

BOK FINANCIAL CORP ET AL  
Form 10-K  
February 26, 2014

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

FORM 10-K  
(Mark One)

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

For the quarterly period ended December 31, 2013

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

74192  
(Zip Code)

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

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

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately \$1.7 billion (based on the June 30, 2013 closing price of Common Stock of \$64.05 per share). As of January 31, 2014, there were 68,900,457 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2014 Annual Meeting of Shareholders.

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BOK Financial Corporation  
 Form 10-K  
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## PART I

### ITEM 1. BUSINESS

#### General

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

#### Description of Business

BOK Financial is a financial holding company incorporated in the state of Oklahoma in 1990 whose activities are governed by the Bank Holding Company Act of 1956 (“BHCA”), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). BOK Financial offers full service banking in Oklahoma, Texas, New Mexico, Northwest Arkansas, Colorado, Arizona, and Kansas/Missouri. At December 31, 2013, the Company reported total consolidated assets of \$27 billion and ranked as the 38th largest bank holding company based on asset size.

BOKF, NA (“the Bank”) is a wholly owned subsidiary bank of BOK Financial. Operating divisions of the Bank include Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Kansas City, Bank of Oklahoma, Bank of Texas and Colorado State Bank and Trust. Other wholly owned subsidiaries of BOK Financial include BOSCO, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on the Company’s financial statements.

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

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Products and services include loans and deposits, cash management services, fiduciary services, mortgage banking and brokerage and trading services to middle-market businesses, financial institutions and consumers. Commercial banking represents a significant part of our business. Our credit culture emphasizes building relationships by making high quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management. We also offer derivative products for customers to use in managing their interest rate and foreign exchange risk. Our diversified base of revenue sources is designed to generate returns in a range of economic situations. Historically, fees and commissions provide 40 to 45% of our total revenue. Approximately 47% of our revenue came from fees and commission in 2013.

BOK Financial’s corporate headquarters is located at Bank of Oklahoma Tower, Boston Avenue at Second Street, Tulsa, Oklahoma 74192.

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

## Operating Segments

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

## Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of June 30, 2013.

We are the largest financial institution in the state of Oklahoma with 14% of the state’s total deposits. Bank of Oklahoma has 31% and 11% of the market share in the Tulsa and Oklahoma City areas, respectively. We compete with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources. We also compete with regional and locally-owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

Bank of Texas competes against numerous financial institutions, including some of the largest in the United States, and has a market share of approximately 2% in the Dallas, Fort Worth area and less than 1% in the Houston area. Bank of Albuquerque has a number three market share position with 11% of deposits in the Albuquerque area and competes with four large national banks, some regional banks and several locally-owned smaller community banks. Colorado State Bank and Trust has a market share of approximately 2% in the Denver area. Bank of Arkansas serves Benton and Washington counties in Arkansas with a market share of approximately 3%. Bank of Arizona operates as a community bank with locations in Phoenix, Mesa and Scottsdale and Bank of Kansas City serves the Kansas City, Kansas/Missouri market. The Company’s ability to expand into additional states remains subject to various federal and state laws.

## Employees

As of December 31, 2013, BOK Financial and its subsidiaries employed 4,632 full-time equivalent employees. None of the Company’s employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

## Supervision and Regulation

BOK Financial and its subsidiaries are subject to extensive regulations under federal and state laws. These regulations are designed to promote safety and soundness, protect consumers and ensure the stability of the banking system as a whole. The purpose of these regulations is not necessarily to protect shareholders and creditors. As detailed below,

these regulations require the Company and its subsidiaries to maintain certain capital balances and require the Company to provide financial support to its subsidiaries. These regulations may restrict the Company's ability to diversify, to acquire other institutions and to pay dividends on its capital stock. These regulations also include requirements on certain programs and services offered to our customers, including restrictions on fees charged for certain services.

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

## General

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

The Bank is organized as a national banking association under the National Banking Act, and is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), the Federal Reserve Board, the Consumer Financial Protection Bureau and other federal and state regulatory agencies. The OCC has primary supervisory responsibility for national banks and must approve certain corporate or structural changes, including changes in capitalization, payment of dividends, change of place of business, and establishment of a branch or operating subsidiary. The OCC performs examinations concerning safety and soundness, the quality of management and directors, information technology and compliance with applicable regulations. The National Banking Act authorizes the OCC to examine every national bank as often as necessary.

A financial holding company, and the companies under its control, are permitted to engage in activities considered "financial in nature" as defined by the BHCA, Gramm-Leach-Bliley Act and Federal Reserve Board interpretations. Activities that are "financial in nature" include securities underwriting and dealing, insurance underwriting, merchant banking, operating a mortgage company, performing certain data processing operations, servicing loans and other extensions of credit, providing investment and financial advice, owning and operating savings and loan associations, and leasing personal property on a full pay-out, non-operating basis. A financial holding company is required to notify the Federal Reserve Board within thirty days of engaging in new activities determined to be "financial in nature." BOK Financial is engaged in some of these activities and has notified the Federal Reserve Board.

In order for a financial holding company to commence any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must be "well capitalized" and "well managed" and received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act. A financial holding company and its depository institution subsidiaries are considered to be "well capitalized" if they meets the requirements discussed in the section captioned "Capital Adequacy and Prompt Corrective Action" which follows. A financial holding company and its depository institution subsidiaries are considered to be "well managed" if they receive a composite rating and management rating of at least "satisfactory" in their most recent examinations. If a financial holding company fails to meet these requirements, the Federal Reserve Board may impose limitations or conditions on the conduct of its activities and the company may not commence any new financial activities without prior approval.

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

A financial holding company and its subsidiaries are prohibited under the BHCA from engaging in certain tie-in arrangements in connection with the provision of any credit, property or services. Thus, a subsidiary of a financial holding company may not extend credit, lease or sell property, furnish any services or fix or vary the consideration for



these activities on the condition that (1) the customer obtain or provide additional credit, property or services from or to the financial holding company or any subsidiary thereof, or (2) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to insure the soundness of credit extended.

The Bank and other non-bank subsidiaries are also subject to other federal and state laws and regulations. For example, BOSC, Inc. is regulated by the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”), the Federal Reserve Board, and state securities regulators. Such regulations generally include licensing of certain personnel, customer interactions, and trading operations. As another example, Bank of Arkansas is subject to certain consumer-protection laws incorporated in the Arkansas Constitution, which, among other restrictions, limit the maximum interest rate on general loans to five percent above the Federal Reserve Discount Rate and limit the rate on consumer loans to the lower of five percent above the discount rate or seventeen percent.

## Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Act was signed into law, giving federal banking agencies authority to increase regulatory capital requirements, impose additional rules and regulations over consumer financial products and services and limit the amount of interchange fees that may be charged in an electronic debit transaction. In addition, the Dodd-Frank Act made permanent the \$250,000 limit for federal deposit insurance and provided unlimited federal deposit insurance until January 1, 2013 for non-interest bearing demand deposit accounts. It also repealed prohibitions on payment of interest on demand deposits, which could impact how interest is paid on business transaction and other accounts. Further, the Dodd-Frank Act prohibits banking entities from engaging in proprietary trading and restricts banking entities sponsorship of or investment in private equity funds and hedge funds. Final rules required to implement the Dodd-Frank Act have largely been issued. Many of these rules have extended phase-in periods and the full impact of this legislation on the banking industry, including the Company, remains unknown.

The Durbin Amendment to the Dodd-Frank Act required that interchange fees on electronic debit transactions paid by merchants must be “reasonable and proportional to the cost incurred by the issuer” and prohibited card network rules that have limited price competition among networks. Effective October 1, 2011, the Federal Reserve issued its final ruling to implement the Durbin Amendment. This ruling established a cap on interchange fees banks with more than \$10 billion in total assets can charge merchants for certain debit card transactions. The final rule has been successfully challenged by retail merchants and merchant trade groups and is currently on appeal. The ultimate resolution of this legal challenge is uncertain. The Durbin Amendment also requires all banks to comply with the prohibition on network exclusivity and routing requirements. Debit card issuers are required to make at least two unaffiliated networks available to merchants. The final network exclusivity and routing requirements, which became effective April 1, 2012, did not have a significant impact on the Company.

The Dodd-Frank Act established the Consumer Financial Protection Bureau (“CFPB”) with powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. Established July 21, 2011, the CFPB has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets for certain designated consumer laws and regulations. The CFPB issued mortgage servicing standards and mortgage lending rules, including “qualified mortgage” rules that are designed to protect consumers and ensure the reliability of mortgages. Mortgage lenders are required to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Qualified mortgages that meet this requirement and other specified criteria are given a safe harbor of compliance. Rules affecting mortgage lenders and servicers become effective on January 10, 2014.

Title VI of the Dodd-Frank Act, commonly known as the Volcker Rule, prohibits banking entities from engaging in proprietary trading as defined by the Dodd-Frank Act and restricts sponsorship of, or investment in, private equity funds and hedge funds, subject to limited exceptions. Federal banking agencies approved regulations that implement the Volcker Rule on December 10, 2013. Banking entities must comply with these regulations by July 21, 2015. The Company’s trading activity will be largely unaffected, as our trading activities, as defined by the Volcker Rule, are done for the benefit of the customers and securities traded are mostly exempted under the proposed rules. The Company’s private equity investment activity will be curtailed and a \$1.4 million impairment charge was recognized at December 31, 2013. See additional discussion in Management's Discussion and Analysis of Other Operating Revenue. A compliance program will be required for activities permitted under the rules resulting in additional operating and compliance costs to the Company.

Title VII of the Dodd-Frank Act subjects nearly all derivative transactions to the regulations of the Commodity Futures Trading Commission ("CFTC") or SEC. This includes registration, recordkeeping, reporting, capital, margin and business conduct requirements on swap dealers and major swap participants. The CFTC and SEC both approved interim final rules on the definition "swap" and "swap dealer" which were effective October 2012. Under these rules, entities transacting in less than \$8 billion in notional value of swaps over any 12 month period during the first three years after these rules are effective will be exempt from the definition of "swap dealer." After that three year period, this threshold may be reduced to \$3 billion subject to the results of studies the commissions intend to undertake once the derivative rules are effective. The Company currently estimates that the nature and volume of swap activity will not require it to register as a swap dealer any time prior to October 2015. Although the ultimate impact of Title VII remains uncertain, we currently believe its full implementation is likely not to impose significantly higher compliance costs on the Company.

### Capital Adequacy and Prompt Corrective Action

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

The Federal Reserve Board risk-based guidelines currently define a three-tier capital framework. Core capital (Tier 1) includes common shareholders' equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution's Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2013, BOK Financial's Tier 1 and total capital ratios under these guidelines were 13.77% and 15.56%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial's leverage ratio at December 31, 2013 was 10.05%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA"), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified. The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, the Bank was considered well capitalized as of December 31, 2013.

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

The Group of Governors and Heads of Supervision ("GHOS"), the oversight body of the BCBS, announced changes to strengthen the existing capital and liquidity requirements of internationally-active banking organizations. These changes are commonly referred to as the Basel III framework. In July 2013, banking regulators issued the final rule revising regulatory capital rules which implements the Basel III framework for substantially all U.S. banking organizations. The final rule will be effective for BOK Financial on January 1, 2015. Components of the rule will be phased-in through January 1, 2019. Among other things, the final rule effectively changes the Tier 1 risk based-capital

requirements and the total risk-based capital requirements, including a capital conservation buffer, to a minimum of 8.5% and 10.5%, respectively. The final rule also changes instruments that qualify to be included in Tier 1 and total regulatory capital. As permitted by the rule, the Company expects to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, which is consistent with the treatment under current capital rules.

The new capital rules also establish a 7% threshold for the Tier 1 common equity ratio consisting of a minimum level plus a capital conservation buffer. Based on our interpretation of the new capital rule, our estimated Tier 1 common equity ratio would be approximately 12.60%, nearly 560 basis points above the 7% regulatory threshold.

#### Liquidity Requirements

The Basel III framework also requires bank holding companies and banks to measure their liquidity against specific liquidity tests. One test, referred to as the liquidity cover ratio, is designed to ensure that the banking entity maintains a prescribed

minimum level of unencumbered high-quality liquid assets equal to expected net cash outflows as defined. The other test, referred to as the net stable funding ratio, is designed to promote greater reliance on medium and long term funding sources.

On October 30, 2013, U.S. federal banking agencies published a notice of proposed rule-making that would standardize minimum liquidity requirements for internationally active banking organizations as defined (generally those with total consolidated assets in excess of \$250 billion) as well as modified liquidity requirements for other banking organizations with total consolidated assets in excess of \$50 billion that are not internationally active. Although the notice of proposed rule-making does not apply to banking organizations with total assets less than \$50 billion, including the Company, the effect of future rule-making to implement standardized minimum liquidity requirements is unknown.

### Stress Testing

As required by the Dodd-Frank Act, the Federal Reserve published regulations that require bank holding companies with \$10 billion to \$50 billion in assets to perform annual capital stress tests. These companies were required to conduct their first annual company-run stress test as of September 30, 2013 based on factors provided the the Federal Reserve Bank supplemented by institution-specific factors. The results of the annual capital stress tests must be submitted to banking regulators by the following March 31st. Results of the annual capital stress tests performed as of September 30, 2014 will first be publicly disclosed by June 30, 2015. Institutions that do not satisfactorily complete their annual stress test due to either results of the test or processes used to complete the test may be subject to restrictions on their capital distributions . They also may be required to increase their regulatory capital under certain circumstances.

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

### Executive and Incentive Compensation

Guidelines adopted by federal banking agencies prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. The Federal Reserve Board has issued comprehensive guidance on incentive compensation intended to ensure that the incentive compensation policies do not undermine safety and soundness by encouraging excessive risk taking. This guidance covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, based on key principles that (i) incentives do not encourage risk-taking beyond the organization's ability to identify and manage risk, (ii) compensation arrangements are compatible with effective internal controls and risk management, and (iii) compensation arrangements are supported by strong corporate governance, including active and effective board oversight. Deficiencies in compensation practices may affect supervisory ratings and enforcement actions may be taken if incentive compensation arrangements pose a risk to safety and soundness.

### Deposit Insurance

Substantially all of the deposits held by the Bank are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. In 2011, the FDIC released a final rule to implement provisions of the Dodd-Frank Act that affect deposit insurance assessments. Among other things, the Dodd-Frank Act raised the minimum designated reserve ratio from 1.15% to 1.35% of estimated insured

deposits, removed the upper limit of the designated reserve ratio, required that the designated reserve ratio reach 1.35% by September 30, 2020, and required that the FDIC offset the effect of increasing the minimum designated reserve ratio on depository institutions with total assets of less than \$10 billion. The Dodd-Frank Act also required that the FDIC redefine the assessment base to average consolidated assets minus average tangible equity. This final rule reduced our deposit insurance assessment beginning in the second half of 2011.

#### Dividends

A key source of liquidity for BOK Financial is dividends from the Bank, which is limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. Based on the most restrictive limitations as well as management's internal capital policy, the Bank had excess regulatory capital and could declare up to \$158 million of dividends without regulatory approval as of December 31, 2013. This amount is not necessarily indicative of amounts that may be available to be paid in future periods.

### Source of Strength Doctrine

According to Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support.

### Transactions with Affiliates

The Federal Reserve Board regulates transactions between the Company and its subsidiaries. Generally, the Federal Reserve Act and Regulation W, as amended by the Dodd-Frank Act, limit the Company's banking subsidiary and its subsidiaries, to lending and other "covered transactions" with affiliates. The aggregate amount of covered transactions a banking subsidiary or its subsidiaries may enter into with an affiliate may not exceed 10% of the capital stock and surplus of the banking subsidiary. The aggregate amount of covered transactions with all affiliates may not exceed 20% of the capital stock and surplus of the banking subsidiary.

Covered transactions with affiliates are also subject to collateralization requirements and must be conducted on arm's length terms. Covered transactions include (a) a loan or extension of credit by the banking subsidiary, including derivative contracts, (b) a purchase of securities issued to a banking subsidiary, (c) a purchase of assets by the banking subsidiary unless otherwise exempted by the Federal Reserve, (d) acceptance of securities issued by an affiliate to the banking subsidiary as collateral for a loan, and (e) the issuance of a guarantee, acceptance or letter of credit by the banking subsidiary on behalf of an affiliate.

### Bank Secrecy Act and USA PATRIOT Act

The Bank Secrecy Act ("BSA") and the The USA PATRIOT Act of 2001 ("PATRIOT Act") imposes many requirements on financial institutions in the interest of national security and law enforcement. BSA requires banks to maintain records and file suspicious activity reports that are of use to law enforcement and regulators in combating money laundering and other financial crimes. The PATRIOT Act is intended to deny terrorists and criminals the ability to access the U.S. financial services system and places significantly greater requirements on financial institutions. Financial institutions, such as the Company and its subsidiaries, must have a designated BSA Officer, internal controls, independent testing and training programs commensurate with their size and risk profile. As part of its internal control program, a financial institution is expected to have effective customer due diligence and enhanced due diligence requirements for high-risk customers, as well as processes to prohibit transaction with entities subject to Office of Foreign Asset Control sanctions. Documentation and recordkeeping requirements, as well as system requirements, aimed identifying and reporting suspicious activity reporting, must increase with the institution's size and complexity. Failure to implement or maintain adequate programs and controls to combat terrorist financing and money laundering may have serious legal, financial, and reputational consequences.

### Governmental Policies and Economic Factors

The operations of BOK Financial and its subsidiaries are affected by legislative changes and by the policies of various regulatory authorities and, in particular, the policies of the Federal Reserve Board. The Federal Reserve Board has statutory objectives to maximize employment and maintain price stability. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are: open-market operations in U.S. Government securities, changes in the discount rate and federal funds rate on bank borrowings, and changes in reserve requirements on bank deposits. The effect of future changes in such policies on the business and earnings of BOK Financial and its subsidiaries is uncertain.



In response to the significant recession in business activity which began in 2007, the Federal Reserve took aggressive actions to reduce interest rates and provide liquidity. While many of the crisis-related programs have expired or been closed, the Federal Reserve generally has continue to put downward pressure on longer-term interest rates through purchases of longer-term securities. Additionally, the government continues to enact economic stimulus legislation and policies, including increases in government spending, reduction of certain taxes and home affordability programs. Although the Federal Reserve has indicated its intention to maintain historically low short-term interest rates for the foreseeable future, it began to taper bond purchase programs which had been designed to reduce longer-term rates. The short-term effectiveness and long-term impact of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

#### Foreign Operations

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

## ITEM 1A. RISK FACTORS

The United States economy continues to rebound from a significant recession from 2007 to 2009. While credit losses have fallen to pre-recession levels, the rate of economic growth remains modest and unemployment has remained persistently high. The Federal Reserve Board continues to promote more robust economic growth by maintaining historically low short-term interest rates for an extended period of time. The Federal Reserve Board also continues to promote low intermediate and long-term interest rates, though announcement of their intention to taper bond purchase programs caused longer-term interest rates to increase in mid-year. The current effect of these actions reduces our earnings by narrowing net interest margins as maturing fixed-rate loans are refinanced and cash flow from the securities portfolio are reinvested at lower current rates. The mid-year increase in longer-term interest rates significantly decreased mortgage loans refinancing activity, narrowed mortgage loan gain on sale margins and reduced unrealized gain on securities. The ongoing effect of changes in these programs subjects banks to future interest rate risk as rates increase to more normal levels.

### General and Regulatory Risk Factors

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

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

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

Substantial competition could adversely affect BOK Financial.

Banking is a competitive business. BOK Financial competes actively for loan, deposit and other financial services business in the southwest region of the United States. BOK Financial's competitors include a large number of small and large local and national banks, savings and loan associations, credit unions, trust companies, broker-dealers and underwriters, as well as many financial and non-financial firms that offer services similar to BOK Financial's. Large national financial institutions have substantial capital, technology and marketing resources. Such large financial institutions may have greater access to capital at a lower cost than BOK Financial does, which may adversely affect BOK Financial's ability to compete effectively.

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

Government regulations could adversely affect BOK Financial.

BOKF and BOKF, NA are subject to banking laws and regulations that limit the type of acquisitions and investments that we may make. In addition, certain permitted acquisitions and investments are subject to prior review and approval by banking regulators, including the Federal Reserve, OCC and FDIC. Banking regulators have broad discretion on whether to approve proposed acquisitions and investments. In deciding whether to approve a proposed acquisition, federal banking regulators will consider, among other things, the effect of the acquisition on competition; the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act; and our effectiveness in combating money laundering. They will also consider our financial condition and our future prospects, including projected capital ratios and levels; the competence, experience, and integrity of our management; and our record of compliance with laws and regulations.

The trend of increasingly extensive regulation is likely to continue and become more costly in the future. Laws, regulations or policies currently affecting BOK Financial and its subsidiaries may change. The implementation of the Dodd-Frank Act has and will continue to affect BOK Financial's businesses, including interchange revenue, mortgage banking, derivative and trading activities on behalf of customers, consumer products and funds management.

Regulatory authorities may change their interpretation of these statutes and regulations and are likely to increase their supervisory activities, including the OCC, our primary regulator, and the CFPB, our new regulator for certain designated consumer laws and regulations. Violations of laws and regulations could limit the growth potential of BOK Financial's businesses. We have made extensive investments in human and technological resources to address enhanced regulatory expectations, including investments in the areas of risk management, compliance, and capital planning.

Adverse political environment could negatively impact BOK Financial's business.

As a result of the financial crisis and related government intervention to stabilize the banking system, there have been a series of laws and related regulations proposed or enacted in an attempt to ensure the crisis is not repeated. Many of the proposed new regulations are far-reaching. The intervention by the government also impacted populist sentiment with a negative view of financial institutions. This sentiment may increase litigation risk to the Company. While the Company did not participate in the Troubled Asset Relief Program and performed well throughout the downturn, the adverse political environment could have an adverse impact on BOK Financial's future operations.

#### Credit Risk Factors

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

At December 31, 2013, loans to businesses and individuals with collateral primarily located in Texas represented approximately 34% of the total loan portfolio and loans to businesses and individuals with collateral primarily located in Oklahoma represented approximately 26% of our total loan portfolio. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas. Poor economic conditions in Oklahoma, Texas or other markets in the southwest region may cause BOK Financial to incur losses associated with higher default rates and decreased collateral values in BOK Financial's loan portfolio. A regional economic downturn could also adversely affect revenue from brokerage and trading activities, mortgage loan originations and other sources of fee-based revenue.

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

Certain industry-specific economic factors also affect BOK Financial. For example, 18% of BOK Financial's total loan portfolio at December 31, 2013 is comprised of loans to borrowers in the energy industry, which is historically a cyclical industry. Low commodity prices may adversely affect that industry and, consequently, may affect BOK Financial's business negatively. The effect of volatility in commodity prices on our customer derivatives portfolio could adversely affect our liquidity and regulatory capital. In addition, BOK Financial's loan portfolio includes commercial real estate loans. A downturn in the real estate industry in general or in certain segments of the commercial real estate industry in the southwest region could also have an adverse effect on BOK Financial's operations.

Adverse global economic factors could have a negative effect on BOK Financial customers and counter-parties.

Poor economic conditions globally, including those of the European Union, could impact BOK Financial's customers and counter-parties with which we do business. We have no direct exposure to European sovereign debt and our aggregate gross exposure to European financial institutions totaled \$6.5 million at December 31, 2013. In addition, we have an aggregate gross exposure to internationally active domestic financial institutions of approximately \$216 million at December 31, 2013. The financial condition of these institutions is monitored on an on-going basis. We have not identified any significant customer exposures to European sovereign debt or European financial institutions.

## Liquidity and Interest Rate Risk Factors

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

BOK Financial's business is highly sensitive to:

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

- changes in prevailing interest rates, due to the dependency of the Bank on interest income;

- open market operations in U.S. Government securities.

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

Changes in mortgage interest rates could adversely affect mortgage banking operations as well as BOK Financial's substantial holdings of residential mortgage-backed securities and mortgage servicing rights.

Our available for sale residential mortgage-backed security portfolio represents investment interests in pools of residential mortgages, composing \$7.9 billion or 29% of total assets of the Company at December 31, 2013. Residential mortgage-backed securities are highly sensitive to changes in interest rates. BOK Financial mitigates this risk somewhat by investing principally in shorter duration mortgage products, which are less sensitive to changes in interest rates. A significant decrease in interest rates has led mortgage holders to refinance the mortgages constituting the pool backing the securities, subjecting BOK Financial to a risk of prepayment and decreased return on investment due to subsequent reinvestment at lower interest rates. A significant decrease in interest rates has also accelerated premium amortization. Conversely, a significant increase in interest rates could cause mortgage holders to extend the term over which they repay their loans, which delays the Company's opportunity to reinvest funds at higher rates.

Residential mortgage-backed securities are also subject to credit risk from delinquency or default of the underlying loans. BOK Financial mitigates this risk somewhat by investing in securities issued by U.S. government agencies. Principal and interest payments on the loans underlying these securities are guaranteed by these agencies.

The Federal Reserve Board and other government agencies have implemented policies and programs to stimulate the U.S. economy and housing market. These policies and programs have significantly reduced both primary mortgage interest rates, the rates paid by borrowers, and secondary mortgage interest rates, the rates required by investors in mortgage backed securities. They have also reduced barriers to mortgage refinancing such as insufficient home values.

BOK Financial derives a substantial amount of revenue from mortgage activities, including \$80 million from the production and sale of mortgage loans, \$42 million from the servicing of mortgage loans and \$30 million from sales of financial instruments to other mortgage lenders. These activities, as well our substantial holdings of residential mortgage backed securities and mortgage servicing rights may be adversely affected by changes in government policies and programs.

In addition, as part of BOK Financial's mortgage banking business, BOK Financial has substantial holdings of mortgage servicing rights, totaling \$153 million or 0.57% of total assets at December 31, 2013. The value of these rights is also very sensitive to changes in interest rates. Falling interest rates tend to increase loan prepayments, which may lead to cancellation of the related servicing rights. BOK Financial attempts to manage this risk by maintaining an active hedging program for its mortgage servicing rights. The Company's hedging program has only been partially successful in recent years. The value of mortgage servicing rights may also decrease due to rising delinquency or default of the loans serviced. This risk is mitigated somewhat by adherence to underwriting standards on loans originated for sale.

Market disruptions could impact BOK Financial's funding sources.

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

#### Operating Risk Factors

Dependence on technology increases cybersecurity risk.

As a financial institution, we process a significant number of customer transactions and possess a significant amount of sensitive customer information. As technology advances, the ability to initiate transactions and access data has become more widely distributed among mobile phones, personal computers, automated teller machines, remote deposit capture sites and similar access points. These technological advances increase cybersecurity risk. While the Company maintains programs intended to prevent or limit the effects of cybersecurity risk, there is no assurance that unauthorized transactions or unauthorized access to customer information will not occur. The financial, reputational and regulatory impact of unauthorized transactions or unauthorized access to customer information could be significant.

We depend on third parties for critical components of our infrastructure.

We outsource a significant portion of our information systems, communications, data management and transaction processing to third parties. These third parties are sources of risk associated with operational errors, system interruptions or breaches, unauthorized disclosure of confidential information and misuse of intellectual property. If the service providers encounter any of these issues, we could be exposed to disruption of service, reputational damages, and litigation risk that could be material to our business.

#### Risks Related to an Investment in Our Stock

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

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

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

Mr. George B. Kaiser owns approximately 62% of the outstanding shares of BOK Financial's common stock at December 31, 2013. Mr. Kaiser is able to elect all of BOK Financial's directors and effectively control the vote on all matters submitted to a vote of BOK Financial's common shareholders. Mr. Kaiser's ability to prevent an unsolicited bid for BOK Financial or any other change in control could have an adverse effect on the market price for BOK Financial's common stock. A substantial majority of BOK Financial's directors are not officers or employees of BOK Financial or any of its affiliates. However, because of Mr. Kaiser's control over the election of BOK Financial's



directors, he could change the composition of BOK Financial's Board of Directors so that it would not have a majority of outside directors.

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

Mr. Kaiser has the right to sell shares of BOK Financial's common stock in compliance with the federal securities laws at any time, or from time to time. The federal securities laws will be the only restrictions on Mr. Kaiser's ability to sell. Because of his current control of BOK Financial, Mr. Kaiser could sell large amounts of his shares of BOK Financial's common stock by causing BOK Financial to file a registration statement that would allow him to sell shares more easily. In addition, Mr. Kaiser could sell his shares of BOK Financial's common stock without registration under Rule 144 of the Securities Act. Although BOK Financial can make no predictions as to the effect, if any, that such sales would have on the market price of BOK Financial's common stock, sales of substantial amounts of BOK Financial's common stock, or the perception that such sales

could occur, could adversely affect market prices. If Mr. Kaiser sells or transfers his shares of BOK Financial's common stock as a block, another person or entity could become BOK Financial's controlling shareholder.

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

A substantial portion of BOK Financial's cash flow typically comes from dividends paid by the Bank. Statutory provisions and regulations restrict the amount of dividends the Bank may pay to BOK Financial without regulatory approval. Management also developed, and the BOK Financial board of directors approved, an internal capital policy that is more restrictive than the regulatory capital standards. In the event of liquidation, creditors of the Bank and other non-bank subsidiaries of BOK Financial are entitled to receive distributions from the assets of that subsidiary before BOK Financial, as holder of an equity interest in the subsidiaries, is entitled to receive any distributions.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

BOK Financial and its subsidiaries own and lease improved real estate that is carried at \$184 million, net of depreciation and amortization. The Company's principal offices are located in leased premises in the Bank of Oklahoma Tower in Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Kansas/Missouri. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma; Dallas, Texas and Albuquerque, New Mexico. The Company's facilities are suitable for their respective uses and present needs.

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

#### ITEM 3. LEGAL PROCEEDINGS

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

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

BOK Financial's \$0.00006 par value common stock is traded on the NASDAQ Stock Market under the symbol BOKF. As of January 31, 2014, common shareholders of record numbered 825 with 68,900,457 shares outstanding.

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

|                | First   | Second  | Third   | Fourth  |
|----------------|---------|---------|---------|---------|
| 2013:          |         |         |         |         |
| Low            | \$55.05 | \$60.52 | \$62.93 | \$60.81 |
| High           | 62.77   | 65.95   | 69.36   | 66.32   |
| Cash dividends | 0.38    | 0.38    | 0.38    | 0.40    |
| 2012:          |         |         |         |         |
| Low            | \$52.56 | \$53.34 | \$55.63 | \$54.19 |
| High           | 59.02   | 58.12   | 59.47   | 59.77   |
| Cash dividends | 0.33    | 0.38    | 0.38    | 1.38    |

<sup>1</sup> Includes \$1.00 per share special cash dividend.

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## Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2008 and ending December 31, 2013.\*

| Index                     | Period Ending December 31, |        |        |        |        |        |
|---------------------------|----------------------------|--------|--------|--------|--------|--------|
|                           | 2008                       | 2009   | 2010   | 2011   | 2012   | 2013   |
| BOK Financial Corporation | 100.00                     | 120.38 | 138.02 | 145.19 | 150.46 | 187.77 |
| NASDAQ Composite          | 100.00                     | 145.36 | 171.74 | 170.38 | 200.63 | 281.22 |
| NASDAQ Bank Index         | 100.00                     | 83.70  | 95.55  | 85.52  | 101.50 | 143.84 |
| KBW 50                    | 100.00                     | 98.24  | 121.19 | 93.10  | 123.85 | 170.62 |

Graph assumes value of an investment in the Company's Common Stock for each index was \$100 on December 31, 2008. The KBW 50 Bank index is the Keefe, Bruyette & Woods, Inc. index, which is available only for calendar quarter end periods. Cash dividends on Common Stock are assumed to have been reinvested in BOK Financial Common Stock.

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended December 31, 2013.

| Period                                | Total<br>Number of<br>Shares<br>Purchased <sup>2</sup> | Average<br>Price Paid<br>per Share | Total<br>Number of<br>Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs <sup>1</sup> | Maximum<br>Number of<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans |
|---------------------------------------|--|------------------------------------|---|--|
| October 1, 2013 to October 31, 2013   | —  | \$—                                | —   | 1,960,504  |
| November 1, 2013 to November 30, 2013 | —  | \$—                                | —   | 1,960,504  |
| December 1, 2013 to December 31, 2013 | 31,645   | \$63.59                            | —   | 1,960,504  |
| Total                                 | 31,645   |                                    | —   |  |

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 December 31, 2013, the Company had repurchased 39,496 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. SELECTED FINANCIAL DATA

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

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

|  | December 31, |            |                      |            |            |   |
|--|--------------|------------|----------------------|------------|------------|---|
|  | 2013         | 2012       | 2011                 | 2010       | 2009       |   |
| <b>Selected Financial Data</b>                           |              |            |                      |            |            |   |
| For the year:  |              |            |                      |            |            |   |
| Interest revenue   | \$745,371    | \$794,871  | \$813,146            | \$851,082  | \$914,899  |   |
| Interest expense   | 70,894       | 87,322     | 120,101              | 142,030    | 204,205    |   |
| Net interest revenue                                     | 674,477      | 707,549    | 693,045              | 709,052    | 710,694    |   |
| Provision for credit losses                              | (27,900 )    | (22,000 )  | (6,050 )             | 105,139    | 195,900    |   |
| Fees and commissions revenue                             | 603,844      | 628,880    | 527,093              | 516,394    | 480,512    |   |
| Net income   | 316,609      | 351,191    | 285,875              | 246,754    | 200,907    |   |
| Period-end:  |              |            |                      |            |            |   |
| Loans  | 12,792,264   | 12,311,456 | 11,269,743           | 10,643,036 | 11,279,698 |   |
| Assets   | 27,015,432   | 28,148,631 | 25,493,946           | 23,941,603 | 23,331,026 |   |
| Deposits   | 20,269,327   | 21,179,060 | 18,762,580           | 17,179,061 | 15,518,228 |   |
| Subordinated debentures                                  | 347,802      | 347,633    | 398,881              | 398,701    | 398,539    |   |
| Shareholders' equity                                     | 3,020,049    | 2,957,860  | 2,750,468            | 2,521,726  | 2,205,813  |   |
| Nonperforming assets <sup>2</sup>                        | 247,743      | 276,716    | 356,932              | 394,469    | 484,295    |   |
| <b>Profitability Statistics</b>                          |              |            |                      |            |            |   |
| Earnings per share (based on average equivalent shares): |              |            |                      |            |            |   |
| Basic  | \$4.61       | \$5.15     | \$4.18               | \$3.63     | \$2.96     |   |
| Diluted  | 4.59         | 5.13       | 4.17                 | 3.61       | 2.96       |   |
| Percentages (based on daily averages):                   |              |            |                      |            |            |   |
| Return on average assets                                 | 1.16         | % 1.34     | % 1.17               | % 1.04     | % 0.87     | % |
| Return on average shareholders' equity                   | 10.51        | 12.09      | 10.66                | 10.18      | 9.66       |   |
| Average shareholders' equity to average assets           | 11.00        | 11.05      | 10.95                | 10.19      | 8.98       |   |
| <b>Common Stock Performance</b>                          |              |            |                      |            |            |   |
| Per Share:   |              |            |                      |            |            |   |
| Book value per common share                              | \$43.88      | \$43.29    | \$40.36              | \$36.97    | \$32.53    |   |
| Market price: December 31 close                          | 66.32        | 54.46      | 54.93                | 53.40      | 47.52      |   |
| Market range – High close bid price                      | 69.36        | 59.77      | 56.30                | 55.68      | 48.13      |   |
| Market range – Low close bid price                       | 55.05        | 52.56      | 44.00                | 42.89      | 22.98      |   |
| Cash dividends declared                                  | 1.54         | 2.47       | <sup>5</sup> 1.13    | 0.99       | 0.945      |   |
| Dividend payout ratio                                    | 33.43        | % 48.01    | % <sup>5</sup> 27.01 | % 27.16    | % 31.93    | % |





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

|   | December 31, |            |            |            |            |   |
|---|--------------|------------|------------|------------|------------|---|
|   | 2013         | 2012       | 2011       | 2010       | 2009       |   |
| Selected Balance Sheet Statistics                           |              |            |            |            |            |   |
| Period-end:   |              |            |            |            |            |   |
| Tier 1 capital ratio  | 13.77        | % 12.78    | % 13.27    | % 12.69    | % 10.86    | % |
| Total capital ratio   | 15.56        | 15.13      | % 16.49    | % 16.20    | 14.43      |   |
| Leverage ratio  | 10.05        | 9.01       | % 9.15     | % 8.74     | 8.05       |   |
| Tier 1 common equity ratio <sup>1</sup>                     | 13.59        | 12.59      | 13.06      | 12.55      | 10.75      |   |
| Allowance for loan losses to nonaccruing loans              | 183.29       | 160.34     | 125.93     | 126.93     | 86.07      |   |
| Allowance for loan losses to loans                          | 1.45         | 1.75       | 2.25       | 2.75       | 2.59       |   |
| Combined allowances for credit losses to loans <sup>4</sup> | 1.47         | 1.77       | 2.33       | 2.89       | 2.72       |   |
| Miscellaneous (at December 31)                              |              |            |            |            |            |   |
| Number of employees (full-time equivalent)                  | 4,632        | 4,704      | 4,511      | 4,432      | 4,355      |   |
| Number of banking locations                                 | 206          | 217        | 212        | 207        | 202        |   |
| Number of TransFund locations                               | 1,998        | 1,970      | 1,912      | 1,943      | 1,896      |   |
| Fiduciary assets  | 30,137,092   | 25,829,038 | 22,821,813 | 22,914,737 | 20,642,512 |   |
| Mortgage loan servicing portfolio <sup>3</sup>              | 14,818,016   | 13,091,482 | 12,356,917 | 12,059,241 | 7,366,780  |   |

<sup>1</sup> Tier 1 capital divided by risk-weighted assets, both as defined by Basel I based regulations.

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

<sup>3</sup> Includes outstanding principal for loans serviced for affiliates.

<sup>4</sup> Includes allowance for loan losses and accrual for off-balance sheet credit risk.

<sup>5</sup> Includes \$1.00 per share special dividend.

## Management's Assessment of Operations and Financial Condition

### Overview

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

Following the severe recession from 2007 to 2009, economic growth in the United States has been modest and gradual. National unemployment rates have improved from 7.8% in December of 2012 to 6.7% in December of 2013. With subdued indications of inflation, the U.S. government has continued to provide accommodative economic policy to support growth in the economy and further reduction in the unemployment rate. Although long-term and short-term interest rates remained at historic lows throughout the year, market speculation concerning the tapering of the Federal Reserve's bond buying program resulted in a rapid increase in mortgage interest rates in mid-2013. The low interest rate environment has presented challenges for all financial institutions as cash flows from loan and securities portfolios are reinvested at current rates. Both personal and corporate balance sheets have improved during the year. Corporations have amassed a significant amount of cash, placing the U.S. in a strong position to fund growth opportunities and reinvest. However, this has been hindered by the uncertainty in tax and regulatory policy as we

address the high level of national debt and deficit issues.

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## Performance Summary

Net income for the year ended December 31, 2013 totaled \$316.6 million or \$4.59 per diluted share compared with net income of \$351.2 million or \$5.13 per diluted share for the year ended December 31, 2012.

### Highlights of 2013 included:

Net interest revenue totaled \$674.5 million for 2013 compared to \$707.5 million for 2012. Cash flows from the securities portfolio were reinvested at lower current market rates. Growth in average loan balances were partially offset by a decrease in loan yield. Net interest margin was 2.80% for 2013 compared to 3.15% for 2012.

Fees and commissions revenue totaled \$603.8 million for 2013 compared to \$628.9 million for 2012. Mortgage banking revenue decreased \$47.4 million compared to the prior year. BOK Financial originated a record number of residential mortgage loans during the year. However, gain on sale margins decreased. Trust fees and commissions revenue grew by \$16.0 million or 20% and transaction card revenue was up \$8.8 million over the prior year. Operating expenses totaled \$840.6 million, unchanged compared to the prior year. Personnel costs increased \$14.2 million due largely to regular compensation. Non-personnel expenses decreased \$13.9 million compared to the prior year primarily, due to a decrease in write-downs related to real estate and other repossessed assets and lower mortgage banking costs.

The Company recorded a \$27.9 million negative provision for credit losses in 2013 and a \$22.0 million negative provision for credit losses in 2012. Credit quality indicators continued to improve. Net loans charged off totaled \$2.0 million or 0.02% of average loans for 2013 compared to \$23.3 million or 0.20% of average loans for 2012. Gross charge-offs decreased to \$25.3 million in 2013 from \$42.1 million in 2012.

The combined allowance for credit losses totaled \$187 million or 1.47% of outstanding loans at December 31, 2013 compared to \$217 million or 1.77% of outstanding loans at December 31, 2012. Nonperforming assets totaled \$248 million or 1.92% of outstanding loans and repossessed assets at December 31, 2013, down from \$277 million or 2.23% of outstanding loans and repossessed assets at December 31, 2012. During 2013, nonaccruing loans decreased \$33 million and repossessed assets decreased \$12 million. Renegotiated residential mortgage loans guaranteed by U.S. government agencies increased \$16 million.

Outstanding loan balances were \$12.8 billion at December 31, 2013, an increase of \$481 million over the prior year. Commercial loan balances grew by \$301 million or 4% and commercial real estate loans increased \$186 million or 8%. Residential mortgage loans increased \$7.0 million and consumer loans decreased \$14 million.

The available for sale securities portfolio decreased \$1.1 billion during 2013 to \$10.1 billion at December 31, 2013. The Company pro-actively reduced the size of its bond portfolio to better position the balance sheet for a longer-term rising rate environment.

Period-end deposits totaled \$20.3 billion at December 31, 2013 compared to \$21.2 billion at December 31, 2012. Demand deposit accounts decreased by \$722 million. Demand deposits at December 31, 2012 were unusually high as customers responded to tax law changes that became effective in 2013. Interest-bearing transaction accounts were largely unchanged compared to the prior year. Time deposits decreased \$272 million.

The Company and its subsidiary bank exceeded the regulatory definition of well capitalized. The Company's Tier 1 capital ratios, as defined by banking regulations, were 13.77% at December 31, 2013 and 12.78% at December 31, 2012. The Company's Tier 1 common equity ratio, as recently defined by banking regulators, is estimated to be 12.60% at December 31, 2013.

Regular cash dividends paid on common shares in 2013 totaled \$1.54 per common share. Regular cash dividends paid on common shares were \$1.47 per common share in 2012. In addition, the Company paid a special dividend of \$1.00 per common share in the fourth quarter of 2012.

Net income for the fourth quarter of 2013 totaled \$73.0 million or \$1.06 per diluted share compared to \$82.6 million or \$1.21 per diluted share for the fourth quarter of 2012.

Highlights of the fourth quarter of 2013 included:

Net interest revenue totaled \$166.2 million for the fourth quarter of 2013 compared to \$174.3 million for the fourth quarter of 2012. Net interest margin was 2.74% for the fourth quarter of 2013 compared to 2.95% for the fourth quarter of 2012. Cash flows from the securities portfolio were reinvested at lower current market rates and loan yields decreased. The average balance of the available for sale securities portfolio decreased, partially offset by growth in the average balance of the loan portfolio.

Fees and commissions revenue decreased \$22.5 million compared to the prior year to \$142.4 million for the fourth quarter of 2013. Mortgage banking revenue decreased \$24.5 million due primarily to a decrease in loan production volume. Growth in trust fees and commission and transaction card revenues were partially offset by lower brokerage and trading revenues.

Operating expenses totaled \$215.4 million, down \$11.4 million compared to the prior year. Personnel costs decreased \$5.5 million and non-personnel expenses decreased \$5.8 million compared to the prior year.

An \$11.4 million negative provision for credit losses was recorded in the fourth quarter of 2013 compared to a \$14.0 million negative provision for credit losses in the fourth quarter of 2012. We experienced a net recovery of \$3.0 million in the fourth quarter of 2013 compared to net loans charged off of \$4.3 million in the fourth quarter of 2012. Gross charge-offs were \$3.1 million compared to \$8.0 million in the prior year.

Critical Accounting Policies & Estimates

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

Allowance for Loan Losses and Accrual for Off-Balance Sheet Credit Risk

The allowance for loan losses and accrual for off-balance sheet credit risk are assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the loan portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed and is applied by an independent Credit Administration department to assure consistency across the Company. The allowance for loan losses consists of specific allowances attributed to certain impaired loans that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans that are based on estimated loss rates by loan class and nonspecific allowances for risks beyond factors specific to a particular portfolio segment or loan class. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses and accrual for off-balance sheet credit risk during 2013.

Loans are considered impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreements, including loans modified in a troubled debt restructuring. 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 through a quarterly evaluation of the borrower's ability to repay. Certain commercial loans and most residential mortgage and consumer loans which represent small balance, homogeneous pools are not risk graded. Non-risk graded loans are identified as impaired based on performance status. Generally, non-risk graded loans are considered impaired when 90 or more days past due, in

bankruptcy or modified in a troubled debt restructuring.

Specific allowances for impaired loans that have not yet been charged down to amounts we expect to recover are measured by an evaluation of estimated future cash flows discounted at the loan's 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 generally are not adjusted by the Company. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values may have declined. Collateral value of mineral rights is determined by our internal staff of engineers based on projected cash flows under current market conditions. The value of other collateral is generally determined by our special assets staff based on liquidation 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 near 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 appropriate historical gross loss rate for each loan class is determined by the greater of the current loss rate based on the most recent twelve months or a ten-year average gross loss rate. Recoveries are not directly considered in the estimation of historical 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 proceedings. For risk graded loans, historical loss rates are adjusted for changes in risk rating. For each loan class, the weighted average current risk grade is compared to the weighted average long-term risk grade. This comparison determines whether the risk in each loan class is increasing or decreasing. Historical loss rates are adjusted upward or downward in proportion to changes in weighted average risk grading. General allowances for unimpaired loans also consider inherent risks identified for a given loan class. Inherent risks include consideration of the loss rates that most appropriately represent the current credit cycle and other factors attributable to a specific loan class which have not yet been represented in the historical gross loss rates or risk grading. Examples of 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 product types.

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.

#### Fair Value Measurement

Certain assets and liabilities are recorded at fair value in the Consolidated Financial Statements. 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 markets for the given asset or liability at the measurement date based on market conditions at that date. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale.

A hierarchy for fair value has been established that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories: unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), other observable inputs that can be observed either directly or indirectly (Level 2) and unobservable inputs for assets or liabilities (Level 3). Fair value may be recorded for certain assets and liabilities every reporting period on a recurring basis or under certain circumstances on a non-recurring basis.

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

measurement and disclosure included in the Consolidated Financial Statements.

#### Mortgage Servicing Rights

We have a significant investment in mortgage servicing rights. Our mortgage servicing rights are primarily retained from sales in the secondary market of residential mortgage loans we have originated or purchased from correspondent lenders. Occasionally mortgage servicing rights may be purchased from other lenders. 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 fair value are recognized in earnings as they occur.

There is no active market for mortgage servicing rights after origination. The fair value of the mortgage servicing rights are determined by discounting the projected cash flows. Certain significant assumptions and estimates used in valuing mortgage servicing rights are based on current market sources including projected prepayment speeds, assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates. Assumptions used to value our mortgage servicing rights are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to value this asset. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of our servicing portfolio. The discount rate is based on benchmark rates for mortgage loans plus a market spread expected by investors in servicing rights. Significant assumptions used to determine the fair value of our mortgage servicing rights are presented in Note 7 to the Consolidated Financial Statements. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, we would expect a 50 basis point increase in mortgage interest rates to increase the fair value of our servicing rights by \$8.6 million. We would expect an \$8.6 million decrease in the fair value of our mortgage servicing rights from a 50 basis point decrease in mortgage interest rates.

#### Valuation of Derivative Instruments

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

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

#### Valuation of Securities

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



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

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. We evaluate 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 December 31, 2013 or December 31, 2012.

A portion of our securities portfolio is comprised of debt securities for which third-party services have discontinued providing price information due primarily to a lack of observable inputs and other relevant data. We estimate the fair value of these securities based on significant unobservable inputs, including projected cash flows discounted at rates indicated by comparison to securities with similar credit and liquidity risk. We would expect the fair value to decrease \$208 thousand if credit spreads utilized in valuing these securities widened by 100 basis points.

#### Valuation of Impaired Loans and Real Estate and Other Repossessed Assets

The fair value of collateral for certain impaired loans and real estate and other repossessed assets is measured on a non-recurring basis. Fair values are generally based on unadjusted third-party appraisals derived principally from or corroborated by observable market data. Fair values based on these appraisals are considered to be based on Level 2 inputs. Fair value measurements based on appraisals that are not based on observable inputs or that require significant adjustments by us or fair value measurements that are not based on third-party appraisals are considered to be based on Level 3 inputs. Significant unobservable inputs include listing prices for comparable assets, uncorroborated expert opinions or management's knowledge of the collateral or industry.

#### Goodwill Impairment

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

We identify the geographical market underlying each operating segment as reporting units for the purpose of performing the annual goodwill impairment test. This is consistent with the manner in which management assesses the performance of the Company and allocates resources. See additional discussion of the operating segments in the Assessment of Operations - Lines of Business section following. As previously announced, the Company appointed a new Chief Executive Officer effective January 1, 2014 and made several executive leadership changes. We are currently evaluating the effect of these leadership changes on the reporting unit structure which underlies the operating segments and may consider changes in 2014.

