \$10,217                             | \$27               | \$11,705                             | \$695              | \$21,922               | \$722              |
| Residential<br>mortgage-backed securities:  |                            |                                      |                    |                                      |                    |                        |                    |
| U. S. agencies:   |                            |                                      |                    |                                      |                    |                        |                    |
| FNMA  | 8                          | 90,133                               | 464                | 125,166                              | 1,596              | 215,299                | 2,060              |
| FHLMC   | 6                          | 17,511                               | 34                 | 124,912                              | 1,009              | 142,423                | 1,043              |
| GNMA  | 4                          | —                                    | —                  | 123,884                              | 1,171              | 123,884                | 1,171              |
| Total U.S. agencies   | 18                         | 107,644                              | 498                | 373,962                              | 3,776              | 481,606                | 4,274              |
| Private issue <sup>1</sup> :  |                            |                                      |                    |                                      |                    |                        |                    |
| Alt-A loans   | 4                          | 10,154                               | 997                | —                                    | —                  | 10,154                 | 997                |
| Jumbo-A loans   | 8                          | —                                    | —                  | 9,570                                | 376                | 9,570                  | 376                |
| Total private issue   | 12                         | 10,154                               | 997                | 9,570                                | 376                | 19,724                 | 1,373              |
| Total residential<br>mortgage-backed securities                                       | 30                         | 117,798                              | 1,495              | 383,532                              | 4,152              | 501,330                | 5,647              |
| Commercial<br>mortgage-backed securities<br>guaranteed by U.S.<br>government agencies |                            |                                      |                    |                                      |                    |                        |                    |
| Other debt securities   | 2                          | —                                    | —                  | 4,150                                | 250                | 4,150                  | 250                |
| Perpetual preferred stocks  | —                          | —                                    | —                  | —                                    | —                  | —                      | —                  |
| Equity securities and<br>mutual funds   | 66                         | 24                                   | —                  | 1,007                                | 20                 | 1,031                  | 20                 |
| Total available for sale  | 186                        | \$225,413                            | \$1,673            | \$1,295,209                          | \$11,958           | \$1,520,622            | \$13,631           |

<sup>1</sup> Includes securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income.

## Impaired Securities as of December 31, 2014

(In thousands)

|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months or Longer Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
|--|----------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|------------------|-----------------|
| <b>Investment:</b>   |                      |                                |                                     |                                |                                     |                  |                 |
| Municipal and other tax-exempt   | 78                   | \$112,677                      | \$426                               | \$60,076                       | \$525                               | \$172,753        | \$951           |
| U.S. Agency residential mortgage-backed securities – Other                   | —                    | —                              | —                                   | —                              | —                                   | —                | —               |
| Other debt securities  | 84                   | 31,274                         | 637                                 | 761                            | 20                                  | 32,035           | 657             |
| Total investment   | 162                  | \$143,951                      | \$1,063                             | \$60,837                       | \$545                               | \$204,788        | \$1,608         |
|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months or Longer Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
| <b>Available for sale:</b>   |                      |                                |                                     |                                |                                     |                  |                 |
| Municipal and other tax-exempt   | 22                   | \$10,838                       | \$12                                | \$12,176                       | \$729                               | \$23,014         | \$741           |
| Residential mortgage-backed securities:                                      |                      |                                |                                     |                                |                                     |                  |                 |
| U. S. agencies:  |                      |                                |                                     |                                |                                     |                  |                 |
| FNMA   | 24                   | 257,854                        | 547                                 | 454,394                        | 5,425                               | 712,248          | 5,972           |
| FHLMC  | 16                   | 62,950                         | 37                                  | 310,834                        | 2,612                               | 373,784          | 2,649           |
| GNMA   | 5                    | 8,550                          | 12                                  | 128,896                        | 2,605                               | 137,446          | 2,617           |
| Total U.S. agencies  | 45                   | 329,354                        | 596                                 | 894,124                        | 10,642                              | 1,223,478        | 11,238          |
| Private issue <sup>1</sup> :   |                      |                                |                                     |                                |                                     |                  |                 |
| Alt-A loans  | 4                    | 11,277                         | 307                                 | —                              | —                                   | 11,277           | 307             |
| Jumbo-A loans  | 8                    | —                              | —                                   | 10,020                         | 357                                 | 10,020           | 357             |
| Total private issue  | 12                   | 11,277                         | 307                                 | 10,020                         | 357                                 | 21,297           | 664             |
| Total residential mortgage-backed securities                                 | 57                   | 340,631                        | 903                                 | 904,144                        | 10,999                              | 1,244,775        | 11,902          |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 104                  | 223,106                        | 454                                 | 1,238,376                      | 19,465                              | 1,461,482        | 19,919          |
| Other debt securities  | 2                    | —                              | —                                   | 4,150                          | 252                                 | 4,150            | 252             |
| Perpetual preferred stocks   | 2                    | 2,898                          | 77                                  | —                              | —                                   | 2,898            | 77              |
| Equity securities and mutual funds   | 68                   | —                              | —                                   | 1,205                          | 30                                  | 1,205            | 30              |
| Total available for sale   | 255                  | \$577,473                      | \$1,446                             | \$2,160,051                    | \$31,475                            | \$2,737,524      | \$32,921        |

<sup>1</sup> Includes securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income.





## Impaired Securities as of March 31, 2014

(In thousands)

|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months or Longer Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
|--|----------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|------------------|-----------------|
| Investment:  |                      |                                |                                     |                                |                                     |                  |                 |
| Municipal and other tax-exempt   | 96                   | \$78,833                       | \$601                               | \$117,909                      | \$1,352                             | \$196,742        | \$1,953         |
| U.S. Agency residential mortgage-backed securities – Other                   | 1                    | 9,645                          | 40                                  | —                              | —                                   | 9,645            | 40              |
| Other debt securities  | 31                   | 12,516                         | 130                                 | 798                            | 43                                  | 13,314           | 173             |
| Total investment   | 128                  | \$100,994                      | \$771                               | \$118,707                      | \$1,395                             | \$219,701        | \$2,166         |
|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months or Longer Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
| Available for sale:  |                      |                                |                                     |                                |                                     |                  |                 |
| Municipal and other tax-exempt <sup>1</sup>                                  | 29                   | \$13,750                       | \$198                               | \$16,601                       | \$719                               | \$30,351         | \$917           |
| Residential mortgage-backed securities:                                      |                      |                                |                                     |                                |                                     |                  |                 |
| U. S. agencies:  |                      |                                |                                     |                                |                                     |                  |                 |
| FNMA   | 77                   | 2,075,587                      | 35,893                              | —                              | —                                   | 2,075,587        | 35,893          |
| FHLMC  | 45                   | 1,236,653                      | 21,814                              | —                              | —                                   | 1,236,653        | 21,814          |
| GNMA   | 14                   | 423,725                        | 5,681                               | —                              | —                                   | 423,725          | 5,681           |
| Total U.S. agencies  | 136                  | 3,735,965                      | 63,388                              | —                              | —                                   | 3,735,965        | 63,388          |
| Private issue <sup>1</sup> :   |                      |                                |                                     |                                |                                     |                  |                 |
| Alt-A loans  | 5                    | —                              | —                                   | 15,725                         | 284                                 | 15,725           | 284             |
| Jumbo-A loans  | 8                    | 11,744                         | 308                                 | —                              | —                                   | 11,744           | 308             |
| Total private issue  | 13                   | 11,744                         | 308                                 | 15,725                         | 284                                 | 27,469           | 592             |
| Total residential mortgage-backed securities                                 | 149                  | 3,747,709                      | 63,696                              | 15,725                         | 284                                 | 3,763,434        | 63,980          |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies |                      |                                |                                     |                                |                                     |                  |                 |
| Other debt securities  | 3                    | 481                            | 19                                  | 4,231                          | 168                                 | 4,712            | 187             |
| Perpetual preferred stocks   | —                    | —                              | —                                   | —                              | —                                   | —                | —               |
| Equity securities and mutual funds   | 106                  | 1,778                          | 48                                  | 172                            | 11                                  | 1,950            | 59              |
| Total available for sale   | 415                  | \$5,308,753                    | \$94,112                            | \$243,975                      | \$8,302                             | \$5,552,728      | \$102,414       |

<sup>1</sup> Includes securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income.

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

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Based on this evaluation as of March 31, 2015, the Company does not intend to sell any impaired available for sale securities before fair value recovers to the current amortized cost and it is more-likely-than-not that the Company will not be required to sell impaired securities before fair value recovers, which may be maturity.

- 61 -

---

Impairment of debt securities rated investment grade by all nationally-recognized rating agencies is considered temporary unless specific contrary information is identified. None of the debt securities rated investment grade were considered to be other-than-temporarily impaired at March 31, 2015.

- 62 -

---

At March 31, 2015, the composition of the Company's investment and available for sale securities portfolios by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

|   | U.S. Govt / GSE <sup>1</sup> |                  | AAA - AA         |                  | A - BBB         |                 | Below Investment Grade |                  | Not Rated        |                  | Total            |            |
|---|------------------------------|------------------|------------------|------------------|-----------------|-----------------|------------------------|------------------|------------------|------------------|------------------|------------|
|   | Carrying Value               | Fair Value       | Carrying Value   | Fair Value       | Carrying Value  | Fair Value      | Carrying Value         | Fair Value       | Carrying Value   | Fair Value       | Carrying Value   | Fair Value |
| <b>Investment:</b>                                  |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| Municipal and other tax-exempt                      | \$—                          | \$—              | \$256,859        | \$257,878        | \$13,078        | \$13,198        | \$—                    | \$126,126        | \$129,036        | \$396,063        | \$400,112        |            |
| Mortgage-backed securities -- other                 | 33,545                       | 35,253           | —                | —                | —               | —               | —                      | —                | —                | 33,545           | 35,253           |            |
| Other debt securities                               | —                            | —                | 151,442          | 169,373          | —               | —               | —                      | 53,537           | 53,233           | 204,979          | 222,606          |            |
| <b>Total investment securities</b>                  | <b>\$33,545</b>              | <b>\$35,253</b>  | <b>\$408,301</b> | <b>\$427,251</b> | <b>\$13,078</b> | <b>\$13,198</b> | <b>\$—</b>             | <b>\$179,663</b> | <b>\$182,269</b> | <b>\$634,587</b> | <b>\$657,971</b> |            |
|   |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
|   | U.S. Govt / GSE <sup>1</sup> |                  | AAA - AA         |                  | A - BBB         |                 | Below Investment Grade |                  | Not Rated        |                  | Total            |            |
|   | Amortized Cost               | Fair Value       | Amortized Cost   | Fair Value       | Amortized Cost  | Fair Value      | Amortized Cost         | Fair Value       | Amortized Cost   | Fair Value       | Amortized Cost   | Fair Value |
| <b>Available for Sale:</b>                          |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| U.S. Treasury                                       | \$1,000                      | \$1,001          | \$—              | \$—              | \$—             | \$—             | \$—                    | \$—              | \$—              | \$—              | \$—              | \$1,001    |
| Municipal and other tax-exempt                      | —                            | —                | 38,504           | 39,556           | 10,567          | 10,047          | —                      | —                | 11,227           | 11,215           | 60,253           |            |
| Residential mortgage-backed securities:             |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| U. S. government agencies:                          |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| FNMA  | 3,844,253                    | 3,930,186        | —                | —                | —               | —               | —                      | —                | —                | —                | 3,844,253        |            |
| FHLMC   | 2,040,364                    | 2,079,310        | —                | —                | —               | —               | —                      | —                | —                | —                | 2,040,364        |            |
| GNMA  | 698,346                      | 703,206          | —                | —                | —               | —               | —                      | —                | —                | —                | 698,346          |            |
| Other   | 4,533                        | 4,867            | —                | —                | —               | —               | —                      | —                | —                | —                | 4,533            |            |
| <b>Total U.S. government agencies</b>               | <b>6,587,496</b>             | <b>6,717,569</b> | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>—</b>               | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>6,587,496</b> |            |
| Private issue:                                      |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| Alt-A loans   | —                            | —                | —                | —                | —               | —               | 63,765                 | 69,369           | —                | —                | 63,765           |            |
| Jumbo-A loans                                       | —                            | —                | —                | —                | —               | —               | 85,269                 | 90,662           | —                | —                | 85,269           |            |
| <b>Total private issue</b>                          | <b>—</b>                     | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>149,034</b>         | <b>160,031</b>   | <b>—</b>         | <b>—</b>         | <b>149,034</b>   |            |
| <b>Total residential mortgage-backed securities</b> | <b>6,587,496</b>             | <b>6,717,569</b> | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>149,034</b>         | <b>160,031</b>   | <b>—</b>         | <b>—</b>         | <b>6,736,530</b> |            |
| Commercial mortgage-backed                          | 2,157,985                    | 2,164,842        | —                | —                | —               | —               | —                      | —                | —                | —                | 2,157,985        |            |

|  |             |             |          |          |          |          |           |           |          |          |         |         |
|--|-------------|-------------|----------|----------|----------|----------|-----------|-----------|----------|----------|---------|---------|
| securities<br>guaranteed by<br>U.S. government<br>agencies |             |             |          |          |          |          |           |           |          |          |         |         |
| Other debt securities                                      | —           | —           | 4,400    | 4,150    | 5,005    | 5,005    | —         | —         | —        | —        | —       | 9,405   |
| Perpetual preferred stock                                  | —           | —           | —        | —        | 11,406   | 12,623   | 10,765    | 12,360    | —        | —        | —       | 22,171  |
| Equity securities and mutual funds                         | —           | —           | 4        | 497      | —        | —        | —         | —         | 18,675   | 19,279   | 18,675  | —       |
| Total available for sale securities                        | \$8,746,481 | \$8,883,412 | \$42,908 | \$44,203 | \$26,978 | \$27,675 | \$159,799 | \$172,391 | \$29,902 | \$30,494 | \$9,000 | \$9,000 |

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

At March 31, 2015, the entire portfolio of privately issued residential mortgage-backed securities was rated below investment grade. The gross unrealized loss on these securities totaled \$1.4 million. Ratings by the nationally-recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below investment grade was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure.

The primary assumptions used in this evaluation were:

|   | March 31,<br>2015   | December 31,<br>2014  | March 31,<br>2014   |
|---|---|---|---|
| Unemployment rate                       | Held constant at 5.6% over the next 12 months and remain at 5.6% thereafter. Starting with current depreciated housing prices based on information derived from the FHFA1,  | Held constant at 5.6% over the next 12 months and remain at 5.6% thereafter. Starting with current depreciated housing prices based on information derived from the FHFA1,  | Held constant at 7.3% over the next 12 months and remains at 7.3% thereafter. Starting with current depreciated housing prices based on information derived from the FHFA1,   |
| Housing price appreciation/depreciation | appreciating 3.2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. | appreciating 3.2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. | appreciating 4% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. |
| Estimated liquidation costs             | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.  | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.  | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.  |
| Discount rates                          |   |   |   |

<sup>1</sup> Federal Housing Finance Agency

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

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

ratio for the security as a whole.

Remaining credit enhancement is the amount of credit enhancement available to absorb current projected losses within the pool of loans that support the security. The Company acquires the benefit of credit enhancement by investing in senior or super-senior tranches for many of our residential mortgage-backed securities. Subordinated tranches held by other investors are specifically designed to absorb losses before the senior or super-senior tranches, which effectively increases the typical credit support for these types of bonds. Current projected losses consider depreciation of home prices based on FHFA data, estimated costs and additional losses to liquidate collateral and delinquency status of the individual loans underlying the security.

Credit loss impairment is recorded as a charge to earnings. Additional impairment based on the difference between the total unrealized loss and the estimated credit loss on these securities is charged against other comprehensive income, net of deferred taxes. Credit loss impairments of \$92 thousand were recognized in earnings on privately issued residential mortgage-backed securities during the three months ended March 31, 2015.

- 64 -

---



A distribution of the amortized cost (after recognition of the other-than-temporary impairment), fair value and credit loss impairments recognized on our privately issued residential mortgage-backed securities is as follows (in thousands, except for number of securities):

|         | Number of Securities | Amortized Cost | Fair Value | Credit Losses Recognized          |        |                      |          |
|---------|----------------------|----------------|------------|-----------------------------------|--------|----------------------|----------|
|         |                      |                |            | Three months ended March 31, 2015 |        | Life-to-date         |          |
|         |                      |                |            | Number of Securities              | Amount | Number of Securities | Amount   |
| Alt-A   | 14                   | \$63,765       | \$69,369   | 1                                 | \$92   | 14                   | \$36,219 |
| Jumbo-A | 30                   | 85,269         | 90,662     | —                                 | —      | 29                   | 18,220   |
| Total   | 44                   | \$149,034      | \$160,031  | 1                                 | \$92   | 43                   | \$54,439 |

Impaired equity securities, including perpetual preferred stocks, are evaluated based on management's ability and intent to hold the securities until fair value recovers over periods not to exceed three years. The assessment of the ability and intent to hold these securities focuses on the liquidity needs, asset/liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings and credit spreads for preferred stocks which have debt-like characteristics. The Company has evaluated the near-term prospects of the investments in relation to the severity and duration of the impairment and based on that evaluation has the ability and intent to hold these investments until a recovery in fair value. Accordingly, all impairment of equity securities was considered temporary at March 31, 2015.

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

|   | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2015                         | 2014      |
| Balance of credit-related OTTI recognized on available for sale debt securities, beginning of period  | \$54,347                     | \$67,346  |
| Additions for credit-related OTTI not previously recognized   | —                            | —         |
| Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost | 92                           | —         |
| Reductions for change in intent to hold before recovery   | —                            | —         |
| Sales   | —                            | (12,999 ) |
| Balance of credit-related OTTI recognized on available for sale debt securities, end of period  | \$54,439                     | \$54,347  |

Additions above exclude other-than-temporary impairment recorded due to change in intent to hold before recovery.

## Fair Value Option Securities

Fair value option securities represent securities which the Company has elected to carry at fair value and are separately identified on the Consolidated Balance Sheets. Changes in the fair value are recognized in earnings as they occur. Certain residential mortgage-backed securities issued by U.S. government agencies and derivative contracts are held as an economic hedge of the mortgage servicing rights. In addition, certain corporate debt securities are economically hedged by derivative contracts to manage interest rate risk. Derivative contracts that have not been designated as hedging instruments effectively modify these fixed rate securities into variable rate securities.

The fair value and net unrealized gain (loss) included in fair value option securities is as follows (in thousands):

|  | March 31, 2015 |                            | December 31, 2014 |                            | March 31, 2014 |                            |
|--|----------------|----------------------------|-------------------|----------------------------|----------------|----------------------------|
|  | Fair Value     | Net Unrealized Gain (Loss) | Fair Value        | Net Unrealized Gain (Loss) | Fair Value     | Net Unrealized Gain (Loss) |
| U.S. agency residential mortgage-backed securities | \$434,077      | \$4,271                    | \$311,597         | \$1,624                    | \$156,525      | \$(5,794)                  |
| Other securities                                   | —              | —                          | —                 | —                          | 4,359          | 284                        |
| Total  | \$434,077      | \$4,271                    | \$311,597         | \$1,624                    | \$160,884      | \$(5,510)                  |

## Restricted Equity Securities

Restricted equity securities include stock we are required to hold as members of the Federal Reserve system and the Federal Home Loan Banks ("FHLB"). Restricted equity securities are carried at cost as these securities do not have a readily determined fair value because ownership of these shares are restricted and lacks a market. A summary of restricted equity securities follows (in thousands):

|                              | March 31,<br>2015 | Dec. 31,<br>2014 | March 31,<br>2014 |
|------------------------------|-------------------|------------------|-------------------|
| Federal Reserve stock        | \$35,018          | \$35,018         | \$33,741          |
| Federal Home Loan Bank stock | 177,667           | 106,476          | 51,902            |
| Total                        | \$212,685         | \$141,494        | \$85,643          |

### (3) Derivatives

Derivative instruments may be used by the Company as part of its interest rate risk management programs or may be offered to customers. All derivative instruments are carried at fair value and changes in fair value are reported in earnings as they occur. Credit risk is also considered in determining fair value.

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

Derivative contracts may require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. In addition, derivative contracts executed with customers under Customer Risk Management Programs may be secured by non-cash collateral in conjunction with a credit agreement with that customer. Access to collateral, in the event of default is reasonably assured. As of March 31, 2015, a decrease in BOK Financial's credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$22 million.

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

#### Customer Risk Management Programs

BOK Financial offers programs to permit its customers to manage various risks, including fluctuations in energy, cattle and other agricultural products, and foreign exchange rates, or to take positions in derivative contracts. Customers may also manage interest rate risk through interest rate swaps used by borrowers to modify interest rate terms of their loans or to-be-announced securities used by mortgage banking customers to hedge their loan production. Derivative contracts are executed between the customers and BOK Financial. Offsetting contracts are executed between BOK Financial and other selected counterparties to minimize the risk of changes in commodity prices, interest rates or foreign exchange rates. The counterparty contracts are identical to customer contracts, except for a fixed pricing spread or fee paid to BOK Financial as profit and compensation for administrative costs and credit risk which is recognized over the life of the contracts and included in other operating revenue – brokerage and trading revenue in the Consolidated Statements of Earnings.

#### Interest Rate Risk Management Programs

BOK Financial may use derivative contracts in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed-rate liabilities to floating-rate based on LIBOR. As of March 31, 2015, BOK Financial had interest rate swaps with a notional value of \$47 million used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

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



The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at March 31, 2015 (in thousands):

| Assets   |                       |                  |                     |                                       |                 |                                   |
|--|-----------------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
|  | Notional <sup>1</sup> | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |                       |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |                       |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$18,144,202          | \$115,693        | \$(38,135 )         | \$77,558                              | \$—             | \$77,558                          |
| Interest rate swaps                                    | 1,174,975             | 39,880           | —                   | 39,880                                | —               | 39,880                            |
| Energy contracts                                       | 651,548               | 133,391          | (47,576 )           | 85,815                                | (62,118 )       | 23,697                            |
| Agricultural contracts                                 | 37,545                | 837              | (367 )              | 470                                   | —               | 470                               |
| Foreign exchange contracts                             | 379,243               | 311,739          | —                   | 311,739                               | —               | 311,739                           |
| Equity option contracts                                | 185,043               | 8,939            | —                   | 8,939                                 | (100 )          | 8,839                             |
| Total customer risk management programs                | 20,572,556            | 610,479          | (86,078 )           | 524,401                               | (62,218 )       | 462,183                           |
| Interest rate risk management programs                 | 22,000                | 203              | —                   | 203                                   | —               | 203                               |
| Total derivative contracts                             | \$20,594,556          | \$610,682        | \$(86,078 )         | \$524,604                             | \$(62,218 )     | \$462,386                         |
| Liabilities  |                       |                  |                     |                                       |                 |                                   |
|  | Notional <sup>1</sup> | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |                       |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |                       |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$17,920,104          | \$111,977        | \$(38,135 )         | \$73,842                              | \$(61,094 )     | \$12,748                          |
| Interest rate swaps                                    | 1,174,975             | 40,134           | —                   | 40,134                                | (23,121 )       | 17,013                            |
| Energy contracts                                       | 634,459               | 130,396          | (47,576 )           | 82,820                                | —               | 82,820                            |
| Agricultural contracts                                 | 37,536                | 830              | (367 )              | 463                                   | —               | 463                               |
| Foreign exchange contracts                             | 378,406               | 310,940          | —                   | 310,940                               | (13,716 )       | 297,224                           |
| Equity option contracts                                | 185,043               | 8,939            | —                   | 8,939                                 | —               | 8,939                             |
| Total customer risk management programs                | 20,330,523            | 603,216          | (86,078 )           | 517,138                               | (97,931 )       | 419,207                           |
| Interest rate risk management programs                 | 25,000                | 144              | —                   | 144                                   | —               | 144                               |
| Total derivative contracts                             | \$20,355,523          | \$603,360        | \$(86,078 )         | \$517,282                             | \$(97,931 )     | \$419,351                         |

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



The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2014 (in thousands):

| Assets   |              |                  |                     |                                       |                 |                                   |
|--|--------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
|  | Notional     | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |              |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |              |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$13,313,615 | \$94,719         | \$(39,359)          | \$55,360                              | \$—             | \$55,360                          |
| Interest rate swaps                                    | 1,165,568    | 35,405           | —                   | 35,405                                | —               | 35,405                            |
| Energy contracts                                       | 579,801      | 141,166          | (48,624)            | 92,542                                | (71,310)        | 21,232                            |
| Agricultural contracts                                 | 47,657       | 1,904            | (1,256)             | 648                                   | —               | 648                               |
| Foreign exchange contracts                             | 290,965      | 238,395          | —                   | 238,395                               | —               | 238,395                           |
| Equity option contracts                                | 194,960      | 10,834           | —                   | 10,834                                | —               | 10,834                            |
| Total customer risk management programs                | 15,592,566   | 522,423          | (89,239)            | 433,184                               | (71,310)        | 361,874                           |
| Interest rate risk management programs                 | —            | —                | —                   | —                                     | —               | —                                 |
| Total derivative contracts                             | \$15,592,566 | \$522,423        | \$(89,239)          | \$433,184                             | \$(71,310)      | \$361,874                         |
| Liabilities  |              |                  |                     |                                       |                 |                                   |
|  | Notional     | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |              |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |              |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$13,471,880 | \$91,949         | \$(39,359)          | \$52,590                              | \$(52,290)      | \$300                             |
| Interest rate swaps                                    | 1,165,568    | 35,599           | —                   | 35,599                                | (18,717)        | 16,882                            |
| Energy contracts                                       | 579,801      | 142,839          | (48,624)            | 94,215                                | —               | 94,215                            |
| Agricultural contracts                                 | 47,418       | 1,908            | (1,256)             | 652                                   | (596)           | 56                                |
| Foreign exchange contracts                             | 290,856      | 238,118          | —                   | 238,118                               | (6,703)         | 231,415                           |
| Equity option contracts                                | 194,960      | 10,834           | —                   | 10,834                                | —               | 10,834                            |
| Total customer risk management programs                | 15,750,483   | 521,247          | (89,239)            | 432,008                               | (78,306)        | 353,702                           |
| Interest rate risk management programs                 | 47,000       | 852              | —                   | 852                                   | —               | 852                               |
| Total derivative contracts                             | \$15,797,483 | \$522,099        | \$(89,239)          | \$432,860                             | \$(78,306)      | \$354,554                         |

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





The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at March 31, 2014 (in thousands):

| Assets   |                       |                  |                     |                                       |                 |                                   |
|--|-----------------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
|  | Notional <sup>1</sup> | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |                       |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |                       |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$ 10,859,613         | \$ 30,897        | \$(20,219 )         | \$ 10,678                             | \$—             | \$ 10,678                         |
| Interest rate swaps                                    | 1,266,880             | 41,331           | —                   | 41,331                                | —               | 41,331                            |
| Energy contracts                                       | 1,207,861             | 53,440           | (27,112 )           | 26,328                                | —               | 26,328                            |
| Agricultural contracts                                 | 111,960               | 4,208            | (1,875 )            | 2,333                                 | —               | 2,333                             |
| Foreign exchange contracts                             | 123,278               | 123,278          | —                   | 123,278                               | —               | 123,278                           |
| Equity option contracts                                | 208,977               | 17,939           | —                   | 17,939                                | (3,380 )        | 14,559                            |
| Total customer risk management programs                | 13,778,569            | 271,093          | (49,206 )           | 221,887                               | (3,380 )        | 218,507                           |
| Interest rate risk management programs                 | —                     | —                | —                   | —                                     | —               | —                                 |
| Total derivative contracts                             | \$ 13,778,569         | \$ 271,093       | \$(49,206 )         | \$ 221,887                            | \$(3,380 )      | \$ 218,507                        |
| Liabilities  |                       |                  |                     |                                       |                 |                                   |
|  | Notional <sup>1</sup> | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs:                     |                       |                  |                     |                                       |                 |                                   |
| Interest rate contracts                                |                       |                  |                     |                                       |                 |                                   |
| To-be-announced residential mortgage-backed securities | \$ 11,398,442         | \$ 27,966        | \$(20,219 )         | \$ 7,747                              | \$—             | \$ 7,747                          |
| Interest rate swaps                                    | 1,266,880             | 41,596           | —                   | 41,596                                | (17,388 )       | 24,208                            |
| Energy contracts                                       | 1,134,208             | 51,308           | (27,112 )           | 24,196                                | (14,202 )       | 9,994                             |
| Agricultural contracts                                 | 105,518               | 4,174            | (1,875 )            | 2,299                                 | (2,287 )        | 12                                |
| Foreign exchange contracts                             | 122,939               | 122,939          | —                   | 122,939                               | —               | 122,939                           |
| Equity option contracts                                | 208,977               | 17,939           | —                   | 17,939                                | —               | 17,939                            |
| Total customer risk management programs                | 14,236,964            | 265,922          | (49,206 )           | 216,716                               | (33,877 )       | 182,839                           |
| Interest rate risk management programs                 | 47,000                | 2,660            | —                   | 2,660                                 | —               | 2,660                             |
| Total derivative contracts                             | \$ 14,283,964         | \$ 268,582       | \$(49,206 )         | \$ 219,376                            | \$(33,877 )     | \$ 185,499                        |

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



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

|  | Three Months Ended            |                          | March 31, 2014                |                          |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
|  | March 31, 2015                |                          | March 31, 2014                |                          |
|  | Brokerage and Trading Revenue | Gain on Derivatives, Net | Brokerage and Trading Revenue | Gain on Derivatives, Net |
| Customer risk management programs:                     |                               |                          |                               |                          |
| Interest rate contracts                                |                               |                          |                               |                          |
| To-be-announced residential mortgage-backed securities | \$8,250                       | \$—                      | \$5,381                       | \$—                      |
| Interest rate swaps                                    | 473                           | —                        | 507                           | —                        |
| Energy contracts                                       | 1,341                         | —                        | 871                           | —                        |
| Agricultural contracts                                 | 12                            | —                        | 63                            | —                        |
| Foreign exchange contracts                             | 245                           | —                        | 219                           | —                        |
| Equity option contracts                                | —                             | —                        | —                             | —                        |
| Total customer risk management programs                | 10,321                        | —                        | 7,041                         | —                        |
| Interest rate risk management programs                 | —                             | 911                      | —                             | 968                      |
| Total derivative contracts                             | \$10,321                      | \$911                    | \$7,041                       | \$968                    |

Net interest revenue was not significantly impacted by the settlement of amounts receivable or payable on interest rate swaps for the three and three months ended March 31, 2015 and 2014, respectively.

#### (4) Loans and Allowances for Credit Losses

##### Loans

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

Interest is accrued at the applicable interest rate on the principal amount outstanding. Loans are placed on nonaccruing status when, in the opinion of management, full collection of principal or interest is uncertain. Internally risk graded loans are individually evaluated for nonaccruing status quarterly. Non-risk graded loans are generally placed on nonaccruing status when more than 90 days past due or within 60 days of being notified of the borrower's bankruptcy filing. Interest previously accrued but not collected is charged against interest income when the loan is placed on nonaccruing status. Payments on nonaccruing loans are applied to principal or recognized as interest income, according to management's judgment as to the collectability of principal. Loans may be returned to accruing status when, in the opinion of management, full collection of principal and interest, including principal previously charged off, is probable based on improvements in the borrower's financial condition or a sustained period of performance.

Loans to borrowers experiencing financial difficulties may be modified in troubled debt restructurings ("TDRs"). All TDRs are classified as nonaccruing. Modifications generally consist of extension of payment terms or interest rate concessions and may result either voluntarily through negotiations with the borrower or involuntarily through court order. Generally, principal and accrued but unpaid interest is not voluntarily forgiven.

Performing loans may be renewed under the current collateral value, debt service ratio and other underwriting standards. Nonaccruing loans may be renewed and will remain classified as nonaccruing.

All loans are charged off when the loan balance or a portion of the loan balance is no longer supported by the paying capacity of the borrower or when the required cash flow is reduced in a TDR. The charge-off amount is determined through a quarterly evaluation of available cash resources and collateral value and charge-offs are taken in the quarter in which the loss is identified. Non-risk graded loans that are past due between 60 and 180 days, based on the loan product type, are charged off. Loans to borrowers whose personal obligation has been discharged through Chapter 7 bankruptcy proceedings are charged off within 60 days of notice of the bankruptcy filing, regardless of payment status.

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

Qualifying residential mortgage loans guaranteed by U.S. government agencies have been sold into GNMA pools. Under certain performance conditions specified in government programs, the Company may have the right, but not the obligation to repurchase loans from GNMA pools. These loans no longer qualify for sale accounting and are recognized in the Consolidated Balance Sheets. Guaranteed loans are considered impaired because we do not expect to receive all principal and interest based on the loan's contractual terms. The principal balance continues to be guaranteed; however, interest accrues at a curtailed rate as specified in the programs. The carrying value of these loans is reduced based on an estimate of the expected cash flows discounted at the original note rate plus a liquidity spread. Guaranteed loans may be modified in TDRs in accordance with U.S. government agency guidelines. Interest

continues to accrue based on the modified rate. Guaranteed loans may either be resold into GNMA pools after a performance period specified by the programs or foreclosed and conveyed to the guarantors.

Loans are disaggregated into portfolio segments and further disaggregated into classes. The portfolio segment is the level at which the Company develops and documents a systematic method for determining its allowance for credit losses. Classes are a further disaggregation of portfolio segments based on the risk characteristics of the loans and the Company's method for monitoring and assessing credit risk.

- 72 -

---

Portfolio segments of the loan portfolio are as follows (in thousands):

|  | March 31, 2015 |               |             |              | December 31, 2014 |               |             |              |
|--|----------------|---------------|-------------|--------------|-------------------|---------------|-------------|--------------|
|  | Fixed Rate     | Variable Rate | Non-accrual | Total        | Fixed Rate        | Variable Rate | Non-accrual | Total        |
| Commercial                                     | \$1,807,837    | \$7,569,446   | \$ 13,880   | \$9,391,163  | \$1,736,976       | \$7,345,167   | \$ 13,527   | \$9,095,670  |
| Commercial real estate                         | 703,511        | 2,212,051     | 19,902      | 2,935,464    | 721,513           | 1,988,080     | 18,557      | 2,728,150    |
| Residential mortgage                           | 1,679,211      | 201,301       | 46,487      | 1,926,999    | 1,698,620         | 202,771       | 48,121      | 1,949,512    |
| Consumer                                       | 100,719        | 329,327       | 464         | 430,510      | 102,865           | 331,274       | 566         | 434,705      |
| Total  | \$4,291,278    | \$10,312,125  | \$ 80,733   | \$14,684,136 | \$4,259,974       | \$9,867,292   | \$ 80,771   | \$14,208,037 |
| Accruing loans past due (90 days) <sup>1</sup> |                |               |             | \$523        |                   |               |             | \$125        |

  

|  | March 31, 2014 |               |             |              |
|--|----------------|---------------|-------------|--------------|
|  | Fixed Rate     | Variable Rate | Non-accrual | Total        |
| Commercial                                     | \$1,649,164    | \$6,383,495   | \$ 19,047   | \$8,051,706  |
| Commercial real estate                         | 764,688        | 1,827,414     | 39,305      | 2,631,407    |
| Residential mortgage                           | 1,749,693      | 223,602       | 45,380      | 2,018,675    |
| Consumer                                       | 125,757        | 249,335       | 974         | 376,066      |
| Total  | \$4,289,302    | \$8,683,846   | \$ 104,706  | \$13,077,854 |
| Accruing loans past due (90 days) <sup>1</sup> |                |               |             | \$1,991      |

<sup>1</sup> Excludes residential mortgage loans guaranteed by agencies of the U.S. government

At March 31, 2015, \$5.1 billion or 35% of our total loan portfolio is to businesses and individuals attributed to the Texas market and \$3.4 billion or 23% of the total loan portfolio is to businesses and individuals attributed to the Oklahoma market. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas.

## Commercial

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

At March 31, 2015, commercial loans attributed to the Texas market totaled \$3.4 billion or 36% of the commercial loan portfolio segment and commercial loans attributed to the Oklahoma market totaled \$2.0 billion or 21% of the commercial loan portfolio segment.

The commercial loan portfolio segment is further divided into loan classes. The energy loan class totaled \$2.9 billion or 20% of total loans at March 31, 2015, including \$2.5 billion of outstanding loans to energy producers. Approximately 61% of committed production loans are secured by properties primarily producing oil and 39% are

secured by properties producing natural gas. The services loan class totaled \$2.7 billion at March 31, 2015. Approximately \$1.2 billion of loans in the services category consist of loans with individual balances of less than \$10 million. Businesses included in the services class include governmental, finance and insurance, educational services, religious and similar entities.

- 73 -

---

## Commercial Real Estate

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

At March 31, 2015, 34% of commercial real estate loans are secured by properties primarily located in the Dallas and Houston areas of Texas. An additional 15% of commercial real estate loans are secured by properties located primarily in the Tulsa and Oklahoma City metropolitan areas of Oklahoma.

## Residential Mortgage and Consumer

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second mortgage on the customer's primary residence. Consumer loans include direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as other unsecured loans. Consumer loans also include indirect automobile loans made through primary dealers. Residential mortgage and consumer loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability. Residential mortgage loans retained in the Company's portfolio are primarily composed of various mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals and certain professionals. Jumbo loans may be fixed or variable rate and are fully amortizing. Jumbo loans generally conform to government sponsored entity standards, except that the loan size exceeds maximums required under these standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ("LTV") ratios are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

At March 31, 2015, residential mortgage loans included \$200 million of loans guaranteed by U.S. government agencies previously sold into GNMA mortgage pools. These loans either have been repurchased or are eligible to be repurchased by the Company when certain defined delinquency criteria are met. Although payments on these loans generally are past due more than 90 days, interest continues to accrue based on the government guarantee.

Home equity loans totaled \$763 million at March 31, 2015. Approximately, 70% of the home equity loan portfolio is comprised of first lien loans and 30% of the home equity portfolio is comprised of junior lien loans. Junior lien loans are distributed 71% to amortizing term loans and 29% to revolving lines of credit. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayments. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term, subject to an update of certain credit information.

## Credit Commitments



Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At March 31, 2015, outstanding commitments totaled \$8.1 billion. Because some commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BOK Financial uses the same credit policies in making commitments as it does loans.

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

- 74 -

---

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At March 31, 2015, outstanding standby letters of credit totaled \$394 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At March 31, 2015, outstanding commercial letters of credit totaled \$6.6 million.

#### Allowances for Credit Losses

BOK Financial maintains an allowance for loan losses and an accrual for off-balance sheet credit risk. The accrual for off-balance sheet credit risk is maintained at a level that is appropriate to cover estimated losses associated with credit instruments that are not currently recognized as assets such as loan commitments, standby letters of credit or guarantees. As discussed in greater detail in Note 5, the Company also has separate accruals for off-balance sheet credit risk related to residential mortgage loans previously sold with full or partial recourse and for residential mortgage loans sold to government sponsored agencies under standard representations and warranties.

The appropriateness of the allowance for loan losses and accrual for off-balance sheet credit losses (collectively "allowance for credit losses") is assessed by management based on an on-going quarterly evaluation of the probable estimated losses inherent in the portfolio, including probable losses on both outstanding loans and unused commitments.

The allowance for loan losses consists of specific allowances attributed to impaired loans that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans based on estimated loss rates by loan class and nonspecific allowances based on general economic conditions, risk concentration and related factors. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses and the accrual for off-balance sheet credit losses for the three months ended March 31, 2015.

Loans are considered to be impaired when it becomes probable that BOK Financial will be unable to collect all amounts due according to the contractual terms of the loan agreements. Internally risk graded loans are evaluated individually for impairment. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk graded based on evaluation of the borrowers' ability to repay. Certain commercial loans and most residential mortgage and consumer loans are small balance, homogeneous pools of loans that are not risk graded. Non-risk graded loans are identified as impaired based on performance status. Generally, non-risk graded loans 90 days or more past due or modified in a TDR or in bankruptcy are considered to be impaired.

Specific allowances for impaired loans are measured by an evaluation of estimated future cash flows discounted at the loans' initial effective interest rate or the fair value of collateral for certain collateral dependent loans. Collateral value of real property is generally based on third party appraisals that conform to Uniform Standards of Professional Appraisal Practice, less estimated selling costs. Appraised values are on an "as-is" basis and are generally not adjusted by the Company. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values have declined. Collateral value of mineral rights is generally determined by our internal staff of engineers based on projected cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. Historical statistics may be used as a practical way to estimate impairment in limited situations, such as when a collateral dependent loan is identified as impaired at the end of a reporting period, until an updated appraisal of collateral value is received or a full assessment of future cash flows is completed. Estimates of future cash flows and collateral values require significant judgments and may be volatile.



General allowances for unimpaired loans are based on estimated loss rates by loan class. The gross loss rate for each loan class is determined by the greater of the current gross loss rate based on the most recent twelve months or a ten-year gross loss rate. Recoveries are not directly considered in the estimation of loss rates. Recoveries generally do not follow predictable patterns and are not received until well after the charge-off date as a result of protracted legal actions. For risk graded loans, gross loss rates are adjusted for changes in risk grading. For each loan class, the current weighted average risk grade is compared to the long-term average risk grade. This comparison determines whether credit risk in each loan class is increasing or decreasing. Loss rates are adjusted upward or downward in proportion to changes in average risk grading. General allowances for unimpaired loans also consider inherent risks identified for each loan class. Inherent risks consider loss rates that most appropriately represent the current credit cycle and other factors attributable to specific loan classes which have not yet been represented in the gross loss rates or risk grading. These factors include changes in commodity prices or engineering imprecision, which may affect the value of reserves that secure our energy loan portfolio, construction risk that may affect commercial real estate loans, changes in regulations and public policy that may disproportionately impact health care loans and changes in loan products.

Nonspecific allowances are maintained for risks beyond factors specific to a particular loan or loan class. These factors include trends in the economy of our primary lending areas, concentrations in large balance loans and other relevant factors.

An accrual for off-balance sheet credit losses is included in Other liabilities in the Consolidated Balance Sheets. The appropriateness of this accrual is determined in the same manner as the allowance for loan losses.

A provision for credit losses is charged against or credited to earnings in amounts necessary to maintain an appropriate allowance for credit losses. Recoveries of loans previously charged off are added to the allowance when received.