We perform a qualitative assessment that evaluates, based on the weight of the evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of our reporting units are less than their carrying amount. This qualitative assessment considers general economic conditions including trends in unemployment rates in our primary geographical areas, our earnings and stock price changes during the year, current and anticipated credit quality performance and the prolonged low interest rate environment and the impact of increased regulation. This qualitative assessment is supplemented by quantitative analysis through which the fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed.

The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our reporting units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine fair value of the respective reporting units. At December 31, 2013, critical assumptions in our evaluation were a 3% average expected long-term growth rate, a 0.81% volatility factor for BOK Financial common stock, a 9.06% discount rate and an 7.92% market risk premium. The expected long-term growth rate for smaller or less mature reporting units may be higher.

The fair value, carrying value and related goodwill of reporting units for which goodwill was attributed as of our annual impairment test performed on October 1, 2013 is as follows in Table 2.

Table 2 – Goodwill Allocation by Reporting Unit  
(In thousands)

|                           | Fair Value  | Carrying Value <sup>1</sup> | Goodwill |
|---------------------------|-------------|-----------------------------|----------|
| <b>Commercial:</b>        |             |                             |          |
| Oklahoma                  | \$1,322,352 | \$249,517                   | \$7,354  |
| Texas                     | 818,792     | 411,161                     | 196,183  |
| New Mexico                | 104,237     | 54,687                      | 11,094   |
| Colorado                  | 136,041     | 95,830                      | 39,458   |
| Arizona                   | 91,870      | 57,689                      | 14,853   |
| <b>Consumer:</b>          |             |                             |          |
| Oklahoma                  | 821,809     | 201,085                     | 1,683    |
| Texas                     | 103,794     | 49,314                      | 27,567   |
| New Mexico                | 99,314      | 21,209                      | 2,874    |
| Colorado                  | 37,536      | 12,994                      | 6,899    |
| <b>Wealth Management:</b> |             |                             |          |
| Oklahoma                  | 163,468     | 99,453                      | 1,350    |
| Texas                     | 248,641     | 45,964                      | 16,372   |
| New Mexico                | 29,283      | 3,919                       | 1,305    |
| Colorado                  | 123,157     | 38,373                      | 31,198   |
| Arizona                   | 31,708      | 6,178                       | 1,569    |

<sup>1</sup> Carrying value includes intangible assets attributed to the reporting unit.

The fair value of our reporting units determined by the discounted future earnings method was further corroborated by comparison to the market capitalization of publicly traded banks of similar size and characteristics in our geographical footprint. Based on the qualitative assessment, supplemented by the results of the quantitative considerations, management believes that it is more-likely-than-not that no goodwill impairment existed as of our annual evaluation date.

As of December 31, 2013, the market value of BOK Financial common stock, a primary input in our goodwill impairment analysis, was approximately 5% higher than the market value used in our most recent annual evaluation. The market value is influenced by factors affecting the overall economy and the regional banks sector of the market. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock declines or sooner if we incur significant unanticipated operating losses or if other factors indicate a significant decline in the value of our reporting units. The effect of a sustained 10% negative change in the market value of our common stock on September 30, 2013 was simulated. No impairment was noted by this simulation.

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

#### Other-Than-Temporary Impairment

On a quarterly basis, the Company performs separate evaluations of impaired debt and equity investment and available for sale securities to determine if the unrealized losses are temporary or other-than-temporary. For impaired debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity

requirements, regulatory and capital requirements and securities portfolio management. All impaired debt securities we intend to sell or we expect to be required to sell are considered other-than-temporarily impaired and the full impairment loss is recognized as a charge against earnings. All impaired debt securities we do not intend or expect to be required to sell are evaluated further.

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

We consider the principal and interest cash flows from the underlying loan pool as well as the remaining credit enhancement coverage as part of our assessment of cash flows available to recover the amortized cost of our securities. The credit enhancement coverage is an estimate of currently remaining subordinated tranches available to absorb losses on pools of loans that support the security. Credit losses, which are defined as the excess of current amortized cost over the present value of projected cash flows, on other-than-temporarily impaired debt securities are recognized as a charge against earnings. Any remaining impairment attributed to factors other than credit losses are recognized in accumulated other comprehensive losses.

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

We performed a sensitivity analysis of all privately issued residential mortgage-backed securities. Significant assumptions of this analysis included an increase in the unemployment rate to 9.3% and an additional 13.5% home price depreciation over the next twelve months. The results of this analysis indicated an additional \$1 million of credit losses are possible. An increase in the unemployment rate to 11.3% with an additional 25.4% home price depreciation indicates an additional \$4 million of credit losses are possible.

Impaired equity securities, including perpetual preferred stocks, are evaluated based on our ability and intent to hold the securities until fair value recovers over a period not to exceed three years. The assessment of the ability and intent to hold these securities considers liquidity needs, asset / liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings, and credit spreads for preferred stocks which have debt-like characteristics.

#### Income Taxes

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

Management evaluates the Company's current tax expense or benefit based upon estimates of taxable income, tax credits and statutory tax rates. Annually, we file tax returns with each jurisdiction where we conduct business and adjust recognized income tax expense or benefit to filed tax returns.

We recognize deferred tax assets and liabilities based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely

than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

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

## 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.

Tax-equivalent net interest revenue totaled \$684.8 million for 2013 compared to \$716.9 million for 2012. Net interest margin was 2.80% for 2013 and 3.15% for 2012. Tax-equivalent net interest revenue decreased \$32.1 million compared to the prior year. Changes in interest rates reduced net interest revenue by \$66.7 million. Growth in average loans and securities balances increased net interest revenue by \$34.6 million. Cash flows from the securities portfolio were reinvested at lower current market rates and loan yields decreased due to renewal of maturing fixed-rate loans at current lower rates and narrowing credit spreads, partially offset by lower funding costs. Table 3 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities. In addition, see Annual and Quarterly Financial Summary of consolidated daily average balances, yields and rates following the Consolidated Financial Statements.

The tax-equivalent yield on earning assets was 3.09% for 2013 compared to 3.53% in 2012. The available for sale securities portfolio yield decreased 47 basis points to 1.97% and loan yields decreased 34 basis points. The decreased yield on earning assets was partially offset by lower funding costs. Funding costs were down 13 basis points compared to 2012. The cost of interest-bearing deposits decreased 10 basis points and the cost of other borrowed funds decreased 4 basis points. The average rate of interest paid on subordinated debentures decreased 128 basis points. The interest rate on \$233 million of these subordinated debentures converted from a fixed rate of interest of 5.75% to a floating interest rate based on LIBOR plus 0.69% as of May 15, 2012. In the present low interest rate environment, our ability to further decrease funding costs is limited.

Average earning assets for 2013 increased \$1.2 billion or 5% over 2012. Average loans, net of allowance for loan losses, increased \$681 million due primarily to growth in average commercial loans. The average balance of available for sale securities, which consists largely of residential and commercial mortgage-backed securities guaranteed by U.S. government agencies, increased \$185 million. We purchase securities to supplement earnings and to manage interest rate risk. During the fourth quarter of 2013, we began to pro-actively shrink the size of our bond portfolio to better position the balance sheet for a longer-term rising rate environment. Our outlook for earning assets is for continued decline in the securities portfolio to be partially offset by loan growth. We expect annualized growth rate for loans to be in the mid to high single digits. The resulting shift in earning asset mix should be supportive of the net interest margin.

Growth in average assets was funded by a \$717 million increase in average deposits and a \$631 million increase in average borrowed funds balances. Average demand deposit balances increased \$500 million over the prior year. Average interest-bearing transaction accounts were up \$483 million, partially offset by a \$318 million decrease in average time deposits. Average borrowed funds increased primarily due to an increase in borrowings from the Federal Home Loan Banks, partially offset by a decrease in funds purchased and repurchase agreements compared to the prior year. Average subordinated debenture balances were down \$16 million.

Our overall objective is to manage the Company's balance sheet to be relatively neutral to changes in interest rates as is further described in the Market Risk section of this report. As shown in Table 29, approximately 77% 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 3 and in the interest rate sensitivity projections as shown in the Market Risk section of this report.

#### Fourth Quarter 2013 Net Interest Revenue

Tax-equivalent net interest revenue totaled \$168.7 million for the fourth quarter of 2013 compared to \$176.7 million for the fourth quarter of 2012. Net interest margin was 2.74% for the fourth quarter of 2013 and 2.95% for the fourth quarter of 2012.

Tax-equivalent net interest revenue decreased \$8.0 million over the fourth quarter of 2012. Net interest revenue increased \$4.1 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 \$12.2 million due to interest rates.

The tax-equivalent yield on earning assets was 3.02% for the fourth quarter of 2013, down 28 basis points from the fourth quarter of 2012. The available for sale securities portfolio yield decreased 27 basis points to 1.89%. Cash flows from these securities were reinvested at current lower rates. Loan yields decreased 32 basis points due primarily to continued market pricing pressure. Funding costs were down 12 basis points from the fourth quarter of 2012. The cost of interest-bearing deposits decreased 12 basis points and the cost of other borrowed funds decreased 4 basis points. The average rate of interest paid on subordinated debentures decreased 8 basis points compared to the fourth quarter of 2012 due to the conversion of \$233 million of these subordinated debentures from a fixed rate of interest to a floating interest rate in 2012. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities decreased to 14 basis points in the fourth quarter of 2013 from 19 basis points in the fourth quarter of 2012.

Average earning assets for the fourth quarter of 2013 decreased \$355 million compared to the fourth quarter of 2012. The average balance of available for sale securities decreased \$1.0 billion as we reduced the size of the bond portfolio to better position the balance sheet for a longer-term rising rate environment. Average loans, net of allowance for loan losses, increased \$508 million over the fourth quarter of 2012 due primarily to growth in average commercial loans.

Average deposits decreased \$262 million compared to the fourth quarter of 2012. Average demand deposit balances decreased \$149 million and average time deposit balances decreased \$300 million, partially offset by a \$143 million increase in average interest-bearing transaction accounts. Average borrowed funds increased \$492 million over the fourth quarter of 2012.

#### 2012 Net Interest Revenue

Tax-equivalent net interest revenue for 2012 was \$716.9 million compared to \$702.1 million for 2011. Net interest margin was 3.15% for 2012 compared to 3.30% for 2011. The decrease in net interest margin was due primarily to lower yield on our securities portfolio, partially offset by lower funding costs. The tax-equivalent yield on average earning assets decreased 33 basis points from 2011. The available for sale securities portfolio yield was down 48 basis points due to cash flow reinvestment at lower rates. Loan yields decreased 26 basis points due to a combination of renewals of fixed rate loans at lower current rates and narrowing credit spreads. The cost of interest-bearing liabilities decreased 20 basis points. The cost of interest-bearing deposits was down 14 basis points and the cost of other borrowed funds was down 132 basis points. The effect of declining net interest margin was offset by increasing average earning assets by \$1.8 billion during 2012. Growth in average assets was primarily in the available for sale securities portfolio and loans. Growth in average assets was funded by a \$979 million increase in average deposit balances. Average demand deposit account balances grew by \$1.7 billion, partially offset by a \$309 million decrease in average interest-bearing transaction account and a \$474 million decrease in average time deposit balances. Average borrowed funds increased \$461 million during 2012 due to an increase in funds purchased. Average subordinated debenture balances were down \$35.1 million.



Table 3 – Volume/Rate Analysis  
(In thousands)

|  | Year Ended<br>December 31, 2013 / 2012 |                            |           | Year Ended<br>December 31, 2012 / 2011 |                            |           |
|--|--|----------------------------|-----------|--|----------------------------|-----------|
|  | Change                                 | Change Due To <sup>1</sup> |           | Change                                 | Change Due To <sup>1</sup> |           |
| Volume                                     |  | Yield /<br>Rate            | Volume    |  | Yield<br>/Rate             |           |
| Tax-equivalent interest revenue:           |  |                            |           |  |                            |           |
| Interest-bearing cash and cash equivalents | \$ 130                                 | \$ 628                     | \$(498 )  | \$ 454                                 | \$(659 )                   | \$ 1,113  |
| Trading securities                         | 558                                    | 409                        | 149       | (348 )                                 | 1,016                      | (1,364 )  |
| Investment securities:                     |  |                            |           |  |                            |           |
| Taxable securities                         | (2,588 )                               | (2,453 )                   | (135 )    | 4,267                                  | 4,415                      | (148 )    |
| Tax-exempt securities                      | 723                                    | 6,142                      | (5,419 )  | (1,961 )                               | (783 )                     | (1,178 )  |
| Total investment securities                | (1,865 )                               | 3,689                      | (5,554 )  | 2,306                                  | 3,632                      | (1,326 )  |
| Available for sale securities:             |  |                            |           |  |                            |           |
| Taxable securities                         | (32,396 )                              | 14,276                     | (46,672 ) | (21,602 )                              | 23,849                     | (45,451 ) |
| Tax-exempt securities                      | (218 )                                 | 368                        | (586 )    | 150                                    | 572                        | (422 )    |
| Total available for sale securities        | (32,614 )                              | 14,644                     | (47,258 ) | (21,452 )                              | 24,421                     | (45,873 ) |
| Fair value option securities               | (4,557 )                               | (3,109 )                   | (1,448 )  | (10,185 )                              | (5,168 )                   | (5,017 )  |
| Restricted equity securities               | 2,780                                  | 4,114                      | (1,334 )  | 173                                    | 295                        | (122 )    |
| Residential mortgage loans held for sale   | 320                                    | 116                        | 204       | 1,693                                  | 2,811                      | (1,118 )  |
| Loans                                      | (13,281 )                              | 27,590                     | (40,871 ) | 9,322                                  | 38,840                     | (29,518 ) |
| Total tax-equivalent interest revenue      | (48,529 )                              | 48,081                     | (96,610 ) | (18,037 )                              | 65,188                     | (83,225 ) |
| Interest expense:                          |  |                            |           |  |                            |           |
| Transaction deposits                       | (3,145 )                               | 622                        | (3,767 )  | (9,115 )                               | (737 )                     | (8,378 )  |
| Savings deposits                           | (98 )                                  | 97                         | (195 )    | (179 )                                 | 133                        | (312 )    |
| Time deposits                              | (8,206 )                               | (5,065 )                   | (3,141 )  | (12,583 )                              | (8,402 )                   | (4,181 )  |
| Funds purchased                            | (1,247 )                               | (774 )                     | (473 )    | 1,178                                  | 537                        | 641       |
| Repurchase agreements                      | (505 )                                 | (209 )                     | (296 )    | (1,445 )                               | (36 )                      | (1,409 )  |
| Other borrowings                           | 1,810                                  | 19,298                     | (17,488 ) | (2,028 )                               | 575                        | (2,603 )  |
| Subordinated debentures                    | (5,037 )                               | (494 )                     | (4,543 )  | (8,607 )                               | (1,659 )                   | (6,948 )  |
| Total interest expense                     | (16,428 )                              | 13,475                     | (29,903 ) | (32,779 )                              | (9,589 )                   | (23,190 ) |
| Tax-equivalent net interest revenue        | (32,101 )                              | 34,606                     | (66,707 ) | 14,742                                 | 74,777                     | (60,035 ) |
| Change in tax-equivalent adjustment        | (971 )                                 |                            |           | (238 )                                 |                            |           |
| Net interest revenue                       | \$(33,072 )                            |                            |           | \$ 14,504                              |                            |           |

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

Table 3 – Volume/Rate Analysis (continued)

(In thousands)

|  | Three Months Ended<br>December 31, 2013 / 2012 |                            |                 |   |
|--|--|----------------------------|-----------------|---|
|  | Change   | Change Due To <sup>1</sup> |                 |   |
|  |  | Volume                     | Yield /<br>Rate |   |
| Tax-equivalent interest revenue:           |  |                            |                 |   |
| Interest-bearing cash and cash equivalents | \$40   | \$74                       | \$(34           | ) |
| Trading securities                         | 31   | (22                        | ) 53            |   |
| Investment securities:                     |  |                            |                 |   |
| Taxable securities                         | (584   | ) (491                     | ) (93           | ) |
| Tax-exempt securities                      | 393  | 1,394                      | (1,001          | ) |
| Total investment securities                | (191   | ) 903                      | (1,094          | ) |
| Available for sale securities:             |  |                            |                 |   |
| Taxable securities                         | (8,210   | ) (1,345                   | ) (6,865        | ) |
| Tax-exempt securities                      | (85  | ) 12                       | (97             | ) |
| Total available for sale securities        | (8,295   | ) (1,333                   | ) (6,962        | ) |
| Fair value option securities               | 112  | (80                        | ) 192           |   |
| Restricted equity securities               | 877  | 431                        | 446             |   |
| Residential mortgage loans held for sale   | (72  | ) (513                     | ) 441           |   |
| Loans                                      | (4,593   | ) 5,116                    | (9,709          | ) |
| Total tax-equivalent interest revenue      | (12,091  | ) 4,576                    | (16,667         | ) |
| Interest expense:                          |  |                            |                 |   |
| Transaction deposits                       | (930   | ) 33                       | (963            | ) |
| Savings deposits                           | (29  | ) 17                       | (46             | ) |
| Time deposits                              | (3,001   | ) (1,233                   | ) (1,768        | ) |
| Funds purchased                            | (332   | ) (155                     | ) (177          | ) |
| Repurchase agreements                      | (92  | ) (29                      | ) (63           | ) |
| Other borrowings                           | 381  | 1,808                      | (1,427          | ) |
| Subordinated debentures                    | (66  | ) 3                        | (69             | ) |
| Total interest expense                     | (4,069   | ) 444                      | (4,513          | ) |
| Tax-equivalent net interest revenue        | (8,022   | ) 4,132                    | (12,154         | ) |
| Change in tax-equivalent adjustment        | 5  |                            |                 |   |
| Net interest revenue                       | \$(8,017                                       | )                          |                 |   |

<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 \$614.5 million for 2013 compared to \$653.7 million for 2012. Fees and commissions revenue decreased \$25.0 million or 4% compared to 2012. The change in the fair value of mortgage servicing rights, net of fair value options securities and derivative contract held as an economic hedge, increased \$3.5 million over the prior year. Net gains on available for sale securities decreased \$23.1 million compared to 2012. Other-than-temporary impairment charges recognized in earnings in 2013 were \$5.0 million less than charges recognized in 2012.

Table 4 – Other Operating Revenue  
(In thousands)

|  | Year Ended |            |            |           |            |
|--|------------|------------|------------|-----------|------------|
|  | 2013       | 2012       | 2011       | 2010      | 2009       |
| Brokerage and trading revenue  | \$ 125,478 | \$ 126,930 | \$ 104,181 | 101,471   | 91,677     |
| Transaction card revenue   | 116,823    | 107,985    | 116,757    | 112,302   | 105,517    |
| Trust fees and commissions   | 96,082     | 80,053     | 73,290     | 68,976    | 66,177     |
| Deposit service charges and fees   | 95,110     | 98,917     | 95,872     | 103,611   | 115,791    |
| Mortgage banking revenue   | 121,934    | 169,302    | 91,643     | 87,600    | 64,980     |
| Bank-owned life insurance  | 10,155     | 11,089     | 11,280     | 12,066    | 10,239     |
| Other revenue  | 38,262     | 34,604     | 34,070     | 30,368    | 26,131     |
| Total fees and commissions revenue   | 603,844    | 628,880    | 527,093    | 516,394   | 480,512    |
| Gain (loss) on other assets, net   | (925 )     | (1,415 )   | 4,156      | (4,011 )  | 1,992      |
| Gain (loss) on derivatives, net  | (4,367 )   | (301 )     | 2,686      | 4,271     | (3,365 )   |
| Gain (loss) on fair value option securities, net                             | (15,212 )  | 9,230      | 24,413     | 7,331     | (13,198 )  |
| Change in fair value of mortgage servicing rights                            | 22,720     | (9,210 )   | (40,447 )  | 3,661     | 12,124     |
| Gain on available for sale securities, net                                   | 10,720     | 33,845     | 34,144     | 21,882    | 59,320     |
| Total other-than-temporary impairment  | (2,574 )   | (1,144 )   | (10,578 )  | (29,960 ) | (129,154 ) |
| Portion of loss recognized in (reclassified from) other comprehensive income | 266        | (6,207 )   | (12,929 )  | 2,151     | 94,741     |
| Net impairment losses recognized in earnings                                 | (2,308 )   | (7,351 )   | (23,507 )  | (27,809 ) | (34,413 )  |
| Total other operating revenue  | \$ 614,472 | \$ 653,678 | \$ 528,538 | 521,719   | 502,972    |

## Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 47% of total revenue for 2013, excluding provision for credit losses and gains and losses on asset sales, securities and derivatives and the change in the fair value of mortgage servicing rights. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. As an example of this strength, many of the economic factors that caused net interest revenue compression also drove strong growth in our mortgage banking revenue in 2012. We expect continued growth in other operating revenue through offering new products and services and by further development of our presence in markets outside of Oklahoma. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue, which includes revenues from securities trading, retail brokerage, customer hedging and investment banking was largely unchanged compared to the prior year. Revenue in 2013 was reduced \$8.7 million from changes in the fair value of our trading securities inventory due to sharp increases in interest rates. The following discussion excludes inventory adjustment charges.

Securities trading revenue totaled \$72.6 million for 2013, an increase of \$3.9 million or 6% compared to the prior year. Securities trading revenue represents 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. These activities largely will be permitted under the Volcker Rule of the Dodd-Frank Act. The increase compared to the prior year was due primarily sales of residential mortgage backed securities to our mortgage banking 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 \$12.4 million for 2013, a decrease of \$1.3 million or 10% compared to 2012. The Company received recoveries from the Lehman Brothers and MF Global bankruptcies of \$2.4 million during 2013 and \$3.4 million during 2012.

Revenue earned from retail brokerage transactions increased \$4.3 million or 15% over 2012 to \$34.1 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. 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, totaled \$15.1 million for 2013, up \$299 thousand or 2% over 2012 related to the timing and volume 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 totaled \$116.8 million for 2013 compared to \$108.0 million for 2012. Revenues from the processing of transactions on behalf of the members of our TransFund electronic funds transfer ("EFT") network totaled \$60.5 million, up \$4.2 million or 7% over 2012, due primarily to increased transaction volumes. The number of TransFund ATM locations totaled 1,998 at December 31, 2013 compared to 1,970 at December 31, 2012. Merchant services fees paid by customers for account management and electronic processing of card transactions totaled \$38.0 million, up \$4.0 million or 12% over the prior year. The increase was primarily due to higher transaction processing volume throughout our geographical footprint. Revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled \$18.3 million, up \$730 thousand over 2012 on increased transaction volume.

Effective October 1, 2011, the Federal Reserve issued its final rule that established a cap on interchange fees that larger banks can charge merchants for certain debit card transactions. This rule is commonly known as the Durbin Amendment. Initial adoption of the Durbin Amendment reduced our annual interchange fees by approximately \$19 million. The final rule has been successfully challenged by retail merchants and merchant trade groups and is currently on appeal. The ultimate resolution of this legal challenge is uncertain.

Trust fees and commissions increased \$16.0 million or 20% over 2012. Acquired in the third quarter of 2012, the full year results of The Milestone Group increased trust fees and commissions \$7.0 million over 2012. 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 \$30.1 billion at December 31, 2013 and \$25.8 billion at December 31, 2012.

In addition to trust fees and commissions where we served as a fiduciary, we also earn fees as administrator to and investment advisor for the Cavanal Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). The Bank is custodian and BOSC, Inc. is distributor for the Funds. The Funds' products 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 \$8.2 million for 2013 compared to \$8.4 million for 2012.



Deposit service charges and fees decreased \$3.8 million or 4% compared to 2012. Overdraft fees totaled \$49.6 million for 2013, a decrease of \$6.1 million or 11% compared to last year. Commercial account service charge revenue totaled \$37.3 million, up \$2.3 million or 7% over the prior year. Service charges on deposit accounts with a standard monthly fee were \$8.2 million, unchanged compared to the prior year.

Mortgage banking revenue totaled \$121.9 million for 2013, compared to \$169.3 million for 2012. Revenue from originating and marketing mortgage loans totaled \$79.5 million, a decrease of \$49.6 million compared to 2012. Mortgage loans funded for sale totaled \$4.1 billion in 2013, up \$373.0 million or 10% over 2012. Outstanding commitments to originate mortgage loans decreased \$98 million or 27% compared to December 31, 2012 to \$259 million at December 31, 2013. The decrease in mortgage banking revenue was primarily due to an overall narrowing of gain on sale margins and a shift in product mix towards loans with narrower margins.

Mortgage servicing revenue was \$42.4 million, up \$2.2 million or 5% over the prior year. The outstanding principal balance of mortgage loans serviced for others totaled \$13.7 billion, an increase of \$1.7 billion over December 31, 2012.

Table 5 – Mortgage Banking Revenue  
(In thousands)

|   | Year Ended   |              |              |              |             |   |
|---|--------------|--------------|--------------|--------------|-------------|---|
|   | 2013         | 2012         | 2011         | 2010         | 2009        |   |
| Originating and marketing revenue                                   | \$79,545     | \$129,117    | \$51,982     | \$49,439     | \$44,229    |   |
| Servicing revenue   | 42,389       | 40,185       | 39,661       | 38,161       | 20,751      |   |
| Total mortgage revenue  | \$121,934    | \$169,302    | \$91,643     | \$87,600     | \$64,980    |   |
| Mortgage loans funded for sale                                      | \$4,081,390  | \$3,708,350  | \$2,293,834  | \$2,501,860  | \$281,106   |   |
| Mortgage loan refinances to total funded                            | 43           | % 60         | % 53         | % 57         | % 63        | % |
|   | December 31, |              |              |              |             |   |
|   | 2013         | 2012         | 2011         | 2010         | 2009        |   |
| Outstanding principal balance of mortgage loans serviced for others | \$13,718,942 | \$11,981,624 | \$11,300,986 | \$11,194,582 | \$6,603,132 |   |
| Net gains on securities, derivatives and other assets               |              |              |              |              |             |   |

We recognized \$10.7 million of net gains from sales of \$2.4 billion of available for sale securities in 2013. We recognized \$33.8 million of net gains from sales of \$1.7 billion of available for sale securities in 2012, including a \$14.2 million gain on the sale of \$26 million of common stock received in 2009 in partial satisfaction of a defaulted commercial loan. Securities were sold either because they had reached their expected maximum potential or to mitigate risk.

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 fluctuate due to changes in prepayment speeds and other assumptions as more fully described in Note 7 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 assumptions and the spread between the primary and secondary rates can cause significant earnings volatility.

Table 6 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 6 – Gain (Loss) on Mortgage Servicing Rights, Net of Economic Hedge  
(In thousands)

|   | Year Ended |            |             |          |                     |   |
|---|------------|------------|-------------|----------|---------------------|---|
|   | 2013       | 2012       | 2011        | 2010     | 2009                |   |
| Gain (loss) on mortgage hedge derivative contracts, net                                   | \$(5,080 ) | \$116      | \$2,974     | \$4,425  | \$—                 |   |
| Gain (loss) on fair value option securities, net  | (15,436 )  | 7,793      | 24,413      | 7,331    | (13,198 )           |   |
| Gain (loss) on economic hedge of mortgage servicing rights                                | (20,516 )  | 7,909      | 27,387      | 11,756   | (13,198 )           |   |
| Gain (loss) on change in fair value of mortgage servicing rights                          | 22,720     | (9,210 )   | (40,447 )   | (8,171 ) | <sup>1</sup> 12,124 |   |
| Gain (loss) on changes in fair value of mortgage servicing rights, net of economic hedges | \$2,204    | \$(1,301 ) | \$(13,060 ) | \$3,585  | \$(1,074 )          |   |
| Net interest revenue on fair value option securities <sup>2</sup>                         | \$3,290    | \$7,811    | \$17,650    | \$19,043 | \$13,366            |   |
| Average primary residential mortgage interest rate  | 3.99       | % 3.66     | % 4.45      | % 4.69   | % 5.03              | % |
| Average secondary residential mortgage interest rate                                      | 3.05       | % 2.52     | % 3.71      | % 3.96   | % 4.28              | % |

<sup>1</sup> Excludes \$11.8 million day-one pretax gain on the purchase of mortgage servicing rights in the first quarter of 2010.

<sup>2</sup> Actual interest earned on fair value option securities less transfer-priced cost of funds.

Primary rates disclosed in Table 6 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. The difference between average primary and secondary rates was 94 basis points for 2013 compared to 114 basis points for 2012. The difference between average primary and secondary rates widened significantly during 2012, growing as large as 163 basis points during the third quarter. This difference narrowed to a more normal relationship during 2013.

As more fully discussed in Note 2 to the Consolidated Financial Statements, we recognized other-than-temporary impairment losses of \$2.3 million during 2013. Other-than-temporary impairments recognized in earnings on certain residential mortgage-backed securities privately issued by publicly traded financial institutions that we do not intend to sell totaled \$938 thousand. Other-than-temporary losses on certain below investment grade municipal securities recognized in earnings were \$1.4 million. Other-than-temporary impairment losses related to privately issued residential mortgage backed securities, municipal securities and other equity securities in 2012 were \$7.4 million.

An indirect wholly-owned subsidiary of the Company is the general partner of two private equity funds and other subsidiaries of the Company have investments in unrelated private equity funds. These investments generally are illiquid and do not readily provide for redemption or transfer. The impact of the recently-issued regulations that implement the Volcker Rule on these investments resulted in a \$1.4 million impairment charge in 2013 which is included in Gain (Loss) on assets, net. This charge was based primarily on the expectation that we will be required to divest some or all of these investments by June 30, 2015.

#### Fourth Quarter 2013 Other Operating Revenue

Other operating revenue was \$147.0 million for the fourth quarter of 2013 compared to \$166.4 million for the fourth quarter of 2012. Fees and commissions revenue decreased \$22.5 million. The change in the fair value of mortgage servicing rights, net of economic hedges, added \$2.1 million to net income for the fourth quarter of 2013 compared to adding \$1.8 million to net income for the fourth quarter of 2012. Net gains on sales of available for sale securities

were \$568 thousand higher than the prior year. No other-than-temporary impairment charges were recognized in earnings in the fourth quarter of 2013 compared to \$1.7 million of impairment charges recognized in the fourth quarter of 2012.

Brokerage and trading revenue decreased \$3.4 million compared to the fourth quarter of 2012. Securities trading revenue totaled \$15.2 million for the fourth quarter of 2013, a decrease \$2.4 million, primarily due to decreased gain from sales of U.S. government treasury and municipal securities to our institutional customers. Customer hedging revenue totaled \$3.8 million, up \$1.0 million over the prior year. Revenue earned from retail brokerage transactions decreased \$371 thousand compared to the fourth quarter of 2012 to \$7.0 million. Investment banking revenue totaled \$2.4 million, a \$1.6 million decrease compared to the fourth quarter of 2012 related to the timing and volume of completed transactions.

Transaction card revenue for the fourth quarter of 2013 increased \$1.1 million or 4% over the fourth quarter of 2012, primarily due to a \$918 thousand increase in merchant services fees and a \$170 thousand increase in interchange fees paid by merchants for transactions processed from debit cards issued by the Company. Revenues from the processing of transactions on behalf of the members of our TransFund EFT network totaled \$15.2 million, merchant services fees totaled \$9.3 million and revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled \$4.6 million.

Trust fees and commissions increased \$3.0 million over the fourth quarter of 2012 to \$25.1 million primarily due to the increase in the fair value of assets managed. Waived administration fees on the Cavanal Hill money market funds totaled \$2.2 million for the fourth quarter of 2013 compared to \$1.7 million for the fourth quarter of 2012.

Deposit service charges and fees were \$23.4 million for the fourth quarter of 2013 compared to \$24.2 million for the fourth quarter of 2012. Overdraft fees decreased \$1.5 million to \$12.1 million. Commercial account service charge revenue totaled \$9.3 million, up \$942 thousand over the prior year. Service charges on deposit accounts with a standard monthly fee were \$2.0 million, a decrease of \$198 thousand compared to the fourth quarter of 2012.

Mortgage banking revenue was \$21.9 million for the fourth quarter of 2012 compared to \$46.4 million for the fourth quarter of 2012. Mortgage loans funded for sale totaled \$849 million in the fourth quarter of 2013 and \$1.1 billion in the fourth quarter of 2012. Outstanding mortgage loan commitments decreased \$98 million and the unpaid principal balance of mortgage loans held for sale decreased \$93 million. The difference between average primary and secondary rates for the fourth quarter of 2013 was 90 basis points compared to 117 basis points for the fourth quarter of 2012.

During the fourth quarter of 2013, we recognized a \$1.6 million gain from sales of \$270 million of available for sale securities. We recognized \$1.1 million of gains on sales of \$84 million of available for sale securities in the fourth quarter of 2012.

For the fourth quarter of 2013, changes in the fair value of mortgage servicing rights increased pre-tax net income by \$6.1 million, partially offset by a net loss of \$3.9 million on fair value option securities and derivative contracts held as an economic hedge. For the fourth quarter of 2012, changes in the fair value of mortgage servicing rights increased pre-tax net income by \$4.7 million, partially offset by a \$2.9 million net loss on fair value option securities and derivative contracts held as an economic hedge.

#### 2012 Other Operating Revenue

Other operating revenue totaled \$653.7 million for 2012, up \$125.1 million over 2011. Fees and commissions revenue increased \$101.8 million. The change in the fair value of mortgage servicing rights, net of economic hedges, decreased pre-tax net income in 2012 by \$1.3 million compared to a \$13.1 million decrease in pre-tax net income in 2011. Net gains on sales of available for sale securities were \$33.8 million for 2012 compared to \$34.1 million for 2011. Other-than-temporary impairment charges recognized in earnings were \$16.2 million less than charges recognized in 2011.

Brokerage and trading revenue increased \$22.7 million over 2011. Securities trading revenue was up \$8.9 million primarily due to increased revenue from sales of mortgage-backed securities to our mortgage banking customers. Customer hedging revenue increased \$8.4 million. Customer hedging revenue for 2012 included a \$3.4 million recovery from the Lehman Brothers bankruptcy and 2011 included \$4.4 million of credit losses. Retail brokerage revenue increased \$1.6 million and investment banking revenue grew by \$3.8 million. Transaction card revenue decreased \$8.8 million compared to 2011. Increased revenue from the processing of transactions for TransFund network members and growth in merchant services transaction volumes were offset by a decrease in interchange fees paid by merchant banks on cards issued by the Bank and on transactions processed for merchant services customers

due to the Durbin Amendment which became effective on October 1, 2011. Trust fees and commissions increased \$6.8 million due to the acquisition of The Milestone Group in the third quarter of 2012 and growth in the fair value of fiduciary assets. Deposit service charges and fees increased \$3.0 million primarily increased commercial account service charges. Mortgage banking revenue grew \$77.7 million over 2011 on growth in mortgage loans originated for sale and an increase in gains on sales of mortgages in the secondary market.

## Other Operating Expense

Other operating expense for 2013 totaled \$840.6 million, unchanged from the prior year. Personnel expenses increased \$14.2 million or 3%. Non-personnel expenses decreased \$13.9 million or 4% compared to the prior year.

Table 7 – Other Operating Expense  
(In thousands)

|   | Year Ended |           |           |           |           |
|---|------------|-----------|-----------|-----------|-----------|
|   | 2013       | 2012      | 2011      | 2010      | 2009      |
| Regular compensation                                  | \$279,493  | \$262,736 | \$247,945 | \$238,690 | \$231,897 |
| Incentive compensation:                               |            |           |           |           |           |
| Cash-based  | 110,871    | 116,718   | 97,222    | 91,219    | 80,569    |
| Stock-based   | 40,272     | 37,170    | 20,558    | 12,764    | 10,585    |
| Total incentive compensation                          | 151,143    | 153,888   | 117,780   | 103,983   | 91,154    |
| Employee benefits                                     | 74,589     | 74,409    | 64,261    | 59,191    | 57,466    |
| Total personnel expense                               | 505,225    | 491,033   | 429,986   | 401,864   | 380,517   |
| Business promotion                                    | 22,598     | 23,338    | 20,549    | 17,726    | 19,582    |
| Charitable contributions to BOKF Foundation           | 2,062      | 2,062     | 4,000     | —         | —         |
| Professional fees and services                        | 32,552     | 34,015    | 28,798    | 30,217    | 30,243    |
| Net occupancy and equipment                           | 69,773     | 66,726    | 64,611    | 63,969    | 65,715    |
| Insurance   | 16,122     | 15,356    | 16,799    | 24,320    | 24,040    |
| FDIC special assessment                               | —          | —         | —         | —         | 11,773    |
| Data processing & communications                      | 106,075    | 98,904    | 97,976    | 87,752    | 81,292    |
| Printing, postage and supplies                        | 13,885     | 14,228    | 14,085    | 13,665    | 15,960    |
| Net losses & operating expenses of repossessed assets | 5,160      | 20,528    | 23,715    | 34,483    | 11,400    |
| Amortization of intangible assets                     | 3,428      | 2,927     | 3,583     | 5,336     | 6,970     |
| Mortgage banking costs                                | 31,088     | 44,334    | 37,621    | 43,172    | 37,248    |
| Other expense   | 32,652     | 26,912    | 37,575    | 29,937    | 21,976    |
| Total other operating expense                         | \$840,620  | \$840,363 | \$779,298 | \$752,441 | \$706,716 |
| Average number of employees (full-time equivalent)    | 4,683      | 4,614     | 4,474     | 4,394     | 4,403     |

## Personnel expense

Regular compensation expense, which consists of salaries and wages, overtime pay and temporary personnel costs, increased \$16.8 million or 6% over 2012. Although the average number of employees has remained relatively constant, we continue to invest in higher-costing wealth management, compliance and risk management positions. In addition, standard annual merit increases were fully effective in the second quarter of 2013. The Company generally awards annual merit increases during the first quarter for a majority of its staff.

Incentive compensation decreased \$2.7 million compared to 2012. 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 decreased \$5.8 million compared to 2012.



The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense for equity awards decreased \$1.5 million or 15% compared to 2012. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value. Stock-based compensation expense also included liability awards indexed to investment performance or changes in the market value of BOK Financial common stock. The year-end closing market price per share of BOK Financial common stock increased \$11.86 during 2013 and decreased \$0.47 during 2012. Expense based on changes in the fair value of BOK Financial common stock and other investments increased \$1.2 million over the prior year.

In addition, stock-based incentive compensation expense increased \$3.4 million during 2013 as \$28.4 million was accrued in 2013 and \$25 million was accrued in 2012 related to the BOK Financial Corp. 2011 True-Up Plan. Approved by shareholders on April 26, 2011, the True-Up Plan was intended to address inequality in the Executive Incentive Plan ("EIP"), which had been approved by shareholders in 2003 as a result of certain peer banks that performed poorly during the most recent economic cycle. Performance goals for the EIP are based on the Company's earnings per share growth compared to peers and business unit performance. As the economy improves and credit losses normalize, peer banks were expected to experience significant comparative earnings per share percentile increases. This "bounce-back" effect would have resulted in the unanticipated result of no annual bonuses in the years 2011, 2012 and 2013 and the forfeiture of long-term incentive awards for 2010 and 2011 in their entirety, despite BOK Financial's strong annual earnings growth through the economic cycle while many peers experienced negative or declining earnings. 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. Compensation expense is determined by ranking BOK Financial's earnings per share to peer banks and then aligning compensation with the peer bank that most closely relates to BOK Financial earnings per share performance. Based on currently available information, amounts estimated to be paid under the 2011 True-Up Plan are approximately \$69 million. The final amount due under the 2011 True-Up Plan will be determined as of December 31, 2013 based on information that will be published by peer banks during the first quarter of 2014. The final amount due under the 2011 True-Up Plan will be distributed in May, 2014.

Employee benefit expense was largely unchanged compared to 2012. Employee medical costs totaled \$26.3 million, a \$694 thousand or 3% decrease compared to the prior year. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. Payroll tax expense increased \$1.5 million over 2012 to \$26.6 million. Employee retirement plan costs totaled \$18.1 million, up \$1.4 million and pension expense was \$2.1 million, down \$1.3 million compared to the prior year.

#### Non-personnel operating expenses

Non-personnel expenses decreased \$13.9 million or 4% compared to the prior year. Net losses and operating expense related to repossessed assets decreased \$15.4 million compared to the prior year. Mortgage banking costs decreased \$13.2 million due primarily to lower provision for potential losses related to repurchases of loans sold to U.S. government agencies that no longer qualify for sale accounting. Data processing and communications expense increased \$7.2 million primarily related to increased transaction activity costs. All other non-personnel operating expenses were up \$7.5 million.

#### Fourth Quarter 2013 Operating Expenses

Other operating expense for the fourth quarter of 2013 totaled \$215.4 million, down \$11.4 million compared to the fourth quarter of 2012.

Personnel expenses decreased \$5.5 million compared to the fourth quarter of 2012. Regular compensation expense increased \$7.2 million over the fourth quarter of 2012 as we continue to invest in higher-costing positions. Incentive compensation decreased \$10.7 million compared to the fourth quarter of 2012. Employee benefit expense decreased \$2.0 million compared to the fourth quarter of 2012 primarily due to a decrease in employee medical insurance claim expense.

Non-personnel expenses decreased \$5.8 million compared to the fourth quarter of 2012 due primarily to decreased net losses and operating expenses of repossessed assets and lower mortgage banking costs, partially offset by increased data processing and communications expense and increased net occupancy costs.

## 2012 Operating Expenses

Other operating expense totaled \$840.4 million for 2012, an increase of \$61.1 million over 2011.

Personnel expense increased \$61.0 million. Regular compensation expense totaled \$262.7 million, up \$14.8 million primarily due to an increase in staffing levels in 2012 and standard annual merit increases. Incentive compensation expense increased \$36.1 million. Cash-based incentive compensation increased \$19.5 million. Compensation expense for equity awards decreased \$327 thousand and compensation expense for liability awards increased \$16.9 million, primarily due to accruals for the 2011 True-Up Plan. Employee benefit expense increased \$10.1 million primarily due to increased employee medical costs.

Non-personnel expense for 2012 were largely unchanged compared to 2011. Net losses and operating expenses of repossessed assets decreased \$3.2 million due primarily to a decrease in net losses from sales and write-downs of repossessed property based on our quarterly review of carrying values. Discretionary contributions to the BOKF Foundation were \$2.1 million for 2012, compared to \$4.0 million for 2011. Mortgage banking costs increased \$6.7 million primarily due to increased actual prepayment of mortgage loans serviced for others. Other expense decreased \$10.7 million as 2011 included accruals for overdraft fee litigation which was settled in 2012. Professional fees and services costs were up \$5.2 million primarily due to increased expense related to product consulting fees and business growth. All other non-personnel operating expenses were up \$3.9 million.

#### Income Taxes

Income tax expense was \$157.3 million or 33% of book taxable income for 2013, \$188.7 million or 35% of book taxable income for 2012 and \$158.5 million or 35% of book taxable income for 2011. Tax expense currently payable totaled \$140 million in 2013, \$179 million in 2012 and \$154 million in 2011.

The statute of limitations expired on an uncertain tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2012 in 2013, 2011 in 2012 and 2010 in 2011. Excluding these adjustments income tax expense would have been \$159 million or 33% for 2013, \$190 million or 35% of book taxable income for 2012 and \$160 million or 35% of book taxable income for 2011.

Net deferred tax assets totaled \$96 million at December 31, 2013 and \$3.0 million at December 31, 2012. The increase was due primarily to the tax effect of unrealized losses on available for sale securities. We have evaluated the recoverability of our deferred tax assets based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

The allowance for uncertain tax positions totaled \$12 million at December 31, 2013 and December 31, 2012. BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations.

Income tax expense was \$35.3 million or 32% of book taxable income for the fourth quarter of 2013 compared to \$44.3 million or 35% of book taxable income for the fourth quarter of 2012.

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

|  | 2013      |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | First     | Second    | Third     | Fourth    |
| Interest revenue   | \$190,046 | \$186,777 | \$185,428 | \$183,120 |
| Interest expense   | 18,594    | 17,885    | 17,539    | 16,876    |
| Net interest revenue   | 171,452   | 168,892   | 167,889   | 166,244   |
| Provision for credit losses                                    | (8,000    | ) —       | (8,500    | ) (11,400 |
| Net interest revenue after provision for credit losses         | 179,452   | 168,892   | 176,389   | 177,644   |
| Fees and commissions revenue                                   | 157,064   | 159,173   | 145,235   | 142,372   |
| Gain (loss) on financial instruments and other assets, net     | 1,210     | (9,596    | ) 52      | (1,450    |
| Change in fair value of mortgage servicing rights              | 2,658     | 14,315    | (346      | ) 6,093   |
| Other-than-temporary impairment losses                         | (247      | ) (552    | ) (1,509  | ) —       |
| Other operating revenue  | 160,685   | 163,340   | 143,432   | 147,015   |
| Personnel expense  | 125,654   | 128,110   | 125,799   | 125,662   |
| Net losses and expenses of repossessed assets                  | 1,246     | 282       | 2,014     | 1,618     |
| Other non-personnel expense                                    | 77,082    | 82,529    | 82,485    | 88,139    |
| Total other operating expense                                  | 203,982   | 210,921   | 210,298   | 215,419   |
| Income before taxes  | 136,155   | 121,311   | 109,523   | 109,240   |
| Federal and state income tax                                   | 47,096    | 41,423    | 33,461    | 35,318    |
| Net income   | 89,059    | 79,888    | 76,062    | 73,922    |
| Net income (loss) attributable to non-controlling interest     | 1,095     | (43       | ) 324     | 946       |
| Net income attributable to shareholders of BOK Financial Corp. | \$87,964  | \$79,931  | \$75,738  | \$72,976  |
| Earnings per share:  |           |           |           |           |
| Basic  | \$1.28    | \$1.16    | \$1.10    | \$1.06    |
| Diluted  | \$1.28    | \$1.16    | \$1.10    | \$1.06    |
| Average shares:  |           |           |           |           |
| Basic  | 67,815    | 67,994    | 68,049    | 68,095    |
| Diluted  | 68,040    | 68,212    | 68,273    | 68,294    |

Table 8 – Selected Quarterly Financial Data (continued)

(In thousands, except per share data)

|  | 2012      |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | First     | Second    | Third     | Fourth    |
| Interest revenue   | \$199,058 | \$203,808 | \$196,799 | \$195,206 |
| Interest expense   | 24,639    | 21,694    | 20,044    | 20,945    |
| Net interest revenue   | 174,419   | 182,114   | 176,755   | 174,261   |
| Provision for credit losses                                    | —         | (8,000)   | —         | (14,000)  |
| Net interest revenue after provision for credit losses         | 174,419   | 190,114   | 176,755   | 188,261   |
| Fees and commissions revenue                                   | 143,720   | 154,997   | 165,246   | 164,915   |
| Gain (loss) on financial instruments and other assets, net     | (3,568)   | ) 31,367  | 15,075    | (1,515)   |
| Change in fair value of mortgage servicing rights              | 7,127     | (11,450)  | ) (9,576) | ) 4,689   |
| Other-than-temporary impairment losses                         | (3,722)   | ) (858)   | ) (1,104) | ) (1,667) |
| Other operating revenue  | 143,557   | 174,056   | 169,641   | 166,422   |
| Personnel expense  | 114,769   | 122,297   | 122,775   | 131,192   |
| Net losses and expenses of repossessed assets                  | 2,245     | 5,912     | 5,706     | 6,665     |
| Other non-personnel expense                                    | 72,250    | 83,352    | 84,283    | 88,917    |
| Total other operating expense                                  | 189,264   | 211,561   | 212,764   | 226,774   |
| Income before taxes  | 128,712   | 152,609   | 133,632   | 127,909   |
| Federal and state income tax                                   | 45,520    | 53,149    | 45,778    | 44,293    |
| Net income   | \$83,192  | \$99,460  | \$87,854  | \$83,616  |
| Net income (loss) attributable to non-controlling interest     | (422)     | ) 1,833   | 471       | 1,051     |
| Net income attributable to shareholders of BOK Financial Corp. | \$83,614  | \$97,627  | 87,383    | 82,565    |
| Earnings per share:  |           |           |           |           |
| Basic  | \$1.22    | \$1.43    | \$1.28    | \$1.21    |
| Diluted  | \$1.22    | \$1.43    | \$1.27    | \$1.21    |
| Average shares:  |           |           |           |           |
| Basic  | 67,665    | 67,473    | 67,967    | 67,623    |
| Diluted  | 67,942    | 67,745    | 68,335    | 67,915    |

## 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 and all mortgage banking activities. Wealth Management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets. Wealth Management also originates loans for high net worth clients.

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

We allocate resources and evaluate the performance of our lines of business after allocation of funds, certain indirect expenses, taxes based on statutory rates, actual net credit losses and capital costs. The cost of funds borrowed from the Funds Management unit by the operating lines of business is transfer priced at rates that approximate market 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 market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Average invested capital includes economic capital and amounts we have invested in the lines of business.

As shown in Table 9, net income attributable to our lines of business decreased \$7.8 million or 3% compared to the prior year. The decrease in net income attributed to our lines of business was due primarily to a \$46.9 million decrease in mortgage banking revenue and a \$17.3 million increase in personnel expense, partially offset by a \$19.9 million decrease in net loans charged off, a \$13.2 million decrease in mortgage banking costs and a \$12.6 million decrease in net losses and operating expenses of repossessed assets. The decrease in net income provided by Funds Management and other was largely due to lower net interest revenue on our securities portfolio partially offset by a net decrease in our allowance for loan losses.

Table 9 – Net Income by Line of Business

(In thousands)

|                            | Year Ended |            |            |
|----------------------------|------------|------------|------------|
|                            | 2013       | 2012       | 2011       |
| Commercial Banking         | \$ 158,088 | \$ 145,064 | \$ 127,388 |
| Consumer Banking           | 64,245     | 77,766     | 36,810     |
| Wealth Management          | 12,534     | 19,878     | 15,620     |
| Subtotal                   | 234,867    | 242,708    | 179,818    |
| Funds Management and other | 81,742     | 108,483    | 106,057    |
| Total                      | \$ 316,609 | \$ 351,191 | \$ 285,875 |

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## Commercial Banking

Commercial Banking contributed \$158.1 million to consolidated net income in 2013, up \$13.0 million or 9% over the prior year. Net interest revenue grew by \$3.5 million as the balance of average commercial loans increased \$590 million or 6%. Net loans charged off were down \$14.3 million compared to 2012. Other operating revenue was largely unchanged compared to the prior year. Other operating revenue for 2012 included a \$14.2 million gain on the sale of \$26 million of common stock received in 2009 in partial satisfaction of a defaulted commercial loan. Fees and commission revenue increased \$12.3 million over the prior year primarily due to growth in transaction card revenues. Other operating expense decreased \$2.7 million or 1% compared to 2012. Personnel expenses increased \$4.6 million, non-personnel expenses increased \$4.1 million or 5% and corporate expense allocations decreased \$1.1 million.

Table 10 – Commercial Banking  
(Dollars in thousands)

|  | Year Ended   |              |             |   |
|--|--------------|--------------|-------------|---|
|  | 2013         | 2012         | 2011        |   |
| Net interest revenue from external sources                 | \$364,604    | \$367,533    | 342,853     |   |
| Net interest expense from internal sources                 | (37,025 )    | (43,438 )    | (30,689 )   |   |
| Total net interest revenue                                 | 327,579      | 324,095      | 312,164     |   |
| Net loans charged off (recovered)                          | (3,468 )     | 10,852       | 20,760      |   |
| Net interest revenue after net loans charged off           | 331,047      | 313,243      | 291,404     |   |
| Fees and commissions revenue                               | 168,992      | 156,724      | 146,771     |   |
| Gain (loss) on financial instruments and other assets, net | 2,908        | 14,407       | 774         |   |
| Other operating revenue                                    | 171,900      | 171,131      | 147,545     |   |
| Personnel expense  | 107,342      | 102,757      | 95,801      |   |
| Net losses and expenses of repossessed assets              | 5,619        | 15,898       | 16,692      |   |
| Other non-personnel expense                                | 80,916       | 76,865       | 74,610      |   |
| Corporate allocations                                      | 50,334       | 51,434       | 43,355      |   |
| Total other operating expense                              | 244,211      | 246,954      | 230,458     |   |
| Income before taxes  | 258,736      | 237,420      | 208,491     |   |
| Federal and state income tax                               | 100,648      | 92,356       | 81,103      |   |
| Net income   | \$158,088    | \$145,064    | \$127,388   |   |
| Average assets   | \$10,483,706 | \$10,147,805 | \$9,383,530 |   |
| Average loans  | 9,680,274    | 9,090,009    | 8,289,299   |   |
| Average deposits   | 9,185,473    | 8,553,014    | 7,757,808   |   |
| Average invested capital                                   | 906,716      | 882,037      | 884,171     |   |
| Return on average assets                                   | 1.51         | % 1.43       | % 1.36      | % |
| Return on invested capital                                 | 17.44        | % 16.45      | % 14.41     | % |
| Efficiency ratio   | 49.18        | % 51.36      | % 50.22     | % |
| Net charge-offs (recoveries) to average loans              | (0.04 )      | % 0.12       | % 0.25      | % |

Net interest revenue increased \$3.5 million or 1% over 2012. Growth in net interest revenue was due to a \$590 million increase in average loan balances, partially offset by decreased loan yields. Lower yields on deposits sold to our Funds Management unit was partially offset by a \$632 million increase in average deposit balances.



Fees and commissions revenue increased \$12.3 million or 8% over 2012. Transaction card revenue increased \$8.0 million or 9% due to increased customer transaction volume. Commercial deposit service charges and fees increased \$1.8 million or 4% over the prior year primarily related to a decrease in the average earnings credit to better align with market interest rates. The average earnings credit is a non-cash method for commercial customers to avoid incurring charges for deposit services based on account balances.

Operating expenses decreased \$2.7 million or 1% over 2012. Net losses and operating expenses on repossessed assets decreased \$10.3 million compared to the prior year. Personnel costs increased \$4.6 million or 4% primarily due to increased regular compensation expense related to standard annual merit increases and increased headcount. Other non-personnel expenses increased \$4.1 million primarily due to higher data processing expenses related to increased transaction card activity. Corporate expense allocations decreased \$1.1 million compared to the prior year.

The average outstanding balance of loans attributed to Commercial Banking increased \$590 million to \$9.7 billion for 2013. 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. Commercial Banking experienced a net recovery of \$3.5 million for 2013 compared to net charge-offs of \$10.9 million or 0.12% of average loans attributed to this line of business for 2012. Net charge-offs for 2012 included the return of a \$7.1 million loan settlement received in 2008 as discussed in greater detail in in Management's Discussion & Analysis of Financial Condition – Summary of Loan Loss Experience following.

Average deposits attributed to Commercial Banking were \$9.2 billion for 2013, an increase of \$632 million or 7% over 2012. Average demand deposits and interest-bearing transaction account balances grew, partially offset by a decrease in time deposits. Average balances attributed to our commercial & industrial loan customers increased \$191 million or 7% and average balances attributed to our energy customers increased \$164 million or 13%. Average balance attributed to our healthcare customers grew \$104 million or 28% over the prior year. Small business banking customer average balances increased \$84.3 million or 5%. Average balances held by treasury services customers were up \$80 million or 5% over the prior year. 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 services are provided through five primary distribution channels: traditional branches, supermarket 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 and through correspondent loan originators.

Consumer banking contributed \$64.2 million to consolidated net income for 2013, down \$13.5 million compared to the prior year, primarily due to a decrease in mortgage banking revenue. Revenue from mortgage loan production decreased \$49.2 million compared to the prior year, primarily due to lower gain on sale margins and a slow down in mortgage refinancing activity. Changes in the fair value of our mortgage servicing rights, net of economic hedge, increased net income attributed to Consumer Banking by \$1.3 million in 2013 and decreased net income attributed to Consumer Banking by \$795 thousand in 2012.

Table 11 – Consumer Banking  
(Dollars in thousands)

|   | Year Ended   |              |              |   |
|---|--------------|--------------|--------------|---|
|   | 2013         | 2012         | 2011         |   |
| Net interest revenue from external sources                  | \$99,509     | \$101,029    | \$102,854    |   |
| Net interest revenue from internal sources                  | 20,290       | 21,305       | 27,416       |   |
| Total net interest revenue                                  | 119,799      | 122,334      | 130,270      |   |
| Net loans charged off                                       | 4,628        | 9,198        | 13,598       |   |
| Net interest revenue after net loans charged off            | 115,171      | 113,136      | 116,672      |   |
| Fees and commissions revenue                                | 220,731      | 266,566      | 197,271      |   |
| Gain (loss) on financial instruments and other assets, net  | (26,623 )    | 5,552        | 26,051       |   |
| Change in fair value of mortgage servicing rights           | 22,720       | (9,210 )     | (40,447 )    |   |
| Other operating revenue                                     | 216,828      | 262,908      | 182,875      |   |
| Personnel expense   | 91,962       | 93,409       | 88,993       |   |
| Net losses (gains) and expenses of repossessed assets       | (815 )       | 1,405        | 3,044        |   |
| Other non-personnel expense                                 | 94,382       | 108,661      | 94,394       |   |
| Corporate allocations                                       | 41,323       | 45,292       | 52,871       |   |
| Total other operating expense                               | 226,852      | 248,767      | 239,302      |   |
| Income before taxes   | 105,147      | 127,277      | 60,245       |   |
| Federal and state income tax                                | 40,902       | 49,511       | 23,435       |   |
| Net income  | \$64,245     | \$77,766     | \$36,810     |   |
| Average assets  | \$5,669,580  | \$5,726,564  | \$5,937,584  |   |
| Average loans   | 2,349,772    | 2,386,865    | 2,373,432    |   |
| Average deposits  | 5,612,492    | 5,598,063    | 5,741,718    |   |
| Average invested capital                                    | 293,736      | 289,665      | 273,905      |   |
| Return on average assets                                    | 1.13         | % 1.36       | % 0.62       | % |
| Return on invested capital                                  | 21.87        | % 26.85      | % 13.44      | % |
| Efficiency ratio  | 66.62        | % 63.97      | % 73.06      | % |
| Net charge-offs to average loans                            | 0.20         | % 0.39       | % 0.57       | % |
| Residential mortgage loans funded for sale                  | \$4,081,390  | \$3,708,350  | \$2,293,834  |   |
|   | December 31, | December 31, | December 31, |   |
|   | 2013         | 2012         | 2011         |   |
| Banking locations   | 206          | 217          | 212          |   |
| Residential mortgage loans servicing portfolio <sup>1</sup> | \$14,818,016 | \$13,091,482 | \$12,356,917 |   |

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

Net interest revenue from consumer banking activities decreased \$2.5 million compared to 2012. Net interest earned on residential mortgage-backed securities held as an economic hedge of mortgage servicing rights decreased by \$3.9 million due to a \$160 million decrease in the average balance of this portfolio and lower average yields. Net interest revenue related to the consumer loan portfolio decreased compared to the prior year as the average loan balance decreased \$37 million or 2%. The average balance of residential mortgage loans increased over the prior year. Other consumer loans also increased, offset by decreased balances of indirect automobile loans due to pay-downs. The Company previously disclosed its decision to exit the indirect automobile loan business in the first quarter of 2009.

Net interest earned on deposits sold to our Funds Management unit decreased \$1.0 million primarily due to lower yields on funds invested.

Net loans charged off by the Consumer Banking unit decreased \$4.6 million compared to 2012 to \$4.6 million or 0.20% of average loans. Net consumer banking charge-offs also includes indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Fees and commissions revenue decreased \$45.8 million or 17% compared to the prior year. Mortgage banking revenue was down \$46.9 million or 27% compared to the prior year. Growth in residential mortgage loan origination volume was offset by overall lower gains on loans sold and a change in the mix toward lower margin loans.

Operating expenses decreased \$21.9 million or 9% compared to 2012. Personnel expenses decreased \$1.4 million or 2% primarily due to decreased headcount. Non-personnel expense decreased \$14.3 million or 13% primarily due to a \$13.2 million decrease in mortgage banking expenses related to decreased provision for losses from repurchases of residential mortgage loans sold to U.S. government agencies that no longer qualify for sale accounting. Corporate expense allocations decreased \$4.0 million compared to the prior year. Net losses and operating expenses of repossessed assets were down \$2.2 million compared to the prior year.

Average consumer deposit balances were largely unchanged compared to the prior year. Higher costing time deposit balances decreased \$184 million or 10%. Average interest-bearing transaction accounts increased \$131 million or 5%, average savings account balances were up \$43 million or 18% and average demand deposit balances increased \$25 million or 4%.

Our Consumer Banking division originates, markets and services conventional and government-sponsored residential mortgage loans for all of our geographical markets. We funded \$4.3 billion of residential mortgage loans in 2013 compared to \$4.0 billion in 2012. Mortgage loan fundings included \$4.1 billion of mortgage loans funded for sale in the secondary market and \$194 million funded for retention within the consolidated group. Approximately 24% of our mortgage loans funded were in the Oklahoma market, 14% in the Texas market, 11% in the New Mexico market and 11% in the Colorado market. In addition, 29% of our mortgage loan fundings came from correspondent lenders.

At December 31, 2013, the Consumer Banking division serviced \$13.7 billion of mortgage loans for others and \$1.1 billion of loans retained within the consolidated group. Approximately 93% of the mortgage loans serviced by the Consumer Banking division were to borrowers in our primary geographical market areas. Loans past due 90 days or more totaled \$80 million or 0.58% of loans serviced for others at December 31, 2013 compared to \$84 million or 0.70% of loans serviced for others at December 31, 2012. Mortgage servicing revenue, including revenue on loans serviced for the consolidated group, increased \$2.3 million or 5% over the prior year to \$44.9 million.

## Wealth Management

Wealth Management contributed \$12.5 million to consolidated net income in 2013, down \$7.3 million or 37% compared to the prior year. Revenue in 2013 was reduced \$8.7 million (\$5.3 million after tax) from changes in the fair value of our trading securities inventory due to sharp increases in interest rates. The following discussion excludes these inventory adjustment charges.

Net interest revenue decreased \$3.6 million or 7% primarily due to decreased loan yields. Fees and commissions revenue increased \$22.2 million or 11% primarily due to growth in trust fees. Other operating expense increased \$23.2 million or 11% primarily due to increased regular and incentive compensation expenses.

Table 12 – Wealth Management  
(Dollars in thousands)

|   | Year Ended  |             |             |   |
|---|-------------|-------------|-------------|---|
|   | 2013        | 2012        | 2011        |   |
| Net interest revenue from external sources          | \$25,478    | \$27,647    | \$30,859    |   |
| Net interest revenue from internal sources          | 20,061      | 21,456      | 16,540      |   |
| Total net interest revenue                          | 45,539      | 49,103      | 47,399      |   |
| Net loans charged off                               | 1,275       | 2,284       | 2,960       |   |
| Net interest revenue after net loans charged off    | 44,264      | 46,819      | 44,439      |   |
| Fees and commissions revenue                        | 212,878     | 199,406     | 171,276     |   |
| Gain on financial instruments and other assets, net | 912         | 601         | 551         |   |
| Other operating revenue                             | 213,790     | 200,007     | 171,827     |   |
| Personnel expense                                   | 160,520     | 146,337     | 126,909     |   |
| Net losses and expenses of repossessed assets       | —           | 54          | 33          |   |
| Other non-personnel expense                         | 37,370      | 31,032      | 28,762      |   |
| Corporate allocations                               | 39,650      | 36,870      | 34,998      |   |
| Other operating expense                             | 237,540     | 214,293     | 190,702     |   |
| Income before taxes                                 | 20,514      | 32,533      | 25,564      |   |
| Federal and state income tax                        | 7,980       | 12,655      | 9,944       |   |
| Net income  | \$12,534    | \$19,878    | \$15,620    |   |
| Average assets                                      | \$4,556,132 | \$4,357,641 | \$4,073,623 |   |
| Average loans                                       | 932,229     | 927,277     | 1,011,319   |   |
| Average deposits                                    | 4,385,553   | 4,281,423   | 3,976,183   |   |
| Average invested capital                            | 203,914     | 184,707     | 174,877     |   |
| Return on average assets                            | 0.28        | % 0.46      | % 0.38      | % |
| Return on invested capital                          | 6.15        | % 10.76     | % 8.93      | % |
| Efficiency ratio                                    | 91.92       | % 86.23     | % 87.21     | % |
| Net charge-offs to average loans                    | 0.14        | % 0.25      | % 0.29      | % |

Our Wealth Management division serves as custodian to or manages assets of customers. Fees are earned commensurate with the level of service provided. We may have sole or joint investment discretion over the assets of the customer or may be fiduciary for the assets, but investment selection authority remains with the customer or a manager outside of the Company. The Wealth Management division also provides safekeeping services for personal

and institutional customers including holding of the customer's assets, processing of income and redemptions and other customer recordkeeping and reporting services. We also provide brokerage services for customers whom maintain or delegate investment authority and for which BOK Financial does not have custody of the assets.



A summary of assets under management or in custody follows in Table 13.

Table 13 – Assets Under Management or In Custody  
(Dollars in thousands)

|  | December 31,<br>2013 | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|----------------------|
| Fiduciary assets in custody for which BOKF has sole or joint discretionary authority     | \$12,752,460         | \$10,981,353         | \$9,916,322          |
| Fiduciary assets not in custody for which BOKF has sole or joint discretionary authority | 1,728,426            | 1,659,822            | 221,465              |
| Non-managed fiduciary assets in custody  | 15,656,206           | 13,187,863           | 12,684,026           |
| Total fiduciary assets   | 30,137,092           | 25,829,038           | 22,821,813           |
| Assets held in safekeeping   | 22,087,207           | 20,994,011           | 18,948,739           |
| Brokerage accounts under BOKF administration   | 4,882,930            | 4,402,992            | 3,635,300            |
| Assets under management or in custody  | \$57,107,229         | \$51,226,041         | \$45,405,852         |

Net interest revenue decreased \$3.6 million or 7% compared to the prior year. Growth in average assets was largely due to funds sold to the Funds Management unit. Average deposit balances increased \$104 million or 2%. Average interest-bearing transaction balances were up \$151 million or 5%. Non-interest-bearing demand deposits were largely unchanged compared to the prior year. Higher costing time deposit average balances decreased \$49 million. Average loan balances increased \$5.0 million.

Trust fees and commissions increased \$16.1 million or 20%. The Company acquired The Milestone Group, a Denver based investment adviser to high net worth clients, in the third quarter of 2012, resulting in a \$7.0 million increase in revenue over 2012. The remaining increase was due to the increase in fair value of fiduciary assets during 2013. Brokerage and trading revenue increased \$6.9 million or 6% primarily due to securities and derivative contracts sold to our mortgage banking customers. Retail brokerage fees and investment banking fees both grew over the prior year.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In 2013, the Wealth Management division participated in 456 underwritings that totaled \$6.8 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately \$2.8 billion of these underwritings. In 2012, the Wealth Management division participated in 445 underwritings that totaled approximately \$6.8 billion. Our interest in these underwritings totaled approximately \$2.3 billion.

Operating expenses increased \$23.2 million or 11% over the prior year. Personnel expenses increased \$14.2 million or 10% due to expansion of the Wealth Management division during the year. Regular compensation costs increased \$8.3 million primarily due to increased headcount and annual merit increases. Incentive compensation increased \$3.5 million over the prior year. Non-personnel expenses increased \$6.3 million or 20%, including \$2.2 million related to a full year of expenses for The Milestone Group. Approximately \$1.2 million of increased expenses related to Milestone are from the amortization of acquired intangible assets. Corporate expense allocations were up \$2.8 million or 8% due primarily to expansion of the Wealth Management business line and increased customer transaction activity.

## Geographical Market Distribution

The Company secondarily evaluates performance by primary geographical market. Loans are generally attributed to geographical markets based on the location where the loans are managed. Brokered deposits and other wholesale funds are not attributed to a geographical market. Funds Management and other also includes insignificant results of operations in locations outside our primary geographic regions. Mortgage origination and marketing revenue is attributed to the geography where the mortgage was originated. Mortgage origination and marketing revenue related to correspondent banking is attributed to Oklahoma. All interest revenue on mortgage loans retained by BOKF and servicing revenue for mortgage loans sold in the secondary market and serviced for others is also attributed to Oklahoma.

Table 14 – Net Income (Loss) by Geographic Region  
(In thousands)

|                             | Year Ended |           |           |
|-----------------------------|------------|-----------|-----------|
|                             | 2013       | 2012      | 2011      |
| Bank of Oklahoma            | \$113,165  | \$125,941 | \$108,007 |
| Bank of Texas               | 51,853     | 49,021    | 41,683    |
| Bank of Albuquerque         | 19,937     | 22,748    | 14,167    |
| Bank of Arkansas            | 7,615      | 12,719    | 5,971     |
| Colorado State Bank & Trust | 21,742     | 18,306    | 10,223    |
| Bank of Arizona             | 4,592      | (1,116)   | (8,342)   |
| Bank of Kansas City         | 7,052      | 10,005    | 5,544     |
| Subtotal                    | 225,956    | 237,624   | 177,253   |
| Funds Management and other  | 90,653     | 113,567   | 108,622   |
| Total                       | \$316,609  | \$351,191 | \$285,875 |

## Bank of Oklahoma

Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Oklahoma is a significant market to the Company, including 45% of our average loans are managed in Oklahoma, 53% of our average deposits and 36% of our consolidated net income for 2013. In addition, all of our mortgage servicing activity, TransFund EFT network and 62% of our fiduciary assets are attributed to the Oklahoma market.

Net income generated by the Bank of Oklahoma in 2013 decreased \$12.8 million or 10% compared to 2012. Net interest revenue decreased \$17.0 million or 7%. Bank of Oklahoma had a net recovery of \$1.8 million for 2013, compared to net loans charged off of \$15.5 million or 0.27% of average loans for 2012. Fees and commissions revenue decreased \$20.0 million or 6% primarily due to a decrease in mortgage banking revenue. Other operating expenses were down \$13.5 million or 4%. Changes in fair value of our mortgage servicing rights, net of economic hedge, increased net income by \$1.3 million in 2013 and decreased net income by \$795 thousand in 2012.

Table 15 – Bank of Oklahoma  
(Dollars in thousands)

|  | Year Ended   |              |              |   |
|--|--------------|--------------|--------------|---|
|  | 2013         | 2012         | 2011         |   |
| Net interest revenue   | \$223,908    | \$240,892    | \$248,079    |   |
| Net loans charged off (recovered)                            | (1,792 )     | 15,451       | 19,796       |   |
| Net interest revenue after net loans charged off (recovered) | 225,700      | 225,441      | 228,283      |   |
| Fees and commissions revenue                                 | 305,612      | 325,610      | 320,519      |   |
| Gain (loss) on financial instruments and other assets, net   | (23,189 )    | 23,425       | 27,446       |   |
| Change in fair value of mortgage servicing rights            | 22,720       | (9,210 )     | (40,447 )    |   |
| Other operating revenue                                      | 305,143      | 339,825      | 307,518      |   |
| Personnel expense  | 160,299      | 153,021      | 164,919      |   |
| Net losses and expenses of repossessed assets                | 19           | 5,696        | 4,656        |   |
| Other non-personnel expense                                  | 159,285      | 164,917      | 147,231      |   |
| Corporate allocations  | 26,028       | 35,510       | 42,224       |   |
| Total other operating expense                                | 345,631      | 359,144      | 359,030      |   |
| Income before taxes  | 185,212      | 206,122      | 176,771      |   |
| Federal and state income tax                                 | 72,047       | 80,181       | 68,764       |   |
| Net income   | \$113,165    | \$125,941    | \$108,007    |   |
| Average assets   | \$11,317,424 | \$11,544,877 | \$10,929,242 |   |
| Average loans  | 5,537,533    | 5,717,222    | 5,553,801    |   |
| Average deposits   | 10,501,209   | 10,394,385   | 9,820,286    |   |
| Average invested capital                                     | 550,677      | 549,934      | 541,153      |   |
| Return on average assets                                     | 1.00         | % 1.09       | % 0.99       | % |
| Return on invested capital                                   | 20.55        | % 22.90      | % 19.96      | % |
| Efficiency ratio   | 65.27        | % 63.40      | % 63.14      | % |
| Net charge-offs to average loans                             | (0.03 )      | % 0.27       | % 0.36       | % |
| Residential mortgage loans funded for sale                   | \$2,220,741  | \$1,671,776  | \$1,105,800  |   |



Net interest revenue decreased \$17.0 million or 7% compared to the prior year. Decreased yield on loans and residential mortgage-backed securities held as an economic hedge of mortgage servicing rights was partially offset by lower funding costs. Average loan balances were down \$180 million or 3% compared to last year and average securities balances decreased \$160 million compared to 2012. The favorable net interest impact of the \$107 million decrease in average deposit balances was offset by lower yields on funds sold to the Funds Management unit.

Fees and commissions revenue decreased \$20.0 million or 6% compared to 2012. Mortgage banking revenue was down \$24.8 million over last year primarily due to lower gains on sales of residential mortgage loans in the secondary market, partially offset by increased mortgage loan originations. Transaction card revenue was up \$5.8 million on increased transaction activity and trust fees and commissions grew by \$3.5 million. Deposit service charges and fees were down \$3.8 million and brokerage and trading revenue decreased \$3.4 million.

Other operating expenses were down \$13.5 million or 4% compared to the prior year. Personnel expenses were up \$7.3 million or 5% over 2012 primarily due to increased regular compensation expense due to a modest increase in headcount and annual merit increases, partially offset by lower incentive compensation expense compared to the prior year. Non-personnel expenses were down \$5.6 million or 3%. Mortgage banking expenses were down \$12.0 million compared to the prior year due to lower provision for credit losses on residential mortgage loans repurchased from GNMA pools because they no longer qualify for sales accounting. This decrease was partially offset by increased data processing and communications and other expenses. Corporate expense allocations were down \$9.5 million compared to the prior year. Increased loan and deposit activity outside of Oklahoma increased the corporate expense allocation to these other geographies. Net losses and operating expenses of repossessed assets were down \$5.7 million over 2012 primarily due to decreased write-downs related to regularly scheduled appraisal updates.

Bank of Oklahoma had a net recovery of \$1.8 million for 2013, compared to net loans charged off of \$15.5 million or 0.27% of average loans for 2012. Net charge-offs for 2012 included the return of \$7.1 million received from the City of Tulsa in 2008 to settle claims related to a defaulted loan. The settlement agreement between BOK Financial and the City of Tulsa was invalidated by the Oklahoma Supreme Court in 2011 as discussed further in Note 14 to the Consolidated Financial Statements. Excluding this item, net charge-offs were \$8.4 million or 0.15% of average loans for 2012.

As noted in Table 16 following, the period end balance of loans managed by the Bank of Oklahoma decreased \$158 million or 3% compared to the prior year. Commercial loan balances were down \$188 million primarily due to a decrease energy and wholesale/retail loans, partially offset by growth in services, manufacturing and healthcare loans. Commercial real estate loans grew by \$21 million or 4%. Growth in multifamily residential, loans secured by retail facilities and loans secured by office buildings were partially offset by a decrease in other commercial real estate loans and construction and land development loans. Residential mortgage loans were up \$36 million or 2% over the prior year. Growth in first-lien fully amortizing home equity loans and permanent mortgage loans guaranteed by U.S. government agencies was offset by a decrease in non-guaranteed permanent mortgage loans. Consumer loans were down \$28 million or 13% compared to the prior year. Both indirect automobile loans and other consumer loans decreased compared to December 31, 2012.

Average deposits attributed to the Bank of Oklahoma decreased \$107 million or 1% compared to 2012. Commercial Banking deposit balances increased \$147 million or 3% over the prior year. Deposits related to treasury services customers and energy customers increased over the prior year, partially offset by decreased average balances related to commercial and industrial customers. Consumer deposits also increased \$49 million or 2%. Wealth Management deposits decreased \$90 million or 4%, primarily due to a decrease in average trust deposit balances.



Table 16 – Loans Managed by Primary Geographical Market  
(In thousands)

|                                   | December 31, |             |             |             |             |
|-----------------------------------|--------------|-------------|-------------|-------------|-------------|
|                                   | 2013         | 2012        | 2011        | 2010        | 2009        |
| Bank of Oklahoma:                 |              |             |             |             |             |
| Commercial                        | \$2,902,140  | \$3,089,686 | \$2,826,649 | \$2,693,232 | \$2,728,763 |
| Commercial real estate            | 602,010      | 580,694     | 607,030     | 703,041     | 822,586     |
| Residential mortgage              | 1,524,212    | 1,488,486   | 1,411,560   | 1,227,184   | 1,383,642   |
| Consumer                          | 192,283      | 220,096     | 235,909     | 327,599     | 449,371     |
| Total Bank of Oklahoma            | 5,220,645    | 5,378,962   | 5,081,148   | 4,951,056   | 5,384,362   |
| Bank of Texas:                    |              |             |             |             |             |
| Commercial                        | 3,052,274    | 2,726,925   | 2,249,888   | 1,943,666   | 2,022,324   |
| Commercial real estate            | 816,574      | 771,796     | 830,642     | 701,993     | 734,072     |
| Residential mortgage              | 260,544      | 275,408     | 268,053     | 300,916     | 271,910     |
| Consumer                          | 131,297      | 116,252     | 126,570     | 145,699     | 169,396     |
| Total Bank of Texas               | 4,260,689    | 3,890,381   | 3,475,153   | 3,092,274   | 3,197,702   |
| Bank of Albuquerque:              |              |             |             |             |             |
| Commercial                        | 342,336      | 265,830     | 258,668     | 284,394     | 342,689     |
| Commercial real estate            | 308,829      | 326,135     | 303,500     | 308,605     | 304,903     |
| Residential mortgage              | 133,900      | 130,337     | 104,695     | 94,010      | 74,703      |
| Consumer                          | 13,842       | 15,456      | 19,369      | 19,620      | 17,799      |
| Total Bank of Albuquerque         | 798,907      | 737,758     | 686,232     | 706,629     | 740,094     |
| Bank of Arkansas:                 |              |             |             |             |             |
| Commercial                        | 81,556       | 62,049      | 76,199      | 83,297      | 103,061     |
| Commercial real estate            | 78,264       | 90,821      | 136,170     | 118,662     | 132,828     |
| Residential mortgage              | 7,922        | 13,046      | 15,772      | 15,614      | 9,503       |
| Consumer                          | 8,023        | 15,421      | 35,911      | 72,869      | 124,118     |
| Total Bank of Arkansas            | 175,765      | 181,337     | 264,052     | 290,442     | 369,510     |
| Colorado State Bank & Trust:      |              |             |             |             |             |
| Commercial                        | 735,626      | 776,610     | 544,020     | 436,094     | 510,019     |
| Commercial real estate            | 190,355      | 173,327     | 156,013     | 196,728     | 241,699     |
| Residential mortgage              | 62,821       | 59,363      | 64,627      | 75,266      | 27,980      |
| Consumer                          | 22,686       | 19,333      | 21,598      | 21,276      | 17,566      |
| Total Colorado State Bank & Trust | 1,011,488    | 1,028,633   | 786,258     | 729,364     | 797,264     |
| Bank of Arizona:                  |              |             |             |             |             |
| Commercial                        | 417,702      | 313,296     | 271,914     | 215,973     | 202,599     |
| Commercial real estate            | 257,477      | 201,760     | 198,160     | 206,948     | 234,039     |
| Residential mortgage              | 47,111       | 57,803      | 89,315      | 97,576      | 48,708      |
| Consumer                          | 7,887        | 4,686       | 5,633       | 5,604       | 4,657       |
| Total Bank of Arizona             | 730,177      | 577,545     | 565,022     | 526,101     | 490,003     |
| Bank of Kansas City:              |              |             |             |             |             |
| Commercial                        | 411,587      | 407,516     | 327,732     | 284,740     | 252,043     |

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|                           |         |         |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|
| Commercial real estate    | 161,844 | 84,466  | 59,788  | 34,884  | 29,664  |
| Residential mortgage      | 15,516  | 20,597  | 20,505  | 24,709  | 17,064  |
| Consumer                  | 5,646   | 4,261   | 3,853   | 2,837   | 1,992   |
| Total Bank of Kansas City | 594,593 | 516,840 | 411,878 | 347,170 | 300,763 |

Total BOK Financial loans \$12,792,264 \$12,311,456 \$11,269,743 \$10,643,036 \$11,279,698

Loans attributed to a geographical region may not always represent the location of the borrower or the collateral. All permanent residential mortgage loans serviced by our mortgage banking unit and held for investment by the Bank are managed by the Bank of Oklahoma.



## Bank of Texas

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 34% of our average loans, 25% of our average deposits and 16% of our consolidated net income for 2013.

Net income for the Bank of Texas increased \$2.8 million or 6%. Net interest revenue increased \$7.9 million or 6% due primarily to a \$423 million or 11% growth in loans and lower funding costs. Fees and commission revenue grew by \$6.4 million or 7%. Other operating expense increased \$12.5 million or 8% due primarily to higher personnel costs and increased corporate expense allocations related to growth in the Texas market.

Table 17 – Bank of Texas  
(Dollars in thousands)

|   | Year Ended  |             |             |   |
|---|-------------|-------------|-------------|---|
|   | 2013        | 2012        | 2011        |   |
| Net interest revenue                                | \$150,780   | \$142,893   | \$137,696   |   |
| Net loans charged off                               | 2,813       | 5,496       | 4,170       |   |
| Net interest revenue after net loans charged off    | 147,967     | 137,397     | 133,526     |   |
| Fees and commissions revenue                        | 93,689      | 87,252      | 63,608      |   |
| Gain on financial instruments and other assets, net | 83          | 188         | 342         |   |
| Other operating revenue                             | 93,772      | 87,440      | 63,950      |   |
| Personnel expense                                   | 86,311      | 81,278      | 69,051      |   |
| Net losses and expenses of repossessed assets       | 3,134       | 3,240       | 1,570       |   |
| Other non-personnel expense                         | 25,484      | 25,228      | 23,609      |   |
| Corporate allocations                               | 45,789      | 38,495      | 38,116      |   |
| Total other operating expense                       | 160,718     | 148,241     | 132,346     |   |
| Income before taxes                                 | 81,021      | 76,596      | 65,130      |   |
| Federal and state income tax                        | 29,168      | 27,575      | 23,447      |   |
| Net income  | \$51,853    | \$49,021    | \$41,683    |   |
| Average assets                                      | \$5,340,545 | \$5,109,687 | \$4,933,477 |   |
| Average loans                                       | 4,255,583   | 3,832,395   | 3,417,235   |   |
| Average deposits                                    | 4,876,067   | 4,602,272   | 4,368,967   |   |
| Average invested capital                            | 501,339     | 482,558     | 473,925     |   |
| Return on average assets                            | 0.97        | % 0.96      | % 0.84      | % |
| Return on invested capital                          | 10.34       | % 10.16     | % 8.80      | % |
| Efficiency ratio                                    | 65.74       | % 64.41     | % 65.74     | % |
| Net charge-offs to average loans                    | 0.07        | % 0.14      | % 0.12      | % |
| Residential mortgage loans funded for sale          | \$535,644   | \$500,769   | \$220,022   |   |

Net interest revenue increased \$7.9 million or 6% over 2012 primarily due to growth of the loan portfolio and decreased deposit costs. Average outstanding loans increased by \$423 million or 11% over the prior year. The benefit of a \$274 million or 6% increase in deposits was offset by lower yield on funds invested by the Funds Management unit.

Fees and commissions revenue grew \$6.4 million or 7% over 2012. Brokerage and trading revenue grew \$5.5 million or 33% over the prior year. Trust fees and commissions was up \$2.5 million or 18% and transaction card revenue was up \$1.8 million or 23%. Deposit service charges and fees were largely unchanged compared to the prior year. Mortgage banking revenue decreased \$3.3 million or 14% compared to the prior year.

Operating expenses increased \$12.5 million or 8% over 2012. Personnel costs were up \$5.0 million or 6% primarily due to increased headcount and incentive compensation expense. Non-personnel expenses increased \$256 thousand or 1%. Corporate expense allocations increased \$7.3 million or 19% on increased customer transaction activity and growth at Bank of Texas.

Net loans charged off totaled \$2.8 million or 0.07% of average loans for 2013, compared to \$5.5 million or 0.14% of average loans for 2012.

As noted in Table 16, period end loan balances managed by the Bank of Texas grew by \$370 million or 10%, primarily due to growth in commercial loan balances. Commercial loans increased \$325 million or 12% primarily related to growth in energy and wholesale/retail loans, partially offset by a decrease in service sector loans. Commercial real estate loans are up \$45 million or 6%. Growth in loans secured by multifamily residential and retail facilities was partially offset by a decrease in loans secured by office buildings. Residential mortgage loans decreased \$15 million offset by a \$15 million increase in consumer loans.

#### Bank of Albuquerque

Net income attributable to the Bank of Albuquerque totaled \$19.9 million or 6% of consolidated net income, a \$2.8 million or 12% decrease compared to 2012 due primarily to decreased mortgage banking revenue.

Table 18 – Bank of Albuquerque  
(Dollars in thousands)

|   | Year Ended  |             |             |   |
|---|-------------|-------------|-------------|---|
|   | 2013        | 2012        | 2011        |   |
| Net interest revenue                                  | \$35,977    | \$34,807    | \$33,959    |   |
| Net loans charged off                                 | 5,514       | 1,136       | 2,103       |   |
| Net interest revenue after net loans charged off      | 30,463      | 33,671      | 31,856      |   |
| Other operating revenue – fees and commission         | 44,805      | 48,815      | 31,165      |   |
| Personnel expense                                     | 20,003      | 20,388      | 13,704      |   |
| Net losses (gains) and expenses of repossessed assets | (321)       | 165         | 2,018       |   |
| Other non-personnel expense                           | 8,473       | 8,239       | 8,779       |   |
| Corporate allocations                                 | 14,483      | 16,463      | 15,333      |   |
| Total other operating expense                         | 42,638      | 45,255      | 39,834      |   |
| Income before taxes                                   | 32,630      | 37,231      | 23,187      |   |
| Federal and state income tax                          | 12,693      | 14,483      | 9,020       |   |
| Net income  | \$19,937    | \$22,748    | \$14,167    |   |
| Average assets  | \$1,439,884 | \$1,391,606 | \$1,390,700 |   |
| Average loans   | 772,524     | 715,095     | 707,723     |   |
| Average deposits                                      | 1,313,568   | 1,267,487   | 1,242,964   |   |
| Average invested capital                              | 79,922      | 79,708      | 82,313      |   |
| Return on average assets                              | 1.38        | % 1.63      | % 1.02      | % |
| Return on invested capital                            | 24.95       | % 28.54     | % 17.21     | % |
| Efficiency ratio                                      | 52.78       | % 54.12     | % 61.17     | % |
| Net charge-offs to average loans                      | 0.71        | % 0.16      | % 0.30      | % |
| Residential mortgage loans funded for sale            | \$452,505   | \$549,249   | \$354,964   |   |



Net interest revenue increased \$1.2 million or 3% over the prior year. Average loan balances were up \$57 million or 8%. The benefit of this growth, was offset by decreased loan yields. Average deposit balances were up \$46 million or 4% over the prior year. Decreased deposit costs were partially offset by a decrease in the yield on funds invested with the Funds Management unit. Net loans charged off totaled \$5.5 million or 0.71% of average loans for 2013 compared to net loans charged off of \$1.1 million or 0.16% of average loans for 2012.

Fees and commissions revenue decreased \$4.0 million or 8% over the prior year primarily due to a \$6.3 million decrease in mortgage banking revenue. Growth in trust fees and commissions was offset by a decrease in deposit service charges and fees. In addition, brokerage and trading revenue and transaction card revenue both increased over the prior year. Other operating expense decreased \$2.6 million or 6%. Personnel expenses were down \$385 thousand or 2%. Net losses and expenses of repossessed assets decreased \$486 thousand to \$321 thousand for 2013. Non-personnel expense increased \$234 thousand and corporate expense allocations decreased \$2.0 million.

As indicated in Table 16, period-end loans managed by the Bank of Albuquerque increased \$61 million or 8%, primarily due to growth in commercial loan balances partially offset by a decrease in commercial real estate loan balances. Commercial loans increased \$77 million or 29% primarily related to growth in services and healthcare sector loans, partially offset by a decrease in wholesale/retail sector loans. Commercial real estate loans decreased \$17 million or 5% compared to the prior year. A decrease in loans secured by office buildings and retail facilities was partially offset by an increase in multifamily residential loans and other commercial real estate loans. Residential mortgage loans increased \$3.6 million and other consumer loans decreased by \$1.6 million.

## Bank of Arkansas

Net income attributable to the Bank of Arkansas totaled \$7.6 million for 2013 compared to \$12.7 million for 2012. Net interest revenue decreased \$4.2 million or 42% compared to 2012. Net interest revenue for 2012 included \$2.9 million of foregone interest and fees collected on nonaccruing wholesale/retail sector loans during that year. Loans attributed to the Bank of Arkansas decreased \$49 million compared to 2012 primarily due to the continued run-off of indirect automobile loans. Average deposits were up \$12 million or 6% over the prior year primarily due to a \$12 million or 8% increase in interest-bearing transaction deposits. Increased demand deposit balances were offset by a decrease in time deposit balances. The Bank of Arkansas experienced a net recovery of \$290 thousand for 2013 compared to a net recovery of \$1.4 million for 2012. In addition to foregone interest and fees, \$2.0 million charged off in the second quarter of 2011 was recovered in 2012 related to the nonaccruing wholesale/retail loan.

Fees and commissions revenue was down \$766 thousand or 2% over the prior year primarily due to decreased mortgage banking revenue. Other operating expenses were up \$2.2 million or 6% primarily due to \$1.0 million in net losses and operating expenses of repossessed assets. Personnel costs increased primarily due to incentive compensation costs related to trading activity and corporate expense allocations increased. Non-personnel expenses decreased compared to the prior year.

Table 19 – Bank of Arkansas  
(Dollars in thousands)

|  | Year Ended |           |           |
|--|------------|-----------|-----------|
|  | 2013       | 2012      | 2011      |
| Net interest revenue   | \$5,692    | \$9,892   | \$8,213   |
| Net loans charged off (recovered)                            | (290 )     | (1,443 )  | 2,797     |
| Net interest revenue after net loans charged off (recovered) | 5,982      | 11,335    | 5,416     |
| Other operating revenue – fees and commissions               | 48,914     | 49,680    | 37,611    |
| Personnel expense  | 24,628     | 23,963    | 17,641    |
| Net losses and expenses of repossessed assets                | 1,289      | 254       | 548       |
| Other non-personnel expense                                  | 4,508      | 4,805     | 4,565     |
| Corporate allocations  | 12,008     | 11,176    | 10,501    |
| Total other operating expense                                | 42,433     | 40,198    | 33,255    |
| Income before taxes  | 12,463     | 20,817    | 9,772     |
| Federal and state income tax                                 | 4,848      | 8,098     | 3,801     |
| Net income   | \$7,615    | \$12,719  | \$5,971   |
| Average assets   | \$276,309  | \$233,244 | \$291,564 |
| Average loans  | 172,611    | 221,906   | 273,382   |
| Average deposits   | 220,111    | 208,096   | 210,083   |
| Average invested capital                                     | 18,284     | 19,716    | 23,563    |
| Return on average assets                                     | 2.76 %     | 5.45 %    | 2.05 %    |
| Return on invested capital                                   | 41.65 %    | 64.51 %   | 25.34 %   |
| Efficiency ratio   | 77.71 %    | 67.48 %   | 72.57 %   |
| Net charge-offs (recoveries) to average loans                | (0.17 )%   | (0.65 )%  | 1.02 %    |
| Residential mortgage loans funded for sale                   | \$108,205  | \$111,049 | \$72,293  |

As noted in Table 16, the period end balance of loans managed by the Bank of Arkansas decreased \$5.6 million or 3%. Commercial loan growth was offset by a decrease in commercial real estate, residential mortgage and consumer loan balances. Commercial loans increased \$20 million or 31% primarily related to growth in other commercial and industrial loans and wholesale/retail sector loans. Commercial real estate loans decreased \$13 million or 14%. Residential mortgage loans decreased \$5.1 million and other consumer loans decreased by \$7.4 million.

## Colorado State Bank &amp; Trust

Net income attributed to Colorado State Bank & Trust increased \$3.4 million or 19% over 2012 to \$21.7 million. Net interest revenue increased \$3.0 million or 8% primarily due to increased average loan and deposit balances, partially offset by a decrease in deposit costs and yield on funds sold to the Funds Management unit. Average loans increased \$115 million or 12%. Average deposits attributable to Colorado State Bank & Trust increased \$17 million or 1%. Demand deposits grew by \$33 million during 2013 primarily due to increased commercial account balances. Interest-bearing transaction deposit account balances increased \$26 million or 5%. Higher costing time deposits decreased \$46 million. Colorado State Bank & Trust had a net recovery of \$4.6 million for 2013 compared to net loans charged off of \$166 thousand or 0.02% of average loans for 2012.

Fees and commissions revenue was up \$2.8 million over 2012. Trust fees and commission were up \$8.1 million over 2012 primarily due to the acquisition of the Milestone Group in the third quarter of 2012. The Milestone Group is a Denver-based registered investment adviser which provides wealth management services to high net worth clients in Colorado and Nebraska. Mortgage banking revenues decreased \$6.5 million compared to the prior year. Brokerage and trading and transaction card revenue both also grew over the prior year. Operating expenses were up \$4.9 million or 10% over the prior year primarily due to the Milestone Group acquisition. Personnel expenses were up \$4.2 million and non-personnel expenses increased \$1.7 million, including \$1.2 million of increased amortization of acquired intangible assets. Corporate expense allocations were largely unchanged compared to the prior year.

Table 20 – Colorado State Bank & Trust  
(Dollars in thousands)

|  | Year Ended  |             |             |   |
|--|-------------|-------------|-------------|---|
|  | 2013        | 2012        | 2011        |   |
| Net interest revenue   | \$39,713    | \$36,708    | \$34,018    |   |
| Net loans charged off (recovered)                            | (4,629 )    | 166         | 2,235       |   |
| Net interest revenue after net loans charged off (recovered) | 44,342      | 36,542      | 31,783      |   |
| Fees and commissions revenue                                 | 46,551      | 43,776      | 22,587      |   |
| Gain (loss) on financial instruments and other assets, net   | (6 )        | 8           | —           |   |
| Other operating revenue                                      | 46,545      | 43,784      | 22,587      |   |
| Personnel expense  | 31,113      | 26,895      | 18,388      |   |
| Net losses and expenses of repossessed assets                | (256 )      | 510         | 401         |   |
| Other non-personnel expense                                  | 8,833       | 7,163       | 5,815       |   |
| Corporate allocations  | 15,613      | 15,798      | 13,035      |   |
| Total other operating expense                                | 55,303      | 50,366      | 37,639      |   |
| Income before taxes  | 35,584      | 29,960      | 16,731      |   |
| Federal and state income tax                                 | 13,842      | 11,654      | 6,508       |   |
| Net income   | \$21,742    | \$18,306    | \$10,223    |   |
| Average assets   | \$1,387,308 | \$1,345,619 | \$1,343,816 |   |
| Average loans  | 1,039,682   | 924,700     | 782,583     |   |
| Average deposits   | 1,346,953   | 1,330,179   | 1,273,794   |   |
| Average invested capital                                     | 148,189     | 129,139     | 118,712     |   |
| Return on average assets                                     | 1.57        | % 1.36      | % 0.76      | % |
| Return on invested capital                                   | 14.67       | % 14.18     | % 8.61      | % |



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|   |           |    |           |   |           |   |
|---|-----------|----|-----------|---|-----------|---|
| Efficiency ratio                              | 64.11     | %  | 62.58     | % | 66.49     | % |
| Net charge-offs (recoveries) to average loans | (0.45     | )% | 0.02      | % | 0.29      | % |
| Residential mortgage loans funded for sale    | \$430,969 |    | \$497,543 |   | \$298,630 |   |

As noted in Table 16, the period end balance of loans managed by Colorado State Bank & Trust decreased \$17 million or 2%. Commercial loans decreased \$41 million or 5% primarily due to decreased energy and service loans, partially offset by growth in healthcare and integrated food services loans. Commercial real estate loans grew by \$17 million or 10%. Growth in multifamily residential and loans secured by retail facilities and office buildings was partially offset by a decrease in construction and land development loans. Residential mortgage loans increased \$3.5 million and other consumer loans increased by \$3.4 million.

## Bank of Arizona

Bank of Arizona had net income of \$4.6 million for 2013 compared to a net loss of \$1.1 million for 2012. The improvement was due primarily to growth in fee revenue, along with decreased net loans charged off and lower net losses and operating expenses of repossessed assets.

Net interest revenue increased \$3.9 million or 23% over 2012. Average loan balances were up \$104 million or 19% over the prior year. Net loans charged off decreased to \$329 thousand or 0.05% of average loans for 2013, compared to \$2.4 million or 0.43% for 2012. Average deposits were up \$220 million or 64% over last year. Interest-bearing transaction account balances grew by \$185 million or 105% and demand deposit balances were up \$33 million or 25% both primarily due to growth in commercial deposits. Time deposits balances increased \$2.0 million over the prior year.

Fees and commissions revenue was up \$266 thousand or 3% over the prior year. Growth in trust fees and commissions and transaction card revenue was partially offset by a decrease in mortgage banking revenue. Other operating expense decreased \$2.7 million or 10% compared to 2012. Personnel expense increased \$1.7 million or 16% compared to the prior year. Net losses and operating expenses of repossessed assets decreased \$6.5 million to \$879 thousand for 2013. Non-personnel expenses increased \$202 thousand or 6% over the prior year. Corporate overhead expense allocations were up \$1.9 million or 38%.