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended March 31, 2015 is summarized as follows (in thousands):

|   | Commercial | Commercial<br>Real Estate | Residential<br>Mortgage | Consumer | Nonspecific<br>Allowance | Total     |
|---|------------|---------------------------|-------------------------|----------|--------------------------|-----------|
| Allowance for loan losses:                        |            |                           |                         |          |                          |           |
| Beginning balance                                 | \$90,875   | \$42,445                  | \$23,458                | \$4,233  | \$28,045                 | \$189,056 |
| Provision for loan losses                         | 10,353     | (10,417 )                 | (27 )                   | 339      | 28                       | 276       |
| Loans charged off                                 | (174 )     | (28 )                     | (624 )                  | (1,343 ) | —                        | (2,169 )  |
| Recoveries  | 357        | 8,819                     | 437                     | 910      | —                        | 10,523    |
| Ending balance                                    | \$101,411  | \$40,819                  | \$23,244                | \$4,139  | \$28,073                 | \$197,686 |
| Allowance for off-balance<br>sheet credit losses: |            |                           |                         |          |                          |           |
| Beginning balance                                 | \$475      | \$707                     | \$28                    | \$20     | \$—                      | \$1,230   |
| Provision for off-balance<br>sheet credit losses  | 102        | (374 )                    | (4 )                    | —        | —                        | (276 )    |
| Ending balance                                    | \$577      | \$333                     | \$24                    | \$20     | \$—                      | \$954     |
| Total provision for credit<br>losses              | \$10,455   | \$(10,791 )               | \$(31 )                 | \$339    | \$28                     | \$—       |

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended March 31, 2014 is summarized as follows (in thousands):

|   | Commercial | Commercial<br>Real Estate | Residential<br>Mortgage | Consumer | Nonspecific<br>Allowance | Total     |
|---|------------|---------------------------|-------------------------|----------|--------------------------|-----------|
| Allowance for loan losses:                        |            |                           |                         |          |                          |           |
| Beginning balance                                 | \$79,180   | \$41,573                  | \$29,465                | \$6,965  | \$28,213                 | \$185,396 |
| Provision for loan losses                         | 4,225      | (1,591 )                  | (516 )                  | (460 )   | (1,248 )                 | 410       |
| Loans charged off                                 | (144 )     | (220 )                    | (996 )                  | (1,488 ) | —                        | (2,848 )  |
| Recoveries  | 1,985      | 1,827                     | 354                     | 1,194    | —                        | 5,360     |
| Ending balance                                    | \$85,246   | \$41,589                  | \$28,307                | \$6,211  | \$26,965                 | \$188,318 |
| Allowance for off-balance<br>sheet credit losses: |            |                           |                         |          |                          |           |
| Beginning balance                                 | \$119      | \$1,876                   | \$90                    | \$3      | \$—                      | \$2,088   |
| Provision for off-balance<br>sheet credit losses  | 457        | (836 )                    | (28 )                   | (3 )     | —                        | (410 )    |
| Ending balance                                    | \$576      | \$1,040                   | \$62                    | \$—      | \$—                      | \$1,678   |
| Total provision for credit<br>losses              | \$4,682    | \$(2,427 )                | \$(544 )                | \$(463 ) | \$(1,248 )               | \$—       |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at March 31, 2015 is as follows (in thousands):

|                        | Collectively Measured<br>for Impairment |                      | Individually Measured<br>for Impairment |                      | Total                  |                      |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
|                        | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment | Related<br>Allowance |
| Commercial             | \$9,377,283                             | \$101,214            | \$13,880                                | \$197                | \$9,391,163            | \$101,411            |
| Commercial real estate | 2,915,562                               | 40,801               | 19,902                                  | 18                   | 2,935,464              | 40,819               |
| Residential mortgage   | 1,880,512                               | 23,142               | 46,487                                  | 102                  | 1,926,999              | 23,244               |
| Consumer               | 430,046                                 | 4,139                | 464                                     | —                    | 430,510                | 4,139                |
| Total                  | 14,603,403                              | 169,296              | 80,733                                  | 317                  | 14,684,136             | 169,613              |
| Nonspecific allowance  | —                                       | —                    | —                                       | —                    | —                      | 28,073               |
| Total                  | \$14,603,403                            | \$169,296            | \$80,733                                | \$317                | \$14,684,136           | \$197,686            |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2014 is as follows (in thousands):

|                        | Collectively Measured<br>for Impairment |                      | Individually Measured<br>for Impairment |                      | Total                  |                      |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
|                        | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment | Related<br>Allowance |
| Commercial             | \$9,082,143                             | \$90,709             | \$13,527                                | \$166                | \$9,095,670            | \$90,875             |
| Commercial real estate | 2,709,593                               | 42,404               | 18,557                                  | 41                   | 2,728,150              | 42,445               |
| Residential mortgage   | 1,901,391                               | 23,353               | 48,121                                  | 105                  | 1,949,512              | 23,458               |
| Consumer               | 434,139                                 | 4,233                | 566                                     | —                    | 434,705                | 4,233                |
| Total                  | 14,127,266                              | 160,699              | 80,771                                  | 312                  | 14,208,037             | 161,011              |
| Nonspecific allowance  | —                                       | —                    | —                                       | —                    | —                      | 28,045               |
| Total                  | \$14,127,266                            | \$160,699            | \$80,771                                | \$312                | \$14,208,037           | \$189,056            |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at March 31, 2014 is as follows (in thousands):

|                        | Collectively Measured<br>for Impairment |                      | Individually Measured<br>for Impairment |                      | Total                  |                      |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
|                        | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment                  | Related<br>Allowance | Recorded<br>Investment | Related<br>Allowance |
| Commercial             | \$8,032,659                             | \$81,813             | \$19,047                                | \$3,433              | \$8,051,706            | \$85,246             |
| Commercial real estate | 2,592,102                               | 41,404               | 39,305                                  | 185                  | 2,631,407              | 41,589               |
| Residential mortgage   | 1,973,295                               | 27,766               | 45,380                                  | 541                  | 2,018,675              | 28,307               |
| Consumer               | 375,092                                 | 6,211                | 974                                     | —                    | 376,066                | 6,211                |
| Total                  | 12,973,148                              | 157,194              | 104,706                                 | 4,159                | 13,077,854             | 161,353              |
| Nonspecific allowance  | —                                       | —                    | —                                       | —                    | —                      | 26,965               |
| Total                  | \$12,973,148                            | \$157,194            | \$104,706                               | \$4,159              | \$13,077,854           | \$188,318            |

#### Credit Quality Indicators

The Company utilizes loan class and risk grading as primary credit quality indicators. Substantially all commercial and commercial real estate loans and certain residential mortgage and consumer loans are risk graded based on a quarterly evaluation of the borrowers' ability to repay the loans. Certain commercial loans and most residential mortgage and consumer loans are small, homogeneous pools that are not risk graded.

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at March 31, 2015 is as follows (in thousands):

|                        | Internally Risk Graded |                      | Non-Graded             |                      | Total                  |                      |
|------------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
|                        | Recorded<br>Investment | Related<br>Allowance | Recorded<br>Investment | Related<br>Allowance | Recorded<br>Investment | Related<br>Allowance |
| Commercial             | \$9,367,119            | \$100,592            | \$24,044               | \$819                | \$9,391,163            | \$101,411            |
| Commercial real estate | 2,935,464              | 40,819               | —                      | —                    | 2,935,464              | 40,819               |
| Residential mortgage   | 196,782                | 3,028                | 1,730,217              | 20,216               | 1,926,999              | 23,244               |
| Consumer               | 341,530                | 1,386                | 88,980                 | 2,753                | 430,510                | 4,139                |
| Total                  | 12,840,895             | 145,825              | 1,843,241              | 23,788               | 14,684,136             | 169,613              |
| Nonspecific allowance  | —                      | —                    | —                      | —                    | —                      | 28,073               |
| Total                  | \$12,840,895           | \$145,825            | \$1,843,241            | \$23,788             | \$14,684,136           | \$197,686            |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at December 31, 2014 is as follows (in thousands):

|                        | Internally Risk Graded |                   | Non-Graded          |                   | Total               |                   |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                        | Recorded Investment    | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial             | \$9,073,030            | \$90,085          | \$22,640            | \$790             | \$9,095,670         | \$90,875          |
| Commercial real estate | 2,728,150              | 42,445            | —                   | —                 | 2,728,150           | 42,445            |
| Residential mortgage   | 192,303                | 2,996             | 1,757,209           | 20,462            | 1,949,512           | 23,458            |
| Consumer               | 343,227                | 1,506             | 91,478              | 2,727             | 434,705             | 4,233             |
| Total                  | 12,336,710             | 137,032           | 1,871,327           | 23,979            | 14,208,037          | 161,011           |
| Nonspecific allowance  | —                      | —                 | —                   | —                 | —                   | 28,045            |
| Total                  | \$12,336,710           | \$137,032         | \$1,871,327         | \$23,979          | \$14,208,037        | \$189,056         |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at March 31, 2014 is as follows (in thousands):

|                        | Internally Risk Graded |                   | Non-Graded          |                   | Total               |                   |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                        | Recorded Investment    | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial             | \$8,029,443            | \$84,333          | \$22,263            | \$913             | \$8,051,706         | \$85,246          |
| Commercial real estate | 2,631,407              | 41,589            | —                   | —                 | 2,631,407           | 41,589            |
| Residential mortgage   | 209,608                | 4,695             | 1,809,067           | 23,612            | 2,018,675           | 28,307            |
| Consumer               | 269,985                | 2,765             | 106,081             | 3,446             | 376,066             | 6,211             |
| Total                  | 11,140,443             | 133,382           | 1,937,411           | 27,971            | 13,077,854          | 161,353           |
| Nonspecific allowance  | —                      | —                 | —                   | —                 | —                   | 26,965            |
| Total                  | \$11,140,443           | \$133,382         | \$1,937,411         | \$27,971          | \$13,077,854        | \$188,318         |

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

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





The following table summarizes the Company's loan portfolio at March 31, 2015 by the risk grade categories (in thousands):

|  | Internally Risk Graded |                   | Nonaccrual      | Non-Graded         |                 | Total               |
|--|------------------------|-------------------|-----------------|--------------------|-----------------|---------------------|
|  | Performing             | Potential Problem |                 | Performing         | Nonaccrual      |                     |
| <b>Commercial:</b>   |                        |                   |                 |                    |                 |                     |
| Energy   | \$2,857,004            | \$44,115          | \$1,875         | \$—                | \$—             | \$2,902,994         |
| Services   | 2,709,357              | 14,253            | 4,744           | —                  | —               | 2,728,354           |
| Wholesale/retail   | 1,241,961              | 23,960            | 4,401           | —                  | —               | 1,270,322           |
| Manufacturing  | 546,566                | 13,942            | 417             | —                  | —               | 560,925             |
| Healthcare   | 1,505,072              | 4,547             | 1,558           | —                  | —               | 1,511,177           |
| Other commercial and industrial                            | 392,549                | —                 | 798             | 23,957             | 87              | 417,391             |
| <b>Total commercial</b>                                    | <b>9,252,509</b>       | <b>100,817</b>    | <b>13,793</b>   | <b>23,957</b>      | <b>87</b>       | <b>9,391,163</b>    |
| <b>Commercial real estate:</b>                             |                        |                   |                 |                    |                 |                     |
| Residential construction and land development              | 128,795                | 759               | 9,598           | —                  | —               | 139,152             |
| Retail   | 654,429                | 574               | 3,857           | —                  | —               | 658,860             |
| Office   | 510,881                | 571               | 2,410           | —                  | —               | 513,862             |
| Multifamily  | 737,750                | 12,236            | —               | —                  | —               | 749,986             |
| Industrial   | 478,508                | —                 | 76              | —                  | —               | 478,584             |
| Other commercial real estate                               | 390,345                | 714               | 3,961           | —                  | —               | 395,020             |
| <b>Total commercial real estate</b>                        | <b>2,900,708</b>       | <b>14,854</b>     | <b>19,902</b>   | <b>—</b>           | <b>—</b>        | <b>2,935,464</b>    |
| <b>Residential mortgage:</b>                               |                        |                   |                 |                    |                 |                     |
| Permanent mortgage   | 192,473                | 2,069             | 2,240           | 736,357            | 31,125          | 964,264             |
| Permanent mortgages guaranteed by U.S. government agencies | —                      | —                 | —               | 196,923            | 3,256           | 200,179             |
| Home equity  | —                      | —                 | —               | 752,690            | 9,866           | 762,556             |
| <b>Total residential mortgage</b>                          | <b>192,473</b>         | <b>2,069</b>      | <b>2,240</b>    | <b>1,685,970</b>   | <b>44,247</b>   | <b>1,926,999</b>    |
| Consumer   | 341,355                | 17                | 158             | 88,674             | 306             | 430,510             |
| <b>Total</b>   | <b>\$12,687,045</b>    | <b>\$117,757</b>  | <b>\$36,093</b> | <b>\$1,798,601</b> | <b>\$44,640</b> | <b>\$14,684,136</b> |

The following table summarizes the Company's loan portfolio at December 31, 2014 by the risk grade categories (in thousands):

|  | Internally Risk Graded |                   | Nonaccrual      | Non-Graded         |                 | Total               |
|--|------------------------|-------------------|-----------------|--------------------|-----------------|---------------------|
|  | Performing             | Potential Problem |                 | Performing         | Nonaccrual      |                     |
| <b>Commercial:</b>   |                        |                   |                 |                    |                 |                     |
| Energy   | \$2,843,093            | \$15,919          | \$1,416         | \$—                | \$—             | \$2,860,428         |
| Services   | 2,497,888              | 15,140            | 5,201           | —                  | —               | 2,518,229           |
| Wholesale/retail   | 1,301,026              | 8,141             | 4,149           | —                  | —               | 1,313,316           |
| Manufacturing  | 527,951                | 4,193             | 450             | —                  | —               | 532,594             |
| Healthcare   | 1,449,024              | 4,565             | 1,380           | —                  | —               | 1,454,969           |
| Other commercial and industrial                            | 389,378                | 3,293             | 823             | 22,532             | 108             | 416,134             |
| <b>Total commercial</b>                                    | <b>9,008,360</b>       | <b>51,251</b>     | <b>13,419</b>   | <b>22,532</b>      | <b>108</b>      | <b>9,095,670</b>    |
| <b>Commercial real estate:</b>                             |                        |                   |                 |                    |                 |                     |
| Residential construction and land development              | 127,437                | 10,855            | 5,299           | —                  | —               | 143,591             |
| Retail   | 662,335                | 628               | 3,926           | —                  | —               | 666,889             |
| Office   | 411,548                | 576               | 3,420           | —                  | —               | 415,544             |
| Multifamily  | 691,053                | 13,245            | —               | —                  | —               | 704,298             |
| Industrial   | 428,817                | —                 | —               | —                  | —               | 428,817             |
| Other commercial real estate                               | 362,375                | 724               | 5,912           | —                  | —               | 369,011             |
| <b>Total commercial real estate</b>                        | <b>2,683,565</b>       | <b>26,028</b>     | <b>18,557</b>   | <b>—</b>           | <b>—</b>        | <b>2,728,150</b>    |
| <b>Residential mortgage:</b>                               |                        |                   |                 |                    |                 |                     |
| Permanent mortgage   | 187,520                | 1,773             | 3,010           | 745,813            | 31,835          | 969,951             |
| Permanent mortgages guaranteed by U.S. government agencies | —                      | —                 | —               | 202,238            | 3,712           | 205,950             |
| Home equity  | —                      | —                 | —               | 764,047            | 9,564           | 773,611             |
| <b>Total residential mortgage</b>                          | <b>187,520</b>         | <b>1,773</b>      | <b>3,010</b>    | <b>1,712,098</b>   | <b>45,111</b>   | <b>1,949,512</b>    |
| Consumer   | 343,041                | 19                | 167             | 91,079             | 399             | 434,705             |
| <b>Total</b>   | <b>\$12,222,486</b>    | <b>\$79,071</b>   | <b>\$35,153</b> | <b>\$1,825,709</b> | <b>\$45,618</b> | <b>\$14,208,037</b> |

The following table summarizes the Company's loan portfolio at March 31, 2014 by the risk grade categories (in thousands):

|  | Internally Risk Graded |                   |                 | Non-Graded         |                 | Total               |
|--|------------------------|-------------------|-----------------|--------------------|-----------------|---------------------|
|  | Performing             | Potential Problem | Nonaccrual      | Performing         | Nonaccrual      |                     |
| <b>Commercial:</b>   |                        |                   |                 |                    |                 |                     |
| Energy   | \$2,339,578            | \$2,735           | \$1,759         | \$—                | \$—             | \$2,344,072         |
| Services   | 2,213,569              | 14,321            | 4,581           | —                  | —               | 2,232,471           |
| Wholesale/retail   | 1,216,725              | 2,411             | 6,854           | —                  | —               | 1,225,990           |
| Manufacturing  | 429,523                | 11,127            | 3,565           | —                  | —               | 444,215             |
| Healthcare   | 1,392,315              | 2,804             | 1,443           | —                  | —               | 1,396,562           |
| Other commercial and industrial                            | 381,202                | 4,200             | 731             | 22,149             | 114             | 408,396             |
| <b>Total commercial</b>                                    | <b>7,972,912</b>       | <b>37,598</b>     | <b>18,933</b>   | <b>22,149</b>      | <b>114</b>      | <b>8,051,706</b>    |
| <b>Commercial real estate:</b>                             |                        |                   |                 |                    |                 |                     |
| Residential construction and land development              | 153,836                | 14,437            | 16,547          | —                  | —               | 184,820             |
| Retail   | 634,253                | 1,627             | 4,626           | —                  | —               | 640,506             |
| Office   | 428,815                | 1,148             | 6,301           | —                  | —               | 436,264             |
| Multifamily  | 648,999                | 13,675            | —               | —                  | —               | 662,674             |
| Industrial   | 304,321                | —                 | 886             | —                  | —               | 305,207             |
| Other commercial real estate                               | 388,122                | 2,869             | 10,945          | —                  | —               | 401,936             |
| <b>Total commercial real estate</b>                        | <b>2,558,346</b>       | <b>33,756</b>     | <b>39,305</b>   | <b>—</b>           | <b>—</b>        | <b>2,631,407</b>    |
| <b>Residential mortgage:</b>                               |                        |                   |                 |                    |                 |                     |
| Permanent mortgage   | 200,662                | 2,704             | 6,242           | 793,864            | 30,100          | 1,033,572           |
| Permanent mortgages guaranteed by U.S. government agencies | —                      | —                 | —               | 183,250            | 1,572           | 184,822             |
| Home equity  | —                      | —                 | —               | 792,815            | 7,466           | 800,281             |
| <b>Total residential mortgage</b>                          | <b>200,662</b>         | <b>2,704</b>      | <b>6,242</b>    | <b>1,769,929</b>   | <b>39,138</b>   | <b>2,018,675</b>    |
| Consumer   | 269,764                | 27                | 194             | 105,301            | 780             | 376,066             |
| <b>Total</b>   | <b>\$11,001,684</b>    | <b>\$74,085</b>   | <b>\$64,674</b> | <b>\$1,897,379</b> | <b>\$40,032</b> | <b>\$13,077,854</b> |

## Impaired Loans

Loans are considered to be impaired when it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. This includes all nonaccruing loans, all loans modified in a TDR and all loans repurchased from GNMA pools.

A summary of impaired loans follows (in thousands):

|  | As of<br>March 31, 2015        |                              |                      |                   |                      | For the<br>Three Months Ended<br>March 31, 2015 |                                  |
|--|--------------------------------|------------------------------|----------------------|-------------------|----------------------|---|----------------------------------|
|  | Unpaid<br>Principal<br>Balance | Recorded Investment<br>Total | With No<br>Allowance | With<br>Allowance | Related<br>Allowance | Average<br>Recorded<br>Investment               | Interest<br>Income<br>Recognized |
| Commercial:  |                                |                              |                      |                   |                      |   |                                  |
| Energy   | \$1,884                        | \$1,875                      | \$1,875              | \$—               | \$—                  | \$1,646   | \$—                              |
| Services   | 7,698                          | 4,744                        | 4,051                | 693               | 153                  | 4,972   | —                                |
| Wholesale/retail   | 9,953                          | 4,401                        | 4,369                | 32                | 9                    | 4,275   | —                                |
| Manufacturing  | 716                            | 417                          | 417                  | —                 | —                    | 433   | —                                |
| Healthcare   | 2,626                          | 1,558                        | 1,362                | 196               | 35                   | 1,469   | —                                |
| Other commercial and industrial  | 8,559                          | 885                          | 885                  | —                 | —                    | 908   | —                                |
| Total commercial   | 31,436                         | 13,880                       | 12,959               | 921               | 197                  | 13,703  | —                                |
| Commercial real estate:  |                                |                              |                      |                   |                      |   |                                  |
| Residential construction and land development                          | 14,367                         | 9,598                        | 9,598                | —                 | —                    | 7,449   | —                                |
| Retail   | 5,376                          | 3,857                        | 3,857                | —                 | —                    | 3,892   | —                                |
| Office   | 4,464                          | 2,410                        | 2,410                | —                 | —                    | 2,915   | —                                |
| Multifamily  | —                              | —                            | —                    | —                 | —                    | —   | —                                |
| Industrial   | 76                             | 76                           | 76                   | —                 | —                    | 38  | —                                |
| Other real estate loans  | 9,950                          | 3,961                        | 3,791                | 170               | 18                   | 4,936   | —                                |
| Total commercial real estate   | 34,233                         | 19,902                       | 19,732               | 170               | 18                   | 19,230  | —                                |
| Residential mortgage:  |                                |                              |                      |                   |                      |   |                                  |
| Permanent mortgage   | 42,011                         | 33,365                       | 33,200               | 165               | 102                  | 34,105  | 315                              |
| Permanent mortgage guaranteed by U.S. government agencies <sup>1</sup> | 207,133                        | 200,179                      | 200,179              | —                 | —                    | 207,795   | 2,256                            |
| Home equity  | 10,129                         | 9,866                        | 9,866                | —                 | —                    | 9,715   | —                                |
| Total residential mortgage   | 259,273                        | 243,410                      | 243,245              | 165               | 102                  | 251,615   | 2,571                            |
| Consumer   | 482                            | 464                          | 464                  | —                 | —                    | 515   | —                                |
| Total  | \$325,424                      | \$277,656                    | \$276,400            | \$1,256           | \$317                | \$285,063                                       | \$2,571                          |

All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not

<sup>1</sup> expect full collection of contractual principal and interest. At March 31, 2015, \$3.3 million of these loans were nonaccruing and \$197 million were accruing based on the guarantee by U.S. government agencies.

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



A summary of impaired loans at December 31, 2014 follows (in thousands):

|  | Unpaid<br>Principal<br>Balance | Recorded Investment |                      |                   |                      |
|--|--------------------------------|---------------------|----------------------|-------------------|----------------------|
|  |                                | Total               | With No<br>Allowance | With<br>Allowance | Related<br>Allowance |
| <b>Commercial:</b>   |                                |                     |                      |                   |                      |
| Energy   | \$1,444                        | \$1,416             | \$1,416              | \$—               | \$—                  |
| Services   | 8,068                          | 5,201               | 4,487                | 714               | 157                  |
| Wholesale/retail   | 9,457                          | 4,149               | 4,117                | 32                | 9                    |
| Manufacturing  | 737                            | 450                 | 450                  | —                 | —                    |
| Healthcare   | 2,432                          | 1,380               | 1,380                | —                 | —                    |
| Other commercial and industrial  | 8,604                          | 931                 | 931                  | —                 | —                    |
| Total commercial   | 30,742                         | 13,527              | 12,781               | 746               | 166                  |
| <b>Commercial real estate:</b>   |                                |                     |                      |                   |                      |
| Residential construction and land development                          | 10,071                         | 5,299               | 5,192                | 107               | 23                   |
| Retail   | 5,406                          | 3,926               | 3,926                | —                 | —                    |
| Office   | 5,959                          | 3,420               | 3,420                | —                 | —                    |
| Multifamily  | —                              | —                   | —                    | —                 | —                    |
| Industrial   | —                              | —                   | —                    | —                 | —                    |
| Other real estate loans  | 11,954                         | 5,912               | 5,739                | 173               | 18                   |
| Total commercial real estate   | 33,390                         | 18,557              | 18,277               | 280               | 41                   |
| <b>Residential mortgage:</b>   |                                |                     |                      |                   |                      |
| Permanent mortgage   | 43,463                         | 34,845              | 34,675               | 170               | 105                  |
| Permanent mortgage guaranteed by U.S. government agencies <sup>1</sup> | 212,684                        | 205,950             | 205,950              | —                 | —                    |
| Home equity  | 9,767                          | 9,564               | 9,564                | —                 | —                    |
| Total residential mortgage   | 265,914                        | 250,359             | 250,189              | 170               | 105                  |
| Total consumer   | 584                            | 566                 | 566                  | —                 | —                    |
| Total  | \$330,630                      | \$283,009           | \$281,813            | \$1,196           | \$312                |

All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not

<sup>1</sup> expect full collection of contractual principal and interest. At December 31, 2014, \$3.7 million of these loans were nonaccruing and \$202 million were accruing based on the guarantee by U.S. government agencies.

A summary of impaired loans at March 31, 2014 follows (in thousands):

|   | As of March 31, 2014           |                              |                      |                   |                      | For the<br>Three Months Ended<br>March 31, 2014 |                                  |
|---|--------------------------------|------------------------------|----------------------|-------------------|----------------------|---|----------------------------------|
|   | Unpaid<br>Principal<br>Balance | Total<br>Recorded Investment | With No<br>Allowance | With<br>Allowance | Related<br>Allowance | Average<br>Recorded<br>Investment               | Interest<br>Income<br>Recognized |
| <b>Commercial:</b>  |                                |                              |                      |                   |                      |   |                                  |
| Energy  | \$1,787                        | \$1,759                      | \$1,759              | \$—               | \$—                  | \$1,809   | \$—                              |
| Services  | 7,475                          | 4,581                        | 3,544                | 1,037             | 424                  | 4,752   | —                                |
| Wholesale/retail  | 11,765                         | 6,853                        | 6,821                | 32                | 9                    | 6,911   | —                                |
| Manufacturing   | 3,806                          | 3,565                        | 565                  | 3,000             | 3,000                | 2,078   | —                                |
| Healthcare  | 2,466                          | 1,443                        | 1,443                | —                 | —                    | 1,514   | —                                |
| Other commercial and industrial   | 8,510                          | 845                          | 845                  | —                 | —                    | 838   | —                                |
| Total commercial  | 35,809                         | 19,046                       | 14,977               | 4,069             | 3,433                | 17,902  | —                                |
| <b>Commercial real estate:</b>  |                                |                              |                      |                   |                      |   |                                  |
| Residential construction and<br>land development                          | 20,866                         | 16,547                       | 15,893               | 654               | 162                  | 16,962  | —                                |
| Retail  | 6,462                          | 4,626                        | 4,626                | —                 | —                    | 4,742   | —                                |
| Office  | 8,688                          | 6,301                        | 6,296                | 5                 | 5                    | 6,346   | —                                |
| Multifamily   | —                              | —                            | —                    | —                 | —                    | 3   | —                                |
| Industrial  | 1,043                          | 886                          | 886                  | —                 | —                    | 569   | —                                |
| Other real estate loans   | 17,692                         | 10,945                       | 10,761               | 184               | 18                   | 11,455  | —                                |
| Total commercial real estate  | 54,751                         | 39,305                       | 38,462               | 843               | 185                  | 40,077  | —                                |
| <b>Residential mortgage:</b>  |                                |                              |                      |                   |                      |   |                                  |
| Permanent mortgage  | 45,215                         | 36,342                       | 35,747               | 595               | 541                  | 35,310  | 345                              |
| Permanent mortgage guaranteed<br>by U.S. government agencies <sup>1</sup> | 191,067                        | 184,822                      | 184,822              | —                 | —                    | 186,987   | 2,136                            |
| Home equity   | 7,475                          | 7,466                        | 7,466                | —                 | —                    | 7,365   | —                                |
| Total residential mortgage  | 243,757                        | 228,630                      | 228,035              | 595               | 541                  | 229,662   | 2,481                            |
| Total consumer  | 989                            | 974                          | 974                  | —                 | —                    | 1,097   | —                                |
| Total   | \$335,306                      | \$287,955                    | \$282,448            | \$5,507           | \$4,159              | \$288,738                                       | \$2,481                          |

All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not expect full collection of contractual principal and interest. At March 31, 2014, \$1.6 million of these loans were nonaccruing and \$183 million were accruing based on the guarantee by U.S. government agencies.



## Troubled Debt Restructurings

A summary of troubled debt restructurings ("TDRs") by accruing status as of March 31, 2015 is as follows (in thousands):

|  | As of March 31, 2015 |  |  |                    | Amounts Charged Off During the Three Months Ended March 31, 2015 |
|--|----------------------|--|--|--------------------|--|
|  | Recorded Investment  | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance |  |
| Nonaccruing TDRs:  |                      |  |  |                    |  |
| Commercial:  |                      |  |  |                    |  |
| Energy   | \$—                  | \$—  | \$—  | \$—                | \$—  |
| Services   | 1,617                | 687  | 930  | 148                | —  |
| Wholesale/retail   | 3,224                | 3,131  | 93   | 9                  | —  |
| Manufacturing  | 325                  | 325  | —  | —                  | —  |
| Healthcare   | —                    | —  | —  | —                  | —  |
| Other commercial and industrial                            | 636                  | 87   | 549  | —                  | —  |
| Total commercial   | 5,802                | 4,230  | 1,572  | 157                | —  |
| Commercial real estate:                                    |                      |  |  |                    |  |
| Residential construction and land development              | 7,234                | 5,724  | 1,510  | —                  | —  |
| Retail   | 3,543                | 1,384  | 2,159  | —                  | —  |
| Office   | 1,364                | 182  | 1,182  | —                  | —  |
| Multifamily  | —                    | —  | —  | —                  | —  |
| Industrial   | —                    | —  | —  | —                  | —  |
| Other real estate loans                                    | 1,474                | 1,001  | 473  | —                  | —  |
| Total commercial real estate                               | 13,615               | 8,291  | 5,324  | —                  | —  |
| Residential mortgage:                                      |                      |  |  |                    |  |
| Permanent mortgage   | 15,680               | 11,667                                       | 4,013  | 102                | 5  |
| Permanent mortgage guaranteed by U.S. government agencies  | 1,579                | 320  | 1,259  | —                  | —  |
| Home equity  | 5,298                | 4,333  | 965  | —                  | 24   |
| Total residential mortgage                                 | 22,557               | 16,320                                       | 6,237  | 102                | 29   |
| Consumer   | 410                  | 254  | 156  | —                  | 4  |
| Total nonaccruing TDRs                                     | \$42,384             | \$29,095                                     | \$13,289   | \$259              | \$33   |
| Accruing TDRs:   |                      |  |  |                    |  |
| Permanent mortgages guaranteed by U.S. government agencies | 80,225               | 24,483                                       | 55,742   | —                  | —  |
| Total TDRs   | \$122,609            | \$53,578                                     | \$69,031   | \$259              | \$33   |



A summary of troubled debt restructurings by accruing status as of December 31, 2014 is as follows (in thousands):

|  | As of<br>December 31, 2014 |   | Not<br>Performing<br>in<br>Accordance<br>With<br>Modified<br>Terms | Specific<br>Allowance |
|--|----------------------------|---|--|-----------------------|
|  | Recorded<br>Investment     | Performing<br>in Accordance<br>With Modified<br>Terms |  |                       |
| Nonaccruing TDRs:  |                            |   |  |                       |
| Commercial:  |                            |   |  |                       |
| Energy   | \$—                        | \$—   | \$—  | \$—                   |
| Services   | 1,666                      | 706   | 960  | 148                   |
| Wholesale/retail   | 3,381                      | 3,284   | 97   | 9                     |
| Manufacturing  | 340                        | 340   | —  | —                     |
| Healthcare   | —                          | —   | —  | —                     |
| Other commercial and industrial                            | 674                        | 93  | 581  | —                     |
| Total commercial   | 6,061                      | 4,423   | 1,638  | 157                   |
| Commercial real estate:                                    |                            |   |  |                       |
| Residential construction and land development              | 3,140                      | 641   | 2,499  | 23                    |
| Retail   | 3,600                      | 2,432   | 1,168  | —                     |
| Office   | 2,324                      | —   | 2,324  | —                     |
| Multifamily  | —                          | —   | —  | —                     |
| Industrial   | —                          | —   | —  | —                     |
| Other real estate loans                                    | 1,647                      | 1,647   | —  | —                     |
| Total commercial real estate                               | 10,711                     | 4,720   | 5,991  | 23                    |
| Residential mortgage:                                      |                            |   |  |                       |
| Permanent mortgage   | 16,393                     | 11,134  | 5,259  | 105                   |
| Permanent mortgage guaranteed by U.S. government agencies  | 1,597                      | 179   | 1,418  | —                     |
| Home equity  | 5,184                      | 3,736   | 1,448  | —                     |
| Total residential mortgage                                 | 23,174                     | 15,049  | 8,125  | 105                   |
| Consumer   | 419                        | 253   | 166  | —                     |
| Total nonaccruing TDRs                                     | \$40,365                   | \$24,445  | \$ 15,920  | \$ 285                |
| Accruing TDRs:   |                            |   |  |                       |
| Permanent mortgages guaranteed by U.S. government agencies | 73,985                     | 17,274  | 56,711   | —                     |
| Total TDRs   | \$114,350                  | \$41,719  | \$ 72,631  | \$ 285                |



A summary of troubled debt restructurings by accruing status as of March 31, 2014 is as follows (in thousands):

As of March 31, 2014

|   | Recorded<br>Investment | Performing<br>in Accordance<br>With Modified<br>Terms | Not<br>Performing in<br>Accordance<br>With Modified<br>Terms | Specific<br>Allowance | Amounts<br>Charged<br>Off During the<br>Three Months<br>Ended<br>March 31, 2014 |
|---|------------------------|---|--|-----------------------|---|
| Nonaccruing TDRs:   |                        |   |  |                       |   |
| Commercial:   |                        |   |  |                       |   |
| Energy  | \$—                    | \$—   | \$—  | \$—                   | \$—   |
| Services  | 1,811                  | 761   | 1,050  | 148                   | —   |
| Wholesale/retail  | 207                    | 73  | 134  | 9                     | —   |
| Manufacturing   | 3,384                  | 384   | 3,000  | 3,000                 | —   |
| Healthcare  | —                      | —   | —  | —                     | —   |
| Other commercial and industrial                               | 750                    | 194   | 556  | —                     | —   |
| Total commercial  | 6,152                  | 1,412   | 4,740  | 3,157                 | —   |
| Commercial real estate:                                       |                        |   |  |                       |   |
| Residential construction and land<br>development              | 10,083                 | 1,839   | 8,244  | 162                   | —   |
| Retail  | 4,140                  | 2,584   | 1,556  | —                     | —   |
| Office  | 5,029                  | 3,848   | 1,181  | —                     | —   |
| Multifamily   | —                      | —   | —  | —                     | —   |
| Industrial  | —                      | —   | —  | —                     | —   |
| Other real estate loans                                       | 4,818                  | 3,277   | 1,541  | —                     | 67  |
| Total commercial real estate                                  | 24,070                 | 11,548  | 12,522   | 162                   | 67  |
| Residential mortgage:   |                        |   |  |                       |   |
| Permanent mortgage  | 18,755                 | 13,117  | 5,638  | 85                    | 208   |
| Permanent mortgage guaranteed<br>by U.S. government agencies  | 474                    | 181   | 293  | —                     | —   |
| Home equity   | 4,037                  | 3,451   | 586  | —                     | 14  |
| Total residential mortgage                                    | 23,266                 | 16,749  | 6,517  | 85                    | 222   |
| Consumer  | 759                    | 583   | 176  | —                     | —   |
| Total nonaccruing TDRs  | \$54,247               | \$30,292  | \$23,955   | \$3,404               | \$289   |
| Accruing TDRs:  |                        |   |  |                       |   |
| Permanent mortgages guaranteed<br>by U.S. government agencies | 55,507                 | 15,649  | 39,858   | —                     | —   |
| Total TDRs  | \$109,754              | \$45,941  | \$63,813   | \$3,404               | \$289   |

Troubled debt restructurings generally consist of interest rate concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans at March 31, 2015 by class that were restructured during the three months ended March 31, 2015 by primary type of concession (in thousands):

|   | Three Months Ended<br>March 31, 2015 |                     |          | Nonaccrual     |                     |         | Total    |
|---|--------------------------------------|---------------------|----------|----------------|---------------------|---------|----------|
|   | Accruing                             |                     | Total    | Payment Stream |                     | Total   |          |
|   | Payment Stream                       | Combination & Other |          | Payment Stream | Combination & Other |         |          |
| Commercial:   |                                      |                     |          |                |                     |         |          |
| Energy  | \$—                                  | \$—                 | \$—      | \$—            | \$—                 | \$—     | \$—      |
| Services  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Wholesale/retail  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Manufacturing   | —                                    | —                   | —        | —              | —                   | —       | —        |
| Healthcare  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Other commercial and industrial                           | —                                    | —                   | —        | —              | —                   | —       | —        |
| Total commercial  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Commercial real estate:                                   |                                      |                     |          |                |                     |         |          |
| Residential construction and land development             | —                                    | —                   | —        | 4,649          | —                   | 4,649   | 4,649    |
| Retail  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Office  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Multifamily   | —                                    | —                   | —        | —              | —                   | —       | —        |
| Industrial  | —                                    | —                   | —        | —              | —                   | —       | —        |
| Other real estate loans                                   | —                                    | —                   | —        | —              | —                   | —       | —        |
| Total commercial real estate                              | —                                    | —                   | —        | 4,649          | —                   | 4,649   | 4,649    |
| Residential mortgage:                                     |                                      |                     |          |                |                     |         |          |
| Permanent mortgage  | —                                    | —                   | —        | 659            | 622                 | 1,281   | 1,281    |
| Permanent mortgage guaranteed by U.S. government agencies | 7,990                                | 6,308               | 14,298   | —              | 142                 | 142     | 14,440   |
| Home equity   | —                                    | —                   | —        | 152            | 842                 | 994     | 994      |
| Total residential mortgage                                | 7,990                                | 6,308               | 14,298   | 811            | 1,606               | 2,417   | 16,715   |
| Consumer  | —                                    | —                   | —        | —              | 63                  | 63      | 63       |
| Total   | \$7,990                              | \$6,308             | \$14,298 | \$5,460        | \$1,669             | \$7,129 | \$21,427 |

Troubled debt restructurings generally consist of interest rate concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans by class that were restructured during three months ended March 31, 2014 by primary type of concession (in thousands):

|   | Three Months Ended<br>March 31, 2014 |                        |         |                                 |                        |         | Total   |
|---|--------------------------------------|------------------------|---------|---------------------------------|------------------------|---------|---------|
|   | Accruing<br>Payment<br>Stream        | Combination<br>& Other | Total   | Nonaccrual<br>Payment<br>Stream | Combination<br>& Other | Total   |         |
| Commercial:   |                                      |                        |         |                                 |                        |         |         |
| Energy  | \$—                                  | \$—                    | \$—     | \$—                             | \$—                    | \$—     | \$—     |
| Services  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Wholesale/retail  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Manufacturing   | —                                    | —                      | —       | 3,000                           | —                      | 3,000   | 3,000   |
| Healthcare  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Other commercial and industrial                           | —                                    | —                      | —       | —                               | 29                     | 29      | 29      |
| Total commercial  | —                                    | —                      | —       | 3,000                           | 29                     | 3,029   | 3,029   |
| Commercial real estate:                                   |                                      |                        |         |                                 |                        |         |         |
| Residential construction and land development             | —                                    | —                      | —       | 428                             | —                      | 428     | 428     |
| Retail  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Office  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Multifamily   | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Industrial  | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Other real estate loans                                   | —                                    | —                      | —       | —                               | —                      | —       | —       |
| Total commercial real estate                              | —                                    | —                      | —       | 428                             | —                      | 428     | 428     |
| Residential mortgage:                                     |                                      |                        |         |                                 |                        |         |         |
| Permanent mortgage  | —                                    | —                      | —       | 64                              | 461                    | 525     | 525     |
| Permanent mortgage guaranteed by U.S. government agencies | 1,653                                | 2,891                  | 4,544   | —                               | —                      | —       | 4,544   |
| Home equity   | —                                    | —                      | —       | —                               | 346                    | 346     | 346     |
| Total residential mortgage                                | 1,653                                | 2,891                  | 4,544   | 64                              | 807                    | 871     | 5,415   |
| Consumer  | —                                    | —                      | —       | —                               | 36                     | 36      | 36      |
| Total   | \$1,653                              | \$2,891                | \$4,544 | \$3,492                         | \$872                  | \$4,364 | \$8,908 |

The following table summarizes, by loan class, the recorded investment at March 31, 2015 and 2014, respectively, of loans modified as TDRs within the previous 12 months and for which there was a payment default during the three months ended March 31, 2015 and 2014, respectively (in thousands):

|   | Three Months Ended<br>March 31, 2015 |            |          | Three Months Ended<br>March 31, 2014 |            |          |
|---|--------------------------------------|------------|----------|--------------------------------------|------------|----------|
|   | Accruing                             | Nonaccrual | Total    | Accruing                             | Nonaccrual | Total    |
| <b>Commercial:</b>  |                                      |            |          |                                      |            |          |
| Energy  | \$—                                  | \$—        | \$—      | \$—                                  | \$—        | \$—      |
| Services  | —                                    | —          | —        | —                                    | 1,050      | 1,050    |
| Wholesale/retail  | —                                    | —          | —        | —                                    | —          | —        |
| Manufacturing   | —                                    | —          | —        | —                                    | 3,000      | 3,000    |
| Healthcare  | —                                    | —          | —        | —                                    | —          | —        |
| Other commercial and industrial                           | —                                    | —          | —        | —                                    | —          | —        |
| Total commercial  | —                                    | —          | —        | —                                    | 4,050      | 4,050    |
| <b>Commercial real estate:</b>                            |                                      |            |          |                                      |            |          |
| Residential construction and land development             | —                                    | 363        | 363      | —                                    | —          | —        |
| Retail  | —                                    | —          | —        | —                                    | 473        | 473      |
| Office  | —                                    | —          | —        | —                                    | 206        | 206      |
| Multifamily   | —                                    | —          | —        | —                                    | —          | —        |
| Industrial  | —                                    | —          | —        | —                                    | —          | —        |
| Other real estate loans                                   | —                                    | —          | —        | —                                    | —          | —        |
| Total commercial real estate                              | —                                    | 363        | 363      | —                                    | 679        | 679      |
| <b>Residential mortgage:</b>                              |                                      |            |          |                                      |            |          |
| Permanent mortgage  | —                                    | 2,383      | 2,383    | —                                    | 445        | 445      |
| Permanent mortgage guaranteed by U.S. government agencies | 33,920                               | 673        | 34,593   | 13,686                               | 293        | 13,979   |
| Home equity   | —                                    | 693        | 693      | —                                    | 427        | 427      |
| Total residential mortgage                                | 33,920                               | 3,749      | 37,669   | 13,686                               | 1,165      | 14,851   |
| Consumer  | —                                    | 24         | 24       | —                                    | 45         | 45       |
| Total   | \$33,920                             | \$4,136    | \$38,056 | \$13,686                             | \$5,939    | \$19,625 |

A payment default is defined as being 30 days or more past due. The table above includes loans that experienced a payment default during the period, but may be performing in accordance with the modified terms as of the balance sheet date.



## Nonaccrual &amp; Past Due Loans

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

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of March 31, 2015 is as follows (in thousands):

|  | Current      | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual | Total        |
|--|--------------|------------------------------|--------------------|------------|--------------|
| Commercial:  |              |                              |                    |            |              |
| Energy   | \$2,894,332  | \$6,787                      | \$—                | \$1,875    | \$2,902,994  |
| Services   | 2,723,146    | 415                          | 49                 | 4,744      | 2,728,354    |
| Wholesale/retail   | 1,265,921    | —                            | —                  | 4,401      | 1,270,322    |
| Manufacturing  | 560,008      | 500                          | —                  | 417        | 560,925      |
| Healthcare   | 1,509,594    | 25                           | —                  | 1,558      | 1,511,177    |
| Other commercial and industrial                            | 416,362      | 115                          | 29                 | 885        | 417,391      |
| Total commercial   | 9,369,363    | 7,842                        | 78                 | 13,880     | 9,391,163    |
| Commercial real estate:                                    |              |                              |                    |            |              |
| Residential construction and land development              | 129,554      | —                            | —                  | 9,598      | 139,152      |
| Retail   | 654,558      | —                            | 445                | 3,857      | 658,860      |
| Office   | 511,452      | —                            | —                  | 2,410      | 513,862      |
| Multifamily  | 745,247      | 4,739                        | —                  | —          | 749,986      |
| Industrial   | 478,508      | —                            | —                  | 76         | 478,584      |
| Other real estate loans                                    | 390,411      | 648                          | —                  | 3,961      | 395,020      |
| Total commercial real estate                               | 2,909,730    | 5,387                        | 445                | 19,902     | 2,935,464    |
| Residential mortgage:                                      |              |                              |                    |            |              |
| Permanent mortgage   | 926,848      | 4,051                        | —                  | 33,365     | 964,264      |
| Permanent mortgages guaranteed by U.S. government agencies | 39,309       | 22,370                       | 135,244            | 3,256      | 200,179      |
| Home equity  | 749,618      | 3,072                        | —                  | 9,866      | 762,556      |
| Total residential mortgage                                 | 1,715,775    | 29,493                       | 135,244            | 46,487     | 1,926,999    |
| Consumer   | 429,618      | 428                          | —                  | 464        | 430,510      |
| Total  | \$14,424,486 | \$43,150                     | \$135,767          | \$80,733   | \$14,684,136 |

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of December 31, 2014 is as follows (in thousands):

|  | Current      | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual | Total        |
|--|--------------|------------------------------|--------------------|------------|--------------|
| Commercial:  |              |                              |                    |            |              |
| Energy   | \$2,857,082  | \$1,930                      | \$—                | \$1,416    | \$2,860,428  |
| Services   | 2,511,892    | 1,136                        | —                  | 5,201      | 2,518,229    |
| Wholesale/retail   | 1,309,167    | —                            | —                  | 4,149      | 1,313,316    |
| Manufacturing  | 532,144      | —                            | —                  | 450        | 532,594      |
| Healthcare   | 1,453,409    | 180                          | —                  | 1,380      | 1,454,969    |
| Other commercial and industrial                            | 415,030      | 173                          | —                  | 931        | 416,134      |
| Total commercial   | 9,078,724    | 3,419                        | —                  | 13,527     | 9,095,670    |
| Commercial real estate:                                    |              |                              |                    |            |              |
| Residential construction and land development              | 133,642      | 4,650                        | —                  | 5,299      | 143,591      |
| Retail   | 662,963      | —                            | —                  | 3,926      | 666,889      |
| Office   | 412,124      | —                            | —                  | 3,420      | 415,544      |
| Multifamily  | 704,298      | —                            | —                  | —          | 704,298      |
| Industrial   | 428,817      | —                            | —                  | —          | 428,817      |
| Other real estate loans                                    | 362,529      | 570                          | —                  | 5,912      | 369,011      |
| Total commercial real estate                               | 2,704,373    | 5,220                        | —                  | 18,557     | 2,728,150    |
| Residential mortgage:                                      |              |                              |                    |            |              |
| Permanent mortgage   | 929,090      | 5,970                        | 46                 | 34,845     | 969,951      |
| Permanent mortgages guaranteed by U.S. government agencies | 26,691       | 23,558                       | 151,989            | 3,712      | 205,950      |
| Home equity  | 761,247      | 2,723                        | 77                 | 9,564      | 773,611      |
| Total residential mortgage                                 | 1,717,028    | 32,251                       | 152,112            | 48,121     | 1,949,512    |
| Consumer   | 433,590      | 547                          | 2                  | 566        | 434,705      |
| Total  | \$13,933,715 | \$41,437                     | \$152,114          | \$80,771   | \$14,208,037 |