Table 21 – Bank of Arizona  
(Dollars in thousands)

|   | Year Ended |            |            |
|---|------------|------------|------------|
|   | 2013       | 2012       | 2011       |
| Net interest revenue                                | \$21,106   | \$17,170   | \$16,237   |
| Net loans charged off                               | 329        | 2,420      | 7,168      |
| Net interest revenue after net loans charged off    | 20,777     | 14,750     | 9,069      |
| Fees and commissions revenue                        | 10,416     | 10,150     | 5,495      |
| Gain on financial instruments and other assets, net | 310        | —          | 349        |
| Other operating revenue                             | 10,726     | 10,150     | 5,844      |
| Personnel expense                                   | 12,421     | 10,711     | 9,584      |
| Net losses and expenses of repossessed assets       | 879        | 7,402      | 10,403     |
| Other non-personnel expense                         | 3,831      | 3,629      | 3,805      |
| Corporate allocations                               | 6,856      | 4,984      | 4,774      |
| Total other operating expense                       | 23,987     | 26,726     | 28,566     |
| Income (loss) before taxes                          | 7,516      | (1,826 )   | (13,653 )  |
| Federal and state income tax                        | 2,924      | (710 )     | (5,311 )   |
| Net income (loss)                                   | \$4,592    | \$(1,116 ) | \$(8,342 ) |
| Average assets                                      | \$705,005  | \$612,682  | \$641,340  |
| Average loans                                       | 660,322    | 556,689    | 574,770    |
| Average deposits                                    | 563,773    | 343,289    | 255,487    |
| Average invested capital                            | 64,829     | 60,907     | 65,025     |
| Return on average assets                            | 0.65       | % (0.18 )% | (1.30 )%   |
| Return on invested capital                          | 7.08       | % (1.83 )% | (12.83 )%  |

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|  |           |   |          |   |          |   |
|--|-----------|---|----------|---|----------|---|
| Efficiency ratio                           | 76.10     | % | 97.83    | % | 131.45   | % |
| Net charge-offs to average loans           | 0.05      | % | 0.43     | % | 1.25     | % |
| Residential mortgage loans funded for sale | \$122,320 |   | \$96,026 |   | \$97,699 |   |

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As noted in Table 16, the period end balance of loans managed by the Bank of Arizona grew by \$153 million or 26% over the prior year. Commercial loans increased \$104 million or 33% primarily due to growth in healthcare and wholesale/retail sector loans. Commercial real estate loans grew by \$56 million or 28% primarily due to growth in loans secured by office buildings, multifamily residential and loans secured by retail facilities. Residential mortgage loans decreased \$11 million and other consumer loans increased by \$3.2 million.

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## Bank of Kansas City

Net income attributed to the Bank of Kansas City decreased by \$3.0 million or 30% compared to 2012 primarily due to decreased mortgage banking revenue.

Net interest revenue increased \$2.5 million or 19%. Average loan balances grew by \$88 million or 20%. Net charge-offs remained low, totaling \$93 thousand or 0.02% of average loans for 2013 compared to \$94 thousand or 0.02% of average loans for 2012. Average deposit balances were up \$75 million or 26%. Demand deposit balances grew \$114 million or 79% due primarily to commercial account balances, offset by a \$34 million decrease in interest-bearing transaction account balances and a \$5.3 million decrease in higher costing time deposit balances.

Fees and commissions revenue decreased \$7.4 million or 19% compared to the prior year primarily due to a \$5.1 million decrease in mortgage banking revenue and a \$3.0 million decrease in brokerage and trading revenue. Other operating expenses were unchanged compared to the prior year. Personnel costs were down \$424 thousand or 2% primarily due to decreased incentive compensation partially offset by increased regular compensation expense. Non-personnel expenses increased \$1.3 million and corporate expense allocations decreased by \$864 thousand.

Table 22 – Bank of Kansas City  
(Dollars in thousands)

|  | Year Ended |           |           |   |
|--|------------|-----------|-----------|---|
|  | 2013       | 2012      | 2011      |   |
| Net interest revenue                             | \$15,754   | \$13,212  | \$11,680  |   |
| Net loans charged off                            | 93         | 94        | 181       |   |
| Net interest revenue after net loans charged off | 15,661     | 13,118    | 11,499    |   |
| Other operating revenue – fees and commission    | 31,621     | 38,995    | 23,137    |   |
| Personnel expense                                | 19,667     | 20,091    | 14,374    |   |
| Net losses and expenses of repossessed assets    | 59         | 91        | 177       |   |
| Other non-personnel expense                      | 5,935      | 4,612     | 4,010     |   |
| Corporate allocations                            | 10,080     | 10,944    | 7,002     |   |
| Total other operating expense                    | 35,741     | 35,738    | 25,563    |   |
| Income before taxes                              | 11,541     | 16,375    | 9,073     |   |
| Federal and state income tax                     | 4,489      | 6,370     | 3,529     |   |
| Net income                                       | \$7,052    | \$10,005  | \$5,544   |   |
| Average assets                                   | \$541,187  | \$458,566 | \$376,689 |   |
| Average loans                                    | 524,019    | 436,144   | 364,553   |   |
| Average deposits                                 | 361,836    | 286,791   | 304,128   |   |
| Average invested capital                         | 39,951     | 33,675    | 27,752    |   |
| Return on average assets                         | 1.30       | % 2.18    | % 1.47    | % |
| Return on invested capital                       | 17.65      | % 29.71   | % 19.98   | % |
| Efficiency ratio                                 | 75.44      | % 68.45   | % 73.42   | % |
| Net charge-offs to average loans                 | 0.02       | % 0.02    | % 0.05    | % |
| Residential mortgage loans funded for sale       | \$211,006  | \$281,938 | \$144,426 |   |



As noted in Table 16, the period end balance of loans managed by the Bank of Kansas City grew by \$78 million or 15% primarily due to growth in commercial real estate loan balances. Commercial loans were largely unchanged. Growth in service sector loans was offset by a decrease in integrated food services, other commercial and industrial and wholesale/retail sector loans. Commercial real estate loans grew by \$77 million or 92% primarily due to growth in multifamily residential, other commercial real estate loans, loans secured by office buildings and industrial facilities. Residential mortgage loans decreased \$5.1 million and other consumer loans increased by \$1.4 million.



Financial Condition  
Securities

We maintain a securities portfolio to enhance profitability, support customer transactions, 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 December 31, 2013, December 31, 2012 and December 31, 2011.

Table 23 – Securities  
(In thousands)

|  | December 31,<br>2013 |               | 2012              |               | 2011              |               |
|--|----------------------|---------------|-------------------|---------------|-------------------|---------------|
|  | Amortized<br>Cost    | Fair<br>Value | Amortized<br>Cost | Fair<br>Value | Amortized<br>Cost | Fair<br>Value |
| <b>Trading:</b>  |                      |               |                   |               |                   |               |
| U.S. Government agency obligations   | \$34,043             | \$34,120      | \$16,602          | \$16,545      | \$22,140          | \$22,203      |
| U.S. agency residential mortgage-backed securities                           | 20,888               | 21,011        | 85,914            | 86,361        | 12,320            | 12,379        |
| Municipal and other tax-exempt securities                                    | 27,532               | 27,350        | 90,552            | 90,326        | 38,693            | 39,345        |
| Other trading securities   | 9,142                | 9,135         | 20,883            | 20,870        | 2,864             | 2,873         |
| Total trading securities   | 91,605               | 91,616        | 213,951           | 214,102       | 76,017            | 76,800        |
| <b>Investment:</b>   |                      |               |                   |               |                   |               |
| Municipal and other tax-exempt   | 440,187              | 439,870       | 232,700           | 235,940       | 128,697           | 133,670       |
| U.S. agency residential mortgage-backed securities – Other                   | 50,182               | 51,864        | 82,767            | 85,943        | 121,704           | 120,536       |
| Other debt securities  | 187,509              | 195,393       | 184,067           | 206,575       | 188,835           | 208,451       |
| Total investment securities  | 677,878              | 687,127       | 499,534           | 528,458       | 439,236           | 462,657       |
| <b>Available for sale:</b>   |                      |               |                   |               |                   |               |
| U.S. Treasury  | 1,042                | 1,042         | 1,000             | 1,002         | 1,001             | 1,006         |
| Municipal and other tax-exempt Residential mortgage-backed securities:       | 73,232               | 73,775        | 84,892            | 87,142        | 66,435            | 68,837        |
| U.S. agencies  | 7,720,189            | 7,716,010     | 9,650,650         | 9,889,821     | 9,297,389         | 9,588,177     |
| Privately issue  | 214,181              | 221,099       | 322,902           | 325,163       | 503,068           | 419,166       |
| Total residential mortgage-backed securities                                 | 7,934,370            | 7,937,109     | 9,973,552         | 10,214,984    | 9,800,457         | 10,007,343    |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,100,146            | 2,055,804     | 890,746           | 895,075       | —                 | —             |
| Other debt securities  | 35,061               | 35,241        | 35,680            | 36,389        | 36,298            | 36,495        |
| Perpetual preferred stocks   | 22,171               | 22,863        | 22,171            | 25,072        | 19,171            | 18,446        |
| Equity securities and mutual funds   | 19,069               | 21,328        | 24,593            | 27,557        | 33,843            | 47,238        |
| Total available for sale securities  | 10,185,091           | 10,147,162    | 11,032,634        | 11,287,221    | 9,957,205         | 10,179,365    |
| <b>Fair value option securities:</b>   |                      |               |                   |               |                   |               |
|  | 165,809              | 157,431       | 253,726           | 257,040       | 606,876           | 626,109       |

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| U.S. agency residential mortgage-backed securities |            |            |            |            |            |            |
| Corporate debt securities                          | —          | —          | 25,077     | 26,486     | 25,099     | 25,117     |
| Other securities                                   | 9,485      | 9,694      | 723        | 770        | —          | —          |
| Total fair value option securities                 | \$ 175,294 | \$ 167,125 | \$ 279,526 | \$ 284,296 | \$ 631,975 | \$ 651,226 |

Includes net realized gain of \$1.8 million at December 31, 2013, \$5.0 million at December 31, 2012 and \$12 million<sup>1</sup> at December 31, 2011 remaining in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets related to securities transferred from the available for sale securities portfolio to the investment portfolio in 2011.

See Note 2 to the Consolidated Financial Statements for additional discussion.

In addition to the above, 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. Federal Reserve Bank stock totaled \$34 million at December 31, 2013, \$34 million at December 31, 2012 and \$35 million at December 31, 2011. Holdings of FHLB stock totaled \$51 million at December 31, 2013, \$31 million at December 31, 2012 and \$3.1 million at December 31, 2011.

At December 31, 2013, the carrying value of investment (held-to-maturity) securities was \$678 million and the fair value was \$687 million. Investment securities consist primarily of intermediate and long-term, fixed rate Oklahoma 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 \$83 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 \$10.2 billion at December 31, 2013, a decrease of \$848 million compared to December 31, 2012. The decrease was primarily in short-duration U.S. government agency residential mortgage-backed securities, partially offset by an increase in U.S. government agency backed commercial mortgage-backed securities. Commercial mortgage-backed securities have prepayment penalties similar to commercial loans. At December 31, 2013, residential mortgage-backed securities represented 78% 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 investment and available for sale securities portfolios at December 31, 2013 was 3.3 years. Management estimates the combined portfolios' duration extends to 3.6 years assuming an immediate 200 basis point upward shock. The estimated combined portfolios' duration contracts to 3.2 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 December 31, 2013, approximately \$7.7 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled \$7.7 billion at December 31, 2013.

We also hold amortized cost of \$214 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions. The amortized cost of these securities decreased \$109 million from December 31, 2012, primarily due to cash received and the sale of \$46 million during the year. In addition, \$938 thousand of other-than-temporary impairment losses were charged against earnings during 2013. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$221 million at December 31, 2013.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$110 million of Jumbo-A residential mortgage loans and \$105 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. Credit risk on residential mortgage-backed securities originated by private issuers is mitigated

by investment in senior tranches with additional collateral support. All of our Alt-A residential mortgage-backed securities were issued with credit support from additional layers of loss-absorbing subordinated tranches, including all Alt-A residential mortgage-backed securities held that were originated in 2007 and 2006. The weighted average original credit enhancement of the Alt-A residential mortgage-backed securities was 10.2% and has been fully absorbed as of December 31, 2013. The Jumbo-A residential mortgage-backed securities had original credit enhancement of 9.7% and the current level is 3.8%. Approximately 80% 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 33% 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 \$158 million at December 31, 2013, an increase of \$151 million from December 31, 2012. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the Consolidated Financial Statements. Other-than-temporary impairment charges of \$2.3 million were recognized in earnings in 2013, including \$938 thousand related to certain privately issued residential mortgage-backed securities that we do not intend to sell and \$1.4 million related to the change in intent to sell certain municipal securities prior to recovery of their amortized cost. These securities were sold and the impairment was realized during the year.

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.

#### Bank-Owned Life Insurance

We have approximately \$285 million of bank-owned life insurance at December 31, 2013. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$253 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 December 31, 2013, the fair value of investments held in separate accounts was approximately \$263 million. As the underlying fair value of the investments held in a separate account at December 31, 2013 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 \$32 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 \$12.8 billion at December 31, 2013, an increase of \$481 million or 4% over December 31, 2012. Commercial loans grew by \$301 million or 4% due largely to growth in healthcare, services and wholesale/retail sector loans. Commercial real estate loans increased \$186 million or 8%. Growth in multifamily residential property and retail sector loans were partially offset by a decrease in construction and land development loans. Residential mortgage loans were largely unchanged compared to the prior year. Growth in first-lien, fully amortizing home equity loans and permanent residential mortgage loans guaranteed by U.S. government agencies was partially offset by a decrease in non-guaranteed permanent residential mortgage loans. Consumer loans decreased \$14 million due primarily to the continued runoff of the indirect automobile loan portfolio resulting from the Company's previously disclosed decision to exit this business in the first quarter of 2009, partially offset by growth in other consumer loans.

Table 24 – Loans  
(In thousands)

|  | December 31, |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|
|  | 2013         | 2012        | 2011        | 2010        | 2009        |
| Commercial:  |              |             |             |             |             |
| Energy   | \$2,351,760  | \$2,460,659 | \$2,005,041 | \$1,706,366 | \$1,911,392 |
| Services   | 2,282,210    | 2,164,186   | 1,761,538   | 1,574,680   | 1,768,966   |
| Wholesale/retail   | 1,201,364    | 1,106,439   | 967,426     | 981,047     | 919,998     |
| Manufacturing  | 391,751      | 348,484     | 336,733     | 319,353     | 384,327     |
| Healthcare   | 1,274,246    | 1,081,406   | 978,160     | 843,826     | 776,457     |
| Integrated food services                                   | 150,494      | 191,106     | 204,311     | 203,741     | 160,148     |
| Other commercial and industrial                            | 291,396      | 289,632     | 301,861     | 312,383     | 240,210     |
| Total commercial   | 7,943,221    | 7,641,912   | 6,555,070   | 5,941,396   | 6,161,498   |
| Commercial real estate:                                    |              |             |             |             |             |
| Residential construction and land development              | 206,258      | 253,093     | 342,054     | 451,720     | 655,116     |
| Retail   | 586,047      | 522,786     | 509,402     | 420,038     | 423,155     |
| Office   | 411,499      | 427,872     | 405,923     | 462,758     | 444,091     |
| Multifamily  | 576,502      | 402,896     | 369,028     | 364,172     | 357,496     |
| Industrial   | 243,877      | 245,994     | 278,186     | 178,032     | 126,006     |
| Other real estate  | 391,170      | 376,358     | 386,710     | 394,141     | 493,927     |
| Total commercial real estate                               | 2,415,353    | 2,228,999   | 2,291,303   | 2,270,861   | 2,499,791   |
| Residential mortgage:                                      |              |             |             |             |             |
| Permanent mortgage   | 1,062,744    | 1,123,965   | 1,157,133   | 1,206,297   | 1,314,592   |
| Permanent mortgages guaranteed by U.S. government agencies | 181,598      | 160,444     | 184,973     | 72,385      | 28,633      |
| Home equity  | 807,684      | 760,631     | 632,421     | 556,593     | 490,285     |
| Total residential mortgage                                 | 2,052,026    | 2,045,040   | 1,974,527   | 1,835,275   | 1,833,510   |
| Consumer:  |              |             |             |             |             |
| Indirect automobile  | 6,513        | 34,735      | 105,149     | 239,188     | 454,508     |
| Other consumer   | 375,151      | 360,770     | 343,694     | 356,316     | 330,391     |
| Total consumer   | 381,664      | 395,505     | 448,843     | 595,504     | 784,899     |

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|       |              |              |              |              |              |
|-------|--------------|--------------|--------------|--------------|--------------|
| Total | \$12,792,264 | \$12,311,456 | \$11,269,743 | \$10,643,036 | \$11,279,698 |
|-------|--------------|--------------|--------------|--------------|--------------|

## 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.

Healthcare sector loans grew \$193 million or 18% over December 31, 2012, service sector loans increased \$118 million or 5% and wholesale/retail sector loans increased \$95 million or 9%. Energy sector loans decreased \$109 million or 4% compared to December 31, 2012.

Table 25 presents the commercial sector of our loan portfolio distributed primarily by collateral location. Loans for which the collateral location is less relevant, such as unsecured loans and reserve-based energy loans, are distributed by the borrower's primary operating location.

Table 25 – Commercial Loans by Collateral Location  
(In thousands)

|                                 | Oklahoma    | Texas       | New Mexico | Arkansas  | Colorado  | Arizona   | Kansas/Missouri | Other       | Total       |
|---------------------------------|-------------|-------------|------------|-----------|-----------|-----------|-----------------|-------------|-------------|
| Energy                          | \$473,280   | \$1,143,433 | \$57,741   | \$8,403   | \$286,959 | \$16,767  | \$88,443        | \$276,734   | \$2,351,760 |
| Services                        | 559,368     | 751,224     | 198,403    | 25,314    | 178,374   | 170,879   | 156,171         | 242,477     | 2,282,210   |
| Wholesale/retail                | 317,809     | 516,712     | 21,824     | 64,585    | 47,115    | 52,827    | 56,703          | 123,789     | 1,201,364   |
| Manufacturing                   | 132,954     | 92,967      | 4,028      | 5,846     | 8,329     | 37,075    | 37,037          | 73,515      | 391,751     |
| Healthcare                      | 243,904     | 227,058     | 87,214     | 81,850    | 96,777    | 72,154    | 163,330         | 301,959     | 1,274,246   |
| Integrated food services        | 36,851      | 6,288       | —          | —         | 29,144    | —         | 17,039          | 61,172      | 150,494     |
| Other commercial and industrial | 88,945      | 92,967      | 14,490     | 11,739    | 2,683     | 4,379     | 23,891          | 52,302      | 291,396     |
| Total commercial loans          | \$1,853,111 | \$2,830,649 | \$383,700  | \$197,737 | \$649,381 | \$354,081 | \$542,614       | \$1,131,948 | \$7,943,221 |

The majority of our commercial portfolio is located within our geographic footprint. The Other category includes two primary locations, Louisiana and California, which represent \$196 million or 2.5% of the commercial portfolio and \$150 million or 1.9% of the commercial portfolio, respectively at December 31, 2013. All other states individually represent less than one percent of total commercial loans.

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.

Energy loans totaled \$2.4 billion or 18% of total loans at December 31, 2013. Unfunded energy loan commitments increased by \$161 million to \$2.5 billion at December 31, 2013. Approximately \$2.0 billion of energy loans were to oil and gas producers, down \$181 million compared to December 31, 2012. Approximately 59% of the committed production loans are secured by properties primarily producing oil and 41% of the committed production loans are secured by properties primarily producing natural gas. Loans to borrowers engaged in wholesale or retail energy sales increased \$74 million to \$203 million. Loans to borrowers that provide services to the energy industry increased \$16 million during 2013 to \$85 million. Loans to borrowers that manufacture equipment primarily for the energy industry decreased \$24 million during 2013 to \$25 million.

The services sector of the loan portfolio totaled \$2.3 billion or 18% of total loans and consists of a large number of loans to a variety of businesses, including gaming, educational, public finance, insurance and community foundations. Approximately \$1.1 billion of the services category is made up of loans with individual balances of less than \$10 million. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with three or more non-affiliated banks as participants. At December 31, 2013, the outstanding principal balance of these loans totaled \$2.4 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.

#### 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. The majority of commercial real estate loans are secured by properties within our geographic footprint, with the larger concentrations in Texas and Oklahoma, 33% and 19% respectively for the year ended December 31, 2013. 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 \$2.4 billion or 19% of the loan portfolio at December 31, 2013. The outstanding balance of commercial real estate loans increased \$186 million over 2012. Growth in multifamily residential properties and loans secured by retail facilities was partially offset by a decrease in construction and land development loans. The commercial real estate loan balance as a percentage of our total loan portfolio has ranged from 18% to 22% over the past five years. The commercial real estate segment of our loan portfolio distributed by collateral location follows in Table 26.

Table 26 – Commercial Real Estate Loans by Collateral Location  
(In thousands)

| Oklahoma | Texas | New<br>Mexico | Arkansas | Colorado | Arizona | Kansas/<br>Missouri | Other | Total |
|----------|-------|---------------|----------|----------|---------|---------------------|-------|-------|
|----------|-------|---------------|----------|----------|---------|---------------------|-------|-------|

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|   |           |           |           |          |           |           |           |           |             |
|---|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-------------|
| Residential construction and land development | \$54,504  | \$45,642  | \$36,188  | \$3,808  | \$45,999  | \$6,185   | \$4,235   | \$9,697   | \$206,258   |
| Retail  | 108,885   | 195,678   | 61,771    | 11,077   | 26,448    | 59,957    | 24,396    | 97,835    | 586,047     |
| Office  | 84,447    | 170,903   | 40,727    | 6,418    | 23,169    | 37,433    | 12,560    | 35,842    | 411,499     |
| Multifamily                                   | 87,818    | 210,648   | 42,343    | 24,585   | 56,422    | 38,089    | 46,320    | 70,277    | 576,502     |
| Industrial                                    | 46,270    | 45,952    | 36,399    | 380      | 6,452     | 9,305     | 36,362    | 62,757    | 243,877     |
| Other real estate                             | 75,713    | 106,686   | 47,428    | 18,157   | 37,896    | 47,415    | 33,352    | 24,523    | 391,170     |
| Total commercial real estate loans            | \$457,637 | \$775,509 | \$264,856 | \$64,425 | \$196,386 | \$198,384 | \$157,225 | \$300,931 | \$2,415,353 |

The outstanding balance of multifamily residential loans increased \$174 million, primarily due to new loans and funding of existing commitments in Texas and Arizona. Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased \$47 million or 19% from December 31, 2012 to \$206 million at December 31, 2013 primarily due to net pay-downs concentrated in Texas and Colorado. Charge-offs of residential construction and land development loans totaled \$663 thousand for 2013 and \$604 thousand were transferred to other real estate owned. All locations included in Other individually represent less than 1.50% of the total commercial real estate loan population.

#### Residential Mortgage and Consumer

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

Residential mortgage loans totaled \$2.1 billion, largely unchanged compared to December 31, 2012. 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. Eighty-three percent of our residential mortgage portfolio includes properties within our geographic footprint.

The majority of our permanent mortgage loan portfolio is primarily 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. The aggregate outstanding balance of loans in these programs is \$928 million. 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.

Approximately \$58 million or 5% of the non-guaranteed portion of the permanent mortgage loans consist of first lien, fixed-rate residential mortgage loans originated under various community development programs. The outstanding balance of these loans is down from \$70 million at December 31, 2012. These loans were underwritten to standards approved by various U.S. government agencies under these programs and include full documentation. However, these loans do have a higher risk of delinquency and losses in the event of default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

At December 31, 2013, \$182 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 \$18 million of residential mortgage loans previously sold into GNMA mortgage pools that are eligible to be repurchased. We may repurchase these loans when certain defined delinquency criteria are met. Because of this repurchase right, we effectively have regained control over these loans and must include them in the Consolidated Balance Sheets. The remaining amount represents loans that the Company has repurchased from GNMA mortgage pools. Permanent

residential mortgage loans guaranteed by U.S. government agencies increased \$21 million or 13% over December 31, 2012.

Home equity loans totaled \$808 million at December 31, 2013, a \$47 million or 6% increase over December 31, 2012. Growth was primarily in 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 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. A summary of our home equity loan portfolio at December 31, 2013 by lien position and amortizing status follows in Table 27.

Table 27 – Home Equity Loans  
(In thousands)

|                   | Revolving | Amortizing | Total     |
|-------------------|-----------|------------|-----------|
| First lien        | \$37,546  | \$527,062  | \$564,608 |
| Junior lien       | 62,036    | 181,040    | 243,076   |
| Total home equity | \$99,582  | \$708,102  | \$807,684 |

Indirect automobile loans decreased \$28 million compared to December 31, 2012, primarily due to the previously disclosed decision by the Company to exit the business in the first quarter of 2009. Approximately \$6.5 million of indirect automobile loans remain outstanding at December 31, 2013. Other consumer loans increased \$14 million or 4% during 2013.

The distribution of residential mortgage and consumer loans at December 31, 2013 is presented in Table 28. Residential mortgage loans are distributed by collateral location. Consumer loans are generally distributed by borrower location.

Table 28 – Residential Mortgage and Consumer Loans by Collateral Location  
(In thousands)

|  | Oklahoma  | Texas     | New Mexico | Arkansas | Colorado  | Arizona   | Kansas/Missouri | Oklahoma | Total       |
|--|-----------|-----------|------------|----------|-----------|-----------|-----------------|----------|-------------|
| Residential mortgage:                                      |           |           |            |          |           |           |                 |          |             |
| Permanent mortgage   | \$234,562 | \$393,264 | \$43,433   | \$21,512 | \$173,875 | \$105,087 | \$61,683        | \$29,328 | \$1,062,744 |
| Permanent mortgages guaranteed by U.S. government agencies | 60,825    | 18,460    | 66,324     | 5,724    | 8,960     | 2,030     | 12,815          | 6,460    | 181,598     |
| Home equity  | 483,798   | 140,120   | 128,151    | 4,742    | 31,960    | 10,352    | 7,983           | 578      | 807,684     |
| Total residential mortgage                                 | \$779,185 | \$551,844 | \$237,908  | \$31,978 | \$214,795 | \$117,469 | \$82,481        | \$36,366 | \$2,052,026 |
| Consumer:  |           |           |            |          |           |           |                 |          |             |
| Indirect automobile  | \$2,881   | \$1,318   | \$7        | \$2,150  | \$9       | \$—       | \$47            | \$101    | \$6,513     |
| Other consumer   | 191,574   | 127,368   | 13,937     | 1,619    | 22,532    | 9,229     | 5,468           | 3,424    | 375,151     |
| Total consumer   | \$194,455 | \$128,686 | \$13,944   | \$3,769  | \$22,541  | \$9,229   | \$5,515         | \$3,525  | \$381,664   |

Table 29 – Loan Maturity and Interest Rate Sensitivity at December 31, 2013  
(In thousands)

|  | Total        | Remaining Maturities of Selected Loans |             |               |
|--|--------------|--|-------------|---------------|
|  |              | Within 1 Year                          | 1-5 Years   | After 5 Years |
| Loan maturity:                                     |              |  |             |               |
| Commercial   | \$7,943,221  | \$703,555                              | \$4,730,795 | \$2,508,871   |
| Commercial real estate                             | 2,415,351    | 142,899                                | 1,499,022   | 773,430       |
| Total  | \$10,358,572 | \$846,454                              | \$6,229,817 | \$3,282,301   |
| Interest rate sensitivity for selected loans with: |              |  |             |               |
| Predetermined interest rates                       | \$2,421,105  | \$64,185                               | \$835,818   | \$1,521,102   |
| Floating or adjustable interest rates              | 7,937,467    | 782,269                                | 5,393,999   | 1,761,199     |
| Total  | \$10,358,572 | \$846,454                              | \$6,229,817 | \$3,282,301   |



## Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled \$7.1 billion and standby letters of credit which totaled \$444 million at December 31, 2013. 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 \$624 thousand of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at December 31, 2013.

Table 30 – Off-Balance Sheet Credit Commitments  
(In thousands)

|                                   | As of December 31, |             |             |             |             |
|-----------------------------------|--------------------|-------------|-------------|-------------|-------------|
|                                   | 2013               | 2012        | 2011        | 2010        | 2009        |
| Loan commitments                  | \$7,096,373        | \$6,636,587 | \$5,193,545 | \$5,001,338 | \$5,015,660 |
| Standby letters of credit         | 444,248            | 466,477     | 534,565     | 588,091     | 598,618     |
| Mortgage loans sold with recourse | 191,299            | 226,922     | 289,021     | 330,963     | 391,188     |

As more fully described in Note 7 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 other than obligations under standard representations and warranties. 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. At December 31, 2013, the principal balance of residential mortgage loans sold subject to recourse obligations totaled \$191 million, down from \$227 million at December 31, 2012. Substantially all of these loans are to borrowers in our primary markets including \$133 million to borrowers in Oklahoma, \$21 million to borrowers in Arkansas, \$13 million to borrowers in New Mexico, \$10 million to borrowers in the Kansas/Missouri area and \$9 million to borrowers in Texas. At December 31, 2013, approximately 4% of these loans are nonperforming and 6% were past due 30 to 89 days. A separate accrual for credit risk of \$9 million is available to absorb losses on these loans.

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 7 to the Consolidated Financial Statements. For the period from 2010 through 2013, approximately 13% 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 \$8.8 million at December 31, 2013 compared to \$5.3 million at December 31, 2012.

## Customer Derivative Programs

We offer programs that permit our customers to hedge various risks, including fluctuations in energy, cattle and other agricultural product prices, interest rates and foreign exchange rates, or to take positions in derivative contracts. Each of these programs work essentially the same way. Derivative contracts are executed between the customers and the Company. Offsetting contracts are executed between the Company and selected counterparties to minimize market risk to us from 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 counter-parties. 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 counter-parties. 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 counter-parties' credit ratings, these limits may be reduced and additional margin collateral may be required.

A deterioration of the credit standing of one or more of the customers or counter-parties 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 counter-party's ability to provide margin collateral was impaired. Credit losses on customer derivatives reduce brokerage and trading revenue in the Consolidated Statement of Earnings.

On October 31, 2011, MF Global filed for bankruptcy protection. After partial distributions from the bankruptcy trustee during 2011, the remaining amount due totaled \$8.5 million at December 31, 2011. This amount was written down to \$6.8 million in 2011 based on our evaluation of amounts we expected to recover at that time. We received distributions from the bankruptcy trustee of \$5.6 million in 2013 and \$2.0 million in 2012. As of December 31, 2013, \$798 thousand remains yet to be recovered.

Derivative contracts are carried at fair value. At December 31, 2013, the net fair values of derivative contracts, before consideration of cash margin, reported as assets under these programs totaled \$274 million. compared to \$334 million at December 31, 2012. Derivative contracts carried as assets include to-be-announced residential mortgage-backed securities sold to our mortgage banking customers with fair values of \$56 million, interest rate swaps sold to loan customers with fair values of \$44 million, energy contracts with fair values of \$18 million and foreign exchange contracts with fair values of \$137 million. Before consideration of cash margin paid to counter-parties, the aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled \$268 million.

At December 31, 2013, total derivative assets were reduced by \$8.9 million of cash collateral received from counter-parties and total derivative liabilities were reduced by \$24 million of cash collateral paid to counter-parties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at December 31, 2013 follows in Table 31.

Table 31 – Fair Value of Derivative Contracts

(In thousands)

|  |           |
|--|-----------|
| Customers  | \$118,897 |
| Banks and other financial institutions                       | 86,855    |
| Exchanges  | 58,960    |
| Energy companies   | 300       |
| Fair value of customer hedge asset derivative contracts, net | \$265,012 |

The largest exposure to a single counterparty was to an internationally active domestic financial institution for equity option contracts which totaled \$11 million at December 31, 2013.



Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counter-parties 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 \$30.77 per barrel of oil would increase the fair value of derivative assets by \$5.2 million. An increase in prices equivalent to \$157.94 per barrel of oil would increase the fair value of derivative assets by \$366 million as current prices move away from the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$26 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 December 31, 2013, changes in interest rates would not materially impact regulatory capital or liquidity needed to support this portion of our customer derivative program.

#### Summary of Loan Loss Experience

We maintain an allowance for loan losses and an accrual for off-balance sheet credit risk. The combined allowance for loan losses and accrual for off-balance sheet risk totaled \$187 million or 1.47% of outstanding loans and 185% of nonaccruing loans at December 31, 2013. The allowance for loans losses was \$185 million and the accrual for off-balance sheet credit risk was \$2.1 million. At December 31, 2012, the combined allowance for credit losses was \$217 million or 1.77% of outstanding loans and 162% of nonaccruing loans. The allowance for loan losses was \$216 million and the accrual for off-balance sheet credit risk was \$1.9 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 or credit 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 and after exhaustion of collection efforts. A \$27.9 million negative provision for credit losses was recorded during 2013 compared to a negative provision for credit losses of \$22.0 million in 2012. Credit quality indicators, including historic loss rates, have improved to pre-recession levels. Improving charge-off trends resulted in lower estimated loss rates for many loan classes. Additionally, a major employer in the Tulsa, Ft. Worth and Kansas City markets exited bankruptcy during the fourth quarter. The Company had previously established a non-specific allowance related to the secondary exposure to the employer's bankruptcy by employees, retirees, vendors, suppliers and other business partners. Although we have recorded negative provisions for credit losses in 2013 and 2012, we do not expect significant negative provisions in future years.

Table 32 – Summary of Loan Loss Experience  
(In thousands)

|   | Year Ended December 31, |             |                      |            |            |   |
|---|-------------------------|-------------|----------------------|------------|------------|---|
|   | 2013                    | 2012        | 2011                 | 2010       | 2009       |   |
| Allowance for loan losses:  |                         |             |                      |            |            |   |
| Beginning balance   | \$215,507               | \$253,481   | \$292,971            | \$292,095  | \$233,236  |   |
| Loans charged off:  |                         |             |                      |            |            |   |
| Commercial  | (6,335 )                | (9,341 )    | (14,836 )            | (27,640 )  | (49,725 )  |   |
| Commercial real estate  | (5,845 )                | (11,642 )   | (15,973 )            | (59,962 )  | (57,313 )  |   |
| Residential mortgage  | (5,753 )                | (10,047 )   | (14,107 )            | (20,056 )  | (16,672 )  |   |
| Consumer  | (7,349 )                | (11,108 )   | (11,884 )            | (16,330 )  | (24,789 )  |   |
| Total   | (25,282 )               | (42,138 )   | (56,800 )            | (123,988 ) | (148,499 ) |   |
| Recoveries of loans previously charged off:                                       |                         |             |                      |            |            |   |
| Commercial  | 7,488                   | 6,128       | <sup>1</sup> 7,478   | 9,263      | 2,546      |   |
| Commercial real estate  | 9,420                   | 5,706       | 2,780                | 3,179      | 461        |   |
| Residential mortgage  | 1,558                   | 1,928       | 2,334                | 901        | 929        |   |
| Consumer  | 4,778                   | 5,056       | 5,758                | 6,265      | 6,744      |   |
| Total   | 23,244                  | 18,818      | 18,350               | 19,608     | 10,680     |   |
| Net loans charged off   | (2,038 )                | (23,320 )   | (38,450 )            | (104,380 ) | (137,819 ) |   |
| Provision for loan losses   | (28,073 )               | (14,654 )   | (1,040 )             | 105,256    | 196,678    |   |
| Ending balance  | \$185,396               | \$215,507   | \$253,481            | \$292,971  | \$292,095  |   |
| Accrual for off-balance sheet credit risk:  |                         |             |                      |            |            |   |
| Beginning balance   | \$1,915                 | \$9,261     | \$14,271             | \$14,388   | \$15,166   |   |
| Provision for off-balance sheet credit risk                                       | 173                     | (7,346 )    | (5,010 )             | (117 )     | (778 )     |   |
| Ending balance  | \$2,088                 | \$1,915     | \$9,261              | \$14,271   | \$14,388   |   |
| Total combined provision for credit losses  | \$(27,900 )             | \$(22,000 ) | \$(6,050 )           | \$105,139  | \$195,900  |   |
| Allowance for loan losses to loans outstanding at period-end                      | 1.45                    | % 1.75      | % 2.25               | % 2.75     | % 2.59     | % |
| Net charge-offs to average loans  | 0.02                    | % 0.20      | % <sup>1</sup> 0.35  | % 0.96     | % 1.14     | % |
| Total provision for credit losses to average loans                                | (0.23 )                 | % (0.19 )   | % (0.06 )            | % 0.96     | % 1.61     | % |
| Recoveries to gross charge-offs   | 91.94                   | % 44.66     | % <sup>1</sup> 32.31 | % 15.81    | % 7.19     | % |
| Allowance for loan losses as a multiple of net charge-offs                        | 90.97                   | x 9.24x     | <sup>1</sup> 6.59    | x 2.81x    | 2.12x      |   |
| Accrual for off-balance sheet credit risk to off-balance sheet credit commitments | 0.03                    | % 0.03      | % 0.14               | % 0.25     | % 0.26     | % |
| Combined allowance for credit losses to loans outstanding at period-end           | 1.47                    | % 1.77      | % 2.33               | % 2.89     | % 2.72     | % |

<sup>1</sup> Includes \$7.1 million of negative recovery related to a refund of a settlement between BOK Financial and the City of Tulsa invalidated by the Oklahoma Supreme Court. Excluding this refund, BOK Financial net charge-offs to average loans was 0.14%, recoveries to gross charge-offs were 61.51% and the allowance for loan losses as a multiple of net charge-offs was 13.29x for 2012.



## 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 agreements. This includes all nonaccruing loans, all loans modified in trouble debt restructurings and all government guaranteed loans repurchased from GNMA pools. At December 31, 2013, impaired loans totaled \$282 million, including \$2.1 million with specific allowances of \$1.0 million and \$280 million with no specific allowances because the loan balances represent the amounts we expect to recover. At December 31, 2012, impaired loans totaled \$294 million, including \$11 million of impaired loans with specific allowances of \$4.2 million and \$283 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 risks 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 \$156 million at December 31, 2013, compared to \$167 million at December 31, 2012. Estimated loss rates continued to decline due to lower charge-offs. The general allowance for the commercial loan portfolio segment increased by \$14 million primarily due to a shift in the mix from loan classes with lower historic loss rates such as energy to loan classes with higher historic loss rates such as healthcare and services. The general allowance for the commercial real estate loan portfolio segment decreased \$10 million compared to December 31, 2012 primarily due to a general decrease in loss rates. The general allowance for residential mortgage loans decreased \$12 million and the general allowance for consumer loans decreased \$2.4 million, primarily due to lower estimated loss rates.

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 December 31, 2013 and \$44 million at December 31, 2012. The decrease in the nonspecific allowance from December 31, 2012 was primarily due to a major employer in the Tulsa, Dallas/Ft. Worth and Kansas City markets exiting bankruptcy during 2013. A non-specific allowance was established in prior years related to secondary exposure to the bankruptcy's impact on employees, retirees, vendors, suppliers and other business partners. 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 further stabilized during the year.

An allocation of the allowance for loan losses by loan category follows in Table 33.

Table 33 – Allowance for Loan Losses Allocation  
(Dollars in thousands)

| December 31,<br>2013                 | 2012                                 | 2011                                 | 2010                                 | 2009                                 |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Allowance % of<br>Loans <sup>1</sup> | Allowance % of<br>Loans <sup>1</sup> | Allowance % of<br>Loans <sup>1</sup> | Allowance % of<br>Loans <sup>1</sup> | Allowance % of<br>Loans <sup>1</sup> |

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Loan

category:

|                        |           |          |           |          |           |          |           |          |           |          |
|------------------------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
| Commercial             | \$79,180  | 62.10 %  | \$65,280  | 62.07 %  | \$83,443  | 58.17 %  | \$104,631 | 55.82 %  | \$121,320 | 54.63 %  |
| Commercial real estate | 41,573    | 18.88 %  | 54,884    | 18.11 %  | 67,034    | 20.33 %  | 98,709    | 21.34 %  | 104,208   | 22.16 %  |
| Residential mortgage   | 29,465    | 16.04 %  | 41,703    | 16.61 %  | 46,476    | 17.52 %  | 50,281    | 17.24 %  | 27,863    | 16.25 %  |
| Consumer               | 6,965     | 2.98 %   | 9,453     | 3.21 %   | 10,178    | 3.98 %   | 12,614    | 5.60 %   | 20,452    | 6.96 %   |
| Nonspecific allowance  | 28,213    |          | 44,187    |          | 46,350    |          | 26,736    |          | 18,252    |          |
| Total                  | \$185,396 | 100.00 % | \$215,507 | 100.00 % | \$253,481 | 100.00 % | \$292,971 | 100.00 % | \$292,095 | 100.00 % |

<sup>1</sup> Represents ratio of loan category balance to total loans.



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' continued ability to comply with current repayment terms. The potential problem loans totaled \$74 million at December 31, 2013. The current composition of potential problem loans by primary industry included construction and land development - \$15 million, multifamily residential properties - \$14 million, services - \$11 million, commercial real estate secured by office buildings - \$1 million, manufacturing - \$9.4 million and other commercial real estate - \$7.6 million. Potential problem loans totaled \$141 million at December 31, 2012.

#### 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.

Net loans charged off totaled \$2.0 million or 0.02% of average outstanding loans in 2013, down from net loans charged off of \$23 million or 0.20% of average loans in 2012. Net loans charged off in 2012 included the return of \$7.1 million received from the City of Tulsa to settle claims related to a defaulted commercial loan that was recorded as a recovery in 2008. The settlement agreement between BOK Financial and the City of Tulsa was invalidated by the Oklahoma Supreme Court in 2011. The return of this settlement was recorded as a negative recovery in 2012 when the funds were returned to the City of Tulsa. Excluding the impact of the return of the invalidated settlement, net commercial loans charged off during 2012 resulted in a \$1.3 million net recovery.

Net commercial loan recoveries totaled \$1.2 million. Net commercial real estate loan recoveries totaled \$3.6 million. Residential mortgage loans experienced a net charge-off of \$4.2 million for the year and consumer loans experienced a net charge-off of \$2.6 million.

Table 34 – Nonperforming Assets  
(In thousands)

|   | December 31, |           |           |           |           |
|---|--------------|-----------|-----------|-----------|-----------|
|   | 2013         | 2012      | 2011      | 2010      | 2009      |
| Nonaccruing loans:  |              |           |           |           |           |
| Commercial  | \$16,760     | \$24,467  | \$68,811  | \$38,455  | \$101,384 |
| Commercial real estate  | 40,850       | 60,626    | 99,193    | 150,366   | 204,924   |
| Residential mortgage  | 42,320       | 46,608    | 29,767    | 37,426    | 29,989    |
| Consumer  | 1,219        | 2,709     | 3,515     | 4,567     | 3,058     |
| Total nonaccruing loans   | 101,149      | 134,410   | 201,286   | 230,814   | 339,355   |
| Accruing renegotiated loans:  |              |           |           |           |           |
| Guaranteed by U.S. government agencies  | 54,322       | 38,515    | 28,974    | 18,551    | 12,799    |
| Other   | —            | —         | 3,919     | 3,710     | 3,107     |
| Total accruing renegotiated loans   | 54,322       | 38,515    | 32,893    | 22,261    | 15,906    |
| Total nonperforming loans   | 155,471      | 172,925   | 234,179   | 253,075   | 355,261   |
| Real estate and other repossessed assets:   |              |           |           |           |           |
| Guaranteed by U.S. government agencies  | 37,431       | 22,365    | 16,952    | —         | —         |
| Other   | 54,841       | 81,426    | 105,801   | 141,394   | 129,034   |
| Real estate and other repossessed assets  | 92,272       | 103,791   | 122,753   | 141,394   | 129,034   |
| Total nonperforming assets  | \$247,743    | \$276,716 | \$356,932 | \$394,469 | \$484,295 |
| Total nonperforming assets excluding those guaranteed by U.S. government agencies | \$155,213    | \$215,347 | \$311,006 | \$375,918 | \$471,496 |
| Nonaccruing loans by loan class:  |              |           |           |           |           |
| Commercial:   |              |           |           |           |           |
| Energy  | \$1,860      | \$2,460   | \$336     | \$465     | \$22,692  |
| Services  | 4,922        | 12,090    | 16,968    | 19,262    | 30,926    |
| Wholesale / retail  | 6,969        | 3,077     | 21,180    | 8,486     | 12,057    |
| Manufacturing   | 592          | 2,007     | 23,051    | 2,116     | 15,765    |
| Healthcare  | 1,586        | 3,166     | 5,486     | 3,534     | 13,103    |
| Integrated food services  | —            | 684       | —         | 13        | 65        |
| Other   | 831          | 983       | 1,790     | 4,579     | 6,776     |
| Total commercial  | 16,760       | 24,467    | 68,811    | 38,455    | 101,384   |
| Commercial real estate:   |              |           |           |           |           |
| Residential construction and land development                                     | 17,377       | 26,131    | 61,874    | 99,579    | 109,779   |
| Retail  | 4,857        | 8,117     | 6,863     | 4,978     | 26,236    |
| Office  | 6,391        | 6,829     | 11,457    | 19,654    | 25,861    |
| Multifamily   | 7            | 2,706     | 3,513     | 6,725     | 26,540    |
| Industrial  | 252          | 3,968     | —         | 4,087     | 279       |
| Other commercial real estate  | 11,966       | 12,875    | 15,486    | 15,343    | 16,229    |
| Total commercial real estate  | 40,850       | 60,626    | 99,193    | 150,366   | 204,924   |
| Residential mortgage:   |              |           |           |           |           |
| Permanent mortgage  | 34,279       | 39,863    | 25,366    | 32,111    | 28,314    |
| Permanent mortgages guaranteed by U.S. government agencies                        | 777          | 489       | —         | —         | —         |

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|                                      |           |           |           |           |           |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Home equity                          | 7,264     | 6,256     | 4,401     | 5,315     | 1,675     |
| Total residential mortgage           | 42,320    | 46,608    | 29,767    | 37,426    | 29,989    |
| Consumer                             | 1,219     | 2,709     | 3,515     | 4,567     | 3,058     |
| Total nonaccruing loans <sup>3</sup> | \$101,149 | \$134,410 | \$201,286 | \$230,814 | \$339,355 |

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Table 34 – Nonperforming Assets  
(In thousands)

|   | December 31, |          |          |          |         |   |
|---|--------------|----------|----------|----------|---------|---|
|   | 2013         | 2012     | 2011     | 2010     | 2009    |   |
| Nonaccruing loans as % of outstanding loan balance for class: |              |          |          |          |         |   |
| Nonaccruing loans by loan class:                              |              |          |          |          |         |   |
| Commercial:   |              |          |          |          |         |   |
| Energy  | 0.08         | % 0.10   | % 0.02   | % 0.03   | % 1.19  | % |
| Services  | 0.22         | % 0.56   | % 0.96   | % 1.22   | % 1.75  | % |
| Wholesale / retail  | 0.58         | % 0.28   | % 2.19   | % 0.86   | % 1.31  | % |
| Manufacturing   | 0.15         | % 0.58   | % 6.85   | % 0.66   | % 4.10  | % |
| Healthcare  | 0.12         | % 0.29   | % 0.56   | % 0.42   | % 1.69  | % |
| Integrated food services                                      | —            | % 0.36   | % —      | % 0.01   | % 0.04  | % |
| Other   | 0.29         | % 0.34   | % 0.59   | % 1.47   | % 2.82  | % |
| Total commercial  | 0.21         | % 0.32   | % 1.05   | % 0.65   | % 1.65  | % |
| Commercial real estate:                                       |              |          |          |          |         |   |
| Residential construction and land development                 | 8.42         | % 10.32  | % 18.09  | % 22.04  | % 16.76 | % |
| Retail  | 0.83         | % 1.55   | % 1.35   | % 1.19   | % 6.20  | % |
| Office  | 1.55         | % 1.60   | % 2.82   | % 4.25   | % 5.82  | % |
| Multifamily   | —            | % 0.67   | % 0.95   | % 1.85   | % 7.42  | % |
| Industrial  | 0.10         | % 1.61   | % —      | % 2.30   | % 0.22  | % |
| Other commercial real estate                                  | 3.06         | % 3.42   | % 4.00   | % 3.89   | % 3.29  | % |
| Total commercial real estate                                  | 1.69         | % 2.72   | % 4.33   | % 6.62   | % 8.20  | % |
| Residential mortgage:   |              |          |          |          |         |   |
| Permanent mortgage  | 3.23         | % 3.55   | % 2.19   | % 2.66   | % 2.15  | % |
| Permanent mortgages guaranteed by U.S. government agencies    | 0.43         | % 0.30   | % —      | % —      | % —     | % |
| Home equity   | 0.90         | % 0.82   | % 0.70   | % 0.95   | % 0.34  | % |
| Total residential mortgage                                    | 2.06         | % 2.28   | % 1.51   | % 2.04   | % 1.64  | % |
| Consumer  | 0.32         | % 0.68   | % 0.78   | % 0.77   | % 0.39  | % |
| Total nonaccruing loans                                       | 0.79         | % 1.09   | % 1.79   | % 2.17   | % 3.01  | % |
| Allowance for loan losses to nonaccruing loans                | 183.29       | % 160.34 | % 125.93 | % 126.93 | % 86.07 | % |
| Accruing loans 90 days or more past due <sup>1</sup>          | \$1,415      | \$3,925  | \$2,496  | \$7,966  | \$8,908 |   |
| Foregone interest on nonaccruing loans <sup>2</sup>           | 5,361        | 8,587    | 11,726   | 16,818   | 17,015  |   |

<sup>1</sup> Excludes residential mortgages guaranteed by agencies of the U.S. Government.

<sup>2</sup> Interest collected and recognized on nonaccruing loans was not significant in 2013 and previous years.