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of March 31, 2014 is as follows (in thousands):

|  | Current      | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual | Total        |
|--|--------------|------------------------------|--------------------|------------|--------------|
| Commercial:  |              |                              |                    |            |              |
| Energy   | \$2,341,923  | \$390                        | \$—                | \$1,759    | \$2,344,072  |
| Services   | 2,227,008    | 882                          | —                  | 4,581      | 2,232,471    |
| Wholesale/retail   | 1,219,058    | 78                           | —                  | 6,854      | 1,225,990    |
| Manufacturing  | 437,707      | 2,943                        | —                  | 3,565      | 444,215      |
| Healthcare   | 1,394,479    | 640                          | —                  | 1,443      | 1,396,562    |
| Other commercial and industrial                            | 407,073      | 478                          | —                  | 845        | 408,396      |
| Total commercial   | 8,027,248    | 5,411                        | —                  | 19,047     | 8,051,706    |
| Commercial real estate:                                    |              |                              |                    |            |              |
| Residential construction and land development              | 168,043      | 230                          | —                  | 16,547     | 184,820      |
| Retail   | 634,497      | —                            | 1,383              | 4,626      | 640,506      |
| Office   | 429,700      | 263                          | —                  | 6,301      | 436,264      |
| Multifamily  | 662,674      | —                            | —                  | —          | 662,674      |
| Industrial   | 304,321      | —                            | —                  | 886        | 305,207      |
| Other real estate loans                                    | 390,421      | —                            | 570                | 10,945     | 401,936      |
| Total commercial real estate                               | 2,589,656    | 493                          | 1,953              | 39,305     | 2,631,407    |
| Residential mortgage:                                      |              |                              |                    |            |              |
| Permanent mortgage   | 991,486      | 5,732                        | 12                 | 36,342     | 1,033,572    |
| Permanent mortgages guaranteed by U.S. government agencies | 26,919       | 20,544                       | 135,787            | 1,572      | 184,822      |
| Home equity  | 789,234      | 3,556                        | 25                 | 7,466      | 800,281      |
| Total residential mortgage                                 | 1,807,639    | 29,832                       | 135,824            | 45,380     | 2,018,675    |
| Consumer   | 374,518      | 573                          | 1                  | 974        | 376,066      |
| Total  | \$12,799,061 | \$36,309                     | \$137,778          | \$104,706  | \$13,077,854 |

## (5) Mortgage Banking Activities

## Residential Mortgage Loan Production

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

Residential mortgage loan commitments are generally outstanding for 60 to 90 days, which represents the typical period from commitment to originate a residential mortgage loan to when the closed loan is sold to an investor. Residential mortgage loan commitments are subject to both credit and interest rate risk. Credit risk is managed through underwriting policies and procedures, including collateral requirements, which are generally accepted by the secondary loan markets. Exposure to interest rate fluctuations is partially managed through forward sales of residential mortgage-backed securities and forward sales contracts. These latter contracts set the price for loans that will be delivered in the next 60 to 90 days.

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

|  | March 31, 2015                              |            | Dec. 31, 2014                               |            | March 31, 2014                              |            |
|--|---|------------|---|------------|---|------------|
|  | Unpaid<br>Principal<br>Balance/<br>Notional | Fair Value | Unpaid<br>Principal<br>Balance/<br>Notional | Fair Value | Unpaid<br>Principal<br>Balance/<br>Notional | Fair Value |
| Residential mortgage loans held for sale | \$491,762                                   | \$501,888  | \$291,537                                   | \$298,212  | \$215,959                                   | \$220,074  |
| Residential mortgage loan commitments    | 650,988                                     | 17,500     | 520,829                                     | 9,971      | 387,755                                     | 6,035      |
| Forward sales contracts                  | 1,200,769                                   | (6,192 )   | 701,066                                     | (4,001 )   | 571,458                                     | 403        |
|  |   | \$513,196  |   | \$304,182  |   | \$226,512  |

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of March 31, 2015, December 31, 2014 or March 31, 2014. No credit losses were recognized on residential mortgage loans held for sale for the three month periods ended March 31, 2015 and 2014.

Mortgage banking revenue was as follows (in thousands):

|   | Three Months Ended<br>March 31, |         |
|---|---------------------------------|---------|
|   | 2015                            | 2014    |
| Production revenue:   |                                 |         |
| Net realized gains on sale of mortgage loans                  | \$17,251                        | \$9,179 |
| Net change in unrealized gain on mortgage loans held for sale | 3,451                           | 2,797   |
| Change in the fair value of mortgage loan commitments         | 7,529                           | 3,379   |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |          |          |   |
|---|----------|----------|---|
| Change in the fair value of forward sales contracts | (2,191   | ) (3,903 | ) |
| Total production revenue                            | 26,040   | 11,452   |   |
| Servicing revenue                                   | 13,280   | 11,392   |   |
| Total mortgage banking revenue                      | \$39,320 | \$22,844 |   |

Production revenue includes gain (loss) on residential mortgage loans held for sale and changes in the fair value of derivative contracts not designated as hedging instruments related to residential mortgage loan commitments and forward sales contracts. Servicing revenue includes servicing fee income and late charges on loans serviced for others.

- 96 -

---

## Residential Mortgage Servicing

Mortgage servicing rights may be recognized when mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Mortgage servicing rights may also be purchased. Both originated and purchased mortgage servicing rights are initially recognized at fair value. The Company has elected to carry all mortgage servicing rights at fair value. Changes in the fair value are recognized in earnings as they occur. The unpaid principal balance of loans serviced for others is the primary driver of servicing revenue.

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

|   | March 31,<br>2015 | Dec. 31,<br>2014 | March 31,<br>2014 |   |   |
|---|-------------------|------------------|-------------------|---|---|
| Number of residential mortgage loans serviced for others                        | 120,653           | 117,483          | 107,660           |   |   |
| Outstanding principal balance of residential mortgage loans serviced for others | \$16,937,128      | \$16,162,887     | \$14,045,642      |   |   |
| Weighted average interest rate  | 4.24              | % 4.29           | % 4.38            | % | % |
| Remaining term (in months)  | 297               | 296              | 292               |   |   |

Activity in capitalized mortgage servicing rights during the three months ended March 31, 2015 was as follows (in thousands):

|  | Purchased | Originated | Total     |
|--|-----------|------------|-----------|
| Balance, Dec. 31, 2014                     | \$11,114  | \$160,862  | \$171,976 |
| Additions, net                             | —         | 19,150     | 19,150    |
| Change in fair value due to loan runoff    | (781)     | (6,772)    | (7,553)   |
| Change in fair value due to market changes | (740)     | (7,782)    | (8,522)   |
| Balance, March 31, 2015                    | \$9,593   | \$165,458  | \$175,051 |

Activity in capitalized mortgage servicing rights during the three months ended March 31, 2014 was as follows (in thousands):

|  | Purchased | Originated | Total     |
|--|-----------|------------|-----------|
| Balance, Dec. 31, 2013                     | \$15,935  | \$137,398  | \$153,333 |
| Additions, net                             | —         | 8,644      | 8,644     |
| Change in fair value due to loan runoff    | (515)     | (3,227)    | (3,742)   |
| Change in fair value due to market changes | (630)     | (3,831)    | (4,461)   |
| Balance, March 31, 2014                    | \$14,790  | \$138,984  | \$153,774 |

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

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

|  | March 31,<br>2015 | Dec. 31,<br>2014 | March 31,<br>2014 |
|--|-------------------|------------------|-------------------|
| Discount rate – risk-free rate plus a market premium           | 10.15%            | 10.17%           | 10.21%            |
| Loan servicing costs – annually per loan based upon loan type: |                   |                  |                   |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |                   |                   |                  |
|---|-------------------|-------------------|------------------|
| Performing loans  | \$60-\$105        | \$60 - \$105      | \$60 - \$105     |
| Delinquent loans  | \$150 - \$500     | \$150 - \$500     | \$150 - \$500    |
| Loans in foreclosure  | \$1,000 - \$4,250 | \$1,000 - \$4,250 | \$1000 - \$4,250 |
| Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life | 1.54%             | 1.77%             | 1.81%            |

- 97 -

---

The Company is exposed to interest rate risk as benchmark residential mortgage interest rates directly affect the prepayment speeds used in valuing our mortgage servicing rights, which is partially managed through forward sales of residential mortgage-backed securities and forward sales contracts. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of BOK Financial's servicing portfolio.

Stratification of the residential mortgage loan servicing portfolio and outstanding principal of loans serviced for others by interest rate at March 31, 2015 follows (in thousands):

|  | < 4.00%     | 4.00% -<br>4.99% | 5.00% -<br>5.99% | > 5.99%   | Total        |
|--|-------------|------------------|------------------|-----------|--------------|
| Fair value   | \$76,549    | \$77,787         | \$16,586         | \$4,129   | \$175,051    |
| Outstanding principal of loans serviced for others | \$7,280,513 | \$6,864,077      | \$1,881,950      | \$910,588 | \$16,937,128 |
| Weighted average prepayment rate <sup>1</sup>      | 7.90        | % 8.85           | % 16.40          | % 32.16   | % 10.53      |

<sup>1</sup> Annual prepayment estimates based upon loan interest rate, original term and loan type. Weighted average prepayment rate is determined by weighting the prepayment speed for each loan by its unpaid principal balance.

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At March 31, 2015, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by \$2.3 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedge by \$1.4 million. In the model, changes in the value of servicing rights due to changes in interest rates assume stable relationships between residential mortgage rates and prepayment speeds. Changes in market conditions can cause variations from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

The aging status of our mortgage loans serviced for others by investor at March 31, 2015 follows (in thousands):

|       | Current      | Past Due<br>30 to 59<br>Days | 60 to 89<br>Days | 90 Days or<br>More | Total        |
|-------|--------------|------------------------------|------------------|--------------------|--------------|
| FHLMC | \$5,537,828  | \$32,319                     | \$6,789          | \$30,562           | \$5,607,498  |
| FNMA  | 5,451,497    | 22,071                       | 4,039            | 21,575             | 5,499,182    |
| GNMA  | 5,054,047    | 91,424                       | 25,581           | 10,998             | 5,182,050    |
| Other | 636,548      | 6,021                        | 1,435            | 4,394              | 648,398      |
| Total | \$16,679,920 | \$151,835                    | \$37,844         | \$67,529           | \$16,937,128 |

The Company has off-balance sheet credit risk related to residential mortgage loans sold to U.S. government agencies with recourse prior to 2008 under various community development programs. These loans consist of first lien, fixed-rate residential mortgage loans underwritten to standards approved by the agencies including full documentation and originated under programs available only for owner-occupied properties. However, these loans have a higher risk of delinquency and loss given default than traditional residential mortgage loans. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representations and warranties. The recourse obligation relates to loan performance for the life of the loan and the Company is obligated to repurchase the loan at the time of foreclosure for the unpaid principal balance plus unpaid interest. The principal balance of residential mortgage loans sold subject to recourse obligations totaled \$174 million at March 31, 2015, \$180 million at December 31, 2014 and \$187 million at March 31, 2014. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets totaling \$7.0 million at March 31, 2015, \$7.3 million at December 31, 2014 and \$9.1 million at March 31, 2014. At March 31, 2015, approximately 3% of the loans



sold with recourse with an outstanding principal balance of \$5.4 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 3% with an outstanding balance of \$6.0 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

- 98 -

---

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

|                               | Three Months Ended<br>March 31, |         |
|-------------------------------|---------------------------------|---------|
|                               | 2015                            | 2014    |
| Beginning balance             | \$7,299                         | \$9,562 |
| Provision for recourse losses | 170                             | (16 )   |
| Loans charged off, net        | (448 )                          | (480 )  |
| Ending balance                | \$7,021                         | \$9,066 |

The Company also has obligations to repurchase or provide indemnification for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements and to service loans in accordance with investor guidelines. The Company has established accruals for losses related to these obligations that are included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statements of Earnings.

The level of repurchases and indemnifications related to standard representations and warranties has remained low. The Company favorably resolved a significant number of deficiency requests during 2014. The Company repurchased 12 loans from the agencies for \$2.4 million during the first quarter of 2015. There were four indemnifications on loans paid during the first quarter of 2015. Losses recognized on indemnifications and repurchases were insignificant.

A summary of unresolved deficiency requests from the agencies follows (in thousands, except for number of unresolved deficiency requests):

|   | March 31,<br>2015 | March 31,<br>2014 |
|---|-------------------|-------------------|
| Number of unresolved deficiency requests  | 213               | 647               |
| Aggregate outstanding principal balance subject to unresolved deficiency requests | \$17,979          | \$81,909          |
| Unpaid principal balance subject to indemnification by the Company                | 4,212             | 1,561             |

The activity in the accruals for mortgage losses is summarized as follows (in thousands).

|                      | Three Months<br>Ended<br>March 31, |          |
|----------------------|------------------------------------|----------|
|                      | 2015                               | 2014     |
| Beginning balance    | \$11,868                           | \$12,716 |
| Provision for losses | (788 )                             | 203      |
| Charge-offs, net     | 60                                 | (1,299 ) |
| Ending balance       | \$11,140                           | \$11,620 |

#### (6) Commitments and Contingent Liabilities

##### Litigation Contingencies

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 2008 and from available cash.

BOK Financial currently owns 251,837 Visa Class B shares which are convertible into 415,103 shares of Visa Class A shares after the final settlement of all covered litigation. Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. Therefore, no value has been currently assigned to the Class B shares and no value may be assigned until the Class B shares are converted into a known number of Class A shares.

- 99 -

---

On March 3, 2015, the Bank and the Company were named as defendants in a putative class action alleging that the manner in which the Bank posted charges to its consumer deposit accounts was improper from September 1, 2011 through July 8, 2014, the period after which the Bank and BOK Financial settled a class action respecting a similar claim. On April 8, 2015, the Bank was named as a defendant in a putative class action alleging that the Extended Overdraft Fee charged customers who failed to pay overdrafts after five days constituted interest and exceeded permissible interest rates set by state and federal law. While both actions are in preliminary stages of review, after initial discussions management has been advised by counsel that the Bank and the Company have meritorious defenses to the actions. A reasonable estimate of losses, if any, cannot be made at this time.

In the ordinary course of business, BOK Financial and its subsidiaries are subject to legal actions and complaints. Management believes, based upon the opinion of counsel, that the actions and liability or loss, if any, resulting from the final outcomes of the proceedings, will not have a material effect on the Company's financial condition, results of operations or cash flows.

#### Alternative Investment Commitments

The Company sponsors two private equity funds and invests in several tax credit entities and other funds as permitted by banking regulations. Consolidation of these investments is based on the variable interest model determined by the nature of the entity. Variable interest entities are generally defined as entities that either do not have sufficient equity to finance their activities without support from other parties or whose equity investors lack a controlling financial interest. Variable interest entities are consolidated based on the determination that the Company is the primary beneficiary including the power to direct the activities that most significantly impact the variable interest's economic performance and the obligation to absorb losses of the variable interest or the right to receive benefits of the variable interest that could be significant to the variable interest.

BOKF Equity, LLC, an indirect wholly-owned subsidiary, is the general partner of two consolidated private equity funds ("the Funds"). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through unaffiliated limited partnerships. These unaffiliated limited partnerships generally invest in distressed assets, asset buy-outs or venture capital companies. As general partner, BOKF Equity, LLC has the power to direct activities that most significantly affect the Funds' performance and contingent obligations to make additional investments totaling \$5.2 million at March 31, 2015. Substantially all of the obligations are offset by limited partner commitments. The Company does not accrue its contingent liability to fund investments. The Volcker Rule in Title VI of the Dodd-Frank Act will limit both the amount and structure of these types of investments.

Consolidated tax credit investment entities represent the Company's interest in entities earning federal new market tax credits related to qualifying loans. The Company has the power to direct the activities that most significantly impact the variable interest's economic performance of the entity including being the primary beneficiary of or the obligation to absorb losses of the variable interest that could be significant to the variable interest.

The Company also has interests in various unrelated alternative investments generally consisting of unconsolidated limited partnership interests in or loans to entities for which investment return is primarily in the form of tax credits or that invest in distressed real estate loans and properties, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments and the Company's maximum exposure to loss is restricted to its investment balance. The Company's obligation to fund alternative investments is included in Other liabilities in the Consolidated Balance Sheets.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

A summary of consolidated and unconsolidated alternative investments as of March 31, 2015, December 31, 2014 and March 31, 2014 is as follows (in thousands):

|                      | March 31, 2015 |              |                   |                  |                           |
|----------------------|----------------|--------------|-------------------|------------------|---------------------------|
|                      | Loans          | Other assets | Other liabilities | Other borrowings | Non-controlling interests |
| Consolidated:        |                |              |                   |                  |                           |
| Private equity funds | \$—            | \$25,565     | \$—               | \$—              | \$ 20,885                 |
| Tax credit entities  | 10,000         | 12,672       | —                 | 10,964           | 10,000                    |
| Other                | —              | 5,861        | —                 | —                | 2,206                     |
| Total consolidated   | \$10,000       | \$44,098     | \$—               | \$10,964         | \$ 33,091                 |
| Unconsolidated:      |                |              |                   |                  |                           |
| Tax credit entities  | \$18,185       | \$94,033     | \$25,042          | \$—              | \$ —                      |
| Other                | —              | 9,217        | 4,041             | —                | —                         |
| Total unconsolidated | \$18,185       | \$103,250    | \$29,083          | \$—              | \$ —                      |
|                      | Dec. 31, 2014  |              |                   |                  |                           |
|                      | Loans          | Other assets | Other liabilities | Other borrowings | Non-controlling interests |
| Consolidated:        |                |              |                   |                  |                           |
| Private equity funds | \$—            | \$25,627     | \$—               | \$—              | \$ 21,921                 |
| Tax credit entities  | 10,000         | 12,827       | —                 | 10,964           | 10,000                    |
| Other                | —              | 5,996        | —                 | —                | 2,106                     |
| Total consolidated   | \$10,000       | \$44,450     | \$—               | \$10,964         | \$ 34,027                 |
| Unconsolidated:      |                |              |                   |                  |                           |
| Tax credit entities  | \$18,192       | \$96,721     | \$28,920          | \$—              | \$ —                      |
| Other                | —              | 9,471        | 4,050             | —                | —                         |
| Total unconsolidated | \$18,192       | \$106,192    | \$32,970          | \$—              | \$ —                      |
|                      | March 31, 2014 |              |                   |                  |                           |
|                      | Loans          | Other assets | Other liabilities | Other borrowings | Non-controlling interests |
| Consolidated:        |                |              |                   |                  |                           |
| Private equity funds | \$—            | \$27,466     | \$—               | \$—              | \$ 22,979                 |
| Tax credit entities  | 10,000         | 13,292       | —                 | 10,964           | 9,869                     |
| Other                | —              | 7,070        | —                 | —                | 1,826                     |
| Total consolidated   | \$10,000       | \$47,828     | \$—               | \$10,964         | \$ 34,674                 |
| Unconsolidated:      |                |              |                   |                  |                           |
| Tax credit entities  | \$19,787       | \$88,301     | \$24,826          | \$—              | \$ —                      |
| Other                | —              | 5,593        | 1,657             | —                | —                         |
| Total unconsolidated | \$19,787       | \$93,894     | \$26,483          | \$—              | \$ —                      |

### Other Commitments and Contingencies

At March 31, 2015, Cavanal Hill Funds' assets included \$1.0 billion of U.S. Treasury, \$1.4 billion of cash management and \$262 million of tax-free money market funds. Assets of these funds consist of highly-rated, short-term obligations of the U.S. Treasury, corporate issuers and U.S. states and municipalities. The net asset value of units in these funds was \$1.00 at March 31, 2015. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at \$1.00. No assets were purchased from the funds in 2015 or 2014.

Cottonwood Valley Ventures, Inc. ("CVV, Inc."), an indirectly wholly-owned subsidiary of BOK Financial, is being audited by the Oklahoma Tax Commission ("OTC") for tax years 2007 through 2009. CVV, Inc. is a qualified venture capital company under the applicable Oklahoma statute. As authorized by the statute, CVV, Inc. guarantees transferable Oklahoma state income tax credits by providing direct debt financing to private companies which qualify as statutory business ventures. Due to certain statutory limitations on utilization of such credits, CVV, Inc. must sell the majority of the credits to provide the economic incentives provided for by the statute. During the third quarter of 2012, CVV, Inc. and credit purchasers settled the assessment related to the 2008 tax credits disallowed with no material adverse impact to the consolidated financial statements. Management does not anticipate that the remaining issue under audit will have a material adverse impact to the consolidated financial statements.

The Company agreed to guarantee rents totaling \$29 million through September of 2017 to the City of Tulsa as owner of a building immediately adjacent to the Bank's main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$7.7 million at March 31, 2015. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City of Tulsa through September 2017 from rental of space that was vacant at the inception of the agreement. The maximum amount that the Company may receive under this agreement is \$4.5 million.

#### (7) Shareholders' Equity

On April 28, 2015, the Company declared a quarterly cash dividend of \$0.42 per common share on or about May 29, 2015 to shareholders of record as of May 15, 2015.

Dividends declared were \$0.42 per share during the three months ended March 31, 2015 and \$0.40 per share during the three months ended March 31, 2014.

#### Accumulated Other Comprehensive Income (Loss)

AOCI includes unrealized gains and losses on available for sale ("AFS") securities and non-credit related unrealized losses on AFS securities for which an other-than-temporary impairment has been recorded in earnings. AOCI also includes unrealized gains on AFS securities that were transferred from AFS to investment securities in the third quarter of 2011. Such amounts are being amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of premium on the transferred securities. Unrealized losses on employee benefit plans will be reclassified into income as pension plan costs are recognized over the remaining service period of plan participants. Accumulated losses on the interest rate lock hedge of the 2005 subordinated debt issuance are being reclassified into income over the ten-year life of the debt. Gains and losses in AOCI are net of deferred income taxes.

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

|   | Unrealized Gain (Loss) on     |  |                        |                                    | Total       |
|---|-------------------------------|--|------------------------|------------------------------------|-------------|
|   | Available for Sale Securities | Investment Securities Transferred from AFS | Employee Benefit Plans | Loss on Effective Cash Flow Hedges |             |
| Balance, December 31, 2013                                  | \$(23,175 )                   | \$ 1,118                                   | \$(3,311 )             | \$(255 )                           | \$(25,623 ) |
| Net change in unrealized gain (loss)                        | 54,615                        | —  | (2 )                   | —                                  | 54,613      |
| Reclassification adjustments included in earnings:          |                               |  |                        |                                    |             |
| Interest revenue, Investment securities, Taxable securities | —                             | (403 )                                     | —                      | —                                  | (403 )      |
| Interest expense, Subordinated debentures                   | —                             | —  | —                      | 83                                 | 83          |
| Net impairment losses recognized in earnings                | —                             | —  | —                      | —                                  | —           |
| Gain on available for sale securities, net                  | (1,240 )                      | —  | —                      | —                                  | (1,240 )    |
| Other comprehensive income (loss), before income taxes      | 53,375                        | (403 )                                     | (2 )                   | 83                                 | 53,053      |
| Federal and state income taxes <sup>1</sup>                 | 20,762                        | (158 )                                     | (1 )                   | 32                                 | 20,635      |
| Other comprehensive income (loss), net of income taxes      | 32,613                        | (245 )                                     | (1 )                   | 51                                 | 32,418      |
| Balance, March 31, 2014                                     | \$9,438                       | \$ 873                                     | \$(3,312 )             | \$(204 )                           | \$6,795     |
| Balance, December 31, 2014                                  | \$59,239                      | \$ 376                                     | \$(2,868 )             | \$(74 )                            | \$56,673    |
| Net change in unrealized gains (losses)                     | 59,387                        | —  | —                      | —                                  | 59,387      |
| Reclassification adjustments included in earnings:          |                               |  |                        |                                    |             |
| Interest revenue, Investment securities, Taxable securities | —                             | (179 )                                     | —                      | —                                  | (179 )      |
| Interest expense, Subordinated debentures                   | —                             | —  | —                      | 65                                 | 65          |
| Net impairment losses recognized in earnings                | 92                            | —  | —                      | —                                  | 92          |
| Gain on available for sale securities, net                  | (4,327 )                      | —  | —                      | —                                  | (4,327 )    |
| Other comprehensive income (loss), before income taxes      | 55,152                        | (179 )                                     | —                      | 65                                 | 55,038      |
| Federal and state income taxes <sup>1</sup>                 | 21,452                        | (69 )                                      | —                      | 25                                 | 21,408      |
| Other comprehensive income (loss), net of income taxes      | 33,700                        | (110 )                                     | —                      | 40                                 | 33,630      |
| Balance, March 31, 2015                                     | \$92,939                      | \$ 266                                     | \$(2,868 )             | \$(34 )                            | \$90,303    |

<sup>1</sup> Calculated using a 39% effective tax rate.

## (8) Earnings Per Share

| (In thousands, except share and per share amounts)   | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2015                            | 2014       |
| Numerator:   |                                 |            |
| Net income attributable to BOK Financial Corp. shareholders  | \$74,843                        | \$76,590   |
| Less: Earnings allocated to participating securities   | 814                             | 698        |
| Numerator for basic earnings per share – income available to common shareholders                     | 74,029                          | 75,892     |
| Effect of reallocating undistributed earnings of participating securities                            | 1                               | 1          |
| Numerator for diluted earnings per share – income available to common shareholders                   | \$74,030                        | \$75,893   |
| Denominator:   |                                 |            |
| Weighted average shares outstanding  | 69,002,576                      | 68,899,746 |
| Less: Participating securities included in weighted average shares outstanding                       | 747,796                         | 626,061    |
| Denominator for basic earnings per common share  | 68,254,780                      | 68,273,685 |
| Dilutive effect of employee stock compensation plans <sup>1</sup>                                    | 90,106                          | 162,793    |
| Denominator for diluted earnings per common share  | 68,344,886                      | 68,436,478 |
| Basic earnings per share   | \$1.08                          | \$1.11     |
| Diluted earnings per share   | \$1.08                          | \$1.11     |
| <sup>1</sup> Excludes employee stock options with exercise prices greater than current market price. | 78,209                          | —          |

- 104 -



## (9) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended March 31, 2015 is as follows (in thousands):

|   | Commercial    | Consumer     | Wealth<br>Management | Funds<br>Management<br>and Other | BOK<br>Financial<br>Consolidated |   |
|---|---------------|--------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources                  | \$ 101,168    | \$ 20,725    | \$ 5,384             | \$ 40,449                        | \$ 167,726                       |   |
| Net interest revenue (expense) from internal sources        | (12,555 )     | 7,914        | \$ 5,654             | (1,013 )                         | —                                |   |
| Net interest revenue  | 88,613        | 28,639       | 11,038               | 39,436                           | 167,726                          |   |
| Provision for credit losses                                 | (9,268 )      | 1,510        | 57                   | 7,701                            | —                                |   |
| Net interest revenue after provision for credit losses      | 97,881        | 27,129       | 10,981               | 31,735                           | 167,726                          |   |
| Other operating revenue                                     | 42,884        | 56,231       | 62,346               | 4,556                            | 166,017                          |   |
| Other operating expense                                     | 50,580        | 55,858       | 55,042               | 58,785                           | 220,265                          |   |
| Net direct contribution                                     | 90,185        | 27,502       | 18,285               | (22,494 )                        | 113,478                          |   |
| Corporate expense allocations                               | 14,825        | 21,064       | 10,946               | (46,835 )                        | —                                |   |
| Net income before taxes                                     | 75,360        | 6,438        | 7,339                | 24,341                           | 113,478                          |   |
| Federal and state income taxes                              | 29,315        | 2,504        | 2,855                | 3,710                            | 38,384                           |   |
| Net income  | 46,045        | 3,934        | 4,484                | 20,631                           | 75,094                           |   |
| Net income attributable to non-controlling interests        | —             | —            | —                    | 251                              | 251                              |   |
| Net income attributable to BOK Financial Corp. shareholders | \$ 46,045     | \$ 3,934     | \$ 4,484             | \$ 20,380                        | \$ 74,843                        |   |
| Average assets  | \$ 12,654,200 | \$ 7,292,883 | \$ 4,828,340         | \$ 5,195,281                     | \$ 29,970,704                    |   |
| Average invested capital                                    | 994,596       | 272,315      | 224,054              | 1,860,596                        | 3,351,561                        |   |
| Performance measurements:                                   |               |              |                      |                                  |                                  |   |
| Return on average assets                                    | 1.48          | % 0.22       | % 0.42               | %                                | 1.01                             | % |
| Return on average invested capital                          | 18.79         | % 5.86       | % 9.12               | %                                | 9.06                             | % |
| Efficiency ratio  | 38.43         | % 60.79      | % 74.73              | %                                | 64.91                            | % |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended March 31, 2014 is as follows (in thousands):

|   | Commercial   | Consumer    | Wealth<br>Management | Funds<br>Management<br>and Other | BOK<br>Financial<br>Consolidated |   |
|---|--------------|-------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources                  | \$90,831     | \$20,983    | \$5,838              | \$44,990                         | \$162,642                        |   |
| Net interest revenue (expense) from internal sources        | (12,275 )    | 9,229       | 4,685                | (1,639 )                         | —                                |   |
| Net interest revenue  | 78,556       | 30,212      | 10,523               | 43,351                           | 162,642                          |   |
| Provision for credit losses                                 | (3,464 )     | 1,090       | (45 )                | 2,419                            | —                                |   |
| Net interest revenue after provision for credit losses      | 82,020       | 29,122      | 10,568               | 40,932                           | 162,642                          |   |
| Other operating revenue                                     | 38,686       | 45,414      | 54,261               | 581                              | 138,942                          |   |
| Other operating expense                                     | 49,290       | 42,626      | 49,248               | 43,940                           | 185,104                          |   |
| Net direct contribution                                     | 71,416       | 31,910      | 15,581               | (2,427 )                         | 116,480                          |   |
| Corporate expense allocations                               | 13,982       | 19,204      | 11,422               | (44,608 )                        | —                                |   |
| Net income before taxes                                     | 57,434       | 12,706      | 4,159                | 42,181                           | 116,480                          |   |
| Federal and state income taxes                              | 22,342       | 4,943       | 1,618                | 10,534                           | 39,437                           |   |
| Net income  | 35,092       | 7,763       | 2,541                | 31,647                           | 77,043                           |   |
| Net income attributable to non-controlling interests        | —            | —           | —                    | 453                              | 453                              |   |
| Net income attributable to BOK Financial Corp. shareholders | \$35,092     | \$7,763     | \$2,541              | \$31,194                         | \$76,590                         |   |
| Average assets  | \$10,933,196 | \$7,058,658 | \$4,621,817          | \$4,625,097                      | \$27,238,768                     |   |
| Average invested capital                                    | 898,724      | 282,705     | 199,369              | 1,724,276                        | 3,105,074                        |   |
| Performance measurements:                                   |              |             |                      |                                  |                                  |   |
| Return on average assets                                    | 1.31         | % 0.45      | % 0.26               | %                                | 1.14                             | % |
| Return on average invested capital                          | 15.92        | % 11.14     | % 5.95               | %                                | 10.00                            | % |
| Efficiency ratio  | 41.52        | % 53.53     | % 75.40              | %                                | 60.06                            | % |

(10) Fair Value Measurements

Fair value is defined by applicable accounting guidance as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market for the given asset or liability at the measurement date based on market conditions at that date. Certain assets and liabilities are recorded in the Company's financial statements at fair value. Some are recorded on a recurring basis and some on a non-recurring basis.

For some assets and liabilities, observable market transactions and market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. A hierarchy for fair value has been established which categorizes into three levels the inputs to valuation techniques used to measure fair value. The three levels are as follows:

Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Significant Other Observable Inputs (Level 2) - Fair value is based on significant other observable inputs which are generally determined based on a single price for each financial instrument provided to us by an applicable third-party pricing service and is based on one or more of the following:

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

Significant Unobservable Inputs (Level 3) - Fair value is based upon model-based valuation techniques for which at least one significant assumption is not observable in the market.

Transfers between levels are recognized as of the end of the reporting period. There were no transfers in or out of quoted prices in active markets for identical instruments to significant other observable inputs or significant unobservable inputs during the three months ended March 31, 2015 and 2014, respectively. Transfers between significant other observable inputs and significant unobservable inputs during the three months ended March 31, 2015 and 2014 are included in the summary of changes in recurring fair values measured using unobservable inputs.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on all observable inputs, management may adjust prices obtained from third-party pricing services to more appropriately reflect the prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market. No significant adjustments were made to prices provided by third-party pricing services at March 31, 2015, December 31, 2014 or March 31, 2014.

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value of financial assets and liabilities measured on a recurring basis was as follows as of March 31, 2015 (in thousands):

|  | Total     | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs |
|--|-----------|--|--|---------------------------------------|
| <b>Assets:</b>   |           |  |  |                                       |
| <b>Trading securities:</b>   |           |  |  |                                       |
| U.S. Government agency debentures  | \$26,283  | \$—  | \$26,283                                     | \$—                                   |
| U.S. agency residential mortgage-backed securities                           | 17,179    | —  | 17,179                                       | —                                     |
| Municipal and other tax-exempt securities                                    | 54,164    | —  | 54,164                                       | —                                     |
| Other trading securities   | 20,418    | —  | 20,418                                       | —                                     |
| Total trading securities   | 118,044   | —  | 118,044                                      | —                                     |
| <b>Available for sale securities:</b>  |           |  |  |                                       |
| U.S. Treasury  | 1,001     | 1,001  | —  | —                                     |
| Municipal and other tax-exempt   | 60,818    | —  | 51,195                                       | 9,623                                 |
| U.S. agency residential mortgage-backed securities                           | 6,717,569 | —  | 6,717,569                                    | —                                     |
| Privately issued residential mortgage-backed securities                      | 160,031   | —  | 160,031                                      | —                                     |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,164,842 | —  | 2,164,842                                    | —                                     |
| Other debt securities  | 9,155     | —  | 5,005  | 4,150                                 |
| Perpetual preferred stock  | 24,983    | —  | 24,983                                       | —                                     |
| Equity securities and mutual funds   | 19,776    | 5,071  | 14,705                                       | —                                     |
| Total available for sale securities  | 9,158,175 | 6,072  | 9,138,330                                    | 13,773                                |
| <b>Fair value option securities:</b>   |           |  |  |                                       |
| U.S. agency residential mortgage-backed securities                           | 434,077   | —  | 434,077                                      | —                                     |
| Other securities   | —         | —  | —  | —                                     |
| Total fair value option securities   | 434,077   | —  | 434,077                                      | —                                     |
| Residential mortgage loans held for sale                                     | 513,196   | —  | 506,326                                      | 6,870                                 |
| Mortgage servicing rights <sup>1</sup>                                       | 175,051   | —  | —  | 175,051                               |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 462,386   | 21,369   | 441,017                                      | —                                     |
| Other assets – private equity funds  | 25,565    | —  | —  | 25,565                                |
| <b>Liabilities:</b>  |           |  |  |                                       |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 419,351   | —  | 419,351                                      | —                                     |

<sup>1</sup> A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts in asset positions that were valued based on quoted prices in active markets for identical instruments (Level 1) are primarily

<sup>2</sup> exchange-traded energy derivative contracts, net of cash margin. Derivative contracts in liability positions that were valued using quoted prices in active markets for identical instruments are exchange-traded agricultural derivative contracts, fully offset by cash margin.

The fair value of financial assets and liabilities measured on a recurring basis was as follows as of December 31, 2014 (in thousands):

|  | Total     | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs |
|--|-----------|--|--|---------------------------------------|
| Assets:  |           |  |  |                                       |
| Trading securities:  |           |  |  |                                       |
| U.S. Government agency debentures  | \$85,092  | \$—  | \$85,092                                     | \$—                                   |
| U.S. agency residential mortgage-backed securities                           | 31,199    | —  | 31,199                                       | —                                     |
| Municipal and other tax-exempt securities                                    | 38,951    | —  | 38,951                                       | —                                     |
| Other trading securities   | 33,458    | —  | 33,458                                       | —                                     |
| Total trading securities   | 188,700   | —  | 188,700                                      | —                                     |
| Available for sale securities:   |           |  |  |                                       |
| U.S. Treasury  | 1,005     | 1,005  | —  | —                                     |
| Municipal and other tax-exempt   | 63,557    | —  | 53,464                                       | 10,093                                |
| U.S. agency residential mortgage-backed securities                           | 6,646,884 | —  | 6,646,884                                    | —                                     |
| Privately issued residential mortgage-backed securities                      | 165,957   | —  | 165,957                                      | —                                     |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,048,609 | —  | 2,048,609                                    | —                                     |
| Other debt securities  | 9,212     | —  | 5,062  | 4,150                                 |
| Perpetual preferred stock  | 24,277    | —  | 24,277                                       | —                                     |
| Equity securities and mutual funds   | 19,444    | 4,927  | 14,517                                       | —                                     |
| Total available for sale securities  | 8,978,945 | 5,932  | 8,958,770                                    | 14,243                                |
| Fair value option securities:  |           |  |  |                                       |
| U.S. agency residential mortgage-backed securities                           | 311,597   | —  | 311,597                                      | —                                     |
| Other securities   | —         | —  | —  | —                                     |
| Total fair value option securities   | 311,597   | —  | 311,597                                      | —                                     |
| Residential mortgage loans held for sale                                     | 304,182   | —  | 292,326                                      | 11,856                                |
| Mortgage servicing rights <sup>1</sup>                                       | 171,976   | —  | —  | 171,976                               |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 361,874   | 17,607   | 344,267                                      | —                                     |
| Other assets – private equity funds  | 25,627    | —  | —  | 25,627                                |
| Liabilities:   |           |  |  |                                       |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 354,554   | 541  | 354,013                                      | —                                     |

<sup>1</sup> A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted prices in active markets for identical instruments (Level 1) are exchange-traded energy derivative contracts, net of cash margin. Derivative contracts in liability positions that were valued using quoted prices in active markets for identical instruments (Level 1) are exchange-traded interest rate and agricultural derivative contracts, net of cash margin.

The fair value of financial assets and liabilities measured on a recurring basis was as follows as of March 31, 2014 (in thousands):

|  | Total     | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Instruments | Significant<br>Other<br>Observable<br>Inputs | Significant<br>Unobservable<br>Inputs |
|--|-----------|--|--|---------------------------------------|
| Assets:  |           |  |  |                                       |
| Trading securities:  |           |  |  |                                       |
| U.S. Government agency debentures  | \$28,588  | \$—  | \$28,588                                     | \$—                                   |
| U.S. agency residential mortgage-backed securities                           | 23,595    | —  | 23,595                                       | —                                     |
| Municipal and other tax-exempt securities                                    | 27,280    | —  | 27,280                                       | —                                     |
| Other trading securities   | 7,108     | —  | 7,108  | —                                     |
| Total trading securities   | 86,571    | —  | 86,571                                       | —                                     |
| Available for sale securities:   |           |  |  |                                       |
| U.S. Treasury  | 1,034     | 1,034  | —  | —                                     |
| Municipal and other tax-exempt   | 70,065    | —  | 54,542                                       | 15,523                                |
| U.S. agency residential mortgage-backed securities                           | 7,475,569 | —  | 7,475,569                                    | —                                     |
| Privately issued residential mortgage-backed securities                      | 189,248   | —  | 189,248                                      | —                                     |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,123,762 | —  | 2,123,762                                    | —                                     |
| Other debt securities  | 35,119    | —  | 30,407                                       | 4,712                                 |
| Perpetual preferred stock  | 24,281    | —  | 24,281                                       | —                                     |
| Equity securities and mutual funds   | 14,645    | —  | 14,645                                       | —                                     |
| Total available for sale securities  | 9,933,723 | 1,034  | 9,912,454                                    | 20,235                                |
| Fair value option securities:  |           |  |  |                                       |
| U.S. agency residential mortgage-backed securities                           | 156,525   | —  | 156,525                                      | —                                     |
| Other securities   | 4,359     | —  | 4,359  | —                                     |
| Total fair value option securities   | 160,884   | —  | 160,884                                      | —                                     |
| Residential mortgage loans held for sale                                     | 226,512   | —  | 226,512                                      | —                                     |
| Mortgage servicing rights <sup>1</sup>                                       | 153,774   | —  | —  | 153,774                               |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 218,507   | 1,363  | 217,144                                      | —                                     |
| Other assets – private equity funds  | 27,466    | —  | —  | 27,466                                |
| Liabilities:   |           |  |  |                                       |
| Derivative contracts, net of cash collateral <sup>2</sup>                    | 185,499   | —  | 185,499                                      | —                                     |

<sup>1</sup> A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted prices in active markets for identical instruments (Level 1) are exchange-traded energy and interest rate derivative contracts, net of cash margin. Derivative contracts in liability positions that were valued using quoted prices in active markets for identical instruments (Level 1) were exchange-traded energy, interest rate and agricultural derivative contracts, fully offset by cash margin.

Following is a description of the Company's valuation methodologies used for assets and liabilities measured on a recurring basis:

#### Securities

The fair values of trading, available for sale and fair value option securities are based on quoted prices for identical instruments in active markets, when available. If quoted prices for identical instruments are not available, fair values are based on significant other observable inputs such as quoted prices of comparable instruments or interest rates and credit spreads, yield curves, volatilities, prepayment speeds and loss severities.

The fair value of certain available for sale municipal and other debt securities may be based on significant unobservable inputs. These significant unobservable inputs include limited observed trades, projected cash flows, current credit rating of the issuers and, when applicable, the insurers of the debt and observed trades of similar debt. Discount rates are primarily based on references to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally-recognized rating agencies adjusted for a lack of trading volume. Significant unobservable inputs are developed by investment securities professionals involved in the active trading of similar securities. A summary of significant inputs used to value these securities follows. A management committee composed of senior members from the Company's Capital Markets, Risk Management and Finance departments assess the appropriateness of these inputs monthly.

#### Derivatives

All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate, commodity and foreign exchange contracts are based on valuations provided either by third-party dealers in the contracts, quotes provided by independent pricing services, or a third-party provided pricing model that uses significant other observable market inputs.

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

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

#### Residential Mortgage Loans Held for Sale

Residential mortgage loans held for sale are carried on the balance sheet at fair value. The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments. The fair value of mortgage loans that were unable to be sold to U.S. government agencies were determined using quoted prices of loans that are sold in securitization transactions with a liquidity discount applied.

#### Other Assets - Private Equity Funds

The fair value of the portfolio investments of the Company's two private equity funds are based upon net asset value reported by the underlying funds, as adjusted by the general partner when necessary to represent the price that would be received to sell the assets. The Company's private equity funds provide customers alternative investment opportunities as limited partners of the funds. As fund of funds, the private equity funds invest in other limited

partnerships or limited liability companies that invest substantially all of their assets in U.S. companies pursuing diversified investment strategies including early-stage venture capital, distressed securities and corporate or asset buy-outs. Private equity fund assets are long-term, illiquid investments. No secondary market exists for these assets. The private equity funds typically invest in funds that provide no redemption rights to investors. The fair value of the private equity investments may only be realized through cash distributions from the underlying funds.