Nonperforming assets decreased \$29 million during 2013 to \$248 million or 1.92% of outstanding loans and repossessed assets at December 31, 2013. Nonaccruing loans totaled \$101 million, accruing renegotiated residential mortgage loans totaled \$54 million (all guaranteed by U.S. government agencies) and real estate and other repossessed assets totaled \$92 million. All accruing renegotiated residential mortgage loans, \$777 thousand of nonaccruing loans and \$37 million of real estate and other repossessed assets are guaranteed by U.S. government agencies. Excluding assets guaranteed by U.S. government agencies, nonperforming assets decreased \$60 million during the year. 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 restructuring. Modifications may include extension of payment terms and rate concessions. We do not forgive principal or accrued but unpaid interest. All loans modified in troubled debt restructurings, except 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 nonaccruing 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.

As of December 31, 2013, 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. 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. agency guidelines.

A rollforward of nonperforming assets for the year ended December 31, 2013 follows in Table 35.

Table 35 – Rollforward of Nonperforming Assets  
(In thousands)

|   | Year Ended December 31, 2013 |                       |   | Total<br>Nonperforming<br>Assets |
|---|------------------------------|-----------------------|---|----------------------------------|
|   | Nonaccruing<br>Loans         | Renegotiated<br>Loans | Real Estate<br>and Other<br>Repossessed<br>Assets |                                  |
| Balance, December 31, 2012                                  | \$ 134,410                   | \$ 38,515             | \$ 103,791  | \$ 276,716                       |
| Additions   | 67,783                       | 44,942                | —   | 112,725                          |
| Transfer from premises and equipment                        | —                            | —                     | 668   | 668                              |
| Payments  | (50,521 )                    | (1,416 )              | —   | (51,937 )                        |
| Charge-offs   | (25,282 )                    | —                     | —   | (25,282 )                        |
| Net gains (losses) and write-downs                          | —                            | —                     | 737   | 737                              |
| Foreclosure of nonaccruing loans                            | (27,231 )                    | —                     | 27,231  | —                                |
| Foreclosure of loans guaranteed by U.S. government agencies | —                            | (7,441 )              | 58,969  | 51,528                           |
| Proceeds from sales   | —                            | (20,446 )             | (55,005 )   | (75,451 )                        |
| Conveyance to U.S. government agencies                      | —                            | —                     | (43,901 )   | (43,901 )                        |
| Net transfers to nonaccruing loans                          | 344                          | (344 )                | —   | —                                |
| Return to accrual status                                    | (1,043 )                     | —                     | —   | (1,043 )                         |
| Other, net  | 2,689                        | 512                   | (218 )  | 2,983                            |
| Balance, December 31, 2013                                  | \$ 101,149                   | \$ 54,322             | \$ 92,272   | \$ 247,743                       |

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 2013, \$59 million of properties guaranteed by U.S. government agencies were foreclosed and \$44 million of properties were conveyed to the applicable U.S. government agencies.

Nonaccruing loans totaled \$101 million or 0.79% of outstanding loans at December 31, 2013 compared to \$134 million or 1.09% of outstanding loans at December 31, 2012. Nonaccruing loans decreased \$33 million from December 31, 2012 due primarily to \$51 million of payments, \$27 million of foreclosures and \$25 million of charge-offs. Newly identified nonaccruing loans totaled \$68 million for 2013.

## Commercial

Nonaccruing commercial loans totaled \$17 million or 0.21% of total commercial loans at December 31, 2013, down from \$24 million or 0.32% of total commercial loans at December 31, 2012. Nonaccruing commercial loans decreased \$7.7 million during 2013. Newly identified nonaccruing commercial totaled \$12 million, offset by \$12 million in payments, \$6.3 million of charge-offs and \$3.0 million of repossessions.

Nonaccruing commercial loans at December 31, 2013 were primarily composed of \$7.0 million or 0.58% of total wholesale/retail sector loans and \$4.9 million or 0.22% of total services 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 \$41 million or 1.69% of outstanding commercial real estate loans at December 31, 2013 compared to \$61 million or 2.72% of outstanding commercial real estate loans at December 31, 2012. Nonaccruing commercial real estate loans continue to be largely concentrated in land development and residential construction loans, totaling \$17 million or 8.42% of loans. Other commercial real estate loans totaled \$12 million or 3.06% of other commercial real estate loans and \$6.4 million or 1.55% of loans secured by office buildings. Nonaccruing commercial real estate loans were down \$20 million compared to the prior year. Newly identified nonaccruing commercial real estate loans totaled \$30 million, offset by \$33 million of cash payments received, \$13 million of foreclosures and \$5.8 million of charge-offs.

## Residential Mortgage and Consumer

Nonaccruing residential mortgage loans totaled \$42 million or 2.06% of outstanding residential mortgage loans at December 31, 2013 compared to \$47 million or 2.28% of outstanding residential mortgage loans at December 31, 2012. Newly identified nonaccruing residential mortgage loans which totaled \$16 million were offset by \$9.4 million of foreclosures, \$5.8 million of loans charged off during the year and \$5.0 million of cash payments. Nonaccruing residential mortgage loans primarily consist of non-guaranteed permanent residential mortgage loans which totaled \$34 million or 3.23% of outstanding non-guaranteed permanent residential mortgage loans at December 31, 2013. Nonaccruing home equity loans totaled \$7.3 million or 0.90% of total home equity loans.

Payments on 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 36. Substantially all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due increased \$2.2 million to \$13 million at December 31, 2013. Consumer loans past due 30 to 89 days decreased \$1.6 million compared to December 31, 2012.

Table 36 – Residential Mortgage and Consumer Loans Past Due  
(In thousands)

|                                 | December 31, 2013 |               | December 31, 2012 |               |
|---------------------------------|-------------------|---------------|-------------------|---------------|
|                                 | 90 Days or More   | 30 to 89 Days | 90 Days or More   | 30 to 89 Days |
| Residential mortgage:           |                   |               |                   |               |
| Permanent mortgage <sup>1</sup> | \$—               | \$9,795       | \$49              | \$8,366       |
| Home equity                     | 34                | 3,087         | —                 | 2,275         |
| Total residential mortgage      | \$34              | \$12,882      | 49                | \$10,641      |
| Consumer:                       |                   |               |                   |               |
| Indirect automobile             | \$—               | \$330         | \$15              | \$1,273       |



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|                |     |         |      |         |
|----------------|-----|---------|------|---------|
| Other consumer | 1   | 697     | 4    | 1,327   |
| Total consumer | \$1 | \$1,027 | \$19 | \$2,600 |

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

## Real Estate and Other Repossessed Assets

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

Real estate and other repossessed assets totaled \$92 million at December 31, 2013, a \$12 million decrease from December 31, 2012. The distribution of real estate and other repossessed assets distributed primarily by collateral location is included in Table 37 following.

Table 37 – Real Estate and Other Repossessed Assets by Collateral Location as of December 31, 2013  
(In thousands)

|  | Oklahoma | Texas   | Colorado | Arkansas | New Mexico | Arizona  | Kansas/<br>Missouri | Other   | Total    |
|--|----------|---------|----------|----------|------------|----------|---------------------|---------|----------|
| Developed commercial real estate properties                              | \$2,287  | \$408   | \$1,109  | \$1,050  | \$5,613    | \$1,471  | \$731               | \$5,073 | \$17,742 |
| 1-4 family residential properties guaranteed by U.S. government agencies | 10,221   | 1,483   | 1,159    | 1,449    | 20,172     | 360      | 2,178               | 409     | 37,431   |
| 1-4 family residential properties  | 5,573    | 1,122   | 264      | 508      | 2,004      | 5,431    | 478                 | 521     | 15,901   |
| Undeveloped land   | 272      | 3,698   | 2,635    | 74       | —          | 5,929    | 1,114               | —       | 13,722   |
| Residential land development properties                                  | 354      | 30      | 1,555    | 1,292    | —          | 3,634    | 136                 | —       | 7,001    |
| Oil and gas properties   | —        | 123     | —        | —        | —          | —        | —                   | —       | 123      |
| Vehicles   | 17       | —       | —        | 10       | —          | —        | —                   | —       | 27       |
| Other  | —        | —       | —        | —        | —          | 324      | —                   | 1       | 325      |
| Total real estate and other repossessed assets                           | \$18,724 | \$6,864 | \$6,722  | \$4,383  | \$27,789   | \$17,149 | \$4,637             | \$6,004 | \$92,272 |

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 2013, approximately 72% of our funding was provided by deposit accounts, 12% 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, online 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.

Average deposits for 2013 totaled \$19.7 billion and represented approximately 72% of total liabilities and capital compared with \$19.0 billion and 72% of total liabilities and capital for 2012. Average deposits increased \$717 million over the prior year. Demand deposits increased \$500 million and interest-bearing transaction deposit accounts were up \$483 million. Time deposits decreased \$318 million.

Average Commercial Banking deposit balances increased \$632 million over the prior year, due primarily to a \$467 million increase in demand deposit balances and a \$196 million increase in interest-bearing transaction deposits. Average balances attributed to our commercial & industrial loan customers increased \$191 million or 7% and average balances attributed to our energy customers increased \$164 million or 13%. Average balance attributed to our healthcare customer grew by \$104 million or 28% over the prior year. Small business banking customer average balances increased \$84.3 million or 5%. Average balances held by treasury services customers were up \$80 million or 5% over the prior year. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments. Deposit growth in the fourth quarter included normal seasonality and temporary customer activity. During the first half of January 2014, deposits decreased approximately \$300 million.

Average Consumer Banking deposit balances increased \$14 million from 2012. Higher costing time deposit balances decreased \$184 million, partially offset by a \$131 million increase in average interest-bearing transaction account balances. Savings account and demand deposit balances also grew over the prior year. Average Wealth Management deposits grew by \$104 million during 2013 primarily due to a \$151 million increase in interest-bearing transaction accounts, partially offset by a \$49 million decrease in time deposits. Demand deposit balances were largely unchanged compared to the prior year.

The general trend of increased deposits over the past several years reflects modest growth in the overall economy and low short-term interest rates. If economic activity were to improve significantly or if short-term interest rates were to increase, deposits may decline as customers deploy funds into projected or shift demand deposits into money market instruments.

Table 38 - Maturity of Domestic CDs and Public Funds in Amounts of \$100,000 or More  
(In thousands)

|                     | December 31,<br>2013 | 2012        |
|---------------------|----------------------|-------------|
| Months to maturity: |                      |             |
| 3 or less           | \$196,631            | \$279,027   |
| Over 3 through 6    | 200,117              | 210,918     |
| Over 6 through 12   | 319,096              | 346,874     |
| Over 12             | 1,079,876            | 1,068,305   |
| Total               | \$1,795,720          | \$1,905,124 |

Brokered deposits included in time deposits averaged \$159 million for 2013 compared to \$182 million for 2012. Brokered deposits included in time deposits totaled \$186 million at December 31, 2013 and \$187 million at December 31, 2012.

Average interest-bearing transactions accounts for 2013 included \$265 million of brokered deposits compared to \$214 million for 2012. Brokered deposits included in interest-bearing transaction account totaled \$227 million at December 31, 2013 and \$303 million at December 31, 2012.

The distribution of our period end deposit account balances among principal markets follows in Table 39.

Table 39 -- Period End Deposits by Principal Market Area  
(In thousands)

|                             | December 31, |             |             |             |             |
|-----------------------------|--------------|-------------|-------------|-------------|-------------|
|                             | 2013         | 2012        | 2011        | 2010        | 2009        |
| <b>Bank of Oklahoma:</b>    |              |             |             |             |             |
| Demand                      | \$3,432,940  | \$4,207,263 | \$3,196,436 | \$2,240,850 | \$2,048,834 |
| <b>Interest-bearing:</b>    |              |             |             |             |             |
| Transaction                 | 6,318,045    | 6,023,384   | 5,966,528   | 6,033,598   | 5,111,091   |
| Savings                     | 191,880      | 163,512     | 126,682     | 106,411     | 93,006      |
| Time                        | 1,214,507    | 1,267,854   | 1,444,332   | 1,363,942   | 1,385,505   |
| Total interest-bearing      | 7,724,432    | 7,454,750   | 7,537,542   | 7,503,951   | 6,589,602   |
| Total Bank of Oklahoma      | 11,157,372   | 11,662,013  | 10,733,978  | 9,744,801   | 8,638,436   |
| <b>Bank of Texas:</b>       |              |             |             |             |             |
| Demand                      | 2,481,603    | 2,606,176   | 1,808,490   | 1,389,876   | 1,108,401   |
| <b>Interest-bearing:</b>    |              |             |             |             |             |
| Transaction                 | 1,966,580    | 2,129,084   | 1,940,819   | 1,791,810   | 1,748,319   |
| Savings                     | 64,632       | 58,429      | 45,872      | 36,429      | 35,129      |
| Time                        | 638,465      | 762,233     | 867,664     | 966,116     | 1,100,602   |
| Total interest-bearing      | 2,669,677    | 2,949,746   | 2,854,355   | 2,794,355   | 2,884,050   |
| Total Bank of Texas         | 5,151,280    | 5,555,922   | 4,662,845   | 4,184,231   | 3,992,451   |
| <b>Bank of Albuquerque:</b> |              |             |             |             |             |
| Demand                      | 502,395      | 427,510     | 319,269     | 271,137     | 209,090     |
| <b>Interest-bearing:</b>    |              |             |             |             |             |
| Transaction                 | 529,140      | 511,758     | 491,068     | 530,244     | 444,246     |
| Savings                     | 33,944       | 31,926      | 27,487      | 28,342      | 17,563      |
| Time                        | 327,281      | 364,928     | 410,722     | 450,177     | 511,685     |
| Total interest-bearing      | 890,365      | 908,612     | 929,277     | 1,008,763   | 973,494     |
| Total Bank of Albuquerque   | 1,392,760    | 1,336,122   | 1,248,546   | 1,279,900   | 1,182,584   |
| <b>Bank of Arkansas:</b>    |              |             |             |             |             |
| Demand                      | 38,566       | 39,897      | 19,405      | 16,494      | 22,092      |
| <b>Interest-bearing:</b>    |              |             |             |             |             |
| Transaction                 | 144,018      | 101,868     | 131,703     | 130,066     | 51,353      |
| Savings                     | 1,986        | 2,239       | 1,727       | 1,266       | 1,346       |
| Time                        | 32,949       | 42,573      | 61,329      | 102,999     | 104,367     |
| Total interest-bearing      | 178,953      | 146,680     | 194,759     | 234,331     | 157,066     |
| Total Bank of Arkansas      | 217,519      | 186,577     | 214,164     | 250,825     | 179,158     |

Table 39 -- Period End Deposits by Principal Market Area  
(In thousands)

|                                   | December 31,<br>2013 | 2012         | 2011         | 2010         | 2009         |
|-----------------------------------|----------------------|--------------|--------------|--------------|--------------|
| Colorado State Bank & Trust:      |                      |              |              |              |              |
| Demand                            | 409,942              | 336,252      | 292,556      | 184,251      | 164,478      |
| Interest-bearing:                 |                      |              |              |              |              |
| Transaction                       | 541,675              | 676,144      | 512,904      | 533,230      | 449,921      |
| Savings                           | 26,880               | 25,889       | 22,771       | 20,310       | 17,802       |
| Time                              | 407,088              | 472,305      | 523,969      | 502,889      | 525,844      |
| Total interest-bearing            | 975,643              | 1,174,338    | 1,059,644    | 1,056,429    | 993,567      |
| Total Colorado State Bank & Trust | 1,385,585            | 1,510,590    | 1,352,200    | 1,240,680    | 1,158,045    |
| Bank of Arizona:                  |                      |              |              |              |              |
| Demand                            | 204,092              | 161,093      | 106,741      | 74,888       | 68,650       |
| Interest-bearing:                 |                      |              |              |              |              |
| Transaction                       | 364,736              | 360,276      | 104,961      | 95,889       | 81,910       |
| Savings                           | 2,432                | 1,978        | 1,192        | 809          | 958          |
| Time                              | 34,391               | 31,371       | 37,641       | 52,227       | 60,768       |
| Total interest-bearing            | 401,559              | 393,625      | 143,794      | 148,925      | 143,636      |
| Total Bank of Arizona             | 605,651              | 554,718      | 250,535      | 223,813      | 212,286      |
| Bank of Kansas City:              |                      |              |              |              |              |
| Demand                            | 246,739              | 260,095      | 56,888       | 43,268       | 32,299       |
| Interest-bearing:                 |                      |              |              |              |              |
| Transaction                       | 69,857               | 85,524       | 206,473      | 140,525      | 43,599       |
| Savings                           | 1,252                | 771          | 626          | 200          | 148          |
| Time                              | 41,312               | 26,728       | 36,325       | 70,818       | 79,222       |
| Total interest-bearing            | 112,421              | 113,023      | 243,424      | 211,543      | 122,969      |
| Total Bank of Kansas City         | 359,160              | 373,118      | 300,312      | 254,811      | 155,268      |
| Total BOK Financial deposits      | \$20,269,327         | \$21,179,060 | \$18,762,580 | \$17,179,061 | \$15,518,228 |

See Note 9 to the Consolidated Financial Statements for a summary of other borrowings.

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. The largest single source of federal funds purchased totaled \$310 million at December 31, 2013. 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 \$1.7 billion during 2013 and \$105 million during 2012.

At December 31, 2013, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately \$8.6 billion.

In 2007, the Bank 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 December 31, 2013, \$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 December 31, 2013, \$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 and Other Non-Bank Subsidiaries

The primary sources of liquidity for BOK Financial are cash on hand and dividends from the subsidiary bank. Dividends from the subsidiary bank are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the two preceding years. Dividends are further restricted by minimum capital requirements. At December 31, 2013, based on the most restrictive limitations as well as management's internal capital policy, the subsidiary bank could declare up to \$158 million of dividends without regulatory approval. 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, 2014. 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 December 31, 2013 and December 31, 2012, and the Company met all of the covenants.

Our equity capital at December 31, 2013 was \$3.1 billion, up \$61 million over December 31, 2012. Net income less cash dividends paid increased equity \$212 million during 2013. This was offset by a \$176 million decrease in accumulated other comprehensive income primarily related to the change in net unrealized gains and losses on available for sale securities. 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 December 31, 2013, the Company has repurchased 39,496 shares for \$2.1 million under this program. No shares were repurchased during 2013.

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 additional discretionary actions by regulators that could have a material impact on operations. These capital requirements include quantitative measures of assets, liabilities and off-balance sheet items. The capital standards are also subject to qualitative judgments by the regulators.



For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. The Company's banking subsidiary exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 40.

Table 40 – Capital Ratios

|  | Well Capitalized<br>Minimums | December 31, |         |   |
|--|------------------------------|--------------|---------|---|
|  |                              | 2013         | 2012    |   |
| Average total equity to average assets | —                            | 11.00        | % 11.05 | % |
| Tangible common equity ratio           | —                            | 9.90         | % 9.25  | % |
| Tier 1 common equity ratio             | —                            | 13.59        | % 12.59 | % |
| Risk-based capital:                    |                              |              |         |   |
| Tier 1 capital                         | 6.00                         | % 13.77      | % 12.78 | % |
| Total capital                          | 10.00                        | % 15.56      | % 15.13 | % |
| Leverage                               | 5.00                         | % 10.05      | % 9.01  | % |

In July 2013, banking regulators issued the final rule revising regulatory capital rules for substantially all U.S. banking organizations. The new capital rule will be effective for BOK Financial on January 1, 2015. Components of the rule will phase in through January 1, 2019. The new capital rule establishes a 7% threshold for the Tier 1 common equity ratio consisting of a minimum level plus capital conservation buffer. The Company expects to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, consistent with the treatment under current capital rules. BOK Financial's Tier 1 common equity ratio based on the existing Basel I standards was 13.59% as of December 31, 2013. Based on our interpretation of the new capital rule, our estimated Tier 1 common equity ratio is approximately 12.60%, nearly 560 basis points above the 7% regulatory threshold.

The rule also changes 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 requirements under the rule is 4%. A banking organization 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.

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. Tier 1 common equity is Tier 1 equity as defined by banking regulations, adjusted for other comprehensive income and equity which does not benefit common shareholders. These non-GAAP measures are valuable indicators 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 published 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. Specified 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 41 following provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 41 – Non-GAAP Measures  
(Dollars in thousands)

|   | December 31, |              |  |   |
|---|--------------|--------------|--|---|
|   | 2013         | 2012         |  |   |
| Tangible common equity ratio:             |              |              |  |   |
| Total shareholders' equity                | \$3,020,049  | \$2,957,860  |  |   |
| Less: Goodwill and intangible assets, net | 384,323      | 390,171      |  |   |
| Tangible common equity                    | 2,635,726    | 2,567,689    |  |   |
| Total assets                              | 27,015,432   | 28,148,631   |  |   |
| Less: Goodwill and intangible assets, net | 384,323      | 390,171      |  |   |
| Tangible assets                           | \$26,631,109 | \$27,758,460 |  |   |
| Tangible common equity ratio              | 9.90         | % 9.25       |  | % |
| Tier 1 common equity ratio:               |              |              |  |   |
| Tier 1 capital                            | \$2,668,981  | \$2,430,671  |  |   |
| Less: Non-controlling interest            | 34,924       | 35,821       |  |   |
| Tier 1 common equity                      | 2,634,057    | 2,394,850    |  |   |
| Risk weighted assets                      | \$19,389,381 | \$19,016,673 |  |   |
| Tier 1 common equity ratio                | 13.59        | % 12.59      |  | % |

#### Off-Balance Sheet Arrangements

See Note 14 to the Consolidated Financial Statements for a discussion of the Company's significant off-balance sheet commitments.

#### Aggregate Contractual Obligations

BOK Financial has numerous contractual obligations in the normal course of business. These obligations include time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers and to purchase securities, derivative contracts and contracts for services such as data processing that are integral to our operations. Table 42 following summarizes payments due per these contractual obligations at December 31, 2013.

Table 42 – Contractual Obligations as of December 31, 2013  
(In thousands)

|  | Less Than<br>1 Year | 1 to 3<br>Years | 4 to 5<br>Years | More Than<br>5 Years | Total       |
|--|---------------------|-----------------|-----------------|----------------------|-------------|
| Time deposits  | \$784,452           | \$819,540       | \$404,230       | \$401,378            | \$2,409,600 |
| Other borrowings   | 525                 | 1,050           | 1,100           | 16,239               | 18,914      |
| Subordinated debentures  | 8,181               | 128,255         | 227,173         | —                    | 363,609     |
| Operating lease obligations  | 23,751              | 45,412          | 31,719          | 112,973              | 213,855     |
| Derivative contracts   | 225,995             | 37,140          | 3,218           | 5,034                | 271,387     |
| Deferred compensation and<br>stock-based compensation<br>obligations | 100,368             | —               | —               | —                    | 100,368     |
| Data processing services   | 11,275              | 20,493          | 17,960          | 7,800                | 57,528      |
| Total  | \$1,154,547         | \$1,051,890     | \$685,400       | \$543,424            | \$3,435,261 |
| Loan commitments   |                     |                 |                 | \$7,096,373          |             |
| Standby letters of credit  |                     |                 |                 | 444,248              |             |

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|   |         |
|---|---------|
| Mortgage loans sold with recourse   | 191,299 |
| Commitments to purchase transferable tax credits from zero emission power providers | 13,000  |
| Alternative investment commitments  | 37,457  |
| Unfunded third-party private equity commitments                                     | 5,880   |

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Payments on time deposits, other borrowed funds and subordinated debentures include interest which has been calculated from rates at December 31, 2013. Many of these obligations have variable interest rates and actual payments will differ from the amounts shown on this table. Obligations under derivative contracts used for interest rate risk management purposes are included with projected payments from time deposits and other borrowed funds as appropriate.

Payments on time deposits are based on contractual maturity dates. These funds may be withdrawn prior to maturity. We may charge the customer a penalty for early withdrawal.

Operating lease commitments generally represent real property we rent for branch offices, corporate offices and operations facilities. Payments presented represent the minimum lease payments and exclude related costs such as utilities and property taxes.

Obligations under derivative contracts are used in customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on these obligations. Amounts shown in the table exclude \$24 million of cash margin which secures our obligations under these contracts.

The former President and Chief Executive officer had deferred compensation and employment agreements with the Company. Collectively, these agreements provided, among other things, that all unvested stock-based compensation shall fully vest upon his termination, subject to certain conditions. These agreements provide for settlement in cash or other assets. We currently have recognized a \$32 million liability for these plans which are fully vested as of December 31, 2013 and will be distributed during 2014. In addition, the 2011 True-Up Plan will be distributed in 2014. Based on currently available information, amounts payable to certain senior executives under the 2011 True-Up Plan will be approximately \$69 million. We also have obligations with respect to employee and executive benefit plans. See Notes 11 and 12 to the Consolidated Financial Statements for additional information about our employee benefit plans.

Data processing and communications contracts represent the minimum obligations under the contracts. Additional payments that are based on the volume of transactions processed are excluded.

Loan commitments represent legally binding obligations to provide financing to our customers. Some of these commitments are expected to expire before being drawn upon and the total commitment amounts do not necessarily represent future cash requirements. Approximately \$1.6 billion of the loan commitments expire within one year.

The Company has funded \$94 million and has commitments to fund an additional \$37 million for various alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities that invest in low income housing or economic development projects, distressed assets, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments. Legally binding commitments to fund alternative investments are recognized as liabilities in the consolidated financial statements.

An indirect wholly-owned subsidiary of the Company is general partner of two private equity funds and has contingent obligations to make additional investments totaling \$5.9 million as of December 31, 2013. These commitments, which are included in unfunded third-party private equity commitments, generally reflect customer investment obligations. We do not recognize contingent commitments to fund investments that are primarily customer obligations as liabilities in the consolidated financial statements.



## Recently Issued Accounting Standards

See Note 1 of the consolidated financial statements for disclosure of newly adopted and pending accounting standards.

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 and accrual for off-balance sheet credit risk, allowance for uncertain tax positions and accruals for loss contingencies 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.

## Legal Notice

As used in this report, the term "BOK Financial" and such terms as "the Company," "the Corporation," "our," "we" and "us" refer to one or more of the consolidated subsidiaries or all of them taken as a whole. All these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### 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.

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 interest 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 over the next 12 months and longer time periods based on multiple interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 50 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful.

The Company's primary interest rate exposures included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable rate loan pricing. Additionally, 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. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 43 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 7 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 43 – Interest Rate Sensitivity  
(Dollar in thousands)

|  | 200 bp Increase |          | 50 bp Decrease |             |
|--|-----------------|----------|----------------|-------------|
|  | 2013            | 2012     | 2013           | 2012        |
| Anticipated impact over the next twelve months on net interest revenue | \$(16,625 )     | \$18,171 | \$(11,361 )    | \$(25,572 ) |
|  | (2.38 )%        | 2.80 %   | (1.63 )%       | (3.94 )%    |

As intermediate and long-term interest rates increased during the middle of 2013, mortgage interest rates increased which slowed prepayment speeds in the residential mortgage backed securities portfolio. This rate change moved the Company's net interest revenue exposure to a 200 bp rate increase from 2.80% at December 31, 2012 to (2.38)% at December 31, 2013. We have begun to pro-actively reduce the securities portfolio balances to counteract this effect.

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. BOKF 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 the 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 years ended December 31, 2013 and 2012. At December 31, 2013, there were no trading positions for the purposes of enhancing returns on the Company's securities portfolio.

The average, high and low VaR amounts for the years ended December 31, 2013 and 2012 are as follows in Table 44.

Table 44 –Value at Risk (VaR)  
(In thousands)

|         | Year Ended December 31, |         |         |
|---------|-------------------------|---------|---------|
|         | 2013                    | 2012    | 2011    |
| Average | \$2,785                 | \$3,212 | \$2,307 |
| High    | 5,826                   | 6,695   | 5,133   |
| Low     | 261                     | 1,075   | 1,236   |

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Management on Financial Statements

Management of BOK Financial is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include some amounts that are based on our best estimates and judgments.

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, conducted an assessment of internal control over financial reporting as of December 31, 2013. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. In establishing internal control over financial reporting, management assesses risk and designs controls to prevent or detect financial reporting misstatements that may be consequential to a reader. Management also assesses the impact of any internal control deficiencies and oversees efforts to improve internal control over financial reporting. Because of inherent limitations, it is possible that internal controls may not prevent or detect misstatements, and it is possible that internal controls may vary over time based on changing conditions. There have been no material changes in internal controls subsequent to December 31, 2013.

The Audit Committee, consisting entirely of independent directors, meets regularly with management, internal auditors and the independent registered public accounting firm, Ernst & Young LLP, regarding management's assessment of internal control over financial reporting.

### Report of Management on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), as amended. Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in 1992. Based on that assessment and criteria, management has determined that the Company maintained effective internal control over financial reporting as of December 31, 2013.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. Their report, which expresses unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, is included in this annual report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation ("the Company") as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOK Financial Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BOK Financial Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Tulsa, Oklahoma

February 26, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited BOK Financial Corporation's ("the Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). BOK Financial Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BOK Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BOK Financial Corporation as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Tulsa, Oklahoma

February 26, 2014

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## Consolidated Statements of Earnings

(In thousands, except share and per share data)

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2013                    | 2012      | 2011      |
| Interest revenue   |                         |           |           |
| Loans  | \$498,600               | \$513,429 | \$504,989 |
| Residential mortgage loans held for sale                                     | 8,505                   | 8,185     | 6,492     |
| Trading securities   | 1,962                   | 1,419     | 1,836     |
| Taxable securities   | 14,260                  | 16,848    | 12,581    |
| Tax-exempt securities  | 4,781                   | 3,577     | 4,768     |
| Total investment securities  | 19,041                  | 20,425    | 17,349    |
| Taxable securities   | 204,830                 | 237,226   | 258,828   |
| Tax-exempt securities  | 2,380                   | 2,487     | 2,394     |
| Total available for sale securities  | 207,210                 | 239,713   | 261,222   |
| Fair value option securities   | 3,907                   | 8,464     | 18,649    |
| Restricted equity securities   | 5,071                   | 2,291     | 2,118     |
| Interest-bearing cash and cash equivalents                                   | 1,075                   | 945       | 491       |
| Total interest revenue   | 745,371                 | 794,871   | 813,146   |
| Interest expense   |                         |           |           |
| Deposits   | 55,564                  | 67,013    | 88,890    |
| Borrowed funds   | 6,589                   | 6,531     | 8,826     |
| Subordinated debentures  | 8,741                   | 13,778    | 22,385    |
| Total interest expense   | 70,894                  | 87,322    | 120,101   |
| Net interest revenue   | 674,477                 | 707,549   | 693,045   |
| Provision for credit losses  | (27,900)                | (22,000)  | (6,050)   |
| Net interest revenue after provision for credit losses                       | 702,377                 | 729,549   | 699,095   |
| Other operating revenue  |                         |           |           |
| Brokerage and trading revenue  | 125,478                 | 126,930   | 104,181   |
| Transaction card revenue   | 116,823                 | 107,985   | 116,757   |
| Trust fees and commissions   | 96,082                  | 80,053    | 73,290    |
| Deposit service charges and fees   | 95,110                  | 98,917    | 95,872    |
| Mortgage banking revenue   | 121,934                 | 169,302   | 91,643    |
| Bank-owned life insurance  | 10,155                  | 11,089    | 11,280    |
| Other revenue  | 38,262                  | 34,604    | 34,070    |
| Total fees and commissions   | 603,844                 | 628,880   | 527,093   |
| Gain (loss) on assets, net   | (925)                   | (1,415)   | 4,156     |
| Gain (loss) on derivatives, net  | (4,367)                 | (301)     | 2,686     |
| Gain (loss) on fair value option securities, net                             | (15,212)                | 9,230     | 24,413    |
| Change in fair value of mortgage servicing rights                            | 22,720                  | (9,210)   | (40,447)  |
| Gain on available for sale securities, net                                   | 10,720                  | 33,845    | 34,144    |
| Total other-than-temporary impairment losses                                 | (2,574)                 | (1,144)   | (10,578)  |
| Portion of loss recognized in (reclassified from) other comprehensive income | 266                     | (6,207)   | (12,929)  |
| Net impairment losses recognized in earnings                                 | (2,308)                 | (7,351)   | (23,507)  |
| Total other operating revenue  | 614,472                 | 653,678   | 528,538   |
| Other operating expense  |                         |           |           |
| Personnel  | 505,225                 | 491,033   | 429,986   |
| Business promotion   | 22,598                  | 23,338    | 20,549    |
| Contribution to BOKF Foundation  | 2,062                   | 2,062     | 4,000     |
| Professional fees and services   | 32,552                  | 34,015    | 28,798    |
| Net occupancy and equipment  | 69,773                  | 66,726    | 64,611    |

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|   |            |            |            |
|---|------------|------------|------------|
| Insurance   | 16,122     | 15,356     | 16,799     |
| Data processing and communications                          | 106,075    | 98,904     | 97,976     |
| Printing, postage and supplies                              | 13,885     | 14,228     | 14,085     |
| Net losses and expenses of repossessed assets               | 5,160      | 20,528     | 23,715     |
| Amortization of intangible assets                           | 3,428      | 2,927      | 3,583      |
| Mortgage banking costs                                      | 31,088     | 44,334     | 37,621     |
| Other expense   | 32,652     | 26,912     | 37,575     |
| Total other operating expense                               | 840,620    | 840,363    | 779,298    |
| Income before taxes   | 476,229    | 542,864    | 448,335    |
| Federal and state income tax                                | 157,298    | 188,740    | 158,511    |
| Net income  | 318,931    | 354,124    | 289,824    |
| Net income attributable to non-controlling interests        | 2,322      | 2,933      | 3,949      |
| Net income attributable to BOK Financial Corp. shareholders | \$316,609  | \$351,191  | \$285,875  |
| Earnings per share:   |            |            |            |
| Basic   | \$4.61     | \$5.15     | \$4.18     |
| Diluted   | \$4.59     | \$5.13     | \$4.17     |
| Average shares used in computation:                         |            |            |            |
| Basic   | 67,988,897 | 67,684,043 | 67,787,676 |
| Diluted   | 68,205,519 | 67,964,940 | 68,038,763 |
| Dividends declared per share                                | \$1.54     | \$2.47     | \$1.13     |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

(In thousands, except share and per share data)

|   | Year Ended   |           |           |
|---|--------------|-----------|-----------|
|   | December 31, |           |           |
|   | 2013         | 2012      | 2011      |
| Net income  | \$318,931    | \$354,124 | \$289,824 |
| Other comprehensive income (loss) before income taxes:                |              |           |           |
| Net change in unrealized gain (loss)                                  | (275,945 )   | 66,197    | 47,287    |
| Reclassification adjustments included in earnings:                    |              |           |           |
| Interest revenue, Investments securities, Taxable securities          | (3,210 )     | (6,601 )  | (1,357 )  |
| Interest expense, Subordinated debentures                             | 262          | 453       | 304       |
| Net impairment losses recognized in earnings                          | 2,308        | 7,351     | 23,507    |
| Gain on available for sale securities, net                            | (10,720 )    | (33,845 ) | (34,144 ) |
| Other comprehensive income (loss) before income taxes                 | (287,305 )   | 33,555    | 35,597    |
| Federal and state income tax  | 111,762      | (12,614 ) | (14,457 ) |
| Other comprehensive income (loss), net of income taxes                | (175,543 )   | 20,941    | 21,140    |
| Comprehensive income  | 143,388      | 375,065   | 310,964   |
| Comprehensive income attributable to non-controlling interests        | 2,322        | 2,933     | 3,949     |
| Comprehensive income attributable to BOK Financial Corp. shareholders | \$141,066    | \$372,132 | \$307,015 |

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets  
(In thousands, except share data)

|   | December 31, |              |
|---|--------------|--------------|
|   | 2013         | 2012         |
| Assets  |              |              |
| Cash and due from banks   | \$512,931    | \$710,739    |
| Interest-bearing cash and cash equivalents  | 574,282      | 575,500      |
| Trading securities  | 91,616       | 214,102      |
| Investment securities (fair value: 2013 – \$687,127; 2012 – \$528,458)  | 677,878      | 499,534      |
| Available for sale securities   | 10,147,162   | 11,287,221   |
| Fair value option securities  | 167,125      | 284,296      |
| Restricted equity securities  | 85,240       | 64,807       |
| Residential mortgage loans held for sale  | 200,546      | 293,762      |
| Loans   | 12,792,264   | 12,311,456   |
| Allowance for loan losses   | (185,396)    | (215,507)    |
| Loans, net of allowance   | 12,606,868   | 12,095,949   |
| Premises and equipment, net   | 277,849      | 265,920      |
| Receivables   | 117,126      | 114,185      |
| Goodwill  | 359,759      | 361,979      |
| Intangible assets, net  | 24,564       | 28,192       |
| Mortgage servicing rights, net  | 153,333      | 100,812      |
| Real estate and other repossessed assets, net of allowance (2013 – \$24,195; 2012 – \$36,873)   | 92,272       | 103,791      |
| Derivative contracts, net   | 265,012      | 338,106      |
| Cash surrender value of bank-owned life insurance   | 284,801      | 274,531      |
| Receivable on unsettled securities trades   | 17,174       | 211,052      |
| Other assets  | 359,894      | 324,153      |
| Total assets  | \$27,015,432 | \$28,148,631 |
| Liabilities and shareholders' equity  |              |              |
| Noninterest-bearing demand deposits   | \$7,316,277  | \$8,038,286  |
| Interest-bearing deposits:  |              |              |
| Transaction   | 9,934,051    | 9,888,038    |
| Savings   | 323,006      | 284,744      |
| Time  | 2,695,993    | 2,967,992    |
| Total deposits  | 20,269,327   | 21,179,060   |
| Funds purchased   | 868,081      | 1,167,416    |
| Repurchase agreements   | 813,454      | 887,030      |
| Other borrowings  | 1,040,353    | 651,775      |
| Subordinated debentures   | 347,802      | 347,633      |
| Accrued interest, taxes and expense   | 194,870      | 176,678      |
| Derivative contracts, net   | 247,185      | 283,589      |
| Due on unsettled securities trades  | 45,740       | 297,453      |
| Other liabilities   | 133,647      | 164,316      |
| Total liabilities   | 23,960,459   | 25,154,950   |
| Shareholders' equity:   |              |              |
| Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: 2013 – 73,163,275; 2012 – 72,415,346) | 4            | 4            |

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|   |              |              |
|---|--------------|--------------|
| Capital surplus   | 898,586      | 859,278      |
| Retained earnings   | 2,349,428    | 2,137,541    |
| Treasury stock (shares at cost: 2013 – 4,304,782; 2012 – 4,087,995) | (202,346     | ) (188,883 ) |
| Accumulated other comprehensive income (loss)                       | (25,623      | ) 149,920    |
| Total shareholders' equity  | 3,020,049    | 2,957,860    |
| Non-controlling interest  | 34,924       | 35,821       |
| Total equity  | 3,054,973    | 2,993,681    |
| Total liabilities and equity  | \$27,015,432 | \$28,148,631 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity  
(In thousands)

|  | Common<br>Stock<br>Shares | Capital<br>Surplus<br>Amount | Retained<br>Earnings | Treasury Stock<br>Shares | Treasury Stock<br>Amount | Other<br>Comprehensive<br>Income<br>(Loss) | Total<br>Shareholders'<br>Equity | Non-<br>Controlling<br>Interest | Total Equity |
|--|---------------------------|------------------------------|----------------------|--------------------------|--------------------------|--|----------------------------------|---------------------------------|--------------|
| Balance,<br>December 31,<br>2010               | 70,816                    | \$ 4 \$782,805               | \$ 1,743,880         | 2,608                    | \$(112,802)              | \$ 107,839                                 | \$ 2,521,726                     | \$ 22,152                       | \$ 2,543,878 |
| Net income                                     | —                         | —                            | 285,875              | —                        | —                        | —  | 285,875                          | 3,949                           | 289,824      |
| Other<br>comprehensive<br>income               | —                         | —                            | —                    | —                        | —                        | 21,140                                     | 21,140                           | —                               | 21,140       |
| Treasury stock<br>purchases                    | —                         | —                            | —                    | 562                      | (26,446 )                | —  | (26,446 )                        | —                               | (26,446 )    |
| Exercise of<br>stock options                   | 717                       | — 25,957                     | —                    | 210                      | (11,416 )                | —  | 14,541                           | —                               | 14,541       |
| Tax benefit on<br>exercise of<br>stock options | —                         | — 659                        | —                    | —                        | —                        | —  | 659                              | —                               | 659          |
| Stock-based<br>compensation                    | —                         | — 9,396                      | —                    | —                        | —                        | —  | 9,396                            | —                               | 9,396        |
| Cash dividends<br>on common<br>stock           | —                         | —                            | (76,423 )            | —                        | —                        | —  | (76,423 )                        | —                               | (76,423 )    |
| Capital calls<br>and<br>distributions,<br>net  | —                         | —                            | —                    | —                        | —                        | —  | —                                | 10,083                          | 10,083       |
| Balance,<br>December 31,<br>2011               | 71,533                    | 4 818,817                    | 1,953,332            | 3,380                    | (150,664 )               | 128,979                                    | 2,750,468                        | 36,184                          | 2,786,652    |
| Net income                                     | —                         | —                            | 351,191              | —                        | —                        | —  | 351,191                          | 2,933                           | 354,124      |
| Other<br>comprehensive<br>income               | —                         | —                            | —                    | —                        | —                        | 20,941                                     | 20,941                           | —                               | 20,941       |
| Treasury stock<br>purchases                    | —                         | —                            | —                    | 384                      | (20,558 )                | —  | (20,558 )                        | —                               | (20,558 )    |
| Exercise of<br>stock options                   | 882                       | — 32,311                     | —                    | 324                      | (17,661 )                | —  | 14,650                           | —                               | 14,650       |
| Tax benefit on<br>exercise of<br>stock options | —                         | — 120                        | —                    | —                        | —                        | —  | 120                              | —                               | 120          |
| Stock-based<br>compensation                    | —                         | — 8,030                      | —                    | —                        | —                        | —  | 8,030                            | —                               | 8,030        |
| Cash dividends<br>on common<br>stock           | —                         | —                            | (166,982 )           | —                        | —                        | —  | (166,982 )                       | —                               | (166,982 )   |

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|  |        |     |           |             |       |             |            |             |          |             |
|--|--------|-----|-----------|-------------|-------|-------------|------------|-------------|----------|-------------|
| Acquisition of non-controlling interest  | —      | —   | —         | —           | —     | —           | —          | 1,645       | 1,645    |             |
| Capital calls and distributions, net     | —      | —   | —         | —           | —     | —           | —          | (4,941)     | (4,941)  |             |
| Balance, December 31, 2012               | 72,415 | 4   | 859,278   | 2,137,541   | 4,088 | (188,883)   | 149,920    | 2,957,860   | 35,821   | 2,993,681   |
| Net income                               | —      | —   | —         | 316,609     | —     | —           | —          | 316,609     | 2,322    | 318,931     |
| Other comprehensive loss                 | —      | —   | —         | —           | —     | —           | (175,543)  | (175,543)   | —        | (175,543)   |
| Treasury stock purchases                 | —      | —   | —         | —           | —     | —           | —          | —           | —        | —           |
| Exercise of stock options                | 748    | —   | 30,029    | —           | 217   | (13,463)    | —          | 16,566      | —        | 16,566      |
| Tax benefit on exercise of stock options | —      | —   | 2,210     | —           | —     | —           | —          | 2,210       | —        | 2,210       |
| Stock-based compensation                 | —      | —   | 7,069     | —           | —     | —           | —          | 7,069       | —        | 7,069       |
| Cash dividends on common stock           | —      | —   | —         | (104,722)   | —     | —           | —          | (104,722)   | —        | (104,722)   |
| Capital calls and distributions, net     | —      | —   | —         | —           | —     | —           | —          | —           | (3,219)  | (3,219)     |
| 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 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows  
(in thousands)

|   | Year Ended   |              |              |
|---|--------------|--------------|--------------|
|   | 2013         | 2012         | 2011         |
| <b>Cash Flows From Operating Activities:</b>                                      |              |              |              |
| Net income  | \$318,931    | \$354,124    | \$289,824    |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |              |
| Provision for credit losses   | (27,900 )    | (22,000 )    | (6,050 )     |
| Change in fair value of mortgage servicing rights                                 | (22,720 )    | 9,210        | 40,447       |
| Net unrealized losses (gains) from derivatives                                    | 16,256       | (984 )       | (9,651 )     |
| Tax benefit on exercise of stock options  | (2,210 )     | (120 )       | (659 )       |
| Change in bank-owned life insurance   | (10,155 )    | (11,089 )    | (11,280 )    |
| Stock-based compensation  | 7,069        | 8,030        | 9,396        |
| Depreciation and amortization   | 53,261       | 54,935       | 49,967       |
| Net amortization of securities discounts and premiums                             | 62,274       | 87,769       | 112,227      |
| Net realized losses (gains) on financial instruments and other assets             | (12,586 )    | (15,097 )    | 53,829       |
| Net gain on mortgage loans held for sale  | (84,403 )    | (120,599 )   | (57,418 )    |
| Mortgage loans originated for resale  | (4,081,390 ) | (3,708,350 ) | (2,293,436 ) |
| Proceeds from sale of mortgage loans held for resale                              | 4,254,151    | 3,731,830    | 2,369,895    |
| Capitalized mortgage servicing rights   | (49,431 )    | (42,191 )    | (26,251 )    |
| Change in trading and fair value option securities                                | 237,581      | 226,144      | (247,386 )   |
| Change in receivables   | (3,122 )     | 9,244        | 24,236       |
| Change in other assets  | 76,257       | 10,999       | 16,469       |
| Change in accrued interest, taxes and expense                                     | 18,192       | 23,424       | 63,827       |
| Change in other liabilities   | (13,735 )    | (3,729 )     | (50,198 )    |
| Net cash provided by operating activities   | 736,320      | 591,550      | 327,788      |
| <b>Cash Flows From Investing Activities:</b>                                      |              |              |              |
| Proceeds from maturities or redemptions of investment securities                  | 143,445      | 111,511      | 68,020       |
| Proceeds from maturities or redemptions of available for sale securities          | 2,650,045    | 4,456,363    | 3,650,900    |
| Purchases of investment securities  | (326,815 )   | (172,327 )   | (37,085 )    |
| Purchases of available for sale securities  | (4,287,146 ) | (7,334,843 ) | (7,504,261 ) |
| Proceeds from sales of available for sale securities                              | 2,436,093    | 1,744,662    | 2,725,760    |
| Change in amount receivable on unsettled securities transactions                  | 193,878      | (135,901 )   | 59,908       |
| Loans originated net of principal collected                                       | (441,474 )   | (1,077,075 ) | (598,499 )   |
| Net proceeds from (payments on) derivative asset contracts                        | 59,390       | (13,273 )    | 4,994        |
| Acquisitions, net of cash acquired  | (7,500 )     | (23,615 )    | —            |
| Proceeds from disposition of assets   | 229,405      | 170,907      | 122,314      |
| Purchases of assets   | (212,292 )   | (94,756 )    | (56,195 )    |
| Net cash provided by (used in) investing activities                               | 437,029      | (2,368,347 ) | (1,564,144 ) |
| <b>Cash Flows From Financing Activities:</b>                                      |              |              |              |
| Net change in demand deposits, transaction deposits and savings accounts          | (637,734 )   | 2,830,470    | 1,710,705    |
| Net change in time deposits   | (271,999 )   | (413,990 )   | (127,026 )   |
| Net change in other borrowings  | (111,905 )   | 210,607      | (949,051 )   |
| Repayment of subordinated debentures  | —            | (53,705 )    | —            |
| Net payments or proceeds on derivative liability contracts                        | (64,724 )    | (7,560 )     | 15,674       |
| Net change in derivative margin accounts  | 51,646       | 39,237       | (102,262 )   |
| Change in amount due on unsettled security transactions                           | (251,713 )   | (355,918 )   | 492,946      |
| Issuance of common and treasury stock, net  | 16,566       | 14,650       | 14,541       |
| Sale of non-controlling interest  | —            | 300          | —            |



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|   |              |             |            |
|---|--------------|-------------|------------|
| Tax benefit on exercise of stock options  | 2,210        | 120         | 659        |
| Repurchase of common stock  | —            | (20,558 )   | (26,446 )  |
| Dividends paid  | (104,722 )   | (166,982 )  | (76,423 )  |
| Net cash provided by (used in) financing activities   | (1,372,375 ) | 2,076,671   | 953,317    |
| Net increase (decrease) in cash and cash equivalents  | (199,026 )   | 299,874     | (283,039 ) |
| Cash and cash equivalents at beginning of period  | 1,286,239    | 986,365     | 1,269,404  |
| Cash and cash equivalents at end of period  | \$1,087,213  | \$1,286,239 | \$986,365  |
| <br>  |              |             |            |
| Cash paid for interest  | \$69,830     | \$90,137    | \$122,166  |
| Cash paid for taxes   | \$132,176    | \$158,703   | \$156,465  |
| Net loans transferred to real estate and other repossessed assets   | \$86,868     | \$133,502   | \$87,476   |
| Residential mortgage loans guaranteed by U.S. government agencies that became eligible for repurchase during the year | \$127,572    | \$121,432   | \$154,134  |
| Conveyance of other real estate owned guaranteed by U.S. government agencies  | \$43,901     | \$89,223    | \$14,501   |
| See accompanying notes to consolidated financial statements.  |              |             |            |

## Notes to Consolidated Financial Statements

### (1) Significant Accounting Policies

#### Basis of Presentation

The Consolidated Financial Statements of BOK Financial Corporation (“BOK Financial” or “the Company”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”), including interpretations of U.S. GAAP issued by federal banking regulators and general practices of the banking industry. The consolidated financial statements include the accounts of BOK Financial and its subsidiaries, principally BOKF, NA (“the Bank”), BOSCO, Inc., The Milestone Group, Inc. and Cavanal Hill Investment Management, Inc. All significant intercompany transactions are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

The consolidated financial statements include the assets, liabilities, non-controlling interests and results of operations of variable interest entities (“VIEs”) when BOK Financial is determined to be the primary beneficiary. 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. See additional discussion of variable interest entities at Note 14 following.

#### Nature of Operations

BOK Financial, through its subsidiaries, provides a wide range of financial services to commercial and industrial customers, other financial institutions, municipalities, and consumers. These services include depository and cash management; lending and lease financing; mortgage banking; securities brokerage, trading and underwriting; and personal and corporate trust.

The Bank operates as Bank of Oklahoma primarily in Tulsa and Oklahoma City metropolitan areas of the state of Oklahoma and Bank of Texas primarily in the Dallas, Fort Worth and Houston metropolitan areas of the state of Texas. In addition, the Bank does business as Bank of Albuquerque in Albuquerque, New Mexico; Colorado State Bank and Trust in Denver, Colorado; Bank of Arizona in Phoenix, Arizona; Bank of Kansas City in Kansas City, Missouri/Kansas and Bank of Arkansas in Northwest Arkansas. The Bank also operates the TransFund electronic funds network.

#### Use of Estimates

Preparation of BOK Financial's consolidated financial statements requires management to make estimates of future economic activities, including loan collectability, prepayments and cash flows from customer accounts. These estimates are based upon current conditions and information available to management. Actual results may differ significantly from these estimates.

#### Acquisitions

Assets and liabilities acquired, including identifiable intangible assets, are recorded at fair value on the acquisition date. The purchase price includes consideration paid at closing and the estimated fair value of contingent consideration that will be paid in the future, subject to achieving defined performance criteria. Goodwill is recognized as the excess of the purchase price over the net fair value of assets acquired and liabilities assumed. The Consolidated Statements of Earnings include the results of operations from the acquisition date.

#### Goodwill and Intangible Assets

Goodwill and intangible assets generally result from business combinations and are evaluated for each of BOK Financial's reporting units for impairment annually or more frequently if conditions indicate impairment. The evaluation of possible impairment of goodwill and intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

Reporting units are defined by the Company as the geographical market underlying each operating segment. This definition is consistent with the manner in which the chief operating decision maker assesses the performance of the Company and makes decisions concerning the allocation of resources. The Company qualitatively assesses whether it is more likely than not that the fair value of the reporting units are less than their carrying value. This assessment includes consideration of relevant events and circumstances including but not limited to macroeconomic conditions, industry and market conditions, the financial and stock performance of the Company and other relevant factors. Additional quantitative analysis may be undertaken through which the fair value of BOK Financial's reporting units is estimated by the discounted future earnings method. Income growth is projected for each reporting unit and a terminal value is computed. This projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to determine the fair value of the reporting units are compared to observable inputs, such as the market value of BOK Financial common stock. However, determination of the fair value of individual reporting units requires the use of significant unobservable inputs. There have been no changes in the techniques used to evaluate the carrying value of goodwill.

Core deposit intangible assets are amortized using accelerated methods over the estimated lives of the acquired deposits. These assets generally have a weighted average life of 5 years. Other intangible assets are amortized using accelerated or straight-line methods, as appropriate, over the estimated benefit periods. These periods range from 5 years to 20 years. The net book values of identifiable intangible assets are evaluated for impairment when economic conditions indicate impairment may exist.

#### Cash Equivalents

Due from banks, funds sold (generally federal funds sold for one day), resell agreements (which generally mature within one to 30 days) and investments in money market funds are considered cash equivalents.

#### Securities

Securities are identified as trading, investment (held to maturity) or available for sale at the time of purchase based upon the intent of management, liquidity and capital requirements, regulatory limitations and other relevant factors. Trading securities, which are acquired for profit through resale, are carried at fair value with unrealized gains and losses included in current period earnings. Investment securities are carried at amortized cost. Amortization is computed by methods that approximate level yield and is adjusted for changes in prepayment estimates. Securities identified as available for sale are carried at fair value. Unrealized gains and losses are recorded, net of deferred income taxes, as accumulated other comprehensive income in shareholders' equity. Available for sale securities are separately identified as pledged to creditors if the creditor has the right to sell or re-pledge the collateral.

The purchase or sale of securities is recognized on a trade date basis. Realized gains and losses on sales of securities are based upon specific identification of the security sold. A receivable or payable is recognized for subsequent transaction settlement. BOK Financial will periodically commit to purchase to-be-announced residential mortgage-backed securities. These commitments are carried at fair value if they are considered derivative contracts. Investment securities may be sold or transferred to trading or available for sale classification in certain limited circumstances specified in generally accepted accounting principles. Securities meeting certain criteria may also be transferred from the available for sale classification to the investment securities portfolio at fair value on the date of transfer. The unrealized gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the investment securities portfolio. Such amounts are amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of the premium or accretion of the discount on the transferred securities.

On a quarterly basis, the Company performs separate evaluations of impaired debt investment and available for sale securities and equity available for sale securities to determine if the decline in fair value below the amortized cost is

other-than-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 and securities portfolio management. If the Company intends to sell or it is more likely than not that it will be required to sell the impaired debt security, a charge is recognized against earnings for the entire unrealized loss. For all impaired debt securities for which there is no intent or expected requirement to sell, the evaluation considers all available evidence to assess whether it is more likely than not that all amounts due would not be collected according to the security's contractual terms. Any expected credit loss due to the inability to collect all amounts due according to the security's contractual terms is recognized as a charge against earnings. Any remaining unrealized loss related to other factors would be recognized in other comprehensive income, net of taxes.

For equity securities, management evaluates various factors including cause, severity and duration of the decline in value of the security and prospects for recovery, as well as the Company's intent and ability not to sell the security until the fair value exceeds amortized cost. If an unrealized loss is determined to be other-than-temporary, a charge is recognized against earnings for the difference between the security's amortized cost and fair value.

BOK Financial has elected to carry certain non-trading 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 or certain derivative instruments.

Restricted equity securities represents equity interests the Company is required to hold in the Federal Reserve Banks and Federal Home Loan Banks. 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.

#### Derivative Instruments

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. The determination of fair value of derivative instruments considers changes in interest rates, commodity prices and foreign exchange rates. Credit risk is also considered in determining fair value. Deterioration in the credit rating of customers or other counterparties reduces the fair value of asset contracts. Deterioration of our credit rating to below investment grade or the credit ratings of other counterparties could decrease the fair value of our derivative liabilities. Changes in fair value are generally reported in income as they occur.

Derivative instruments used to manage interest rate risk consist primarily of interest rate swaps. These contracts modify the interest income or expense of certain assets or liabilities. Amounts receivable from or payable to counterparties are reported in interest income or expense using the accrual method. Changes in fair value of interest rate swaps are reported in other operating revenue - gain (loss) on derivatives, net.

In certain circumstances, an interest rate swap may be designated as a fair value hedge and may qualify for hedge accounting. In these circumstances, changes in the full fair value of the hedged asset or liability, not only changes in fair value due to changes in the benchmark interest rate, is also recognized in earnings and may partially or completely offset changes in fair value of the interest rate swap. A fair value hedge is considered effective if the cumulative fair value adjustment of the interest rate swap is within a range of 80% to 120% of the cumulative change in the fair value of the hedged asset or liability. Any ineffectiveness, including ineffectiveness due to credit risk or ineffectiveness created when the fixed rate of the hedged asset or liability does not match the fixed rate of the interest rate swap, is recognized in earnings and reported in Gain (loss) on derivatives, net.

Interest rate swaps may be designated as cash flow hedges of variable rate assets or liabilities, or of anticipated transactions. Changes in the fair value of interest rate swaps designated as cash flow hedges are recorded in accumulated other comprehensive income to the extent they are effective. The amount recorded in other comprehensive income is reclassified to earnings in the same periods as the hedged cash flows impact earnings. The ineffective portion of changes in fair value is reported in current earnings.

If a derivative instrument that had been designated as a fair value hedge is terminated or if the hedge designation is removed or deemed to no longer be effective, the difference between the hedged items carrying value and its face amount is recognized into income over the remaining original hedge period. Similarly, if a derivative instrument that had been designated as a cash flow hedge is terminated or if the hedge designation is removed or deemed to no longer be effective, the amount remaining in accumulated other comprehensive income is reclassified to earnings in the same period as the hedged item.

BOK Financial offers programs that permit its customers to manage various risks, including fluctuations in energy, cattle and other agricultural products, interest rates and foreign exchange rates with derivative contracts. Derivative contracts are executed between the customers and BOK Financial. Offsetting contracts are executed between BOK Financial and other selected counterparties to minimize market risk from 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.

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

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Derivative contracts may also require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met.

## 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 financial 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 loans guaranteed by U.S. government agencies, are as follows.

Interest is accrued at the applicable interest rate on the outstanding principal amount. 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 90 days or more past due or within 60 days of being notified of the borrower bankruptcy filing. Interest previously accrued but not collected is charged against interest income when the loan is placed on nonaccruing status. Payments received 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 then current collateral, debt service ratio and other underwriting standards. Nonaccruing loans may also 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 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 that are past due between 60 days 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 has 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 Sheet. Guaranteed loans are considered to be 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 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 at the modified rate. U.S. government guaranteed loans may either be resold into GNMA pools after a performance period specified by the programs or foreclosed and conveyed to the guarantors.

Allowance for Loan Losses and Accrual for Off-Balance Sheet Credit Risk

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

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 Credits Losses. Classes are based on the risk characteristics of the loans and the Company's method for monitoring and assessing credit risk.

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 based on estimated loss rates by loan class and nonspecific allowances based on factors that affect more than one portfolio segment. In the fourth quarter of 2011, the Company enhanced its methodology for estimating general allowances by establishing specific loss rates for each loan class. There were no changes to the methodology for estimating general allowances during 2013 or 2012.

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 a quarterly 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, modified in a troubled debt restructuring 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. The fair value of real property held as collateral 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 generally are not adjusted by the Company. Updated appraisals are obtained at least annually or more frequently if market conditions indicate collateral values may have declined. Collateral value of mineral rights is generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other collateral is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions. Collateral values and available cash resources that support impaired loans are evaluated quarterly. 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 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 an estimated loss rate by loan class. The appropriate historical gross loss rate for each loan class is determined by the greater of the current loss rate based on the most recent twelve months or a ten-year average gross loss rate. Recoveries are not directly considered in the estimation of historical 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, historical gross loss rates are adjusted for changes in risk grading. For each loan class, the current weighted average risk grade is compared to the the long-term weighted average risk grade. This comparison determines whether credit risk in each loan class is increasing or decreasing. Historical 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 a specific loan class which have not yet been represented in the historical 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 portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentration in large-balance loans and other relevant factors.

An accrual for off-balance sheet credit risk is included in Other liabilities. The appropriateness of the 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.

## Transfers of Financial Assets

BOK Financial transfers financial assets as part of its mortgage banking activities and periodically may transfer other financial assets. Transfers are recorded as sales when the criteria for surrender of control are met. Certain residential mortgage loans originated by the Company are held for sale and are carried at fair value based on sales commitments or market quotes and are reported separately in the Consolidated Balance Sheets. Changes in fair value are recorded in other operating revenue – mortgage banking revenue in the Consolidated Statements of Earnings.

BOK Financial retains a repurchase obligation under underwriting representations and warranties related to residential mortgage loans transferred and generally retains the right to service the loans. The Company may incur a recourse obligation in limited circumstances. Separate accruals are recognized in Other liabilities in the Consolidated Balance Sheets for repurchase and recourse obligations.

The Company may also retain a residual interest in excess cash flows generated by the assets. All assets obtained, including cash, servicing rights and residual interests, and all liabilities incurred, including recourse obligations, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings. Subsequently, servicing rights and residual interests are carried at fair value with changes in fair value recognized in earnings as they occur.

## Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are acquired in partial or total forgiveness of loans. These assets are carried at the lower of cost, which is determined by fair value at date of foreclosure less estimated disposal costs, or current fair value less estimated disposal costs. Decreases in fair value below cost are recognized as asset-specific valuation allowances which may be reversed when supported by future increases in fair value. Fair values of real estate are based on “as is” appraisals which are updated at least annually or more frequently for certain asset types or assets located in certain distressed markets. Fair values based on appraisals are generally considered to be based on significant other observable inputs. The Company also considers decreases in listing price and other relevant information in quarterly evaluations and reduces the carrying value of real estate and other repossessed assets when necessary. Fair values based on list prices and other relevant information are generally considered to be based on significant unobservable inputs. Additional costs incurred to complete real estate and other repossessed assets may increase the carrying value, up to current fair value based on “as completed” appraisals. The fair value of mineral rights included in repossessed assets are generally determined by our internal staff of engineers based on projected cash flows from proven oil and gas reserves under existing economic and operating conditions. The value of other repossessed assets is generally determined by our special assets staff based on projected liquidation cash flows under current market conditions. Income generated by these assets is recognized as received. Operating expenses are recognized as incurred. Gains or losses on sales of real estate and other repossessed assets are based on the cash proceeds received less the cost basis of the asset, net of any valuation allowances.

## Premises and Equipment

Premises and equipment are carried at cost, including capitalized interest when appropriate, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the estimated useful lives or remaining lease terms. Useful lives range from 5 years to 40 years for buildings and improvements, 3 years to 10 years for software and 3 years to 10 years for furniture and equipment. Construction in progress represents construction and systems projects underway that have not yet been placed into service. Depreciation and amortization begin once the assets are placed into service. Repair and maintenance costs are charged to expense as incurred.

Premises no longer used by the Company are transferred to real estate and other repossessed assets. The transferred amount is the lower of cost less accumulated depreciation or fair value less estimated disposal costs as of the transfer

date.

Rent expense for leased premises is recognized as incurred over the lease term. The effects of rent holidays, significant rent escalations and other adjustments to rent payments are recognized on a straight-line basis over the lease term.

#### Mortgage Servicing Rights

Mortgage servicing rights may be purchased or 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. All mortgage servicing rights are carried at fair value. Changes in the fair value are recognized in earnings as they occur.

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There is no active market for trading in mortgage servicing rights after origination. A cash flow model is used to determine fair value. Key assumptions and estimates, including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. Assumptions used to value mortgage servicing rights are considered significant unobservable inputs. 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. Fair value estimates from outside sources are received at least annually to corroborate the results of the valuation model.

#### Federal and State Income Taxes

BOK Financial and its subsidiaries file consolidated tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to BOK Financial amounts determined to be currently payable. BOK Financial is agent for its subsidiaries under the Company's tax sharing agreements and has no ownership rights to any refunds received for the benefit of its subsidiaries.

Current income tax expense or benefit is based on an evaluation that considers estimated taxable income, tax credits, and statutory federal and state income tax rates. The amount of current income tax expense or benefit recognized in any period may differ from amounts reported to taxing authorities. Annually, tax returns are filed with each jurisdiction where they Company conducts business and recognized current income tax expense or benefit is adjusted to the filed tax returns.

Deferred tax assets and liabilities are based upon the differences between the values of assets and liabilities as recognized in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion of the entire deferred tax asset may not be realized based on taxes previously paid in net loss carry-back periods and other factors.

BOK Financial has unrecognized tax benefits, which are included in accrued current income taxes payable, for the uncertain portion of recorded tax benefits and related interest. These uncertainties result from the application of complex tax laws, rules, regulations and interpretations, primarily in state taxing jurisdictions. Unrecognized tax benefits are assessed quarterly and may be adjusted through current income tax expense in future periods based on changing facts and circumstances, completion of examinations by taxing authorities or expiration of a statute of limitations. Estimated penalties and interest on uncertain tax positions are recognized in income tax expense.

#### Employee Benefit Plans

BOK Financial sponsors a defined benefit cash balance pension plan ("Pension Plan"), qualified profit sharing plan ("Thrift Plan") and employee health care plans. Pension Plan costs, which are based upon actuarial computations of current costs, are expensed annually. Unrecognized prior service cost and net gains or losses are amortized on a straight-line basis over the lesser of the average remaining service periods of the participants or 4 years. Employer contributions to the Pension Plan are in accordance with Federal income tax regulations. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the Pension Plan and no additional service benefits will be accrued.

BOK Financial recognizes the funded status of its employee benefit plans. For a pension plan, the funded status is the difference between the fair value of plan assets and the projected benefit obligation measured as of the fiscal year-end date. Adjustments required to recognize the Pension Plan's net funded status are made through accumulated other comprehensive income, net of deferred income taxes.

Employer contributions to the Thrift Plan, which matches employee contributions subject to percentage and years of service limits, are expensed when incurred. BOK Financial recognizes the expense of health care benefits on the accrual method.

#### Stock Compensation Plans

BOK Financial awards stock options and non-vested common shares as compensation to certain officers. Grant date fair value of stock options is based on the Black-Scholes option pricing model. Stock options generally have graded vesting over 7 years. Each tranche is considered a separate award for valuation and compensation cost recognition. Grant date fair value of non-vested shares is based on the current market value of BOK Financial common stock. Non-vested shares awarded prior to 2013 generally cliff vest in 5 years. Non-vested shares awarded in January 2013 generally cliff vest in 3 years and are subject to a two year holding period after vesting.

Compensation cost is recognized as expense over the service period, which is generally the vesting period. Expense is reduced for estimated forfeitures over the vesting period and adjusted for actual forfeitures as they occur. Stock-based compensation awarded to certain officers has performance conditions that affect the number of awards granted. Compensation cost is adjusted based on the probable outcome of the performance conditions. Excess tax benefits from share-based payments recognized in capital surplus are determined by the excess of tax benefits recognized over the tax effect of compensation cost recognized.

Certain executive officers may defer the recognition of income from stock-based compensation for income tax purposes and to diversify the deferred income into alternative investments. Stock-based compensation granted to these officers is considered liability awards. Changes in the fair value of liability awards are recognized as compensation expense in the period of the change.

#### Other Operating Revenue

Fees and commission revenue is recognized at the time the related services are provided or products are sold and may be accrued when necessary. Accrued fees and commissions are reversed against revenue if amounts are subsequently deemed to be uncollectible. Revenue is recognized on a gross basis whenever we have primary responsibility and risk in providing the services or products to our customers and on a net basis whenever we act as a broker for products or services of others.

Brokerage and trading revenue includes changes in the fair value of securities held for trading purposes and derivatives held for customer risk management programs, including credit losses on trading securities and derivatives, commissions earned from the retail sale of securities, mutual funds and other financial instruments, and underwriting and financial advisory fees.

Transaction card revenue includes merchant discounts fees, electronic funds transfer network fees and check card fees. Merchant discount fees represent fees paid by customers for account management and electronic processing of transactions. Merchant discount fees are recognized at the time the customer's transactions are processed or other services are performed. The Company also maintains the TransFund electronic funds transfer network for the benefit of its members, which includes the Bank. Electronic funds transfer fees are recognized as electronic transactions processed on behalf of its members. Check card fees represent interchange fees paid by a merchant bank for transactions processed from cards issued by the Company. Check card fees are recognized when transactions are processed.

Trust fees and commissions include revenue from asset management, custody, recordkeeping, investment advisory and administration services. Revenue is recognized on an accrual basis at the time the services are performed and may be based on either the fair value of the account or the service provided.

Deposit service charges and fees are recognized at least quarterly in accordance with published deposit account agreement and disclosure statement for retail accounts or contractual agreement for commercial accounts. Item charges for overdraft or non-sufficient funds items are recognized as items are presented for payment. Account balance charges and activity fees are accrued monthly and collected in arrears. Commercial account activity fees may be offset by an earnings credit based on account balances.

#### Newly Adopted and Pending Accounting Pronouncements

##### Financial Accounting Standards Board ("FASB")

FASB Accounting Standards Update No. 2011-11, Disclosures About Offsetting Assets and Liabilities ("ASU 2011-11")



On December 16, 2011, the FASB issued ASU 2011-11 which contains new disclosure requirements regarding the nature of an entity's right of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are anticipated to facilitate comparison between financial statements prepared under generally accepted accounting principles in the United States of America and International Financial Reporting Standards by providing information about both gross and net exposures. The new disclosure requirements were effective for interim and annual reporting periods beginning on or after January 1, 2013.

FASB Accounting Standards Update No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01)

On January 31, 2013, FASB issued ASU 2013-01 which clarified that the scope of ASU 2011-11 applied for derivative contracts accounted for in accordance with Topic 815, Derivative and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transaction that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 was effective for the Company on January 1, 2013.

FASB Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02")

On February 7, 2013 the FASB issued ASU 2013-02 which sets the requirements for presentation of significant reclassifications out of accumulated other comprehensive income for both items reclassified in their entirety and the respective line items in Statement of Earnings they are being reclassified into and for other amounts that are not reclassified in their entirety to net income during the reporting period, such as items being reclassified to balance sheet accounts. ASU 2013-02 was effective for the Company on January 1, 2013 and is to be applied prospectively.

FASB Accounting Standards Update No. 2013-08, Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements (ASU 2013-08)

On June 7, 2013, the FASB issued ASU 2013-08 which amends the criteria an entity would need to meet to qualify as an investment company under ASC 946, Financial Services - Investment Companies. ASU 2013-08 also provides additional implementation guidance for the assessment and requires additional disclosures. ASU 2013-08 is effective prospectively during interim and annual periods beginning after December 15, 2013, with early adoption prohibited. The adoption of ASU 2013-08 is not expected to have a material impact on the Company's consolidated financial statements.

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 is effective for the Company for interim and annual periods beginning after December 15, 2014. Early adoption is permitted. Adoption of ASU 2014-01 may affect income statement presentation, but otherwise is not expected to 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

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 is effective for the Company for interim and annual periods beginning after December 15, 2014. Early adoption is permitted. Adoption of ASU 2014-04 is not expected to have a material impact on the Company's consolidated financial statements.



## (2) Securities

## Trading Securities

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

|  | December 31, 2013 |                            | December 31, 2012 |                            |
|--|-------------------|----------------------------|-------------------|----------------------------|
|  | Fair Value        | Net Unrealized Gain (Loss) | Fair Value        | Net Unrealized Gain (Loss) |
| U.S. Government agency debentures                  | \$34,120          | \$77                       | \$16,545          | \$(57 )                    |
| U.S. agency residential mortgage-backed securities | 21,011            | 123                        | 86,361            | 447                        |
| Municipal and other tax-exempt securities          | 27,350            | (182 )                     | 90,326            | (226 )                     |
| Other trading securities                           | 9,135             | (7 )                       | 20,870            | (13 )                      |
| Total  | \$91,616          | \$11                       | \$214,102         | \$151                      |

## Investment Securities

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

|  | December 31, 2013 |                             |            |                       |                       |
|--|-------------------|-----------------------------|------------|-----------------------|-----------------------|
|  | Amortized Cost    | Carrying Value <sup>1</sup> | Fair Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Municipal and other tax-exempt                       | \$440,187         | \$440,187                   | \$439,870  | \$2,452               | \$(2,769 )            |
| U.S. agency residential mortgage-backed securities – | 48,351            | 50,182                      | 51,864     | 1,738                 | (56 )                 |
| Other  |                   |                             |            |                       |                       |
| Other debt securities                                | 187,509           | 187,509                     | 195,393    | 8,497                 | (613 )                |
| Total  | \$676,047         | \$677,878                   | \$687,127  | \$12,687              | \$(3,438 )            |

Carrying value includes \$1.8 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 as discussed in greater detail following.

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

|  | December 31, 2012 |                             |            |                       |                       |
|--|-------------------|-----------------------------|------------|-----------------------|-----------------------|
|  | Amortized Cost    | Carrying Value <sup>1</sup> | Fair Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Municipal and other tax-exempt                       | \$232,700         | \$232,700                   | \$235,940  | \$3,723               | \$(483 )              |
| U.S. agency residential mortgage-backed securities – | 77,726            | 82,767                      | 85,943     | 3,176                 | —                     |
| Other  |                   |                             |            |                       |                       |
| Other debt securities                                | 184,067           | 184,067                     | 206,575    | 22,528                | (20 )                 |
| Total  | \$494,493         | \$499,534                   | \$528,458  | \$29,427              | \$(503 )              |

Carrying value includes \$5.0 million of net unrealized gain which remains in AOCI in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio as discussed in greater detail following.

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

In 2011, the Company transferred certain U.S. government agency residential mortgage-backed securities from the available for sale portfolio to the investment securities (held-to-maturity) portfolio as the Company has the positive intent and ability to hold these securities to maturity. No gains or losses were recognized in the Consolidated Statement of Earnings at the time of the transfer. Transfers of debt securities into the investment securities portfolio (held-to-maturity) are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in Accumulated Other Comprehensive Income and in the carrying value of the investment securities portfolio. Such amounts are amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of the premium or accretion of the discount on the transferred securities. At the time of transfer, the fair value totaled \$131 million, amortized cost totaled \$118 million and the pretax unrealized gain totaled \$13 million.

The amortized cost and fair values of investment securities at December 31, 2013, 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>2</sup> |
|---|-----------------------|----------------------|---------------------|-------------------|-----------|--|
| Municipal and other tax-exempt:         |                       |                      |                     |                   |           |  |
| Carrying value                          | \$33,821              | \$308,451            | \$57,873            | \$40,042          | \$440,187 | 4.43   |
| Fair value                              | 33,996                | 308,701              | 57,168              | 40,005            | 439,870   |  |
| Nominal yield <sup>1</sup>              | 2.91                  | % 1.66               | % 2.65              | % 4.75            | % 2.23    | %  |
| Other debt securities:                  |                       |                      |                     |                   |           |  |
| Carrying value                          | \$9,138               | \$33,043             | \$44,539            | \$100,789         | \$187,509 | 8.63   |
| Fair value                              | 9,140                 | 33,269               | 44,686              | 108,298           | 195,393   |  |
| Nominal yield                           | 4.08                  | % 5.02               | % 5.27              | % 6.27            | % 5.71    | %  |
| Total fixed maturity securities:        |                       |                      |                     |                   |           |  |
| Carrying value                          | \$42,959              | \$341,494            | \$102,412           | \$140,831         | \$627,696 | 5.69   |
| Fair value                              | 43,136                | 341,970              | 101,854             | 148,303           | 635,263   |  |
| Nominal yield                           | 3.16                  | % 1.98               | % 3.79              | % 5.84            | % 3.27    | %  |
| Residential mortgage-backed securities: |                       |                      |                     |                   |           |  |
| Carrying value                          |                       |                      |                     |                   | \$50,182  | <sup>3</sup>                                 |
| Fair value                              |                       |                      |                     |                   | 51,864    |  |
| Nominal yield <sup>4</sup>              |                       |                      |                     |                   | 2.73      | %  |
| Total investment securities:            |                       |                      |                     |                   |           |  |
| Carrying value                          |                       |                      |                     |                   | \$677,878 |  |
| Fair value                              |                       |                      |                     |                   | 687,127   |  |
| Nominal yield                           |                       |                      |                     |                   | 3.23      | %  |

<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 3.1 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):

|  | December 31, 2013 |              | Gross Unrealized <sup>1</sup> |             | OTTI <sup>2</sup> |
|--|-------------------|--------------|-------------------------------|-------------|-------------------|
|  | Amortized Cost    | Fair Value   | Gain                          | Loss        |                   |
| U.S. Treasury  | \$1,042           | \$1,042      | \$—                           | \$—         | \$—               |
| Municipal and other tax-exempt   | 73,232            | 73,775       | 1,606                         | (1,063)     | ) —               |
| Residential mortgage-backed securities:                                      |                   |              |                               |             |                   |
| U. S. government agencies:   |                   |              |                               |             |                   |
| FNMA   | 4,224,327         | 4,232,332    | 68,154                        | (60,149)    | ) —               |
| FHLMC  | 2,308,341         | 2,293,943    | 25,813                        | (40,211)    | ) —               |
| GNMA   | 1,151,225         | 1,152,128    | 9,435                         | (8,532)     | ) —               |
| Other  | 36,296            | 37,607       | 1,311                         | —           | —                 |
| Total U.S. government agencies   | 7,720,189         | 7,716,010    | 104,713                       | (108,892)   | ) —               |
| Private issue:   |                   |              |                               |             |                   |
| Alt-A loans  | 104,559           | 107,212      | 4,386                         | —           | (1,733 )          |
| Jumbo-A loans  | 109,622           | 113,887      | 4,974                         | —           | (709 )            |
| Total private issue  | 214,181           | 221,099      | 9,360                         | —           | (2,442 )          |
| Total residential mortgage-backed securities                                 | 7,934,370         | 7,937,109    | 114,073                       | (108,892)   | ) (2,442 )        |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,100,146         | 2,055,804    | 1,042                         | (45,384)    | ) —               |
| Other debt securities  | 35,061            | 35,241       | 368                           | (188)       | ) —               |
| Perpetual preferred stock  | 22,171            | 22,863       | 705                           | (13)        | ) —               |
| Equity securities and mutual funds   | 19,069            | 21,328       | 2,326                         | (67)        | ) —               |
| Total  | \$10,185,091      | \$10,147,162 | \$120,120                     | \$(155,607) | \$(2,442 )        |

<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, 2012 |              | Gross Unrealized <sup>1</sup> |           | OTTI <sup>2</sup> |
|--|-------------------|--------------|-------------------------------|-----------|-------------------|
|  | Amortized Cost    | Fair Value   | Gain                          | Loss      |                   |
| U.S. Treasury  | \$1,000           | \$1,002      | \$2                           | \$—       | \$—               |
| Municipal and other tax-exempt   | 84,892            | 87,142       | 2,414                         | (164)     | ) —               |
| Residential mortgage-backed securities:                                      |                   |              |                               |           |                   |
| U. S. government agencies:   |                   |              |                               |           |                   |
| FNMA   | 5,308,463         | 5,453,549    | 146,247                       | (1,161)   | ) —               |
| FHLMC  | 2,978,608         | 3,045,564    | 66,956                        | —         | —                 |
| GNMA   | 1,215,554         | 1,237,041    | 21,487                        | —         | —                 |
| Other  | 148,025           | 153,667      | 5,642                         | —         | —                 |
| Total U.S. government agencies   | 9,650,650         | 9,889,821    | 240,332                       | (1,161)   | ) —               |
| Private issue:   |                   |              |                               |           |                   |
| Alt-A loans  | 124,314           | 123,174      | 1,440                         | —         | (2,580 )          |
| Jumbo-A loans  | 198,588           | 201,989      | 5,138                         | (134)     | ) (1,603 )        |
| Total private issue  | 322,902           | 325,163      | 6,578                         | (134)     | ) (4,183 )        |
| Total residential mortgage-backed securities                                 | 9,973,552         | 10,214,984   | 246,910                       | (1,295)   | ) (4,183 )        |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 890,746           | 895,075      | 5,006                         | (677)     | ) —               |
| Other debt securities  | 35,680            | 36,389       | 709                           | —         | —                 |
| Perpetual preferred stock  | 22,171            | 25,072       | 2,901                         | —         | —                 |
| Equity securities and mutual funds   | 24,593            | 27,557       | 3,242                         | (278)     | ) —               |
| Total  | \$11,032,634      | \$11,287,221 | \$261,184                     | \$(2,414) | ) \$(4,183 )      |

<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.

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The amortized cost and fair values of available for sale securities at December 31, 2013, 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 <sup>6</sup> | Total        | Weighted<br>Average<br>Maturity <sup>5</sup> |
|---|-----------------------|----------------------|---------------------|--------------------------------|--------------|--|
| U.S. Treasuries:                        |                       |                      |                     |                                |              |  |
| Amortized cost                          | \$1,042               | \$—                  | \$—                 | \$—                            | \$1,042      | 1.16   |
| Fair value                              | 1,042                 | —                    | —                   | —                              | 1,042        |  |
| Nominal yield                           | 0.24                  | % —                  | % —                 | % —                            | % 0.24       | %  |
| Municipal and other tax-exempt:         |                       |                      |                     |                                |              |  |
| Amortized cost                          | 1,856                 | 36,183               | 3,239               | 31,954                         | 73,232       | 10.48  |
| Fair value                              | 1,882                 | 37,470               | 3,451               | 30,972                         | 73,775       |  |
| Nominal yield <sup>1</sup>              | 6.35                  | % 3.84               | % 6.34              | % 5.41                         | % 4.70       | %  |
| Commercial mortgage-backed securities:  |                       |                      |                     |                                |              |  |
| Amortized cost                          | —                     | 626,327              | 1,104,095           | 369,724                        | 2,100,146    | 9.41   |
| Fair value                              | —                     | 619,219              | 1,073,471           | 363,114                        | 2,055,804    |  |
| Nominal yield                           | —                     | % 1.22               | % 1.43              | % 1.25                         | % 1.34       | %  |
| Other debt securities:                  |                       |                      |                     |                                |              |  |
| Amortized cost                          | 24,992                | 5,169                | —                   | 4,900                          | 35,061       | 5.31   |
| Fair value                              | 25,270                | 5,259                | —                   | 4,712                          | 35,241       |  |
| Nominal yield                           | 1.74                  | % 2.12               | % —                 | % 1.54                         | % 1.77       | %  |
| Total fixed maturity securities:        |                       |                      |                     |                                |              |  |
| Amortized cost                          | \$27,890              | \$667,679            | \$1,107,334         | \$406,578                      | \$2,209,481  | 9.38   |
| Fair value                              | 28,194                | 661,948              | 1,076,922           | 398,798                        | 2,165,862    |  |
| Nominal yield                           | 2.05                  | % 1.37               | % 1.44              | % 1.58                         | % 1.45       | %  |
| Residential mortgage-backed securities: |                       |                      |                     |                                |              |  |
| Amortized cost                          |                       |                      |                     |                                | \$7,934,370  | <sup>2</sup>                                 |
| Fair value                              |                       |                      |                     |                                | 7,937,109    |  |
| Nominal yield <sup>4</sup>              |                       |                      |                     |                                | 1.90         | %  |
| Equity securities and mutual funds:     |                       |                      |                     |                                |              |  |
| Amortized cost                          |                       |                      |                     |                                | \$41,240     | <sup>3</sup>                                 |
| Fair value                              |                       |                      |                     |                                | 44,191       |  |
| Nominal yield                           |                       |                      |                     |                                | 1.33         | %  |
| Total available-for-sale securities:    |                       |                      |                     |                                |              |  |
| Amortized cost                          |                       |                      |                     |                                | \$10,185,091 |  |
| Fair value                              |                       |                      |                     |                                | 10,147,162   |  |
| Nominal yield                           |                       |                      |                     |                                | 1.80         | %  |

<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.

<sup>6</sup>



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.

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

|  | Year Ended December 31, |             |           |
|--|-------------------------|-------------|-----------|
|  | 2013                    | 2012        | 2011      |
| Proceeds                                     | \$2,436,093             | \$1,744,662 | 2,725,760 |
| Gross realized gains                         | 25,711                  | 41,191      | 41,284    |
| Gross realized losses                        | (14,991)                | (7,346)     | (7,140)   |
| Related federal and state income tax expense | 4,170                   | 13,166      | 13,282    |

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):

|                     | December 31, |           |
|---------------------|--------------|-----------|
|                     | 2013         | 2012      |
| Investment:         |              |           |
| Carrying value      | \$89,087     | \$117,346 |
| Fair value          | 91,804       | 121,647   |
| Available for sale: |              |           |
| Amortized cost      | 5,171,782    | 4,070,250 |
| Fair value          | 5,133,530    | 4,186,390 |

The secured parties do not have the right to sell or re-pledge these securities. At December 31, 2012, municipal trading securities with a fair value of \$13 million were pledged as collateral on a line of credit for the trading activities of BOSCO, Inc. Under the terms of the credit agreement, the creditor has the right to sell or repledge the collateral. No trading securities were pledged as collateral as of December 31, 2013.

## Temporarily Impaired Securities as of December 31, 2013

(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                       | 107                        | \$166,382                            | \$1,921            | \$53,073                             | \$848              | \$219,455              | \$2,769            |
| U.S. Agency residential<br>mortgage-backed securities – | 2                          | 15,224                               | 56                 | —                                    | —                  | 15,224                 | 56                 |
| Other   |                            |                                      |                    |                                      |                    |                        |                    |
| Other debt securities                                   | 30                         | 10,932                               | 549                | 777                                  | 64                 | 11,709                 | 613                |
| Total investment  | 139                        | \$192,538                            | \$2,526            | \$53,850                             | \$912              | \$246,388              | \$3,438            |

|   | 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   | 27                         | \$13,286                             | \$245              | \$17,805                             | \$818              | \$31,091               | \$1,063            |
| Residential<br>mortgage-backed securities:  |                            |                                      |                    |                                      |                    |                        |                    |
| U. S. agencies:   |                            |                                      |                    |                                      |                    |                        |                    |
| FNMA  | 81                         | 2,281,491                            | 60,149             | —                                    | —                  | 2,281,491              | 60,149             |
| FHLMC   | 50                         | 1,450,588                            | 40,211             | —                                    | —                  | 1,450,588              | 40,211             |
| GNMA  | 27                         | 647,058                              | 8,532              | —                                    | —                  | 647,058                | 8,532              |
| Total U.S. agencies   | 158                        | 4,379,137                            | 108,892            | —                                    | —                  | 4,379,137              | 108,892            |
| Private issue <sup>1</sup> :  |                            |                                      |                    |                                      |                    |                        |                    |
| Alt-A loans   | 7                          | 11,043                               | 756                | 30,774                               | 977                | 41,817                 | 1,733              |
| Jumbo-A loans   | 9                          | 14,642                               | 709                | —                                    | —                  | 14,642                 | 709                |
| Total private issue   | 16                         | 25,685                               | 1,465              | 30,774                               | 977                | 56,459                 | 2,442              |
| Total residential<br>mortgage-backed securities                                       | 174                        | 4,404,822                            | 110,357            | 30,774                               | 977                | 4,435,596              | 111,334            |
| Commercial<br>mortgage-backed securities<br>guaranteed by U.S.<br>government agencies | 123                        | 1,800,717                            | 45,302             | 2,286                                | 82                 | 1,803,003              | 45,384             |
| Other debt securities   | 3                          | 4,712                                | 188                | —                                    | —                  | 4,712                  | 188                |
| Perpetual preferred stocks  | 1                          | 4,988                                | 13                 | —                                    | —                  | 4,988                  | 13                 |
| Equity securities and<br>mutual funds   | 118                        | 2,070                                | 67                 | —                                    | —                  | 2,070                  | 67                 |
| Total available for sale  | 446                        | \$6,230,595                          | \$156,172          | \$50,865                             | \$1,877            | \$6,281,460            | \$158,049          |

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

|               |   |        |     |        |     |        |       |
|---------------|---|--------|-----|--------|-----|--------|-------|
| Alt-A loans   | 7 | 11,043 | 756 | 30,774 | 977 | 41,817 | 1,733 |
| Jumbo-A loans | 9 | 14,642 | 709 | —      | —   | 14,642 | 709   |

## Temporarily Impaired Securities as of December 31, 2012

(In thousands)

|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months 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                             | 53                   | \$92,768                       | \$483                     | \$—                            | \$—                                 | \$92,768         | \$483           |
| U.S. Agency residential mortgage-backed securities – Other | —                    | —                              | —                         | —                              | —                                   | —                | —               |
| Other debt securities                                      | 14                   | 881                            | 20                        | —                              | —                                   | 881              | 20              |
| Total investment   | 67                   | \$93,649                       | \$503                     | \$—                            | \$—                                 | \$93,649         | \$503           |

|  | Number of Securities | Less Than 12 Months Fair Value | 12 Months 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   | 38                   | \$6,150                        | \$11                      | \$26,108                       | \$153                               | \$32,258         | \$164           |
| Residential mortgage-backed securities:                                      |                      |                                |                           |                                |                                     |                  |                 |
| U. S. agencies:  |                      |                                |                           |                                |                                     |                  |                 |
| FNMA   | 12                   | 161,828                        | 1,161                     | —                              | —                                   | 161,828          | 1,161           |
| FHLMC  | —                    | —                              | —                         | —                              | —                                   | —                | —               |
| GNMA   | —                    | —                              | —                         | —                              | —                                   | —                | —               |
| Total U.S. agencies  | 12                   | 161,828                        | 1,161                     | —                              | —                                   | 161,828          | 1,161           |
| Private issue <sup>1</sup> :   |                      |                                |                           |                                |                                     |                  |                 |
| Alt-A loans  | 12                   | —                              | —                         | 87,907                         | 2,580                               | 87,907           | 2,580           |
| Jumbo-A loans  | 11                   | —                              | —                         | 43,252                         | 1,737                               | 43,252           | 1,737           |
| Total private issue  | 23                   | —                              | —                         | 131,159                        | 4,317                               | 131,159          | 4,317           |
| Total residential mortgage-backed securities                                 | 35                   | 161,828                        | 1,161                     | 131,159                        | 4,317                               | 292,987          | 5,478           |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 8                    | 275,065                        | 677                       | —                              | —                                   | 275,065          | 677             |
| Other debt securities  | 3                    | 4,899                          | —                         | —                              | —                                   | 4,899            | —               |
| Perpetual preferred stocks   | —                    | —                              | —                         | —                              | —                                   | —                | —               |
| Equity securities and mutual funds   | 22                   | 202                            | 1                         | 2,161                          | 277                                 | 2,363            | 278             |
| Total available for sale   | 106                  | \$448,144                      | \$1,850                   | \$159,428                      | \$4,747                             | \$607,572        | \$6,597         |

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

|               |    |     |     |          |         |          |         |
|---------------|----|-----|-----|----------|---------|----------|---------|
| Alt-A loans   | 12 | \$— | \$— | \$87,907 | \$2,580 | \$87,907 | \$2,580 |
| Jumbo-A loans | 10 | —   | —   | 29,128   | 1,602   | 29,128   | 1,602   |



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 December 31, 2013, we do not intend to sell any impaired available for sale securities before fair value recovers to our current amortized cost and it is more-likely-than-not that we will not be required to sell impaired securities before fair value recovers, which may be maturity.

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 December 31, 2013.

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At December 31, 2013, 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                      | \$—                          | \$—              | \$280,583        | \$278,789        | \$20,784        | \$21,012        | \$—                    | \$138,820        | \$140,069        | \$440,187        | \$439,870        |            |
| Mortgage-backed securities -- other                 | 50,182                       | 51,864           | —                | —                | —               | —               | —                      | —                | —                | 50,182           | 51,864           |            |
| Other debt securities                               | —                            | —                | 167,463          | 175,921          | —               | —               | —                      | 20,046           | 19,472           | 187,509          | 195,393          |            |
| <b>Total investment securities</b>                  | <b>\$50,182</b>              | <b>\$51,864</b>  | <b>\$448,046</b> | <b>\$454,710</b> | <b>\$20,784</b> | <b>\$21,012</b> | <b>\$—</b>             | <b>\$158,866</b> | <b>\$159,541</b> | <b>\$677,878</b> | <b>\$687,127</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                                       | \$1,042                      | \$1,042          | \$—              | \$—              | \$—             | \$—             | \$—                    | \$—              | \$—              | \$—              | \$—              | \$1,042    |
| Municipal and other tax-exempt                      | —                            | —                | 44,969           | 45,984           | 15,854          | 15,545          | —                      | —                | 12,409           | 12,246           | 73,232           |            |
| Residential mortgage-backed securities:             |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| U. S. government agencies:                          |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| FNMA  | 4,224,327                    | 4,232,332        | —                | —                | —               | —               | —                      | —                | —                | —                | 4,224,327        |            |
| FHLMC   | 2,308,341                    | 2,293,943        | —                | —                | —               | —               | —                      | —                | —                | —                | 2,308,341        |            |
| GNMA  | 1,151,225                    | 1,152,128        | —                | —                | —               | —               | —                      | —                | —                | —                | 1,151,225        |            |
| Other   | 36,296                       | 37,607           | —                | —                | —               | —               | —                      | —                | —                | —                | 36,296           |            |
| <b>Total U.S. government agencies</b>               | <b>7,720,189</b>             | <b>7,716,010</b> | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>—</b>               | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>7,720,189</b> |            |
| Private issue:                                      |                              |                  |                  |                  |                 |                 |                        |                  |                  |                  |                  |            |
| Alt-A loans   | —                            | —                | —                | —                | —               | —               | 104,559                | 107,212          | —                | —                | 104,559          |            |
| Jumbo-A loans                                       | —                            | —                | —                | —                | —               | —               | 109,622                | 113,887          | —                | —                | 109,622          |            |
| <b>Total private issue</b>                          | <b>—</b>                     | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>214,181</b>         | <b>221,099</b>   | <b>—</b>         | <b>—</b>         | <b>214,181</b>   |            |
| <b>Total residential mortgage-backed securities</b> | <b>7,720,189</b>             | <b>7,716,010</b> | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>        | <b>214,181</b>         | <b>221,099</b>   | <b>—</b>         | <b>—</b>         | <b>7,934,370</b> |            |
| Commercial mortgage-backed securities               | 2,100,146                    | 2,055,804        | —                | —                | —               | —               | —                      | —                | —                | —                | 2,100,146        |            |

|  |             |             |          |          |          |          |           |           |          |          |          |          |
|--|-------------|-------------|----------|----------|----------|----------|-----------|-----------|----------|----------|----------|----------|
| guaranteed by<br>U.S. government<br>agencies |             |             |          |          |          |          |           |           |          |          |          |          |
| Other debt<br>securities                     | —           | —           | 4,900    | 4,712    | 30,161   | 30,529   | —         | —         | —        | —        | —        | 35,000   |
| Perpetual<br>preferred stock                 | —           | —           | —        | —        | 11,406   | 11,859   | 10,765    | 11,004    | —        | —        | —        | 22,170   |
| Equity securities<br>and mutual funds        | —           | —           | 4        | 457      | —        | —        | —         | —         | 19,065   | 20,871   | 19,065   | 19,065   |
| Total available<br>for sale securities       | \$9,821,377 | \$9,772,856 | \$49,873 | \$51,153 | \$57,421 | \$57,933 | \$224,946 | \$232,103 | \$31,474 | \$33,117 | \$10,000 | \$10,000 |

<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 December 31, 2013, the entire portfolio of privately issued residential mortgage-backed securities was rated below investment grade by at least one of the nationally-recognized rating agencies. The gross unrealized loss on these securities totaled \$2.4 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 by at least one of the nationally-recognized rating agencies was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, changes in housing prices and estimated liquidation costs at foreclosure.

The primary assumptions used in this evaluation were:

|   | December 31,<br>2013   | 2012   |
|---|--|--|
| Unemployment rate                       | Increasing to 7.3% over the next 12 months and remain at 7.3% thereafter   | Increasing to 8.5% over the next 12 months, dropping to 8% over the following 21 months and holding at 8% thereafter.  |
| Housing price appreciation/depreciation | Starting with current depreciated housing prices based on information derived from the FHFA <sup>1</sup> , appreciating 4% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. | Starting with current depreciated housing prices based on information derived from the FHFA <sup>1</sup> , depreciating 2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. |
| Estimated liquidation costs             | Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company.  | Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company.  |
| Discount rates                          | 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.   |

<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. 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 super-senior tranches for many of our residential mortgage-backed securities. Subordinated tranches held by other investors are specifically designed to absorb losses before the super-senior tranches which added an additional layer to 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 was charged against other comprehensive income, net of deferred taxes.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities, the Company recognized \$938 thousand of additional credit loss impairments in earnings during 2013. The Company recognized credit loss impairments on private-label residential mortgage-backed securities in earnings of \$5.9 million in 2012 and \$21.9 million in 2011.

In addition to other-than-temporary impairment charges on private-label residential mortgage-backed securities, the Company recognized \$1.4 million of credit loss impairment in earnings during 2013 for certain below investment grade municipal securities based on an assessment of the issuer's on-going financial difficulties and bankruptcy filing in 2011. The Company recognized \$1.0 million in impairment charges on these securities in 2012 and \$1.6 million of impairment losses on these securities in 2011.

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 |                      |                      |          |
|---------|----------------------|----------------|------------|--------------------------|----------------------|----------------------|----------|
|         |                      |                |            | Year ended               |                      | Life-to-date         |          |
|         |                      |                |            | December 31, 2013        |                      | Number of Securities |          |
|         |                      |                |            | Amount                   | Number of Securities | Amount               |          |
| Alt-A   | 16                   | \$104,559      | \$107,212  | 4                        | \$938                | 16                   | \$49,126 |
| Jumbo-A | 31                   | 109,622        | 113,887    | —                        | —                    | 29                   | 18,220   |
| Total   | 47                   | \$214,181      | \$221,099  | 4                        | \$938                | 45                   | \$67,346 |

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. Based on this evaluation, no other-than-temporary impairment losses was recorded in earnings on any equity securities during 2013. All remaining impairment of equity securities was considered temporary at December 31, 2013 and December 31, 2012. A \$457 thousand other-than-temporary impairment loss related to equity securities was recorded in earnings in 2012 and no impairment losses were recorded in 2011.