- 111 -

---



The following represents the changes for the three months ended March 31, 2015 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

|                                      | Available for Sale Securities  |                       |  |                                     |
|--------------------------------------|--------------------------------|-----------------------|--|-------------------------------------|
|                                      | Municipal and other tax-exempt | Other debt securities | Residential mortgage loans held for sale | Other assets – private equity funds |
| Balance, Dec. 31, 2014               | \$ 10,093                      | \$ 4,150              | \$ 11,856                                | \$ 25,627                           |
| Transfer to Level 3 from Level 2     | —                              | —                     | 243                                      | —                                   |
| Purchases and capital calls          | —                              | —                     | —  | 380                                 |
| Proceeds from sales                  | —                              | —                     | (5,288 )                                 | —                                   |
| Redemptions and distributions        | (500 )                         | —                     | —  | (694 )                              |
| Gain (loss) recognized in earnings:  |                                |                       |  |                                     |
| Mortgage banking revenue             | —                              | —                     | 59                                       | —                                   |
| Gain on other assets, net            | —                              | —                     | —  | 252                                 |
| Other comprehensive gain (loss):     |                                |                       |  |                                     |
| Net change in unrealized gain (loss) | 30                             | —                     | —  | —                                   |
| Balance, March 31, 2015              | \$ 9,623                       | \$ 4,150              | \$ 6,870                                 | \$ 25,565                           |

The following represents the changes for the three months ended March 31, 2014 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

|   | Available for Sale Securities  |                       |                                    |                                     |
|---|--------------------------------|-----------------------|------------------------------------|-------------------------------------|
|   | Municipal and other tax-exempt | Other debt securities | Equity securities and mutual funds | Other assets – private equity funds |
| Balance, Dec. 31, 2013                      | \$ 17,805                      | \$ 4,712              | \$ 4,207                           | \$ 27,341                           |
| Transfer to Level 3 from Level 2            | —                              | —                     | —                                  | —                                   |
| Purchases, and capital calls                | —                              | —                     | —                                  | 205                                 |
| Redemptions and distributions               | (2,322 )                       | —                     | —                                  | (1,105 )                            |
| Gain (loss) recognized in earnings:         |                                |                       |                                    |                                     |
| Gain on other assets, net                   | —                              | —                     | —                                  | 1,025                               |
| Gain on available for sale securities, net  | (78 )                          | —                     | —                                  | —                                   |
| Charitable contributions to BOKF Foundation | —                              | —                     | (2,420 )                           | —                                   |
| Other comprehensive gain (loss):            |                                |                       |                                    |                                     |
| Net change in unrealized gain (loss)        | 118                            | —                     | (1,787 )                           | —                                   |
| Balance, March 31, 2014                     | \$ 15,523                      | \$ 4,712              | \$ —                               | \$ 27,466                           |

A summary of quantitative information about assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of March 31, 2015 follows (in thousands):  
Quantitative Information about Level 3 Recurring Fair Value Measurements

|   | Par Value | Amortized Cost/Unpaid Principal Balance | Fair Value | Valuation Technique(s)  | Unobservable Input  | Range (Weighted Average)                             |        |
|---|-----------|---|------------|---|---|--|--------|
| Available for sale securities             |           |   |            |   |   |  |        |
| Municipal and other tax-exempt securities | \$10,370  | \$ 10,309                               | \$9,623    | Discounted cash flows   | 1 Interest rate spread  | 4.99%-5.29%<br>(5.25%)<br>92.63%-92.99%<br>(92.80%)  | 2<br>3 |
| Other debt securities                     | 4,400     | 4,400                                   | 4,150      | Discounted cash flows   | 1 Interest rate spread  | 5.42%-5.67%<br>(5.64%)<br>94.31% - 94.32<br>(94.32%) | 4<br>3 |
| Residential mortgage loans held for sale  | N/A       | 7,444                                   | 6,870      | Quoted prices of loans sold in securitization transactions, with a liquidity discount applied | Liquidity discount applied to the market value of a mortgage loans qualifying for sale to U.S. government agencies. | N/A  |        |
| Other assets - private equity funds       | N/A       | N/A                                     | 25,565     | Net asset value reported by underlying fund   | Net asset value reported by underlying fund   | N/A  |        |

Discounted cash flows developed using discount rates primarily based on reference to interest rate spreads for  
<sup>1</sup> comparable securities of similar duration and credit rating as determined by the nationally-recognized rating agencies, adjusted for lack of trading volume.

<sup>2</sup> Interest rate yields used to value investment grade tax-exempt securities represent a spread of 491 to 518 basis points over average yields for comparable tax-exempt securities.

<sup>3</sup> Represents fair value as a percentage of par value.

<sup>4</sup> Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of December 31, 2014 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

|   | Par Value | Amortized Cost | Fair Value | Valuation Technique(s)  | Unobservable Input   | Range (Weighted Average)   |   |
|---|-----------|----------------|------------|---|--|----------------------------|---|
| Available for sale securities             |           |                |            |   |  |                            |   |
| Municipal and other tax-exempt securities | \$ 10,870 | \$ 10,805      | \$ 10,093  | Discounted cash flows   | <sup>1</sup> Interest rate spread  | 4.96%-5.26%<br>(5.21%)     | 2 |
|   |           |                |            |   |  | 92.65%-94.32%<br>(93.09%)  | 3 |
|   |           |                |            |   |  | 5.62%-5.67%<br>(5.66%)     | 4 |
| Other debt securities                     | 4,400     | 4,400          | 4,150      | Discounted cash flows   | <sup>1</sup> Interest rate spread  | 92.65% - 92.95<br>(92.77%) | 3 |
|   |           |                |            |   | Liquidity discount   |                            |   |
| Residential mortgage loans held for sale  | N/A       | 12,468         | 11,856     | Quoted prices of loans sold in securitization transactions, with a liquidity discount applied | applied to the market value of a mortgage loans qualifying for sale to U.S. government agencies. | N/A                        |   |
| Other assets - private equity funds       | N/A       | N/A            | 25,627     | Net asset value reported by underlying fund   | Net asset value reported by underlying fund  | N/A                        |   |

<sup>1</sup> Discounted cash flows developed using discount rates primarily based on reference to interest rate spreads for comparable securities of similar duration and credit rating as determined by the nationally-recognized rating agencies, adjusted for lack of trading volume.

<sup>2</sup> Interest rate yields used to value investment grade tax-exempt securities represent a spread of 488 to 516 basis points over average yields for comparable tax-exempt securities.

<sup>3</sup> Represents fair value as a percentage of par value.

<sup>4</sup> Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of March 31, 2014 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

|  | Par Value | Amortized Cost | Fair Value | Valuation Technique(s) | Unobservable Input | Range (Weighted Average) |
|--|-----------|----------------|------------|------------------------|--------------------|--------------------------|
|--|-----------|----------------|------------|------------------------|--------------------|--------------------------|

|   |           |           |           |   |   |   |                        |  |   |
|---|-----------|-----------|-----------|---|---|---|------------------------|--|---|
| Available for sale securities             |           |           |           |   |   |   |                        |  |   |
| Municipal and other tax-exempt securities | \$ 16,295 | \$ 16,224 | \$ 15,523 | Discounted cash flows                       | 1 | Interest rate spread                        | 4.95%-5.25% (5.13%)    |  | 2 |
|   |           |           |           |   |   |   | 95.05%-95.49% (95.26%) |  | 3 |
| Other debt securities                     | 4,900     | 4,900     | 4,712     | Discounted cash flows                       | 1 | Interest rate spread                        | 5.46%-5.66% (5.63%)    |  | 4 |
|   |           |           |           |   |   |   | 96.16% (96.16%)        |  | 3 |
| Other assets - private equity funds       | N/A       | N/A       | 27,466    | Net asset value reported by underlying fund |   | Net asset value reported by underlying fund | N/A                    |  |   |

Discounted cash flows developed using discount rates primarily based on reference to interest rate spreads for comparable securities of similar duration and credit rating as determined by the nationally-recognized rating agencies, adjusted for lack of trading volume.

<sup>2</sup> Interest rate yields used to value investment grade tax-exempt securities represent a spread of 468 to 515 basis points over average yields for comparable tax-exempt securities.

<sup>3</sup> Represents fair value as a percentage of par value.

<sup>4</sup> Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

## Fair Value of Assets and Liabilities Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include collateral for certain impaired loans and real property and other assets acquired to satisfy loans, which are based primarily on comparisons to completed sales of similar assets.

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at March 31, 2015 for which the fair value was adjusted during the three months ended March 31, 2015:

|  | Carrying Value at March 31, 2015                          |                                     |                                 | Fair Value Adjustments for the Three Months Ended March 31, 2015 |  |
|--|---|-------------------------------------|---------------------------------|--|--|
|  | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Gross charge-offs against allowance for loan losses              | Net losses and expenses of repossessed assets, net |
| Impaired loans                           | \$—   | \$2,248                             | \$—                             | \$468  | \$—  |
| Real estate and other repossessed assets | —   | 7,623                               | —                               | —  | 1,161  |

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at March 31, 2014 for which the fair value was adjusted during the three months ended March 31, 2014:

|  | Carrying Value at March 31, 2014                          |                                     |                                 | Fair Value Adjustments for the Three Months Ended March 31, 2014 |  |
|--|---|-------------------------------------|---------------------------------|--|--|
|  | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Gross charge-offs against allowance for loan losses              | Net losses and expenses of repossessed assets, net |
| Impaired loans                           | \$—   | \$3,015                             | \$1,541                         | \$953  | \$—  |
| Real estate and other repossessed assets | —   | 4,833                               | —                               | —  | 1,251  |

The fair value of collateral-dependent impaired loans and real estate and other repossessed assets and the related fair value adjustments are generally based on unadjusted third-party appraisals. Our appraisal review policies require appraised values to be supported by observed inputs derived principally from or corroborated by observable market data. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs. Non-recurring fair value measurements of collateral-dependent impaired loans and real estate and other repossessed assets based on significant unobservable inputs are generally due to estimates of current fair values between appraisal dates. Significant unobservable inputs include listing prices for the same or comparable assets, uncorroborated expert opinions or management's knowledge of the collateral or industry. These inputs are developed by asset management and workout professionals and approved by senior Credit Administration executives.

A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of March 31, 2014 follows (in thousands):

Quantitative Information about Level 3 Non-recurring Fair Value Measurements

|                | Fair Value | Valuation Technique(s)       | Unobservable Input   | Range (Weighted Average) |
|----------------|------------|------------------------------|--|--------------------------|
| Impaired loans | \$1,541    | Appraised value, as adjusted | Broker quotes and management's knowledge of industry and collateral. | N/A                      |

## Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of March 31, 2015 (dollars in thousands):

|  | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and due from banks  | \$490,683      |                             |                               |               | \$490,683            |
| Interest-bearing cash and cash equivalents                                   | 2,119,987      |                             |                               |               | 2,119,987            |
| Trading securities:  |                |                             |                               |               |                      |
| U.S. Government agency debentures  | 26,283         |                             |                               |               | 26,283               |
| U.S. agency residential mortgage-backed securities                           | 17,179         |                             |                               |               | 17,179               |
| Municipal and other tax-exempt securities                                    | 54,164         |                             |                               |               | 54,164               |
| Other trading securities   | 20,418         |                             |                               |               | 20,418               |
| Total trading securities   | 118,044        |                             |                               |               | 118,044              |
| Investment securities:   |                |                             |                               |               |                      |
| Municipal and other tax-exempt   | 396,063        |                             |                               |               | 400,112              |
| U.S. agency residential mortgage-backed securities                           | 33,545         |                             |                               |               | 35,253               |
| Other debt securities  | 204,979        |                             |                               |               | 222,606              |
| Total investment securities  | 634,587        |                             |                               |               | 657,971              |
| Available for sale securities:   |                |                             |                               |               |                      |
| U.S. Treasury  | 1,001          |                             |                               |               | 1,001                |
| Municipal and other tax-exempt   | 60,818         |                             |                               |               | 60,818               |
| U.S. agency residential mortgage-backed securities                           | 6,717,569      |                             |                               |               | 6,717,569            |
| Privately issued residential mortgage-backed securities                      | 160,031        |                             |                               |               | 160,031              |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,164,842      |                             |                               |               | 2,164,842            |
| Other debt securities  | 9,155          |                             |                               |               | 9,155                |
| Perpetual preferred stock  | 24,983         |                             |                               |               | 24,983               |
| Equity securities and mutual funds   | 19,776         |                             |                               |               | 19,776               |
| Total available for sale securities  | 9,158,175      |                             |                               |               | 9,158,175            |
| Fair value option securities:  |                |                             |                               |               |                      |
| U.S. agency residential mortgage-backed securities                           | 434,077        |                             |                               |               | 434,077              |
| Other securities   | —              |                             |                               |               | —                    |
| Total fair value option securities   | 434,077        |                             |                               |               | 434,077              |
| Residential mortgage loans held for sale                                     | 513,196        |                             |                               |               | 513,196              |
| Loans:   |                |                             |                               |               |                      |
| Commercial   | 9,391,163      | 0.18% - 30.00%              | 0.69                          | 0.49% - 4.15% | 8,943,332            |
| Commercial real estate   | 2,935,464      | 0.38% - 18.00%              | 0.83                          | 1.03% - 3.63% | 2,708,850            |
| Residential mortgage   | 1,926,999      | 1.20% - 18.00%              | 2.21                          | 0.70% - 3.84% | 1,990,722            |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |                   |      |                  |            |
|---|------------|-------------------|------|------------------|------------|
| Consumer  | 430,510    | 0.38% -<br>21.00% | 0.43 | 0.99% -<br>3.88% | 431,521    |
| Total loans   | 14,684,136 |                   |      |                  | 14,074,425 |
| Allowance for loan losses   | (197,686 ) |                   |      |                  | —          |
| Loans, net of allowance   | 14,486,450 |                   |      |                  | 14,074,425 |
| Mortgage servicing rights   | 175,051    |                   |      |                  | 175,051    |
| Derivative instruments with positive fair value, net of cash margin | 462,386    |                   |      |                  | 462,386    |
| Other assets – private equity funds                                 | 25,565     |                   |      |                  | 25,565     |
| Deposits with no stated maturity                                    | 18,501,569 |                   |      |                  | 18,501,569 |
| Time deposits   | 2,651,778  | 0.02% -<br>9.64%  | 1.79 | 0.78% -<br>1.24% | 2,659,907  |
| Other borrowed funds  | 4,691,033  | 0.25% -<br>4.78%  | 0.02 | 0.06% -<br>2.64% | 4,657,770  |
| Subordinated debentures   | 348,030    | 0.92% -<br>5.00%  | 1.43 | 2.11             | % 344,599  |
| Derivative instruments with negative fair value, net of cash margin | 419,351    |                   |      |                  | 419,351    |

- 116 -

---



The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of December 31, 2014 (dollars in thousands):

|  | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and due from banks  | \$550,576      |                             |                               |               | \$550,576            |
| Interest-bearing cash and cash equivalents                                   | 1,925,266      |                             |                               |               | 1,925,266            |
| Trading securities:  |                |                             |                               |               |                      |
| U.S. Government agency debentures  | 85,092         |                             |                               |               | 85,092               |
| U.S. agency residential mortgage-backed securities                           | 31,199         |                             |                               |               | 31,199               |
| Municipal and other tax-exempt securities                                    | 38,951         |                             |                               |               | 38,951               |
| Other trading securities   | 33,458         |                             |                               |               | 33,458               |
| Total trading securities   | 188,700        |                             |                               |               | 188,700              |
| Investment securities:   |                |                             |                               |               |                      |
| Municipal and other tax-exempt   | 405,090        |                             |                               |               | 408,344              |
| U.S. agency residential mortgage-backed securities                           | 35,750         |                             |                               |               | 37,463               |
| Other debt securities  | 211,520        |                             |                               |               | 227,819              |
| Total investment securities  | 652,360        |                             |                               |               | 673,626              |
| Available for sale securities:   |                |                             |                               |               |                      |
| U.S. Treasury  | 1,005          |                             |                               |               | 1,005                |
| Municipal and other tax-exempt   | 63,557         |                             |                               |               | 63,557               |
| U.S. agency residential mortgage-backed securities                           | 6,646,884      |                             |                               |               | 6,646,884            |
| Privately issued residential mortgage-backed securities                      | 165,957        |                             |                               |               | 165,957              |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,048,609      |                             |                               |               | 2,048,609            |
| Other debt securities  | 9,212          |                             |                               |               | 9,212                |
| Perpetual preferred stock  | 24,277         |                             |                               |               | 24,277               |
| Equity securities and mutual funds   | 19,444         |                             |                               |               | 19,444               |
| Total available for sale securities  | 8,978,945      |                             |                               |               | 8,978,945            |
| Fair value option securities:  |                |                             |                               |               |                      |
| U.S. agency residential mortgage-backed securities                           | 311,597        |                             |                               |               | 311,597              |
| Other securities   | —              |                             |                               |               | —                    |
| Total fair value option securities   | 311,597        |                             |                               |               | 311,597              |
| Residential mortgage loans held for sale                                     | 304,182        |                             |                               |               | 304,182              |
| Loans:   |                |                             |                               |               |                      |
| Commercial   | 9,095,670      | 0.17% - 30.00%              | 0.65                          | 0.51% - 4.34% | 8,948,870            |
| Commercial real estate   | 2,728,150      | 0.38% - 18.00%              | 0.84                          | 1.09% - 3.78% | 2,704,454            |
| Residential mortgage   | 1,949,512      | 1.20% - 18.00%              | 2.50                          | 0.64% - 3.99% | 1,985,870            |
| Consumer   | 434,705        | 0.38% - 21.00%              | 0.45                          | 1.04% - 3.98% | 431,274              |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |               |      |               |            |
|---|------------|---------------|------|---------------|------------|
| Total loans   | 14,208,037 |               |      |               | 14,070,468 |
| Allowance for loan losses   | (189,056 ) |               |      |               | —          |
| Loans, net of allowance   | 14,018,981 |               |      |               | 14,070,468 |
| Mortgage servicing rights   | 171,976    |               |      |               | 171,976    |
| Derivative instruments with positive fair value, net of cash margin | 361,874    |               |      |               | 361,874    |
| Other assets – private equity funds                                 | 25,627     |               |      |               | 25,627     |
| Deposits with no stated maturity                                    | 18,532,143 |               |      |               | 18,532,143 |
| Time deposits   | 2,608,716  | 0.02% - 9.64% | 1.92 | 0.76% - 1.33% | 2,612,576  |
| Other borrowed funds  | 3,378,294  | 0.21% - 1.52% | 0.12 | 0.06% - 2.64% | 3,331,771  |
| Subordinated debentures   | 347,983    | 0.92% - 5.00% | 1.67 | 2.14 %        | 344,687    |
| Derivative instruments with negative fair value, net of cash margin | 354,554    |               |      |               | 354,554    |

- 117 -

---

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of March 31, 2014 (dollars in thousands):

|  | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and due from banks  | \$645,435      |                             |                               |               | \$645,435            |
| Interest-bearing cash and cash equivalents                                   | 708,571        |                             |                               |               | 708,571              |
| Trading securities:  |                |                             |                               |               |                      |
| U.S. Government agency debentures  | 28,588         |                             |                               |               | 28,588               |
| U.S. agency residential mortgage-backed securities                           | 23,595         |                             |                               |               | 23,595               |
| Municipal and other tax-exempt securities                                    | 27,280         |                             |                               |               | 27,280               |
| Other trading securities   | 7,108          |                             |                               |               | 7,108                |
| Total trading securities   | 86,571         |                             |                               |               | 86,571               |
| Investment securities:   |                |                             |                               |               |                      |
| Municipal and other tax-exempt   | 440,303        |                             |                               |               | 441,532              |
| U.S. agency residential mortgage-backed securities                           | 45,917         |                             |                               |               | 47,834               |
| Other debt securities  | 182,756        |                             |                               |               | 195,697              |
| Total investment securities  | 668,976        |                             |                               |               | 685,063              |
| Available for sale securities:   |                |                             |                               |               |                      |
| U.S. Treasury  | 1,034          |                             |                               |               | 1,034                |
| Municipal and other tax-exempt   | 70,065         |                             |                               |               | 70,065               |
| U.S. agency residential mortgage-backed securities                           | 7,475,569      |                             |                               |               | 7,475,569            |
| Privately issued residential mortgage-backed securities                      | 189,248        |                             |                               |               | 189,248              |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,123,762      |                             |                               |               | 2,123,762            |
| Other debt securities  | 35,119         |                             |                               |               | 35,119               |
| Perpetual preferred stock  | 24,281         |                             |                               |               | 24,281               |
| Equity securities and mutual funds   | 14,645         |                             |                               |               | 14,645               |
| Total available for sale securities  | 9,933,723      |                             |                               |               | 9,933,723            |
| Fair value option securities:  |                |                             |                               |               |                      |
| U.S. agency residential mortgage-backed securities                           | 156,525        |                             |                               |               | 156,525              |
| Other securities   | 4,359          |                             |                               |               | 4,359                |
| Total fair value option securities   | 160,884        |                             |                               |               | 160,884              |
| Residential mortgage loans held for sale                                     | 226,512        |                             |                               |               | 226,512              |
| Loans:   |                |                             |                               |               |                      |
| Commercial   | 8,051,706      | 0.15% - 30.00%              | 0.52                          | 0.55% - 4.28% | 7,941,638            |
| Commercial real estate   | 2,631,407      | 0.38% - 18.00%              | 0.74                          | 1.15% - 3.54% | 2,609,622            |
| Residential mortgage   | 2,018,675      | 0.01% - 18.00%              | 2.60                          | 0.57% - 4.54% | 2,040,336            |
| Consumer   | 376,066        | 0.38% - 21.00%              | 0.50                          | 1.14% - 3.80% | 370,885              |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |               |      |               |            |
|---|------------|---------------|------|---------------|------------|
| Total loans   | 13,077,854 |               |      |               | 12,962,481 |
| Allowance for loan losses   | (188,318 ) |               |      |               | —          |
| Loans, net of allowance   | 12,889,536 |               |      |               | 12,962,481 |
| Mortgage servicing rights   | 153,774    |               |      |               | 153,774    |
| Derivative instruments with positive fair value, net of cash margin | 218,507    |               |      |               | 218,507    |
| Other assets – private equity funds                                 | 27,466     |               |      |               | 27,466     |
| Deposits with no stated maturity                                    | 17,727,539 |               |      |               | 17,727,539 |
| Time deposits   | 2,662,174  | 0.03% - 9.64% | 2.08 | 0.74% - 1.32% | 2,664,770  |
| Other borrowed funds  | 2,974,979  | 0.23% - 4.50% | 0.01 | 0.06% - 2.62% | 2,960,177  |
| Subordinated debentures   | 347,846    | 0.95% - 5.00% | 2.40 | 2.21 %        | 344,717    |
| Derivative instruments with negative fair value, net of cash margin | 185,499    |               |      |               | 185,499    |

- 118 -

---

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

The following methods and assumptions were used in estimating the fair value of these financial instruments:

#### Cash and Cash Equivalents

The book value reported in the consolidated balance sheets for cash and short-term instruments approximates those assets' fair values.

#### Securities

The fair values of securities are generally based on Significant Other Observable Inputs such as quoted prices for comparable instruments or interest rates and credit spreads, yield curves, volatilities, prepayment speeds and loss severities.

#### Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings which are classified as Significant Unobservable Inputs. The fair values of loans were estimated to approximate their discounted cash flows less loan loss allowances allocated to these loans of \$170 million at March 31, 2015, \$161 million at December 31, 2014 and \$161 million at March 31, 2014.

#### Deposits

The fair values of time deposits are based on discounted cash flow analyses using interest rates currently being offered on similar transactions which are considered Significant Unobservable Inputs. Estimated fair value of deposits with no stated maturity, which includes demand deposits, transaction deposits, money market deposits and savings accounts, is equal to the amount payable on demand. Although market premiums paid reflect an additional value for these low cost deposits, adjusting fair value for the expected benefit of these deposits is prohibited. Accordingly, the positive effect of such deposits is not included in the tables above.