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):

|   | Year Ended December 31, |           |
|---|-------------------------|-----------|
|   | 2013                    | 2012      |
| Balance of credit-related OTTI recognized on available for sale debt, beginning of period   | \$75,228                | \$76,131  |
| Additions for credit-related OTTI not previously recognized   | 618                     | 113       |
| 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 | 320                     | 6,780     |
| Reductions for change in intent to hold before recovery   | (3,589)                 | ) —       |
| Sales   | (5,231)                 | ) (7,796) |
| Balance of credit-related OTTI recognized on available for sale debt securities, end of period  | \$67,346                | \$75,228  |
| Fair Value Option Securities  |                         |           |

Fair value option securities represent securities which the Company has elected to carry at fair value and separately identified on the Consolidated Balance Sheets with changes in the fair value 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):

|  | December 31, 2013 |                            | December 31, 2012 |                            |
|--|-------------------|----------------------------|-------------------|----------------------------|
|  | Fair Value        | Net Unrealized Gain (Loss) | Fair Value        | Net Unrealized Gain (Loss) |
| U.S. agency residential mortgage-backed securities | \$157,431         | \$(8,378)                  | \$257,040         | \$3,314                    |
| Corporate debt securities                          | —                 | —                          | 26,486            | 1,409                      |
| Other securities                                   | \$9,694           | \$209                      | \$770             | \$47                       |
| Total  | \$167,125         | \$(8,169)                  | \$284,296         | \$4,770                    |

#### 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. Federal Reserve Bank stock totaled \$34 million at December 31, 2013 and \$34 million at December 31, 2012. Holdings of FHLB stock totaled \$51 million at December 31, 2013 and \$31 million at December 31, 2012.

## (3) Derivatives

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2013 (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 | \$10,817,159          | \$102,921        | \$(46,623)          | \$56,298                              | \$—             | \$56,298                          |
| Interest rate swaps                                    | 1,283,379             | 44,124           | —                   | 44,124                                | (731)           | 43,393                            |
| Energy contracts                                       | 1,263,266             | 48,078           | (29,957)            | 18,121                                | (2,575)         | 15,546                            |
| Agricultural contracts                                 | 100,886               | 2,060            | (1,166)             | 894                                   | —               | 894                               |
| Foreign exchange contracts                             | 136,543               | 136,543          | —                   | 136,543                               | (2,147)         | 134,396                           |
| Equity option contracts                                | 210,816               | 17,957           | —                   | 17,957                                | (3,472)         | 14,485                            |
| Total customer risk management programs                | 13,812,049            | 351,683          | (77,746)            | 273,937                               | (8,925)         | 265,012                           |
| Interest rate risk management programs                 |                       |                  |                     |                                       |                 |                                   |
| Total derivative contracts                             | \$13,812,049          | \$351,683        | \$(77,746)          | \$273,937                             | \$(8,925)       | \$265,012                         |
| 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 | \$10,982,049          | \$99,830         | \$(46,623)          | \$53,207                              | \$—             | \$53,207                          |
| Interest rate swaps                                    | 1,283,379             | 44,377           | —                   | 44,377                                | (17,853)        | 26,524                            |
| Energy contracts                                       | 1,216,426             | 46,095           | (29,957)            | 16,138                                | (6,055)         | 10,083                            |
| Agricultural contracts                                 | 99,191                | 2,009            | (1,166)             | 843                                   | —               | 843                               |
| Foreign exchange contracts                             | 135,237               | 135,237          | —                   | 135,237                               | (294)           | 134,943                           |
| Equity option contracts                                | 210,816               | 17,957           | —                   | 17,957                                | —               | 17,957                            |
| Total customer risk management programs                | 13,927,098            | 345,505          | (77,746)            | 267,759                               | (24,202)        | 243,557                           |
| Interest rate risk management programs                 |                       |                  |                     |                                       |                 |                                   |
| Total derivative contracts                             | \$13,974,098          | \$349,133        | \$(77,746)          | \$271,387                             | \$(24,202)      | \$247,185                         |

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

When bilateral netting agreements exist between the Company and its counterparties that create a single legal claim or obligation to pay or receive the net amount in settlement of the individual derivative contracts, the Company reports

derivative assets and liabilities on a net by counterparty basis.

Derivative contracts may also require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. As of December 31, 2013, a decrease in credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$26 million.

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2012 (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 | \$ 12,850,805         | \$ 46,113        | \$(15,656 )         | \$ 30,457                             | \$—             | \$ 30,457                         |
| Interest rate swaps                                    | 1,319,827             | 72,201           | —                   | 72,201                                | —               | 72,201                            |
| Energy contracts                                       | 1,346,780             | 82,349           | (44,485 )           | 37,864                                | (3,464 )        | 34,400                            |
| Agricultural contracts                                 | 212,434               | 3,638            | (3,164 )            | 474                                   | —               | 474                               |
| Foreign exchange contracts                             | 180,318               | 180,318          | —                   | 180,318                               | —               | 180,318                           |
| Equity option contracts                                | 211,941               | 12,593           | —                   | 12,593                                | —               | 12,593                            |
| Total customer risk management programs                | 16,122,105            | 397,212          | (63,305 )           | 333,907                               | (3,464 )        | 330,443                           |
| Interest rate risk management programs                 | 66,000                | 7,663            | —                   | 7,663                                 | —               | 7,663                             |
| Total derivative contracts                             | \$ 16,188,105         | \$ 404,875       | \$(63,305 )         | \$ 341,570                            | \$(3,464 )      | \$ 338,106                        |
| 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 | \$ 13,239,078         | \$ 43,064        | \$(15,656 )         | \$ 27,408                             | \$(15,467 )     | \$ 11,941                         |
| Interest rate swaps                                    | 1,319,827             | 72,724           | —                   | 72,724                                | (31,945 )       | 40,779                            |
| Energy contracts                                       | 1,334,349             | 83,654           | (44,485 )           | 39,169                                | (1,769 )        | 37,400                            |
| Agricultural contracts                                 | 212,135               | 3,571            | (3,164 )            | 407                                   | (188 )          | 219                               |
| Foreign exchange contracts                             | 179,852               | 179,852          | —                   | 179,852                               | —               | 179,852                           |
| Equity option contracts                                | 211,941               | 12,593           | —                   | 12,593                                | —               | 12,593                            |
| Total customer risk management programs                | 16,497,182            | 395,458          | (63,305 )           | 332,153                               | (49,369 )       | 282,784                           |
| Interest rate risk management programs                 | 50,000                | 805              | —                   | 805                                   | —               | 805                               |
| Total derivative contracts                             | \$ 16,547,182         | \$ 396,263       | \$(63,305 )         | \$ 332,958                            | \$(49,369 )     | \$ 283,589                        |

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





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The following summarizes the pre-tax net gains (losses) on derivative instruments and where they are recorded in the Consolidated Statement of Earnings (in thousands):

|  | Year Ended                    |                                 |                               |                                 |                               |                                 |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|  | December 31, 2013             |                                 | December 31, 2012             |                                 | December 31, 2011             |                                 |
|  | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net |
| Customer Risk Management Programs:                     |                               |                                 |                               |                                 |                               |                                 |
| Interest rate contracts                                |                               |                                 |                               |                                 |                               |                                 |
| To-be-announced residential mortgage-backed securities | \$42                          | \$—                             | \$1,070                       | \$—                             | \$(4,047)                     | \$—                             |
| Interest rate swaps                                    | 2,991                         | —                               | 3,458                         | —                               | 3,193                         | —                               |
| Energy contracts                                       | 8,303                         | —                               | 8,171                         | —                               | 5,262                         | —                               |
| Agricultural contracts                                 | 357                           | —                               | 382                           | —                               | 341                           | —                               |
| Foreign exchange contracts                             | 687                           | —                               | 612                           | —                               | 565                           | —                               |
| Equity option contracts                                | —                             | —                               | —                             | —                               | —                             | —                               |
| Total Customer Risk Management Programs                | 12,380                        | —                               | 13,693                        | —                               | 5,314                         | —                               |
| Interest Rate Risk Management Programs                 | —                             | (4,367)                         | —                             | (301)                           | —                             | 2,526                           |
| Total Derivative Contracts                             | \$12,380                      | \$(4,367)                       | \$13,693                      | \$(301)                         | \$5,314                       | \$2,526                         |

At December 31, 2013, 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 7, 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 7 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.

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

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

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

|                             | December 31, 2013 |               |             |              | December 31, 2012 |               |             |              |
|-----------------------------|-------------------|---------------|-------------|--------------|-------------------|---------------|-------------|--------------|
|                             | Fixed Rate        | Variable Rate | Non-accrual | Total        | Fixed Rate        | Variable Rate | Non-accrual | Total        |
| Commercial                  | \$1,637,620       | \$6,288,841   | \$16,760    | \$7,943,221  | \$2,955,779       | \$4,661,666   | \$24,467    | \$7,641,912  |
| Commercial real estate      | 770,908           | 1,603,595     | 40,850      | 2,415,353    | 779,114           | 1,389,259     | 60,626      | 2,228,999    |
| Residential mortgage        | 1,783,615         | 226,092       | 42,319      | 2,052,026    | 1,747,038         | 251,394       | 46,608      | 2,045,040    |
| Consumer                    | 135,494           | 244,950       | 1,220       | 381,664      | 175,412           | 217,384       | 2,709       | 395,505      |
| Total                       | \$4,327,637       | \$8,363,478   | \$101,149   | \$12,792,264 | \$5,657,343       | \$6,519,703   | \$134,410   | \$12,311,456 |
| Accruing loans past due (90 |                   |               |             | \$1,415      |                   |               |             | \$3,925      |

days)<sup>1</sup>

Foregone  
interest on  
nonaccrual  
loans

\$5,361

\$8,587

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

At December 31, 2013, loans to businesses and individuals with collateral primarily located in Texas totaled \$4.3 billion or 34% of the total loan portfolio. Loans to businesses and individuals with collateral primarily located in Oklahoma totaled \$3.3 billion or 26% of our total loan portfolio. Loans for which the collateral location is not relevant, such as unsecured loans and reserve-based energy loans, are distributed by the borrower's primary operating location. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas. At December 31, 2012, loans to businesses and individuals with collateral primarily located in Texas totaled \$4.0 billion or 32% of the loan portfolio and loans to businesses and individuals with collateral primarily located in Oklahoma totaled \$3.3 billion or 27% of the loan portfolio.

### 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 December 31, 2013, commercial loans with collateral primarily located in Texas totaled \$2.8 billion or 36% of the commercial loan portfolio segment and commercial loans with collateral primarily locate in Oklahoma totaled \$1.9 billion or 23% of the commercial loan portfolio segment. The commercial loan portfolio segment is further divided into loan classes. The energy loan class totaled \$2.4 billion or 18% of total loans at December 31, 2013, including \$2.0 billion of outstanding loans to energy producers. Approximately 59% of committed production loans are secured by properties primarily producing oil and 41% are secured by properties producing natural gas. The services loan class totaled \$2.3 billion at December 31, 2013. Approximately \$1.1 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 community foundations, gaming, public finance, insurance and heavy equipment dealers.

At December 31, 2012, commercial loans with collateral primarily located in Texas totaled \$2.6 billion or 34% of the commercial loan portfolio segment and commercial loans with collateral primarily locate in Oklahoma totaled \$1.9 billion or 25% of the commercial loan portfolio segment. The energy loan class totaled \$2.5 billion and the services loan class totaled \$2.2 billion. Approximately \$993 million of loans in the services category consisted of loans with individual balances of less than \$10 million.

### 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 December 31, 2013, 32% of commercial real estate loans are secured by properties primarily located in the Dallas and Houston areas of Texas. An additional 19% of commercial real estate loans are secured by properties located primarily in the Tulsa and Oklahoma City metropolitan areas of Oklahoma and 11% of commercial real estate loans

are secured by properties located primarily in Albuquerque, New Mexico. At December 31, 2012, 31% of commercial real estate loans were secured by properties in Texas, 19% of commercial real estate loans were secured by properties in Oklahoma and 13% of commercial real estate loans are secured by properties located primarily in Albuquerque, New Mexico.

## 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 December 31, 2013 and 2012, residential mortgage loans included \$182 million and \$160 million, respectively, 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 \$808 million at December 31, 2013 and \$761 million at December 31, 2012. At December 31, 2013, 70% of the home equity loan portfolio was comprised of first lien loans and 30% of the home equity portfolio was comprised of junior lien loans. Junior lien loans were distributed 74% to amortizing term loans and 26% to revolving lines of credit. At December 31, 2012, 68% of the home equity portfolio was comprised of first lien loans and 32% of the home equity loan portfolio was comprised on junior lien loans. Junior lien loans were distributed 78% to amortizing term loans and 22% 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 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.

At December 31, 2013, 38% of residential mortgage loans are secured by properties located in Oklahoma, 27% of residential mortgage loans are secured by properties located in Texas, 12% of residential mortgage are secured by properties located in New Mexico and 10% of residential mortgage are secured by properties located in Colorado. At December 31, 2012, 34% of residential mortgage were secured by properties in Texas, 23% of residential mortgage loans were secured by properties in Oklahoma, and 17% of residential mortgage loans are secured by properties in New Mexico and 11% of residential mortgage are secured by properties located in Colorado.

## 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 December 31, 2013, outstanding commitments totaled \$7.1 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.

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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 December 31, 2013, outstanding standby letters of credit totaled \$444 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At December 31, 2013, outstanding commercial letters of credit totaled \$13 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 7, the Company also has separate accruals related to 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 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, concentration in loans with large balances and other relevant factors.

The activity in the allowance for loan losses and the accrual for off-balance sheet credit risk related to loan commitments and standby letters of credit for the year ended December 31, 2013 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                              | \$65,280   | \$54,884                  | \$41,703                | \$9,453  | \$44,187                 | \$215,507   |
| Provision for loan losses                      | 12,747     | (16,886 )                 | (8,043 )                | 83       | (15,974 )                | (28,073 )   |
| Loans charged off                              | (6,335 )   | (5,845 )                  | (5,753 )                | (7,349 ) | —                        | (25,282 )   |
| Recoveries                                     | 7,488      | 9,420                     | 1,558                   | 4,778    | —                        | 23,244      |
| Ending balance                                 | \$79,180   | \$41,573                  | \$29,465                | \$6,965  | \$28,213                 | \$185,396   |
| Accrual for off-balance<br>sheet credit risk:  |            |                           |                         |          |                          |             |
| Beginning balance                              | \$475      | \$1,353                   | \$78                    | \$9      | \$—                      | \$1,915     |
| Provision for off-balance<br>sheet credit risk | (356 )     | 523                       | 12                      | (6 )     | —                        | 173         |
| Ending balance                                 | \$119      | \$1,876                   | \$90                    | \$3      | \$—                      | \$2,088     |
| Total provision for credit<br>losses           | \$12,391   | \$(16,363 )               | \$(8,031 )              | \$77     | \$(15,974 )              | \$(27,900 ) |



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The activity in the allowance for loan losses and the accrual for off-balance sheet credit risk related to loan commitments and standby letters of credit for the year ended December 31, 2012 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                           | \$83,443    | \$67,034                  | \$46,476                | \$10,178  | \$46,350                 | \$253,481   |
| Provision for loan losses                   | (14,950 )   | (6,214 )                  | 3,346                   | 5,327     | (2,163 )                 | (14,654 )   |
| Loans charged off                           | (9,341 )    | (11,642 )                 | (10,047 )               | (11,108 ) | —                        | (42,138 )   |
| Recoveries                                  | 6,128       | <sup>1</sup> 5,706        | 1,928                   | 5,056     | —                        | 18,818      |
| Ending balance                              | \$65,280    | \$54,884                  | \$41,703                | \$9,453   | \$44,187                 | \$215,507   |
| Accrual for off-balance sheet credit risk:  |             |                           |                         |           |                          |             |
| Beginning balance                           | \$7,906     | \$1,250                   | \$91                    | \$14      | \$—                      | \$9,261     |
| Provision for off-balance sheet credit risk | (7,431 )    | 103                       | (13 )                   | (5 )      | —                        | (7,346 )    |
| Ending balance                              | \$475       | \$1,353                   | \$78                    | \$9       | \$—                      | \$1,915     |
| Total provision for credit losses           | \$(22,381 ) | \$(6,111 )                | \$3,333                 | \$5,322   | \$(2,163 )               | \$(22,000 ) |

<sup>1</sup> Includes \$7.1 million of negative recovery related to a refund of a settlement between BOK Financial and the City of Tulsa invalidated by the Oklahoma Supreme Court.

The activity in the allowance for loan losses and the accrual for off-balance sheet credit risk related to loan commitments and standby letters of credit for the year ended December 31, 2011 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                           | \$104,631   | \$98,709                  | \$50,281                | \$12,614  | \$26,736                 | \$292,971  |
| Provision for loan losses                   | (13,830 )   | (18,482 )                 | 7,968                   | 3,690     | 19,614                   | (1,040 )   |
| Loans charged off                           | (14,836 )   | (15,973 )                 | (14,107 )               | (11,884 ) | —                        | (56,800 )  |
| Recoveries                                  | 7,478       | 2,780                     | 2,334                   | 5,758     | —                        | 18,350     |
| Ending balance                              | \$83,443    | \$67,034                  | \$46,476                | \$10,178  | \$46,350                 | \$253,481  |
| Accrual for off-balance sheet credit risk:  |             |                           |                         |           |                          |            |
| Beginning balance                           | \$13,456    | \$443                     | \$131                   | \$241     | \$—                      | \$14,271   |
| Provision for off-balance sheet credit risk | (5,550 )    | 807                       | (40 )                   | (227 )    | —                        | (5,010 )   |
| Ending balance                              | \$7,906     | \$1,250                   | \$91                    | \$14      | \$—                      | \$9,261    |
| Total provision for credit losses           | \$(19,380 ) | \$(17,675 )               | \$7,928                 | \$3,463   | \$19,614                 | \$(6,050 ) |



The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2013 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             | \$7,926,461                             | \$78,607             | \$16,760                                | \$573                | \$7,943,221            | \$79,180             |
| Commercial real estate | 2,374,503                               | 41,440               | 40,850                                  | 133                  | 2,415,353              | 41,573               |
| Residential mortgage   | 2,010,483                               | 29,217               | 41,543                                  | 248                  | 2,052,026              | 29,465               |
| Consumer               | 380,445                                 | 6,965                | 1,219                                   | —                    | 381,664                | 6,965                |
| Total                  | 12,691,892                              | 156,229              | 100,372                                 | 954                  | 12,792,264             | 157,183              |
| Nonspecific allowance  | —                                       | —                    | —                                       | —                    | —                      | 28,213               |
| Total                  | \$12,691,892                            | \$156,229            | \$100,372                               | \$954                | \$12,792,264           | \$185,396            |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2012 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             | \$7,617,445                             | \$65,050             | \$24,467                                | \$230                | \$7,641,912            | \$65,280             |
| Commercial real estate | 2,168,373                               | 51,775               | 60,626                                  | 3,109                | 2,228,999              | 54,884               |
| Residential mortgage   | 1,998,432                               | 40,934               | 46,608                                  | 769                  | 2,045,040              | 41,703               |
| Consumer               | 392,796                                 | 9,328                | 2,709                                   | 125                  | 395,505                | 9,453                |
| Total                  | 12,177,046                              | 167,087              | 134,410                                 | 4,233                | 12,311,456             | 171,320              |
| Nonspecific allowance  | —                                       | —                    | —                                       | —                    | —                      | 44,187               |
| Total                  | \$12,177,046                            | \$167,087            | \$134,410                               | \$4,233              | \$12,311,456           | \$215,507            |

## 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 December 31, 2013 is as follows (in thousands):

|                        | Internally Risk Graded |                   | Non-Graded          |                   | Total               |                   |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                        | Recorded Investment    | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial             | \$7,888,219            | \$78,250          | \$55,002            | \$930             | \$7,943,221         | \$79,180          |
| Commercial real estate | 2,415,353              | 41,573            | —                   | —                 | 2,415,353           | 41,573            |
| Residential mortgage   | 220,635                | 5,481             | 1,831,391           | 23,984            | 2,052,026           | 29,465            |
| Consumer               | 265,533                | 2,657             | 116,131             | 4,308             | 381,664             | 6,965             |
| Total                  | 10,789,740             | 127,961           | 2,002,524           | 29,222            | 12,792,264          | 157,183           |
| Nonspecific allowance  | —                      | —                 | —                   | —                 | —                   | 28,213            |
| Total                  | \$10,789,740           | \$127,961         | \$2,002,524         | \$29,222          | \$12,792,264        | \$185,396         |

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, 2012 is as follows (in thousands):

|                        | Internally Risk Graded |                   | Non-Graded          |                   | Total               |                   |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                        | Recorded Investment    | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial             | \$7,624,442            | \$64,181          | \$17,470            | \$1,099           | \$7,641,912         | \$65,280          |
| Commercial real estate | 2,228,999              | 54,884            | —                   | —                 | 2,228,999           | 54,884            |
| Residential mortgage   | 265,503                | 5,270             | 1,779,537           | 36,433            | 2,045,040           | 41,703            |
| Consumer               | 231,376                | 2,987             | 164,129             | 6,466             | 395,505             | 9,453             |
| Total                  | 10,350,320             | 127,322           | 1,961,136           | 43,998            | 12,311,456          | 171,320           |
| Nonspecific allowance  | —                      | —                 | —                   | —                 | —                   | 44,187            |
| Total                  | \$10,350,320           | \$127,322         | \$1,961,136         | \$43,998          | \$12,311,456        | \$215,507         |

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 in accordance with the original terms of the loan agreements 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 December 31, 2013 by the risk grade categories (in thousands):

|  | Internally Risk Graded |                   | Nonaccruing | Non-Graded |             | Total       |
|--|------------------------|-------------------|-------------|------------|-------------|-------------|
|  | Performing             | Potential Problem |             | Performing | Nonaccruing |             |
| <b>Commercial:</b>   |                        |                   |             |            |             |             |
| Energy   | \$2,347,519            | \$2,381           | \$1,860     | \$—        | \$—         | \$2,351,760 |
| Services   | 2,265,984              | 11,304            | 4,922       | —          | —           | 2,282,210   |
| Wholesale/retail   | 1,191,791              | 2,604             | 6,969       | —          | —           | 1,201,364   |
| Manufacturing  | 381,794                | 9,365             | 592         | —          | —           | 391,751     |
| Healthcare   | 1,272,626              | 34                | 1,586       | —          | —           | 1,274,246   |
| Integrated food services                                   | 145,758                | 4,736             | —           | —          | —           | 150,494     |
| Other commercial and industrial                            | 235,636                | —                 | 758         | 54,929     | 73          | 291,396     |
| Total commercial   | 7,841,108              | 30,424            | 16,687      | 54,929     | 73          | 7,943,221   |
| <b>Commercial real estate:</b>                             |                        |                   |             |            |             |             |
| Residential construction and land development              | 173,488                | 15,393            | 17,377      | —          | —           | 206,258     |
| Retail   | 579,506                | 1,684             | 4,857       | —          | —           | 586,047     |
| Office   | 403,951                | 1,157             | 6,391       | —          | —           | 411,499     |
| Multifamily  | 562,800                | 13,695            | 7           | —          | —           | 576,502     |
| Industrial   | 243,625                | —                 | 252         | —          | —           | 243,877     |
| Other commercial real estate                               | 371,628                | 7,576             | 11,966      | —          | —           | 391,170     |
| Total commercial real estate                               | 2,334,998              | 39,505            | 40,850      | —          | —           | 2,415,353   |
| <b>Residential mortgage:</b>                               |                        |                   |             |            |             |             |
| Permanent mortgage   | 210,142                | 3,283             | 7,210       | 815,040    | 27,069      | 1,062,744   |
| Permanent mortgages guaranteed by U.S. government agencies | —                      | —                 | —           | 180,821    | 777         | 181,598     |
| Home equity  | —                      | —                 | —           | 800,420    | 7,264       | 807,684     |
| Total residential mortgage                                 | 210,142                | 3,283             | 7,210       | 1,796,281  | 35,110      | 2,052,026   |
| <b>Consumer:</b>   |                        |                   |             |            |             |             |
| Indirect automobile  | —                      | —                 | —           | 5,796      | 717         | 6,513       |
| Other consumer   | 264,536                | 795               | 202         | 109,318    | 300         | 375,151     |
| Total consumer   | 264,536                | 795               | 202         | 115,114    | 1,017       | 381,664     |

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|       |              |          |          |             |          |              |
|-------|--------------|----------|----------|-------------|----------|--------------|
| Total | \$10,650,784 | \$74,007 | \$64,949 | \$1,966,324 | \$36,200 | \$12,792,264 |
|-------|--------------|----------|----------|-------------|----------|--------------|

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The following table summarizes the Company's loan portfolio at December 31, 2012 by the risk grade categories (in thousands):

|  | Internally Risk Graded |                   | Nonaccruing     | Non-Graded         |                 | Total               |
|--|------------------------|-------------------|-----------------|--------------------|-----------------|---------------------|
|  | Performing             | Potential Problem |                 | Performing         | Nonaccruing     |                     |
| <b>Commercial:</b>   |                        |                   |                 |                    |                 |                     |
| Energy   | \$2,448,954            | \$9,245           | \$2,460         | \$—                | \$—             | \$2,460,659         |
| Services   | 2,119,734              | 32,362            | 12,090          | —                  | —               | 2,164,186           |
| Wholesale/retail   | 1,093,413              | 9,949             | 3,077           | —                  | —               | 1,106,439           |
| Manufacturing  | 337,132                | 9,345             | 2,007           | —                  | —               | 348,484             |
| Healthcare   | 1,077,773              | 467               | 3,166           | —                  | —               | 1,081,406           |
| Integrated food services                                   | 190,422                | —                 | 684             | —                  | —               | 191,106             |
| Other commercial and industrial                            | 266,329                | 4,914             | 919             | 17,406             | 64              | 289,632             |
| Total commercial   | 7,533,757              | 66,282            | 24,403          | 17,406             | 64              | 7,641,912           |
| <b>Commercial real estate:</b>                             |                        |                   |                 |                    |                 |                     |
| Residential construction and land development              | 204,010                | 22,952            | 26,131          | —                  | —               | 253,093             |
| Retail   | 508,342                | 6,327             | 8,117           | —                  | —               | 522,786             |
| Office   | 405,763                | 15,280            | 6,829           | —                  | —               | 427,872             |
| Multifamily  | 393,566                | 6,624             | 2,706           | —                  | —               | 402,896             |
| Industrial   | 241,761                | 265               | 3,968           | —                  | —               | 245,994             |
| Other commercial real estate                               | 351,663                | 11,820            | 12,875          | —                  | —               | 376,358             |
| Total commercial real estate                               | 2,105,105              | 63,268            | 60,626          | —                  | —               | 2,228,999           |
| <b>Residential mortgage:</b>                               |                        |                   |                 |                    |                 |                     |
| Permanent mortgage   | 242,823                | 10,271            | 12,409          | 831,008            | 27,454          | 1,123,965           |
| Permanent mortgages guaranteed by U.S. government agencies | —                      | —                 | —               | 159,955            | 489             | 160,444             |
| Home equity  | —                      | —                 | —               | 754,375            | 6,256           | 760,631             |
| Total residential mortgage                                 | 242,823                | 10,271            | 12,409          | 1,745,338          | 34,199          | 2,045,040           |
| <b>Consumer:</b>   |                        |                   |                 |                    |                 |                     |
| Indirect automobile  | —                      | —                 | —               | 33,157             | 1,578           | 34,735              |
| Other consumer   | 229,570                | 1,091             | 715             | 128,978            | 416             | 360,770             |
| Total consumer   | 229,570                | 1,091             | 715             | 162,135            | 1,994           | 395,505             |
| <b>Total</b>   | <b>\$10,111,255</b>    | <b>\$140,912</b>  | <b>\$98,153</b> | <b>\$1,924,879</b> | <b>\$36,257</b> | <b>\$12,311,456</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 troubled debt restructuring and all loans repurchased from GNMA pool.

A summary of impaired loans follows (in thousands):

|  | As of December 31, 2013        |                                 |                      |                   |                      | For the Year Ended<br>December 31, 2013 |                                  |
|--|--------------------------------|---------------------------------|----------------------|-------------------|----------------------|---|----------------------------------|
|  | Unpaid<br>Principal<br>Balance | Recorded<br>Investment<br>Total | With No<br>Allowance | With<br>Allowance | Related<br>Allowance | Average<br>Recorded<br>Investment       | Interest<br>Income<br>Recognized |
| <b>Commercial:</b>   |                                |                                 |                      |                   |                      |   |                                  |
| Energy   | \$ 1,860                       | \$ 1,860                        | \$ 1,860             | \$—               | \$—                  | \$ 2,160                                | \$—                              |
| Services   | 6,486                          | 4,922                           | 3,791                | 1,131             | 516                  | 8,506                                   | —                                |
| Wholesale/retail   | 11,009                         | 6,969                           | 6,937                | 32                | 9                    | 5,023                                   | —                                |
| Manufacturing  | 746                            | 592                             | 592                  | —                 | —                    | 1,300                                   | —                                |
| Healthcare   | 2,193                          | 1,586                           | 1,538                | 48                | 48                   | 2,376                                   | —                                |
| Integrated food services   | —                              | —                               | —                    | —                 | —                    | 342                                     | —                                |
| Other commercial and industrial  | 8,532                          | 831                             | 831                  | —                 | —                    | 907                                     | —                                |
| Total commercial   | 30,826                         | 16,760                          | 15,549               | 1,211             | 573                  | 20,614                                  | —                                |
| <b>Commercial real estate:</b>   |                                |                                 |                      |                   |                      |   |                                  |
| Residential construction and land development                          | 20,804                         | 17,377                          | 17,050               | 327               | 107                  | 21,754                                  | —                                |
| Retail   | 6,133                          | 4,857                           | 4,857                | —                 | —                    | 6,487                                   | —                                |
| Office   | 7,848                          | 6,391                           | 6,383                | 8                 | 8                    | 6,610                                   | —                                |
| Multifamily  | 7                              | 7                               | 7                    | —                 | —                    | 1,357                                   | —                                |
| Industrial   | 252                            | 252                             | 252                  | —                 | —                    | 2,110                                   | —                                |
| Other real estate loans  | 14,593                         | 11,966                          | 11,779               | 187               | 18                   | 12,421                                  | —                                |
| Total commercial real estate   | 49,637                         | 40,850                          | 40,328               | 522               | 133                  | 50,739                                  | —                                |
| <b>Residential mortgage:</b>   |                                |                                 |                      |                   |                      |   |                                  |
| Permanent mortgage   | 41,870                         | 34,279                          | 33,869               | 410               | 248                  | 37,071                                  | 1,582                            |
| Permanent mortgage guaranteed by U.S. government agencies <sup>1</sup> | 188,436                        | 181,598                         | 181,598              | —                 | —                    | 165,509                                 | 6,961                            |
| Home equity  | 7,537                          | 7,264                           | 7,264                | —                 | —                    | 6,760                                   | —                                |
| Total residential mortgage   | 237,843                        | 223,141                         | 222,731              | 410               | 248                  | 209,340                                 | 8,543                            |
| <b>Consumer:</b>   |                                |                                 |                      |                   |                      |   |                                  |
| Indirect automobile  | 719                            | 717                             | 717                  | —                 | —                    | 1,148                                   | —                                |
| Other consumer   | 509                            | 502                             | 502                  | —                 | —                    | 817                                     | —                                |
| Total consumer   | 1,228                          | 1,219                           | 1,219                | —                 | —                    | 1,965                                   | —                                |
| <b>Total</b>   | <b>\$ 319,534</b>              | <b>\$ 281,970</b>               | <b>\$ 279,827</b>    | <b>\$ 2,143</b>   | <b>\$ 954</b>        | <b>\$ 282,658</b>                       | <b>\$ 8,543</b>                  |

<sup>1</sup> 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 December 31, 2013, \$777 thousand of these loans are



nonaccruing and \$181 million are 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, have been recovered.

|  | As of December 31, 2012        |                              |                      |                   |                      | For the Year Ended<br>December 31, 2012 |                                  |
|--|--------------------------------|------------------------------|----------------------|-------------------|----------------------|---|----------------------------------|
|  | 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 |
| <b>Commercial:</b>   |                                |                              |                      |                   |                      |   |                                  |
| Energy   | \$2,460                        | \$2,460                      | \$2,460              | \$—               | \$—                  | \$1,398                                 | \$—                              |
| Services   | 15,715                         | 12,090                       | 11,940               | 150               | 149                  | 14,529                                  | —                                |
| Wholesale/retail   | 9,186                          | 3,077                        | 3,016                | 61                | 15                   | 12,129                                  | —                                |
| Manufacturing  | 2,447                          | 2,007                        | 2,007                | —                 | —                    | 12,529                                  | —                                |
| Healthcare   | 4,256                          | 3,166                        | 2,050                | 1,116             | 66                   | 4,326                                   | —                                |
| Integrated food services   | 684                            | 684                          | 684                  | —                 | —                    | 342                                     | —                                |
| Other commercial and<br>industrial   | 8,482                          | 983                          | 983                  | —                 | —                    | 1,387                                   | —                                |
| Total commercial   | 43,230                         | 24,467                       | 23,140               | 1,327             | 230                  | 46,640                                  | —                                |
| <b>Commercial real estate:</b>   |                                |                              |                      |                   |                      |   |                                  |
| Residential construction<br>and land development                             | 44,721                         | 26,131                       | 25,575               | 556               | 155                  | 44,003                                  | —                                |
| Retail   | 9,797                          | 8,117                        | 8,117                | —                 | —                    | 7,490                                   | —                                |
| Office   | 8,949                          | 6,829                        | 6,604                | 225               | 21                   | 9,143                                   | —                                |
| Multifamily  | 3,189                          | 2,706                        | 2,706                | —                 | —                    | 3,110                                   | —                                |
| Industrial   | 3,968                          | 3,968                        | —                    | 3,968             | 2,290                | 1,984                                   | —                                |
| Other real estate loans  | 15,377                         | 12,875                       | 10,049               | 2,826             | 643                  | 14,181                                  | —                                |
| Total commercial real<br>estate  | 86,001                         | 60,626                       | 53,051               | 7,575             | 3,109                | 79,911                                  | —                                |
| <b>Residential mortgage:</b>   |                                |                              |                      |                   |                      |   |                                  |
| Permanent mortgage   | 51,153                         | 39,863                       | 37,564               | 2,299             | 769                  | 32,614                                  | 1,590                            |
| Permanent mortgage<br>guaranteed by U.S.<br>government agencies <sup>1</sup> | 170,740                        | 160,444                      | 160,444              | —                 | —                    | 173,729                                 | 6,718                            |
| Home equity  | 6,256                          | 6,256                        | 6,256                | —                 | —                    | 5,329                                   | —                                |
| Total residential mortgage   | 228,149                        | 206,563                      | 204,264              | 2,299             | 769                  | 211,672                                 | 8,308                            |
| <b>Consumer:</b>   |                                |                              |                      |                   |                      |   |                                  |
| Indirect automobile  | 1,578                          | 1,578                        | 1,578                | —                 | —                    | 1,886                                   | —                                |
| Other consumer   | 1,300                          | 1,131                        | 1,006                | 125               | 125                  | 1,226                                   | —                                |
| Total consumer   | 2,878                          | 2,709                        | 2,584                | 125               | 125                  | 3,112                                   | —                                |
| <b>Total</b>   | <b>\$360,258</b>               | <b>\$294,365</b>             | <b>\$283,039</b>     | <b>\$11,326</b>   | <b>\$4,233</b>       | <b>\$341,335</b>                        | <b>\$8,308</b>                   |

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 December 31, 2012, \$489 thousand of these loans are nonaccruing and \$160 million are 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 December 31, 2013 were as follows (in thousands):

|  | As of December 31, 2013 |               |               |           | Amounts      |
|--|-------------------------|---------------|---------------|-----------|--------------|
|  | Recorded                | Performing    | Not           | Specific  | Charged-Off  |
|  | Investment              | in Accordance | Performing in | Allowance | During the   |
|  |                         | With Modified | Accordance    |           | Year Ended   |
|  |                         | Terms         | With          |           | December 31, |
|  |                         |               | Modified      |           | 2013         |
|  |                         |               | Terms         |           |              |
| Nonaccruing TDRs:  |                         |               |               |           |              |
| Commercial:  |                         |               |               |           |              |
| Energy   | \$—                     | \$—           | \$—           | \$—       | \$—          |
| Services   | 2,235                   | 852           | 1,383         | 237       | —            |
| Wholesale/retail   | 235                     | 89            | 146           | 9         | —            |
| Manufacturing  | 391                     | —             | 391           | —         | 154          |
| Healthcare   | —                       | —             | —             | —         | —            |
| Integrated food services                                   | —                       | —             | —             | —         | —            |
| Other commercial and industrial                            | 771                     | 173           | 598           | —         | —            |
| Total commercial   | 3,632                   | 1,114         | 2,518         | 246       | 154          |
| Commercial real estate:                                    |                         |               |               |           |              |
| Residential construction and land development              | 10,148                  | 1,444         | 8,704         | 107       | 46           |
| Retail   | 4,359                   | 3,141         | 1,218         | —         | 582          |
| Office   | 5,059                   | 3,872         | 1,187         | —         | 117          |
| Multifamily  | —                       | —             | —             | —         | —            |
| Industrial   | —                       | —             | —             | —         | —            |
| Other real estate loans                                    | 5,011                   | 2,885         | 2,126         | —         | —            |
| Total commercial real estate                               | 24,577                  | 11,342        | 13,235        | 107       | 745          |
| Residential mortgage:                                      |                         |               |               |           |              |
| Permanent mortgage   | 18,697                  | 12,214        | 6,483         | 88        | 469          |
| Home equity  | 4,045                   | 3,531         | 514           | —         | 112          |
| Total residential mortgage                                 | 22,742                  | 15,745        | 6,997         | 88        | 581          |
| Consumer:  |                         |               |               |           |              |
| Indirect automobile  | 629                     | 555           | 74            | —         | 1            |
| Other consumer   | 379                     | 203           | 176           | —         | —            |
| Total consumer   | 1,008                   | 758           | 250           | —         | 1            |
| Total nonaccruing TDRs                                     | \$51,959                | \$28,959      | \$23,000      | \$441     | \$1,481      |
| Accruing TDRs:   |                         |               |               |           |              |
| Residential mortgage:                                      |                         |               |               |           |              |
| Permanent mortgage   | —                       | —             | —             | —         | —            |
| Permanent mortgages guaranteed by U.S. government agencies | 54,322                  | 13,384        | 40,938        | —         | —            |
| Total residential mortgage                                 | 54,322                  | 13,384        | 40,938        | —         | —            |

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|                     |            |           |           |        |          |
|---------------------|------------|-----------|-----------|--------|----------|
| Total accruing TDRs | 54,322     | 13,384    | 40,938    | —      | —        |
| Total TDRs          | \$ 106,281 | \$ 42,343 | \$ 63,938 | \$ 441 | \$ 1,481 |

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A summary of troubled debt restructurings by accruing status as of December 31, 2012 were as follows (in thousands):

|  | As of December 31, 2012 |  |  |                    | Amounts Charged-off During the Year Ended December 31, 2012 |
|--|-------------------------|--|--|--------------------|---|
|  | Recorded Investment     | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance |   |
| Nonaccruing TDRs:  |                         |  |  |                    |   |
| Commercial:  |                         |  |  |                    |   |
| Energy   | \$—                     | \$—  | \$—  | \$—                | \$—   |
| Services   | 2,492                   | 2,099  | 393  | 45                 | —   |
| Wholesale/retail   | 2,290                   | 1,362  | 928  | 15                 | 107   |
| Manufacturing  | —                       | —  | —  | —                  | —   |
| Healthcare   | 64                      | 64   | —  | —                  | —   |
| Integrated food services                                   | —                       | —  | —  | —                  | —   |
| Other commercial and industrial                            | 675                     | —  | 675  | —                  | —   |
| Total commercial   | 5,521                   | 3,525  | 1,996  | 60                 | 107   |
| Commercial real estate:                                    |                         |  |  |                    |   |
| Residential construction and land development              | 14,898                  | 9,989  | 4,909  | 76                 | 1,143   |
| Retail   | 6,785                   | 5,735  | 1,050  | —                  | 150   |
| Office   | 3,899                   | 1,920  | 1,979  | —                  | 269   |
| Multifamily  | —                       | —  | —  | —                  | —   |
| Industrial   | —                       | —  | —  | —                  | —   |
| Other real estate loans                                    | 5,017                   | 3,399  | 1,618  | —                  | 2,182   |
| Total commercial real estate                               | 30,599                  | 21,043                                       | 9,556  | 76                 | 3,744   |
| Residential mortgage:                                      |                         |  |  |                    |   |
| Permanent mortgage   | 20,490                  | 12,214                                       | 8,276  | 54                 | 1,476   |
| Home equity  | —                       | —  | —  | —                  | —   |
| Total residential mortgage                                 | 20,490                  | 12,214                                       | 8,276  | 54                 | 1,476   |
| Consumer:  |                         |  |  |                    |   |
| Indirect automobile  | —                       | —  | —  | —                  | —   |
| Other consumer   | 2,860                   | 2,589  | 271  | 83                 | 198   |
| Total consumer   | 2,860                   | 2,589  | 271  | 83                 | 198   |
| Total nonaccruing TDRs                                     | \$59,470                | \$39,371                                     | \$20,099   | \$273              | \$5,525   |
| Accruing TDRs:   |                         |  |  |                    |   |
| Residential mortgage:                                      |                         |  |  |                    |   |
| Permanent mortgage   | —                       | —  | —  | —                  | —   |
| Permanent mortgages guaranteed by U.S. government agencies | 38,515                  | 8,755  | 29,760   | —                  | —   |
| Total residential mortgage                                 | 38,515                  | 8,755  | 29,760   | —                  | —   |
| Total accruing TDRs  | 38,515                  | 8,755  | 29,760   | —                  | —   |

|            |          |          |          |       |         |
|------------|----------|----------|----------|-------|---------|
| Total TDRs | \$97,985 | \$48,126 | \$49,859 | \$273 | \$5,525 |
|------------|----------|----------|----------|-------|---------|

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Troubled debt restructurings generally consist of interest rates concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following table details the recorded balance of loans at December 31, 2013 by class that were restructured during the year ended December 31, 2013 by primary type of concession (in thousands):

|   | Year Ended December 31, 2013  |                        |          | Nonaccrual       |                   |                        | Total    | Total    |
|---|-------------------------------|------------------------|----------|------------------|-------------------|------------------------|----------|----------|
|   | Accruing<br>Payment<br>Stream | Combination<br>& Other | Total    | Interest<br>Rate | Payment<br>Stream | Combination<br>& Other |          |          |
| Commercial:   |                               |                        |          |                  |                   |                        |          |          |
| Energy  | \$—                           | \$—                    | \$—      | \$—              | \$—               | \$—                    | \$—      | \$—      |
| Services  | —                             | —                      | —        | —                | 1,080             | —                      | 1,080    | 1,080    |
| Wholesale/retail  | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Manufacturing   | —                             | —                      | —        | —                | 391               | —                      | 391      | 391      |
| Healthcare  | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Integrated food<br>services                                     | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Other commercial<br>and industrial                              | —                             | —                      | —        | 139              | —                 | 57                     | 196      | 196      |
| Total commercial  | —                             | —                      | —        | 139              | 1,471             | 57                     | 1,667    | 1,667    |
| Commercial real<br>estate:                                      |                               |                        |          |                  |                   |                        |          |          |
| Residential<br>construction and land<br>development             | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Retail  | —                             | —                      | —        | —                | 486               | —                      | 486      | 486      |
| Office  | —                             | —                      | —        | —                | 2,819             | —                      | 2,819    | 2,819    |
| Multifamily   | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Industrial  | —                             | —                      | —        | —                | —                 | —                      | —        | —        |
| Other real estate<br>loans                                      | —                             | —                      | —        | —                | 517               | —                      | 517      | 517      |
| Total commercial<br>real estate                                 | —                             | —                      | —        | —                | 3,822             | —                      | 3,822    | 3,822    |
| Residential mortgage:   |                               |                        |          |                  |                   |                        |          |          |
| Permanent mortgage  | —                             | —                      | —        | —                | 1,062             | 1,894                  | 2,956    | 2,956    |
| Permanent mortgage<br>guaranteed by U.S.<br>government agencies | 11,545                        | 12,518                 | 24,063   | —                | —                 | —                      | —        | 24,063   |
| Home equity   | —                             | —                      | —        | —                | —                 | 2,800                  | 2,800    | 2,800    |
| Total residential<br>mortgage                                   | 11,545                        | 12,518                 | 24,063   | —                | 1,062             | 4,694                  | 5,756    | 29,819   |
| Consumer:   |                               |                        |          |                  |                   |                        |          |          |
| Indirect automobile   | —                             | —                      | —        | —                | —                 | 510                    | 510      | 510      |
| Other consumer  | —                             | —                      | —        | 75               | —                 | 128                    | 203      | 203      |
| Total consumer  | —                             | —                      | —        | 75               | —                 | 638                    | 713      | 713      |
| Total   | \$11,545                      | \$12,518               | \$24,063 | \$214            | \$6,355           | \$5,389                | \$11,958 | \$36,021 |





The following table details the recorded balance of loans by class that were restructured during the year ended December 31, 2012 by primary type of concession (in thousands):

|   | Year Ended December 31, 2012       |                             |                   |                        |                 | Total           |
|---|------------------------------------|-----------------------------|-------------------|------------------------|-----------------|-----------------|
|   | Accruing<br>Combination<br>& Other | Nonaccrual<br>Interest Rate | Payment<br>Stream | Combination<br>& Other | Total           |                 |
| <b>Commercial:</b>  |                                    |                             |                   |                        |                 |                 |
| Energy  | \$—                                | \$—                         | \$—               | \$—                    | \$—             | \$—             |
| Services  | —                                  | 875                         | —                 | —                      | 875             | 875             |
| Wholesale/retail  | —                                  | 885                         | —                 | —                      | 885             | 885             |
| Manufacturing   | —                                  | —                           | —                 | —                      | —               | —               |
| Healthcare  | —                                  | —                           | —                 | 64                     | 64              | 64              |
| Integrated food services  | —                                  | —                           | —                 | —                      | —               | —               |
| Other commercial and<br>industrial                              | —                                  | —                           | —                 | —                      | —               | —               |
| Total commercial  | —                                  | 1,760                       | —                 | 64                     | 1,824           | 1,824           |
| <b>Commercial real estate:</b>                                  |                                    |                             |                   |                        |                 |                 |
| Residential construction and<br>land development                | —                                  | 1,219                       | 8,359             | —                      | 9,578           | 9,578           |
| Retail  | —                                  | 2,379                       | —                 | —                      | 2,379           | 2,379           |
| Office  | —                                  | 1,350                       | 570               | —                      | 1,920           | 1,920           |
| Multifamily   | —                                  | —                           | —                 | —                      | —               | —               |
| Industrial  | —                                  | —                           | —                 | —                      | —               | —               |
| Other real estate loans   | —                                  | —                           | 1,573             | —                      | 1,573           | 1,573           |
| Total commercial real estate                                    | —                                  | 4,948                       | 10,502            | —                      | 15,450          | 15,450          |
| <b>Residential mortgage:</b>                                    |                                    |                             |                   |                        |                 |                 |
| Permanent mortgage  | —                                  | 1,214                       | —                 | 2,518                  | 3,732           | 3,732           |
| Permanent mortgage<br>guaranteed by U.S.<br>government agencies | 17,398                             | —                           | —                 | —                      | —               | 17,398          |
| Home equity   | —                                  | —                           | —                 | —                      | —               | —               |
| Total residential mortgage                                      | 17,398                             | 1,214                       | —                 | 2,518                  | 3,732           | 21,130          |
| <b>Consumer:</b>  |                                    |                             |                   |                        |                 |                 |
| Indirect automobile   | —                                  | —                           | —                 | —                      | —               | —               |
| Other consumer  | —                                  | 223                         | —                 | 2,508                  | 2,731           | 2,731           |
| Total consumer  | —                                  | 223                         | —                 | 2,508                  | 2,731           | 2,731           |
| <b>Total</b>  | <b>\$17,398</b>                    | <b>\$8,145</b>              | <b>\$10,502</b>   | <b>\$5,090</b>         | <b>\$23,737</b> | <b>\$41,135</b> |