#### Other Borrowings and Subordinated Debentures

The fair values of these instruments are based upon discounted cash flow analyses using interest rates currently being offered on similar instruments which are considered Significant Unobservable Inputs.

#### Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at March 31, 2015, December 31, 2014 or March 31, 2014.

#### Fair Value Election

As more fully disclosed in Note 2 and Note 5 to the Consolidated Financial Statements, the Company has elected to carry all residential mortgage-backed securities which have been designated as economic hedges against changes in

the fair value of mortgage servicing rights, certain corporate debt securities economically hedged by derivative contracts to manage interest rate risk and all residential mortgage loans originated for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

- 119 -

---

## (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<br>March 31, |   |          |   |
|--|---------------------------------|---|----------|---|
|  | 2015                            |   | 2014     |   |
| Amount:  |                                 |   |          |   |
| Federal statutory tax                                | \$39,717                        |   | \$40,768 |   |
| Tax exempt revenue                                   | (2,246                          | ) | (1,991   | ) |
| Effect of state income taxes, net of federal benefit | 2,615                           |   | 2,870    |   |
| Utilization of tax credits:                          |                                 |   |          |   |
| Low-income housing tax credit, net of amortization   | (757                            | ) | (991     | ) |
| Other tax credits                                    | (521                            | ) | (381     | ) |
| Bank-owned life insurance                            | (804                            | ) | (768     | ) |
| Charitable contributions to BOKF Foundation          | —                               |   | (427     | ) |
| Other, net   | 380                             |   | 357      |   |
| Total  | \$38,384                        |   | \$39,437 |   |
|  |                                 |   |          |   |
|  | Three Months Ended<br>March 31, |   |          |   |
|  | 2015                            |   | 2014     |   |
| Percent of pretax income:                            |                                 |   |          |   |
| Federal statutory tax                                | 35.0                            | % | 35.0     | % |
| Tax exempt revenue                                   | (2.0                            | ) | (1.7     | ) |
| Effect of state income taxes, net of federal benefit | 2.3                             |   | 2.5      |   |
| Utilization of tax credits:                          |                                 |   |          |   |
| Low-income housing tax credit, net of amortization   | (0.7                            | ) | (0.9     | ) |
| Other tax credits                                    | (0.5                            | ) | (0.3     | ) |
| Bank-owned life insurance                            | (0.7                            | ) | (0.7     | ) |
| Charitable contributions to BOKF Foundation          | —                               |   | (0.4     | ) |
| Other, net   | 0.4                             |   | 0.4      |   |
| Total  | 33.8                            | % | 33.9     | % |

## (12) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on March 31, 2015 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

Quarterly Financial Summary – Unaudited  
Consolidated Daily Average Balances, Average Yields and Rates  
(In Thousands, Except Per Share Data)

|  | Three Months Ended |                 |            |                   |                 |                 |            |   |
|--|--------------------|-----------------|------------|-------------------|-----------------|-----------------|------------|---|
|  | March 31, 2015     |                 |            | December 31, 2014 |                 |                 |            |   |
|  | Average Balance    | Revenue/Expense | Yield/Rate |                   | Average Balance | Revenue/Expense | Yield/Rate |   |
| <b>Assets</b>                              |                    |                 |            |                   |                 |                 |            |   |
| Interest-bearing cash and cash equivalents | \$2,089,546        | \$1,422         | 0.27       | %                 | \$2,090,176     | \$1,500         | 0.28       | % |
| Trading securities                         | 140,968            | 685             | 2.55       | %                 | 164,502         | 901             | 2.48       | % |
| <b>Investment securities</b>               |                    |                 |            |                   |                 |                 |            |   |
| Taxable                                    | 241,458            | 3,326           | 5.51       | %                 | 244,395         | 3,468           | 5.68       | % |
| Tax-exempt                                 | 401,367            | 1,564           | 1.56       | %                 | 406,516         | 1,586           | 1.56       | % |
| Total investment securities                | 642,825            | 4,890           | 3.04       | %                 | 650,911         | 5,054           | 3.11       | % |
| <b>Available for sale securities</b>       |                    |                 |            |                   |                 |                 |            |   |
| Taxable                                    | 9,014,566          | 43,105          | 1.95       | %                 | 9,073,467       | 43,953          | 1.97       | % |
| Tax-exempt                                 | 86,899             | 921             | 4.40       | %                 | 88,434          | 904             | 4.23       | % |
| Total available for sale securities        | 9,101,464          | 44,026          | 1.98       | %                 | 9,161,901       | 44,857          | 1.99       | % |
| Fair value option securities               | 404,775            | 2,003           | 2.28       | %                 | 221,773         | 1,053           | 2.18       | % |
| Restricted equity securities               | 179,385            | 2,597           | 5.79       | %                 | 182,737         | 2,635           | 5.77       | % |
| Residential mortgage loans held for sale   | 348,054            | 2,949           | 3.41       | %                 | 321,746         | 3,101           | 3.87       | % |
| Loans <sup>2</sup>                         | 14,554,582         | 128,952         | 3.59       | %                 | 13,882,005      | 130,378         | 3.73       | % |
| Allowance for loan losses                  | (194,948 )         |                 |            |                   | (190,787 )      |                 |            |   |
| Loans, net of allowance                    | 14,359,634         | 128,952         | 3.64       | %                 | 13,691,218      | 130,378         | 3.78       | % |
| Total earning assets                       | 27,266,651         | 187,525         | 2.80       | %                 | 26,484,964      | 189,479         | 2.86       | % |
| Receivable on unsettled securities sales   | 99,706             |                 |            |                   | 69,109          |                 |            |   |
| Cash and other assets                      | 2,604,347          |                 |            |                   | 2,578,124       |                 |            |   |
| Total assets                               | \$29,970,704       |                 |            |                   | \$29,132,197    |                 |            |   |
| <b>Liabilities and equity</b>              |                    |                 |            |                   |                 |                 |            |   |
| <b>Interest-bearing deposits:</b>          |                    |                 |            |                   |                 |                 |            |   |
| Transaction                                | \$10,338,396       | \$2,465         | 0.10       | %                 | \$9,730,564     | \$2,328         | 0.09       | % |
| Savings                                    | 365,835            | 94              | 0.10       | %                 | 346,132         | 96              | 0.11       | % |
| Time                                       | 2,659,323          | 9,546           | 1.46       | %                 | 2,647,147       | 9,777           | 1.47       | % |
| Total interest-bearing deposits            | 13,363,554         | 12,105          | 0.37       | %                 | 12,723,843      | 12,201          | 0.38       | % |
| Funds purchased                            | 69,730             | 16              | 0.09       | %                 | 71,728          | 14              | 0.08       | % |
| Repurchase agreements                      | 1,000,839          | 104             | 0.04       | %                 | 996,308         | 109             | 0.04       | % |
| Other borrowings                           | 3,084,214          | 2,453           | 0.32       | %                 | 3,021,094       | 2,443           | 0.32       | % |
| Subordinated debentures                    | 348,007            | 2,165           | 2.52       | %                 | 347,960         | 2,189           | 2.50       | % |
| Total interest-bearing liabilities         | 17,866,344         | 16,843          | 0.38       | %                 | 17,160,933      | 16,956          | 0.39       | % |
| Non-interest bearing demand deposits       | 7,885,485          |                 |            |                   | 7,974,165       |                 |            |   |
| Due on unsettled securities purchases      | 205,096            |                 |            |                   | 137,566         |                 |            |   |
| Other liabilities                          | 662,218            |                 |            |                   | 549,388         |                 |            |   |
| Total equity                               | 3,351,561          |                 |            |                   | 3,310,145       |                 |            |   |
| Total liabilities and equity               | \$29,970,704       |                 |            |                   | \$29,132,197    |                 |            |   |



Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |      |   |            |      |   |
|---|------------|------|---|------------|------|---|
| Tax-equivalent Net Interest Revenue                         | \$ 170,682 | 2.42 | % | \$ 172,523 | 2.47 | % |
| Tax-equivalent Net Interest Revenue to Earning Assets       |            | 2.55 | % |            | 2.61 | % |
| Less tax-equivalent adjustment                              | 2,956      |      |   | 2,859      |      |   |
| Net Interest Revenue  | 167,726    |      |   | 169,664    |      |   |
| Provision for credit losses                                 | —          |      |   | —          |      |   |
| Other operating revenue                                     | 166,017    |      |   | 151,903    |      |   |
| Other operating expense                                     | 220,265    |      |   | 225,877    |      |   |
| Income before taxes   | 113,478    |      |   | 95,690     |      |   |
| Federal and state income taxes                              | 38,384     |      |   | 30,109     |      |   |
| Net income  | 75,094     |      |   | 65,581     |      |   |
| Net income attributable to non-controlling interests        | 251        |      |   | 1,263      |      |   |
| Net income attributable to BOK Financial Corp. shareholders | \$ 74,843  |      |   | \$ 64,318  |      |   |
| Earnings Per Average Common Share Equivalent:               |            |      |   |            |      |   |
| Net income:   |            |      |   |            |      |   |
| Basic   | \$ 1.08    |      |   | \$ 0.93    |      |   |
| Diluted   | \$ 1.08    |      |   | \$ 0.93    |      |   |

Yield calculations are shown on a tax equivalent at the statutory federal and state rates for the periods presented. The yield calculations exclude security trades that have been recorded on trade date with no corresponding interest income and the unrealized gains and losses. The yield calculation also includes average loan balances for which the accrual of interest has been discontinued and are net of unearned income. Yield / rate calculations are generally based on the conventions that determine how interest income and expense is accrued.

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

| Three Months Ended<br>September 30, 2014 |                                  |                 | June 30, 2014      |                                   |                 | March 31, 2014     |                                   |                 |   |  |
|--|----------------------------------|-----------------|--------------------|-----------------------------------|-----------------|--------------------|-----------------------------------|-----------------|---|--|
| Average<br>Balance                       | Revenue<br>/Expense <sup>1</sup> | Yield /<br>Rate | Average<br>Balance | Revenue /<br>Expense <sup>1</sup> | Yield /<br>Rate | Average<br>Balance | Revenue /<br>Expense <sup>1</sup> | Yield /<br>Rate |   |  |
| \$1,217,942                              | \$601                            | 0.20            | % \$635,140        | \$383                             | 0.24            | % \$549,473        | \$265                             | 0.20            | % |  |
| 107,909                                  | 561                              | 2.67            | % 116,186          | 527                               | 2.40            | % 92,409           | 531                               | 2.85            | % |  |
| 228,771                                  | 3,238                            | 5.66            | % 226,528          | 3,195                             | 5.64            | % 232,646          | 3,282                             | 5.64            | % |  |
| 412,604                                  | 1,605                            | 1.56            | % 432,265          | 1,764                             | 1.63            | % 439,110          | 1,830                             | 1.67            | % |  |
| 641,375                                  | 4,843                            | 3.03            | % 658,793          | 4,959                             | 3.01            | % 671,756          | 5,112                             | 3.04            | % |  |
| 9,436,137                                | 45,257                           | 1.94            | % 9,706,965        | 46,458                            | 1.94            | % 9,980,069        | 47,255                            | 1.90            | % |  |
| 90,590                                   | 675                              | 3.14            | % 93,969           | 1,007                             | 4.44            | % 96,873           | 735                               | 3.11            | % |  |
| 9,526,727                                | 45,932                           | 1.95            | % 9,800,934        | 47,465                            | 1.96            | % 10,076,942       | 47,990                            | 1.91            | % |  |
| 180,268                                  | 913                              | 2.05            | % 164,684          | 794                               | 1.94            | % 165,515          | 851                               | 1.99            | % |  |
| 142,418                                  | 2,133                            | 5.99            | % 97,016           | 1,275                             | 5.26            | % 85,234           | 997                               | 4.68            | % |  |
| 310,924                                  | 2,929                            | 3.79            | % 219,308          | 2,523                             | 4.63            | % 185,196          | 1,590                             | 3.46            | % |  |
| 13,518,578                               | 128,695                          | 3.78            | % 13,264,461       | 127,508                           | 3.85            | % 12,947,926       | 124,335                           | 3.89            | % |  |
| (191,141 )                               |                                  |                 | (189,329 )         |                                   |                 | (186,979 )         |                                   |                 |   |  |
| 13,327,437                               | 128,695                          | 3.83            | % 13,075,132       | 127,508                           | 3.91            | % 12,760,947       | 124,335                           | 3.95            | % |  |
| 25,455,000                               | 186,607                          | 2.93            | % 24,767,193       | 185,434                           | 3.02            | % 24,587,472       | 181,671                           | 2.99            | % |  |
| 63,277                                   |                                  |                 | 108,825            |                                   |                 | 114,708            |                                   |                 |   |  |
| 2,597,280                                |                                  |                 | 2,610,803          |                                   |                 | 2,536,588          |                                   |                 |   |  |
| \$28,115,557                             |                                  |                 | \$27,486,821       |                                   |                 | \$27,238,768       |                                   |                 |   |  |
| \$9,473,575                              | \$2,381                          | 0.10            | % \$9,850,991      | \$2,489                           | 0.10            | % \$9,900,823      | \$2,559                           | 0.10            | % |  |
| 342,488                                  | 101                              | 0.12            | % 355,459          | 106                               | 0.12            | % 336,576          | 98                                | 0.12            | % |  |
| 2,610,561                                | 10,237                           | 1.56            | % 2,636,444        | 10,182                            | 1.55            | % 2,686,041        | 10,329                            | 1.56            | % |  |
| 12,426,624                               | 12,719                           | 0.41            | % 12,842,894       | 12,777                            | 0.40            | % 12,923,440       | 12,986                            | 0.41            | % |  |
| 320,817                                  | 59                               | 0.07            | % 574,926          | 107                               | 0.07            | % 1,021,755        | 161                               | 0.06            | % |  |
| 1,027,206                                | 141                              | 0.05            | % 914,892          | 182                               | 0.08            | % 773,127          | 151                               | 0.08            | % |  |
| 2,333,961                                | 2,004                            | 0.34            | % 1,294,932        | 1,279                             | 0.40            | % 1,038,747        | 1,022                             | 0.40            | % |  |
| 347,914                                  | 2,154                            | 2.46            | % 347,868          | 2,189                             | 2.52            | % 347,824          | 2,158                             | 2.52            | % |  |
| 16,456,522                               | 17,077                           | 0.41            | % 15,975,512       | 16,534                            | 0.42            | % 16,104,893       | 16,478                            | 0.41            | % |  |
| 7,800,350                                |                                  |                 | 7,654,225          |                                   |                 | 7,312,076          |                                   |                 |   |  |
| 124,952                                  |                                  |                 | 166,521            |                                   |                 | 116,295            |                                   |                 |   |  |
| 485,304                                  |                                  |                 | 513,839            |                                   |                 | 600,429            |                                   |                 |   |  |
| 3,248,429                                |                                  |                 | 3,176,724          |                                   |                 | 3,105,075          |                                   |                 |   |  |
| \$28,115,557                             |                                  |                 | \$27,486,821       |                                   |                 | \$27,238,768       |                                   |                 |   |  |
|  | \$169,530                        | 2.52            | %                  | \$168,900                         | 2.60            | %                  | \$165,193                         | 2.58            | % |  |
|  |                                  | 2.67            | %                  |                                   | 2.75            | %                  |                                   | 2.71            | % |  |
|  | 2,739                            |                 |                    | 2,803                             |                 |                    | 2,551                             |                 |   |  |
|  | 166,791                          |                 |                    | 166,097                           |                 |                    | 162,642                           |                 |   |  |
|  | —                                |                 |                    | —                                 |                 |                    | —                                 |                 |   |  |
|  | 164,971                          |                 |                    | 166,142                           |                 |                    | 138,942                           |                 |   |  |
|  | 221,834                          |                 |                    | 214,707                           |                 |                    | 185,104                           |                 |   |  |
|  | 109,928                          |                 |                    | 117,532                           |                 |                    | 116,480                           |                 |   |  |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|          |          |          |
|----------|----------|----------|
| 33,802   | 40,803   | 39,437   |
| 76,126   | 76,729   | 77,043   |
| 494      | 834      | 453      |
| \$75,632 | \$75,895 | \$76,590 |
| <br>     |          |          |
| \$1.09   | \$1.10   | \$1.11   |
| \$1.09   | \$1.10   | \$1.11   |

- 122 -

---

## Quarterly Earnings Trends – Unaudited

(In thousands, except share and per share data)

|  | Three Months Ended |                      |                       |                  |                   |
|--|--------------------|----------------------|-----------------------|------------------|-------------------|
|  | March 31,<br>2015  | December 31,<br>2014 | September 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
| Interest revenue   | \$ 184,569         | \$ 186,620           | \$ 183,868            | \$ 182,631       | \$ 179,120        |
| Interest expense   | 16,843             | 16,956               | 17,077                | 16,534           | 16,478            |
| Net interest revenue   | 167,726            | 169,664              | 166,791               | 166,097          | 162,642           |
| Provision for credit losses  | —                  | —                    | —                     | —                | —                 |
| Net interest revenue after provision for credit losses                       | 167,726            | 169,664              | 166,791               | 166,097          | 162,642           |
| Other operating revenue  |                    |                      |                       |                  |                   |
| Brokerage and trading revenue  | 31,707             | 30,602               | 35,263                | 39,056           | 29,516            |
| Transaction card revenue   | 31,010             | 31,467               | 31,578                | 31,510           | 29,134            |
| Fiduciary and asset management revenue                                       | 31,469             | 30,649               | 29,738                | 29,543           | 25,722            |
| Deposit service charges and fees   | 21,684             | 22,581               | 22,508                | 23,133           | 22,689            |
| Mortgage banking revenue   | 39,320             | 30,105               | 26,814                | 29,330           | 22,844            |
| Bank-owned life insurance  | 2,198              | 2,380                | 2,326                 | 2,274            | 2,106             |
| Other revenue  | 8,603              | 10,071               | 10,320                | 9,208            | 8,852             |
| Total fees and commissions   | 165,991            | 157,855              | 158,547               | 164,054          | 140,863           |
| Gain (loss) on other assets, net   | 755                | 338                  | 1,422                 | 3,521            | (2,328 )          |
| Gain (loss) on derivatives, net  | 911                | 1,070                | (93 )                 | 831              | 968               |
| Gain (loss) on fair value option securities, net                             | 2,647              | 3,685                | (332 )                | 4,176            | 2,660             |
| Change in fair value of mortgage servicing rights                            | (8,522 )           | (10,821 )            | 5,281                 | (6,444 )         | (4,461 )          |
| Gain on available for sale securities, net                                   | 4,327              | 149                  | 146                   | 4                | 1,240             |
| Total other-than-temporary impairment losses                                 | (781 )             | (373 )               | —                     | —                | —                 |
| Portion of loss recognized in (reclassified from) other comprehensive income | 689                | —                    | —                     | —                | —                 |
| Net impairment losses recognized in earnings                                 | (92 )              | (373 )               | —                     | —                | —                 |
| Total other operating revenue  | 166,017            | 151,903              | 164,971               | 166,142          | 138,942           |
| Other operating expense  |                    |                      |                       |                  |                   |
| Personnel  | 128,548            | 125,741              | 123,043               | 123,714          | 104,433           |
| Business promotion   | 5,748              | 7,498                | 6,160                 | 7,150            | 5,841             |
| Charitable contributions to BOKF Foundation                                  | —                  | 1,847                | —                     | —                | 2,420             |
| Professional fees and services   | 10,059             | 11,058               | 14,763                | 11,054           | 7,565             |
| Net occupancy and equipment  | 19,044             | 22,655               | 18,892                | 18,789           | 16,896            |
| Insurance  | 4,980              | 4,777                | 4,793                 | 4,467            | 4,541             |
| Data processing and communications   | 30,620             | 30,872               | 29,971                | 29,071           | 27,135            |
| Printing, postage and supplies   | 3,461              | 3,168                | 3,380                 | 3,429            | 3,541             |
| Net losses (gains) and operating expenses of repossessed assets              | 613                | (1,497 )             | 4,966                 | 1,118            | 1,432             |
| Amortization of intangible assets  | 1,090              | 1,100                | 1,100                 | 949              | 816               |

Edgar Filing: BOK FINANCIAL CORP ET AL - Form 10-Q

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Mortgage banking costs  | 9,319      | 10,553     | 7,734      | 7,960      | 3,634      |
| Other expense   | 6,783      | 8,105      | 7,032      | 7,006      | 6,850      |
| Total other operating expense                                     | 220,265    | 225,877    | 221,834    | 214,707    | 185,104    |
| Net income before taxes   | 113,478    | 95,690     | 109,928    | 117,532    | 116,480    |
| Federal and state income taxes                                    | 38,384     | 30,109     | 33,802     | 40,803     | 39,437     |
| Net income  | 75,094     | 65,581     | 76,126     | 76,729     | 77,043     |
| Net income attributable to non-controlling interests              | 251        | 1,263      | 494        | 834        | 453        |
| Net income attributable to BOK Financial Corporation shareholders | \$74,843   | \$ 64,318  | \$ 75,632  | \$75,895   | \$76,590   |
| Earnings per share:   |            |            |            |            |            |
| Basic   | \$1.08     | \$0.93     | \$1.09     | \$1.10     | \$1.11     |
| Diluted   | \$1.08     | \$0.93     | \$1.09     | \$1.10     | \$1.11     |
| Average shares used in computation:                               |            |            |            |            |            |
| Basic   | 68,254,780 | 68,481,630 | 68,455,866 | 68,359,945 | 68,273,685 |
| Diluted   | 68,344,886 | 68,615,808 | 68,609,765 | 68,511,378 | 68,436,478 |

- 123 -

---

## PART II. Other Information

## Item 1. Legal Proceedings

See discussion of legal proceedings at Note 6 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 March 31, 2015.

| Period                          | Total Number of Shares Purchased <sup>2</sup> | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>1</sup> | Maximum Number of Shares that May Yet Be Purchased Under the Plans |
|---------------------------------|---|------------------------------|---|--|
| January 1 to January 31, 2015   | 26,572  | \$54.42                      | 25,000  | 1,735,504  |
| February 1 to February 28, 2015 | 379,778                                       | \$58.60                      | 377,156   | 1,358,348  |
| March 1 to March 30, 2015       | 132,710                                       | \$60.33                      | 100,000   | 1,258,348  |
| Total                           | 539,060                                       |                              | 502,156   |  |

On April 24, 2012, the Company’s board of directors authorized the Company to repurchase up to two million shares<sup>1</sup> of the Company’s common stock. As of March 31, 2015, the Company had repurchased 741,652 shares under this plan.

<sup>2</sup> 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

<sup>32</sup> 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

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

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



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: May 1, 2015

/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

- 125 -