The following table summarizes, by loan class, the recorded investment at December 31, 2013 and 2012, respectively of loans modified as TDRs within the previous 12 months and for which there was a payment default during the years ended December 31, 2013 and 2012, respectively (in thousands):

|   | Year Ended<br>December 31, 2013 |                |                 | December 31, 2012 |                 |                 |
|---|---------------------------------|----------------|-----------------|-------------------|-----------------|-----------------|
|   | Accruing                        | Nonaccrual     | Total           | Accruing          | Nonaccrual      | Total           |
| <b>Commercial:</b>  |                                 |                |                 |                   |                 |                 |
| Energy  | \$—                             | \$—            | \$—             | \$—               | \$—             | \$—             |
| Services  | —                               | 1,080          | 1,080           | —                 | 875             | 875             |
| Wholesale/retail  | —                               | —              | —               | —                 | 885             | 885             |
| Manufacturing   | —                               | 391            | 391             | —                 | —               | —               |
| Healthcare  | —                               | —              | —               | —                 | —               | —               |
| Integrated food services                                  | —                               | —              | —               | —                 | —               | —               |
| Other commercial and industrial                           | —                               | 164            | 164             | —                 | —               | —               |
| Total commercial  | —                               | 1,635          | 1,635           | —                 | 1,760           | 1,760           |
| <b>Commercial real estate:</b>                            |                                 |                |                 |                   |                 |                 |
| Residential construction and land development             | —                               | —              | —               | —                 | 2,000           | 2,000           |
| Retail  | —                               | 486            | 486             | —                 | 2,379           | 2,379           |
| Office  | —                               | 2,819          | 2,819           | —                 | 1,350           | 1,350           |
| Multifamily   | —                               | —              | —               | —                 | —               | —               |
| Industrial  | —                               | —              | —               | —                 | —               | —               |
| Other real estate loans                                   | —                               | 517            | 517             | —                 | —               | —               |
| Total commercial real estate                              | —                               | 3,822          | 3,822           | —                 | 5,729           | 5,729           |
| <b>Residential mortgage:</b>                              |                                 |                |                 |                   |                 |                 |
| Permanent mortgage  | —                               | 586            | 586             | —                 | 2,692           | 2,692           |
| Permanent mortgage guaranteed by U.S. government agencies | 23,918                          | —              | 23,918          | 17,251            | —               | 17,251          |
| Home equity   | —                               | 590            | 590             | —                 | —               | —               |
| Total residential mortgage                                | 23,918                          | 1,176          | 25,094          | 17,251            | 2,692           | 19,943          |
| <b>Consumer:</b>  |                                 |                |                 |                   |                 |                 |
| Indirect automobile                                       | —                               | 115            | 115             | —                 | —               | —               |
| Other consumer  | —                               | 40             | 40              | —                 | 462             | 462             |
| Total consumer  | —                               | 155            | 155             | —                 | 462             | 462             |
| <b>Total</b>  | <b>\$23,918</b>                 | <b>\$6,788</b> | <b>\$30,706</b> | <b>\$17,251</b>   | <b>\$10,643</b> | <b>\$27,894</b> |

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 December 31, 2013 is as follows (in thousands):

|  | Current             | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual       | Total               |
|--|---------------------|------------------------------|--------------------|------------------|---------------------|
| <b>Commercial:</b>   |                     |                              |                    |                  |                     |
| Energy   | \$2,347,267         | \$2,483                      | \$150              | \$1,860          | \$2,351,760         |
| Services   | 2,276,036           | 1,210                        | 42                 | 4,922            | 2,282,210           |
| Wholesale/retail   | 1,193,905           | 338                          | 152                | 6,969            | 1,201,364           |
| Manufacturing  | 391,159             | —                            | —                  | 592              | 391,751             |
| Healthcare   | 1,272,660           | —                            | —                  | 1,586            | 1,274,246           |
| Integrated food services                                   | 150,494             | —                            | —                  | —                | 150,494             |
| Other commercial and industrial                            | 290,479             | 81                           | 5                  | 831              | 291,396             |
| Total commercial   | 7,922,000           | 4,112                        | 349                | 16,760           | 7,943,221           |
| <b>Commercial real estate:</b>                             |                     |                              |                    |                  |                     |
| Residential construction and land development              | 188,434             | 428                          | 19                 | 17,377           | 206,258             |
| Retail   | 580,926             | 264                          | —                  | 4,857            | 586,047             |
| Office   | 404,505             | 603                          | —                  | 6,391            | 411,499             |
| Multifamily  | 576,495             | —                            | —                  | 7                | 576,502             |
| Industrial   | 243,625             | —                            | —                  | 252              | 243,877             |
| Other real estate loans                                    | 376,699             | 1,493                        | 1,012              | 11,966           | 391,170             |
| Total commercial real estate                               | 2,370,684           | 2,788                        | 1,031              | 40,850           | 2,415,353           |
| <b>Residential mortgage:</b>                               |                     |                              |                    |                  |                     |
| Permanent mortgage   | 1,018,670           | 9,795                        | —                  | 34,279           | 1,062,744           |
| Permanent mortgages guaranteed by U.S. government agencies | 21,916              | 17,290                       | 141,615            | 777              | 181,598             |
| Home equity  | 797,299             | 3,087                        | 34                 | 7,264            | 807,684             |
| Total residential mortgage                                 | 1,837,885           | 30,172                       | 141,649            | 42,320           | 2,052,026           |
| <b>Consumer:</b>   |                     |                              |                    |                  |                     |
| Indirect automobile  | 5,466               | 330                          | —                  | 717              | 6,513               |
| Other consumer   | 373,951             | 697                          | 1                  | 502              | 375,151             |
| Total consumer   | 379,417             | 1,027                        | 1                  | 1,219            | 381,664             |
| <b>Total</b>   | <b>\$12,509,986</b> | <b>\$38,099</b>              | <b>\$143,030</b>   | <b>\$101,149</b> | <b>\$12,792,264</b> |

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of December 31, 2012 is as follows (in thousands):

|  | Current      | Past Due<br>30 to 89<br>Days | 90 Days<br>or More | Nonaccrual | Total        |
|--|--------------|------------------------------|--------------------|------------|--------------|
| Commercial:  |              |                              |                    |            |              |
| Energy   | \$2,454,928  | \$3,071                      | \$200              | \$2,460    | \$2,460,659  |
| Services   | 2,150,386    | 1,710                        | —                  | 12,090     | 2,164,186    |
| Wholesale/retail   | 1,103,307    | 5                            | 50                 | 3,077      | 1,106,439    |
| Manufacturing  | 346,442      | 35                           | —                  | 2,007      | 348,484      |
| Healthcare   | 1,077,022    | 1,040                        | 178                | 3,166      | 1,081,406    |
| Integrated food services                                   | 190,416      | 6                            | —                  | 684        | 191,106      |
| Other commercial and industrial                            | 288,522      | 127                          | —                  | 983        | 289,632      |
| Total commercial   | 7,611,023    | 5,994                        | 428                | 24,467     | 7,641,912    |
| Commercial real estate:                                    |              |                              |                    |            |              |
| Residential construction and land development              | 226,962      | —                            | —                  | 26,131     | 253,093      |
| Retail   | 514,252      | 349                          | 68                 | 8,117      | 522,786      |
| Office   | 417,866      | 3,177                        | —                  | 6,829      | 427,872      |
| Multifamily  | 400,151      | 39                           | —                  | 2,706      | 402,896      |
| Industrial   | 242,026      | —                            | —                  | 3,968      | 245,994      |
| Other real estate loans                                    | 358,030      | 2,092                        | 3,361              | 12,875     | 376,358      |
| Total commercial real estate                               | 2,159,287    | 5,657                        | 3,429              | 60,626     | 2,228,999    |
| Residential mortgage:                                      |              |                              |                    |            |              |
| Permanent mortgage   | 1,075,687    | 8,366                        | 49                 | 39,863     | 1,123,965    |
| Permanent mortgages guaranteed by U.S. government agencies | 26,560       | 13,046                       | 120,349            | 489        | 160,444      |
| Home equity  | 752,100      | 2,275                        | —                  | 6,256      | 760,631      |
| Total residential mortgage                                 | 1,854,347    | 23,687                       | 120,398            | 46,608     | 2,045,040    |
| Consumer:  |              |                              |                    |            |              |
| Indirect automobile  | 31,869       | 1,273                        | 15                 | 1,578      | 34,735       |
| Other consumer   | 358,308      | 1,327                        | 4                  | 1,131      | 360,770      |
| Total consumer   | 390,177      | 2,600                        | 19                 | 2,709      | 395,505      |
| Total  | \$12,014,834 | \$37,938                     | \$124,274          | \$134,410  | \$12,311,456 |

## (5) Premises and Equipment

Premises and equipment at December 31 are summarized as follows (in thousands):

|                               | December 31, |           |
|-------------------------------|--------------|-----------|
|                               | 2013         | 2012      |
| Land                          | \$75,859     | \$73,616  |
| Buildings and improvements    | 221,326      | 214,116   |
| Software                      | 103,473      | 89,183    |
| Furniture and equipment       | 163,013      | 158,020   |
| Construction in progress      | 31,027       | 30,408    |
| Subtotal                      | 594,698      | 565,343   |
| Less accumulated depreciation | 316,849      | 299,423   |
| Total                         | \$277,849    | \$265,920 |

Depreciation expense of premises and equipment was \$30 million, \$33 million and \$32 million for the years ended December 31, 2013, 2012 and 2011, respectively.

## (6) Goodwill and Intangible Assets

On August 15, 2012, the Company acquired a majority voting interest in a Delaware limited liability corporation and its wholly-owned subsidiary, a Tulsa-based aircraft parts supplier and repair facility. This company divested a portion of its business in 2013, included associated goodwill.

On August 19, 2012, the Company acquired The Milestone Group, Inc. ("Milestone"), a Denver-based Registered Investment Adviser that provides wealth management services to high net worth customers in Colorado and Nebraska.

The purchase price for these acquisitions totaled \$37 million, including \$24 million paid in cash and \$13 million of contingent consideration. The purchase price allocation included \$21 million of identifiable intangible assets and \$29 million of goodwill.

The following table presents the original cost and accumulated amortization of intangible assets (in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2013         | 2012     |
| Core deposit premiums                    | \$33,749     | \$33,749 |
| Less accumulated amortization            | 32,656       | 32,180   |
| Net core deposit premiums                | 1,093        | 1,569    |
| Other identifiable intangible assets     | 37,992       | 38,191   |
| Less accumulated amortization            | 14,521       | 11,568   |
| Net other identifiable intangible assets | 23,471       | 26,623   |
| Total intangible assets, net             | \$24,564     | \$28,192 |

The net amortized cost of identifiable intangible assets assigned to the Company's geographic markets as follows (in thousands):

|  | December 31,<br>2013 | 2012     |
|--|----------------------|----------|
| Core deposit premiums:                     |                      |          |
| Texas                                      | \$816                | \$1,192  |
| Colorado                                   | 277                  | 377      |
| Arizona                                    | —                    | —        |
| Total core deposit premiums                | \$1,093              | \$1,569  |
| Other identifiable intangible assets:      |                      |          |
| Oklahoma                                   | 9,199                | 9,857    |
| Colorado                                   | 13,482               | 15,976   |
| Kansas/Missouri                            | 790                  | 790      |
| Total other identifiable intangible assets | 23,471               | 26,623   |
| Total intangible assets, net               | \$24,564             | \$28,192 |

Expected amortization expense for intangible assets that will continue to be amortized (in thousands):

|            | Core<br>Deposit<br>Premiums | Other<br>Identifiable<br>Intangible Assets | Total    |
|------------|-----------------------------|--|----------|
| 2014       | \$432                       | \$2,290                                    | \$2,722  |
| 2015       | 393                         | 2,290                                      | 2,683    |
| 2016       | 247                         | 2,290                                      | 2,537    |
| 2017       | 21                          | 2,059                                      | 2,080    |
| 2018       | —                           | 1,595                                      | 1,595    |
| Thereafter | —                           | 12,947                                     | 12,947   |
|            | \$1,093                     | \$23,471                                   | \$24,564 |

Goodwill assigned to the Company's geographic markets as follows (in thousands):

|                | December 31,<br>2013 | 2012      |
|----------------|----------------------|-----------|
| Goodwill:      |                      |           |
| Oklahoma       | \$10,387             | \$12,607  |
| Texas          | 240,122              | 240,122   |
| New Mexico     | 15,273               | 15,273    |
| Colorado       | 77,555               | 77,555    |
| Arizona        | 16,422               | 16,422    |
| Total goodwill | \$359,759            | \$361,979 |

The changes in the carrying value of goodwill by operating segment for year ended December 31, 2013 is as follows (in thousands):

|                                  | Commercial | Consumer | Wealth<br>Management | Total     |
|----------------------------------|------------|----------|----------------------|-----------|
| Balance, December 31, 2011       |            |          |                      |           |
| Goodwill                         | \$266,728  | \$39,251 | \$29,850             | \$335,829 |
| Accumulated impairment losses    | —          | (228 )   | —                    | (228 )    |
|                                  | 266,728    | 39,023   | 29,850               | 335,601   |
| Goodwill acquired during 2012    | 4,434      | —        | 21,944               | 26,378    |
| Balance, December 31, 2012       |            |          |                      |           |
| Goodwill                         | 271,162    | 39,251   | 51,794               | 362,207   |
| Accumulated impairment losses    | —          | (228 )   | —                    | (228 )    |
|                                  | 271,162    | 39,023   | 51,794               | 361,979   |
| Goodwill adjustments during 2013 | (2,220 )   | —        | —                    | (2,220 )  |
| Balance, December 31, 2013       |            |          |                      |           |
| Goodwill                         | 268,942    | 39,251   | 51,794               | 359,987   |
| Accumulated Impairment           | —          | (228 )   | —                    | (228 )    |
|                                  | \$268,942  | \$39,023 | \$51,794             | \$359,759 |

The annual goodwill evaluations for 2013 and 2012 did not indicate impairment for any reporting unit. Economic conditions did not indicate that impairment existed for any identifiable intangible assets and therefore no impairment evaluation was performed.

#### (7) 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 loans commitments and forward contract sales and their related fair values included in Mortgage loans held for sale on the Consolidated Balance Sheets were (in thousands):

|  | December 31, 2013                 |            | December 31, 2012                 |            |
|--|-----------------------------------|------------|-----------------------------------|------------|
|  | Unpaid Principal Balance/Notional | Fair Value | Unpaid Principal Balance/Notional | Fair Value |
| Residential mortgage loans held for sale | \$ 192,266                        | \$ 193,584 | \$ 269,718                        | \$ 281,935 |
| Residential mortgage loan commitments    | 258,873                           | 2,656      | 356,634                           | 12,733     |
| Forward sales contracts                  | 435,867                           | 4,306      | 598,442                           | (906 )     |
|  |                                   | \$ 200,546 |                                   | \$ 293,762 |

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of December 31, 2013 or December 31, 2012. No credit losses were recognized on residential mortgage loans held for sale for years ended December 31, 2013, 2012 and 2011.

Mortgage banking revenue was as follows (in thousands):

|  | Year Ended |            |           |
|--|------------|------------|-----------|
|  | 2013       | 2012       | 2011      |
| Originating and marketing revenue:       |            |            |           |
| Residential mortgage loans held for sale | \$ 84,403  | \$ 120,599 | \$ 57,418 |
| Residential mortgage loan commitments    | (10,070 )  | 6,136      | 4,345     |
| Forward sales contracts                  | 5,212      | 2,382      | (9,781 )  |
| Total originating and marketing revenue  | 79,545     | 129,117    | 51,982    |
| Servicing revenue                        | 42,389     | 40,185     | 39,661    |
| Total mortgage banking revenue           | \$ 121,934 | \$ 169,302 | \$ 91,643 |

Originating and marketing 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.

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

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

|   | December 31,  |               |               |
|---|---------------|---------------|---------------|
|   | 2013          | 2012          | 2011          |
| Number of residential mortgage loans serviced for others                        | 106,137       | 98,246        | 95,841        |
| Outstanding principal balance of residential mortgage loans serviced for others | \$ 13,718,942 | \$ 11,981,624 | \$ 11,300,986 |
| Weighted average interest rate  | 4.40          | % 4.71        | % 5.19        |
| Remaining term (in months)  | 292           | 289           | 290           |



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Activity in capitalized mortgage servicing rights during the three years ended December 31, 2013 is as follows (in thousands):

|  | Purchased | Originated | Total     |
|--|-----------|------------|-----------|
| Balance, December 31, 2010                 | \$37,900  | \$77,823   | \$115,723 |
| Additions, net                             | —         | 26,251     | 26,251    |
| Change in fair value due to loan runoff    | (4,699 )  | (10,045 )  | (14,744 ) |
| Change in fair value due to market changes | (14,298 ) | (26,149 )  | (40,447 ) |
| Balance, December 31, 2011                 | \$18,903  | \$67,880   | \$86,783  |
| Additions, net                             | —         | 42,191     | 42,191    |
| Change in fair value due to loan runoff    | (4,164 )  | (14,788 )  | (18,952 ) |
| Change in fair value due to market changes | (1,763 )  | (7,447 )   | (9,210 )  |
| Balance, December 31, 2012                 | \$12,976  | \$87,836   | \$100,812 |
| Additions, net                             | —         | 49,431     | 49,431    |
| Change in fair value due to loan runoff    | (3,029 )  | (16,601 )  | (19,630 ) |
| Change in fair value due to market changes | 5,988     | 16,732     | 22,720    |
| Balance, December 31, 2013                 | \$15,935  | \$137,398  | \$153,333 |

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 considered to be significant unobservable inputs were as follows:

|   | December 31,<br>2013 | 2012            |
|---|----------------------|-----------------|
| Discount rate – risk-free rate plus a market premium  | 10.21%               | 10.29%          |
| Prepayment rate – based upon loan interest rate, original term and loan type                  | 6.66% - 26.19%       | 8.38% - 43.94%  |
| Loan servicing costs – annually per loan based upon loan type:                                |                      |                 |
| Performing loans  | \$60 - \$105         | \$55 - \$105    |
| Delinquent loans  | \$150 - \$500        | \$135 - \$500   |
| Loans in foreclosure  | \$1,000 - \$4,250    | \$875 - \$4,250 |
| Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life | 1.80%                | 0.87%           |

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 December 31, 2013 follows (in thousands):

|            | < 4.00%     | 4.00% - 4.99% | 5.00% - 5.99% | > 5.99%     | Total        |
|------------|-------------|---------------|---------------|-------------|--------------|
| Fair value | \$62,962    | \$55,721      | \$27,446      | \$7,204     | \$153,333    |
|            | \$5,454,084 | \$4,711,703   | \$2,350,924   | \$1,202,231 | \$13,718,942 |

Outstanding principal of loans  
serviced for others

Weighted average prepayment rate<sup>1</sup> 6.66      % 7.85      % 9.93      % 26.19      % 9.34      %

<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.

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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 December 31, 2013, 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 \$2.1 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 \$2.3 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 December 31, 2013 follows (in thousands):

|       | Current      | Past Due<br>30 to 59<br>Days | 60 to 89<br>Days | 90 Days or<br>More | Total        |
|-------|--------------|------------------------------|------------------|--------------------|--------------|
| FHLMC | \$4,557,381  | \$42,359                     | \$10,926         | \$36,890           | \$4,647,556  |
| FNMA  | 4,111,774    | 26,284                       | 7,828            | 20,658             | 4,166,544    |
| GNMA  | 4,475,016    | 149,707                      | 43,702           | 18,113             | 4,686,538    |
| Other | 211,308      | 1,871                        | 547              | 4,578              | 218,304      |
| Total | \$13,355,479 | \$220,221                    | \$63,003         | \$80,239           | \$13,718,942 |

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 \$191 million at December 31, 2013 and \$227 million at December 31, 2012. At December 31, 2013, approximately 4% of the loans sold with recourse with an outstanding principal balance of \$6.7 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 6% with an outstanding balance of \$12 million were past due 30 to 89 days. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

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

|                               | Year Ended |           |           |
|-------------------------------|------------|-----------|-----------|
|                               | 2013       | 2012      | 2011      |
| Beginning balance             | \$11,359   | \$18,683  | \$16,667  |
| Provision for recourse losses | 565        | (1,891)   | ) 8,611   |
| Loans charged off, net        | (2,883)    | ) (5,433) | ) (6,595) |
| Ending balance                | \$9,041    | \$11,359  | \$18,683  |

The Company also has off-balance sheet obligation to repurchase or provide indemnification for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements. The Company has established an accrual for credit losses related to potential loan repurchases under representations and warranties that is included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statements of Earnings. For 2013, the Company has repurchased 19 loans from the

agencies for \$2.1 million and recognized \$333 thousand of related losses. In addition, the Company has paid indemnification for 14 loans and recognized \$453 thousand of related losses during 2013.

A summary of unresolved deficiency requests from the agencies and related accrual for credit losses follows (Dollars in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2013         | 2012     |
| Number of unresolved deficiency requests   | 578          | 389      |
| Aggregate outstanding principal balance subject to unresolved deficiency requests                    | \$69,288     | \$44,831 |
| Unpaid principal balance subject to indemnification by the Company                                   | 3,200        | 1,233    |
| Accrual for credit losses related to potential loan repurchases under representations and warranties | 8,845        | 5,291    |
| (8) Deposits   |              |          |

Interest expense on deposits is summarized as follows (in thousands):

|   | December 31, |          |          |
|---|--------------|----------|----------|
|   | 2013         | 2012     | 2011     |
| Transaction deposits                        | \$11,155     | \$14,300 | \$23,415 |
| Savings                                     | 442          | 540      | 719      |
| Time:                                       |              |          |          |
| Certificates of deposits under \$100,000    | 16,234       | 19,150   | 26,476   |
| Certificates of deposits \$100,000 and over | 12,273       | 16,331   | 21,175   |
| Other time deposits                         | 15,460       | 16,692   | 17,105   |
| Total time                                  | 43,967       | 52,173   | 64,756   |
| Total                                       | \$55,564     | \$67,013 | \$88,890 |

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2013 and 2012 were \$1.8 billion and \$1.9 billion, respectively.

Time deposit maturities are as follows: 2014 – \$1.2 billion, 2015 – \$456 million, 2016 – \$329 million, 2017 – \$167 million, 2018 – \$204 million and \$309 million thereafter. At December 31, 2013 and 2012, the Company had \$186 million and \$187 million, respectively, in fixed rate, brokered certificates of deposits. The weighted-average interest rate paid on these certificates was 2.96% in 2013 and 3.17% in 2012.

The aggregate amount of overdrawn transaction deposits that have been reclassified as loan balances was \$37 million at December 31, 2013 and \$9.2 million at December 31, 2012.

## (9) Other Borrowings

Information relating to other borrowings is summarized as follows (dollars in thousands):

|  | As of<br>December 31, 2013 |        | Year Ended<br>December 31, 2013 |        | Maximum<br>Outstanding<br>At Any<br>Month End |
|--|----------------------------|--------|---------------------------------|--------|---|
|  | Balance                    | Rate   | Average<br>Balance              | Rate   |   |
| Parent Company and Other Non-Bank Subsidiaries:      |                            |        |                                 |        |   |
| Other  | \$—                        | — %    | \$326                           | — %    | \$—   |
| Total Parent Company and Other Non-Bank Subsidiaries | —                          |        | 326                             | —      |   |
| Subsidiary Bank:                                     |                            |        |                                 |        |   |
| Funds purchased                                      | 868,081                    | 0.04   | 866,062                         | 0.10   | 997,536                                       |
| Repurchase agreements                                | 813,454                    | 0.05   | 811,996                         | 0.06   | 881,033                                       |
| Other borrowings:                                    |                            |        |                                 |        |   |
| Federal Home Loan Bank advances                      | 1,005,650                  | 0.19   | 1,661,424                       | 0.20   | 2,451,197                                     |
| GNMA repurchase liability                            | 18,113                     | 5.50   | 15,741                          | 5.43   | 21,055  |
| Other  | 16,590                     | 2.35   | 16,502                          | 2.54   | 17,092  |
| Total other borrowings                               | 1,040,353                  |        | 1,693,667                       | 0.27   |   |
| Subordinated debentures                              | 347,802                    | 5.11   | 347,717                         | 2.51   | 347,802                                       |
| Total subsidiary bank                                | 3,069,690                  |        | 3,719,442                       | 0.41   |   |
| Total other borrowed funds                           | \$3,069,690                |        | \$3,719,768                     | 0.40 % |   |
|  |                            |        |                                 |        |   |
|  | As of<br>December 31, 2012 |        | Year Ended<br>December 31, 2012 |        | Maximum<br>Outstanding<br>At Any<br>Month End |
|  | Balance                    | Rate   | Average<br>Balance              | Rate   |   |
| Parent Company and Other Non-Bank Subsidiaries:      |                            |        |                                 |        |   |
| Other  | \$10,500                   | 1.50 % | \$394                           | 1.11 % | \$10,500                                      |
| Total Parent Company and Other Non-Bank Subsidiaries | 10,500                     |        | 394                             | 1.11   |   |
| Subsidiary Bank:                                     |                            |        |                                 |        |   |
| Funds purchased                                      | 1,167,416                  | 0.05   | 1,512,711                       | 0.14   | 1,810,793                                     |
| Repurchase agreements                                | 887,030                    | 0.07   | 1,072,650                       | 0.09   | 1,272,151                                     |
| Other borrowings:                                    |                            |        |                                 |        |   |
| Federal Home Loan Bank advances                      | 604,897                    | 0.23   | 104,925                         | 0.31   | 604,897                                       |
| GNMA repurchase liability                            | 20,046                     | 5.44   | 33,768                          | 5.41   | 47,840  |
| Other  | 16,332                     | 5.10   | 16,577                          | 2.91   | 16,761  |
| Total other borrowings                               | 641,275                    |        | 155,270                         |        |   |
| Subordinated debentures                              | 347,633                    | 2.40   | 363,699                         | 3.79   | 398,897                                       |
| Total subsidiary bank                                | 3,043,354                  |        | 3,104,330                       | 0.65   |   |



|                        |             |             |        |
|------------------------|-------------|-------------|--------|
| Total other borrowings | \$3,053,854 | \$3,104,724 | 0.65 % |
|------------------------|-------------|-------------|--------|

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|  | As of<br>December 31, 2011 |      | Year Ended<br>December 31, 2011 |      | Maximum<br>Outstanding<br>At Any<br>Month End |
|--|----------------------------|------|---------------------------------|------|---|
|  | Balance                    | Rate | Average<br>Balance              | Rate |   |
| Parent Company and Other Non-Bank Subsidiaries:      |                            |      |                                 |      |   |
| Trust preferred debt                                 | \$—                        | —    | % \$7,093                       | 6.42 | % \$8,763                                     |
| Other  | —                          | —    | —                               | —    | —   |
| Total Parent Company and Other Non-Bank Subsidiaries | —                          |      | 7,093                           | 6.42 |   |
| Subsidiary Banks:                                    |                            |      |                                 |      |   |
| Funds purchased                                      | 1,063,318                  | 0.03 | 1,046,114                       | 0.07 | 1,706,893                                     |
| Repurchase agreements                                | 1,233,064                  | 0.09 | 1,096,615                       | 0.12 | 1,393,237                                     |
| Other borrowings:                                    |                            |      |                                 |      |   |
| Federal Home Loan Bank advances                      | 4,837                      | 0.27 | 45,110                          | 0.38 | 201,674                                       |
| GNMA repurchase liability                            | 53,082                     | 6.18 | 56,142                          | 5.79 | 118,595                                       |
| Other  | 16,566                     | 5.10 | 28,777                          | 3.23 | 45,366  |
| Total other borrowings                               | 74,485                     |      | 130,029                         |      |   |
| Subordinated debentures                              | 398,881                    | 5.47 | 398,790                         | 5.74 | 398,881                                       |
| Total subsidiary banks                               | 2,769,748                  |      | 2,671,548                       | 1.06 |   |
| Total other borrowings                               | \$2,769,748                |      | \$2,678,641                     | 1.17 | %   |

Aggregate annual principal repayments at December 31, 2013 are as follows (in thousands):

|            | Parent<br>Company and Other<br>Non-bank Subsidiaries | Subsidiary<br>Bank |
|------------|--|--------------------|
| 2014       | \$—  | \$2,705,823        |
| 2015       | —  | 122,032            |
| 2016       | —  | 525                |
| 2017       | —  | 226,820            |
| 2018       | —  | 575                |
| Thereafter | —  | 13,915             |
| Total      | \$—  | \$3,069,690        |

Funds purchased are unsecured and generally mature within one to ninety days from the transaction date. Securities repurchase agreements are recorded as secured borrowings that generally mature within ninety days and are secured by certain available for sale securities. There was no outstanding accrued interest payable related to repurchase agreements at December 31, 2013 or December 31, 2012.

Additional information relating to securities sold under agreements to repurchase and related liabilities at December 31, 2013 and 2012 is as follows (dollars in thousands):

| Security Sold/Maturity  | December 31, 2013 |              |                                   |                                   | Average Rate |
|-------------------------|-------------------|--------------|-----------------------------------|-----------------------------------|--------------|
|                         | Amortized Cost    | Market Value | Repurchase Liability <sup>1</sup> | Repurchase Liability <sup>1</sup> |              |
| U.S. Agency Securities: |                   |              |                                   |                                   |              |
| Overnight <sup>1</sup>  | \$1,085,893       | \$1,075,821  | \$813,624                         | 0.05                              | %            |
| Long-term               | —                 | —            | —                                 | —                                 | %            |
| Total Agency Securities | \$1,085,893       | \$1,075,821  | \$813,624                         | 0.05                              | %            |
|                         |                   |              |                                   |                                   |              |
| Security Sold/Maturity  | December 31, 2012 |              |                                   |                                   | Average Rate |
|                         | Amortized Cost    | Market Value | Repurchase Liability <sup>1</sup> | Repurchase Liability <sup>1</sup> |              |
| U.S. Agency Securities: |                   |              |                                   |                                   |              |
| Overnight <sup>1</sup>  | \$1,213,593       | \$1,242,314  | \$877,382                         | 0.07                              | %            |
| Long-term               | —                 | —            | —                                 | —                                 | %            |
| Total Agency Securities | \$1,213,593       | \$1,242,314  | \$877,382                         | 0.07                              | %            |

<sup>1</sup> BOK Financial maintains control over the securities underlying overnight repurchase agreements and generally transfers control over securities underlying longer-term dealer repurchase agreements to the respective counterparty.

Borrowings from the Federal Home Loan Banks are used for funding purposes. In accordance with policies of the Federal Home Loan Banks, BOK Financial has granted a blanket pledge of eligible assets (generally unencumbered U.S. Treasury and residential mortgage-backed securities, 1-4 family loans and multifamily loans) as collateral for these advances. The Federal Home Loan Banks have issued letters of credit totaling \$297 million to secure BOK Financial's obligations to depositors of public funds. The unused credit available to BOK Financial at December 31, 2013 pursuant to the Federal Home Loan Bank's collateral policies is \$2.3 billion.

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, 2014. The Credit Facility 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 or sell assets. These covenants also require BOKF to maintain minimum capital levels. At December 31, 2013, no amounts were outstanding under the Credit Facility and the Company met all of the covenants.

BOSC, Inc. has a borrowing agreement with Bank of New York Mellon ("BNY") to provide additional funding for its trading activities. Fundings are at the discretion of BNY with the amount of the advance and interest rate are negotiated at the time of the funding request. Fundings are fully secured by the qualifying securities and payable on demand. At December 31, 2012, no amounts was outstanding under this borrowing agreement at December 31, 2013 and \$10.5 million was outstanding at December 31, 2012.

In 2007, the Bank issued \$250 million of subordinated debt due May 15, 2017. Interest on this debt was based upon a fixed rate of 5.75% through May 14, 2012 and is based on a floating rate of three-month LIBOR plus 0.69% thereafter. The proceeds of this debt were used to fund the Worth National Bank and First United Bank acquisitions and to fund continued asset growth. At December 31, 2013, and December 31, 2012 \$227 million of this subordinated debt remained outstanding.

In 2005, the Bank issued \$150 million of fixed rate subordinated debt due June 1, 2015. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay the unsecured revolving line of credit and to provide additional capital to support asset growth. During 2006, an interest rate swap was designated as a hedge of changes in fair value of the subordinated debt due to changes in interest rates. The Company received a fixed rate of interest and paid a variable rate based on 1-month LIBOR. This fair value hedging relationship was discontinued and the interest rate swap was terminated in April 2007. At December 31, 2013 and December 31, 2012, \$122 million of this subordinated debt remains outstanding.

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

(10) Federal and State Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows (in thousands):

|   | December 31,<br>2013 | 2012    |
|---|----------------------|---------|
| Deferred tax assets:                                      |                      |         |
| Available for sale securities mark to market              | \$ 14,700            | \$—     |
| Stock-based compensation                                  | 8,100                | 9,100   |
| Credit loss allowances                                    | 75,600               | 86,100  |
| Valuation adjustments                                     | 35,300               | 45,100  |
| Deferred book income                                      | 3,500                | 7,200   |
| Deferred compensation                                     | 60,100               | 45,100  |
| Other   | 29,500               | 31,300  |
| Total deferred tax assets                                 | 226,800              | 223,900 |
| Deferred tax liabilities:                                 |                      |         |
| Available for sale securities mark to market              | —                    | 99,000  |
| Depreciation  | 17,300               | 19,600  |
| Mortgage servicing rights                                 | 72,200               | 59,500  |
| Lease financing   | 23,200               | 21,100  |
| Other   | 18,500               | 21,700  |
| Total deferred tax liabilities                            | 131,200              | 220,900 |
| Deferred tax assets in excess of deferred tax liabilities | \$95,600             | \$3,000 |

The significant components of the provision for income taxes attributable to continuing operations for BOK Financial are shown below (in thousands):

|                                   | Year Ended December 31, |           |           |
|-----------------------------------|-------------------------|-----------|-----------|
|                                   | 2013                    | 2012      | 2011      |
| Current income tax expense:       |                         |           |           |
| Federal                           | \$125,412               | \$159,706 | \$137,802 |
| State                             | 14,381                  | 19,103    | 16,085    |
| Total current income tax expense  | 139,793                 | 178,809   | 153,887   |
| Deferred income tax expense:      |                         |           |           |
| Federal                           | 15,915                  | 8,664     | 3,882     |
| State                             | 1,590                   | 1,267     | 742       |
| Total deferred income tax expense | 17,505                  | 9,931     | 4,624     |
| Total income tax expense          | \$157,298               | \$188,740 | \$158,511 |

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):

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2013                    | 2012      | 2011      |
| Amount:  |                         |           |           |
| Federal statutory tax                                | \$166,680               | \$190,003 | \$156,917 |
| Tax exempt revenue                                   | (7,361)                 | (5,558)   | (5,357)   |
| Effect of state income taxes, net of federal benefit | 10,937                  | 13,684    | 11,198    |
| Utilization of tax credits                           | (8,145)                 | (5,126)   | (2,972)   |
| Bank-owned life insurance                            | (3,596)                 | (3,850)   | (3,879)   |
| Reduction of tax accrual                             | (1,400)                 | (950)     | (1,764)   |
| Other, net   | 183                     | 537       | 4,368     |
| Total  | \$157,298               | \$188,740 | \$158,511 |

Due to the favorable resolution of certain tax issues for the periods ended December 31, 2009 and 2008, BOK Financial reduced its tax accrual by \$1.4 million and \$1.0 million in 2013 and 2012, respectively, which was credited against current income tax expense.

|  | Year Ended December 31, |       |       |
|--|-------------------------|-------|-------|
|  | 2013                    | 2012  | 2011  |
| Percent of pretax income:                            |                         |       |       |
| Federal statutory tax                                | 35                      | % 35  | % 35  |
| Tax exempt revenue                                   | (1)                     | ) (1) | ) (1) |
| Effect of state income taxes, net of federal benefit | 2                       | 3     | 2     |
| Utilization of tax credits                           | (2)                     | ) (1) | ) (1) |
| Bank-owned life insurance                            | (1)                     | ) (1) | ) (1) |
| Reduction of tax accrual                             | —                       | —     | —     |
| Other, net   | —                       | —     | 1     |
| Total  | 33                      | % 35  | % 35  |

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

|  | 2013     | 2012     | 2011     |   |
|--|----------|----------|----------|---|
| Balance as of January 1                      | \$12,275 | \$12,230 | \$11,900 |   |
| Additions for tax for current year positions | 2,730    | 3,976    | 6,390    |   |
| Settlements during the period                | —        | (1,000)  | (2,510)  | ) |
| Lapses of applicable statute of limitations  | (2,947)  | (2,931)  | (3,550)  | ) |
| Balance as of December 31                    | \$12,058 | \$12,275 | \$12,230 |   |

Any of the above unrecognized tax benefits, if recognized, would affect the effective tax rate.

BOK Financial recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company recognized \$1.2 million for 2013, \$1.2 million for 2012 and \$1.9 million for 2011 in interest and penalties. The Company had approximately \$2.9 million accrued for the payment of interest and penalties at December 31, 2013 and 2012. Federal statutes remain open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

The Internal Revenue Service completed an audit of the Company's federal income tax return for the year ended December 31, 2008 during the first quarter 2012 with no adjustments. The Internal Revenue Service also completed its audit of the Company's 2008 refund claim during the first quarter of 2013 with no adjustments.

#### (11) Employee Benefits

BOK Financial sponsors a defined benefit cash balance Pension Plan for all employees who satisfy certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the plan and no additional service benefits will be accrued. During 2012, interest accrued on employees' account balances at 5.25%. During 2013, interest accrued on employees' account balances at a variable rate tied to the five-year trailing average of five-year Treasury Securities plus 1.5%. The rate has a floor of 2.5% and a ceiling of 5.0%. The 2013 quarterly variable rates ranged from 3.07% to 3.27%.

The following table presents information regarding this plan (in thousands):

|  | December 31, |          |   |
|--|--------------|----------|---|
|  | 2013         | 2012     |   |
| Change in projected benefit obligation:                    |              |          |   |
| Projected benefit obligation at beginning of year          | \$48,028     | \$50,213 |   |
| Interest cost  | 1,532        | 1,925    |   |
| Actuarial (gain) loss                                      | (1,543       | ) 2,786  |   |
| Benefits paid  | (3,252       | ) (2,194 | ) |
| Plan amendments  | \$—          | (4,702   | ) |
| Projected benefit obligation at end of year <sup>1,2</sup> | \$44,765     | \$48,028 |   |
| Change in plan assets:                                     |              |          |   |
| Plan assets at fair value at beginning of year             | \$45,920     | \$43,859 |   |
| Actual return on plan assets                               | 6,144        | 4,255    |   |
| Benefits paid  | (3,252       | ) (2,194 | ) |
| Plan assets at fair value at end of year                   | \$48,812     | \$45,920 |   |
| Funded status of the plan                                  | \$4,047      | \$(2,108 | ) |
| Components of net periodic benefit costs:                  |              |          |   |
| Interest cost  | \$1,532      | \$1,925  |   |
| Expected return on plan assets                             | (2,185       | ) (2,062 | ) |
| Recognized prior service cost                              | (1,175       | ) —      |   |
| Amortization of unrecognized net loss                      | 3,830        | 3,461    |   |
| Net periodic pension cost                                  | \$2,002      | \$3,324  |   |

<sup>1</sup> Projected benefit obligation equals accumulated benefit obligation.

<sup>2</sup> Projected benefit obligation is based on January 1 measurement date.

| Weighted-average assumptions as of December 31: | 2013 | 2012   |   |
|---|------|--------|---|
| Discount rate                                   | 4.05 | % 3.36 | % |
| Expected return on plan assets                  | 6.00 | % 5.25 | % |

As of December 31, 2013, expected future benefit payments related to the Pension Plan were as follows (in thousands):

|            |          |
|------------|----------|
| 2014       | \$3,886  |
| 2015       | 3,713    |
| 2016       | 3,386    |
| 2017       | 3,351    |
| 2018       | 3,488    |
| Thereafter | 40,394   |
|            | \$58,218 |

Assets of the Pension Plan consist primarily of shares in the Cavanal Hill Balanced Fund. The stated objective of this fund is to provide an attractive total return through a broadly diversified mix of equities and bonds. The typical portfolio mix is approximately 60% equities and 40% bonds. The net asset value of shares in the Cavanal Hill Funds is reported daily based on market quotations for the Fund's securities. If market quotations are not readily available, the securities' fair values are determined by the Fund's pricing committee. The inception-to-date return on the fund, which is used as an indicator when setting the expected return on plan assets, was 7.34%. As of December 31, 2013, the expected return on plan assets for 2013 is 6.00%. The maximum allowed Pension Plan contribution for 2013 was \$23 million. No minimum contribution was required for 2013, 2012 or 2011. We expect approximately \$0.6 million of net pension costs currently in accumulated other comprehensive income to be recognized as net periodic pension cost in 2014.





Employee contributions to the Thrift Plan are eligible for Company matching equal to 6% of base compensation, as defined in the plan. The Company-provided matching contribution rates range from 50% for employees with less than four years of service to 200% for employees with 15 or more years of service. Additionally, a maximum Company-provided, non-elective annual contribution of up to \$750 is made for employees whose annual base compensation is less than \$40,000. Total non-elective contributions were \$738 thousand for 2013, \$802 thousand for 2012 and \$933 thousand for 2011.

Participants may direct investments in their accounts to a variety of options, including a BOK Financial common stock fund. Employer contributions, which are invested in accordance with the participant's investment options, vest over five years. Thrift Plan expenses were \$18.1 million for 2013, \$16.8 million for 2012 and \$15.4 million for 2011.

BOK Financial offers numerous incentive compensation plans that are aligned with the Company's growth strategy. Compensation awarded under these plans may be based on defined formulas, other performance criteria or discretionary. Incentive compensation is designed to motivate and reinforce sales and customer service behavior in all markets. Earnings were charged \$151.1 million in 2013, \$153.9 million in 2012, and \$117.8 million in 2011 for incentive compensation plans.

#### (12) Stock Compensation Plans

The shareholders and Board of Directors of BOK Financial have approved various stock-based compensation plans. An independent compensation committee of the Board of Directors determines the number of awards granted to the Chief Executive Officer and other senior executives. Stock-based compensation is granted to other officers and employees as determined by the Chief Executive Officer.

These awards include stock options subject to vesting requirements and non-vested shares. Generally, one-seventh of the options awarded vest annually and expire 3 years after vesting. Additionally, stock options that vest in two years and expire 45 days after vesting have been awarded. Non-vested shares vest 3 to 5 years after the grant date. The holders of these non-vested shares may be required to retain the shares for 2 years after vesting.

The Chief Executive Officer and other senior executives participate in an Executive Incentive Plan ("EIP"). The number of options and non-vested shares may increase or decrease based upon the Company's growth in earnings per share over a three-year period compared to the median growth in earnings per share for a designated peer group of financial institutions and other individual performance factors.

The following table presents stock options outstanding during 2013, 2012 and 2011 under these plans (in thousands, except for per share data):

|  | Number    | Weighted-Average Exercise Price | Aggregate Intrinsic Value |
|--|-----------|---------------------------------|---------------------------|
| Options outstanding at December 31, 2010 | 3,135,334 | \$45.62                         | \$24,405                  |
| Options awarded                          | 185,007   | 55.94                           |                           |
| Options exercised                        | (576,518) | ) 44.35                         |                           |
| Options forfeited                        | (60,005)  | ) 47.93                         |                           |
| Options expired                          | (62,471)  | ) 54.13                         |                           |
| Options outstanding at December 31, 2011 | 2,621,347 | \$47.01                         | \$20,769                  |
| Options awarded                          | 67,155    | 58.76                           |                           |
| Options exercised                        | (708,295) | ) 45.32                         |                           |
| Options forfeited                        | (22,559)  | ) 50.36                         |                           |
| Options expired                          | (66,862)  | ) 45.97                         |                           |
| Options outstanding at December 31, 2012 | 1,890,786 | \$48.29                         | \$11,748                  |
| Options awarded                          | 81,492    | 55.74                           |                           |
| Options exercised                        | (608,663) | ) 48.00                         |                           |
| Options forfeited                        | (219,342) | ) 47.65                         |                           |
| Options expired                          | (9,168)   | ) 50.61                         |                           |
| Options outstanding at December 31, 2013 | 1,135,105 | \$49.09                         | \$19,564                  |
| Options vested at:                       |           |                                 |                           |
| December 31, 2011                        | 825,682   | \$46.72                         | \$6,779                   |
| December 31, 2012                        | 601,367   | 47.99                           | 3,890                     |
| December 31, 2013                        | 424,459   | 49.49                           | 7,146                     |

The following table summarizes information concerning currently outstanding and vested stock options:

| Options Outstanding      |                    | Options Vested                                      |                                 |               |                                 |   |
|--------------------------|--------------------|---|---------------------------------|---------------|---------------------------------|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Number Vested | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (years) |
| \$37.74                  | 1,267              | 0.02  | \$37.74                         | 1,267         | \$37.74                         | 0.02  |
| 45.15 - 47.34            | 84,725             | 1.42  | 47.12                           | 84,725        | 47.12                           | 1.42  |
| 54.33                    | 134,485            | 2.11  | 54.33                           | 74,447        | 54.33                           | 1.37  |
| 48.46                    | 233,739            | 2.88  | 48.46                           | 80,747        | 48.46                           | 1.66  |
| 55.94                    | 214,483            | 2.99  | 55.94                           | 102,311       | 55.94                           | 0.74  |
| 36.65                    | 253,607            | 3.44  | 36.65                           | 61,449        | 36.65                           | 1.64  |
| 48.30                    | 47,581             | 3.84  | 48.30                           | 11,007        | 48.30                           | 1.51  |
| 58.76                    | 83,726             | 5.18  | 58.76                           | 8,506         | 58.76                           | 2.03  |
| 55.74                    | 81,492             | 6.03  | 55.74                           | —             | —                               | 0   |

The aggregate intrinsic value of options exercised was \$8.5 million for 2013, \$8.3 million for 2012 and \$5.5 million for 2011. Compensation expense for stock options is generally recognized based on the fair value of options granted over the options' vesting period.



The fair value of options was determined as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

|  | 2013      |   | 2012      |   | 2011      |   |
|--|-----------|---|-----------|---|-----------|---|
| Average risk-free interest rate <sup>1</sup> | 0.89      | % | 0.93      | % | 1.87      | % |
| Dividend yield                               | 2.80      | % | 2.20      | % | 1.80      | % |
| Volatility factors                           | 0.272     |   | 0.280     |   | 0.268     |   |
| Weighted average expected life               | 4.9 years |   | 4.9 years |   | 4.9 years |   |
| Weighted average fair value                  | \$9.67    |   | \$11.48   |   | \$11.92   |   |

<sup>1</sup> Average risk-free interest rate represents U.S. Treasury rates matched to the expected life of the options.

Compensation expense recognized on stock options totaled \$1.3 million for 2013, \$4.1 million for 2012 and \$4.3 million for 2011. Compensation cost of stock options granted that may be recognized as compensation expense in future years totaled \$1.9 million at December 31, 2013. Subject to adjustments for forfeitures, we expect to recognize compensation expense for current outstanding options of \$865 thousand in 2014, \$504 thousand in 2015, \$299 thousand in 2016, \$166 thousand in 2017, \$66 thousand in 2018 and \$20 thousand thereafter.

The following represents a summary of the non-vested stock awards as of December 31, 2013 (in thousands):

|                                 | Shares   | Weighted<br>Average<br>Grant Date<br>Fair Value |
|---------------------------------|----------|---|
| Non-vested at January 1, 2013   | 592,831  |   |
| Granted                         | 211,791  | \$55.84   |
| Lapsed                          | (66,648) | ) 35.93   |
| Forfeited                       | (89,985) | ) 49.95   |
| Non-vested at December 31, 2013 | 647,989  |   |

Compensation expense recognized on non-vested shares totaled \$6.9 million for 2013, \$5.6 million for 2012 and \$5.7 million for 2011. Unrecognized compensation cost of non-vested shares totaled \$15.3 million at December 31, 2013. Subject to adjustment for forfeitures, we expect to recognize compensation expense of \$7.0 million in 2014, \$6.3 million in 2015, \$1.8 million in 2016, \$175 thousand in 2017 and none thereafter.

BOK Financial permits certain executive officers to defer recognition of taxable income from their stock-based compensation. Deferred compensation may also be diversified into investments other than BOK Financial common stock.

Stock-based compensation subject to these deferral plans is recognized as a liability award rather than as an equity award. Compensation expense is based on the fair value of the award recognized over the vesting period. The recorded obligation for liability awards totaled \$120 thousand at December 31, 2013 and \$87 thousand at December 31, 2012. Compensation cost of liability awards was an expense of \$343 thousand in 2013, \$530 thousand in 2012 and \$760 thousand in 2011.

On April 26, 2011 shareholders approved the BOK Financial Corporation 2011 True-Up Plan. The True-Up Plan was intended to address inequality in the EIP which had been approved by shareholders in 2003 as a result of certain peer banks that performed poorly during the most recent economic cycle. Performance goals for the EIP are based on the Company's earnings per share growth compared to peers and business unit performance. As the economy improves and credit losses normalize, peer banks were expected to experience significant comparative earnings per share percentile increases. This "bounce-back" effect would have resulted in the unanticipated result of no annual bonuses in the years 2011, 2012 and 2013 and the forfeiture of long-term incentive awards for 2010 and 2011 in their entirety,

despite BOK Financial's strong annual earnings growth through the economic cycle while many peers experienced negative or declining earnings. 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. Compensation expense is determined by ranking BOK Financial's earnings per share to peer banks and then aligning compensation with the peer bank that most closely relates to BOK Financial's earnings per share performance. Based on currently available information, the Company has accrued \$69 million for the True-Up Plan liability. The final amount due under the 2011 True-Up Plan will be determined as of December 31, 2013 based on information that will be published by peer banks during the first quarter of 2014. The final amounts due under the 2011 True-Up Plan will be distributed in May, 2014.

During January 2014, BOK Financial awarded 206,546 share of non-vested stock with a fair value per award of \$64.37. The aggregate compensation cost of these awards totaled approximately \$13.3 million. This cost will be recognized over the vesting periods, subject to adjustments for forfeitures. Non-vested shares awarded in January, 2014 generally cliff vest in 3 years and are subject to a 2 year holding period after vesting.

#### (13) Related Parties

In compliance with applicable regulations, the Company may extend credit to certain executive officers, directors, principal shareholders and their affiliates (collectively referred to as "related parties") in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements. The Company's loans to related parties do not involve more than the normal credit risk and there are no nonaccruing or impaired related party loans outstanding at December 31, 2013 or 2012.

Activity in loans to related parties is summarized as follows (in thousands):

|                          | Year Ended December 31, |            |
|--------------------------|-------------------------|------------|
|                          | 2013                    | 2012       |
| Beginning balance        | \$49,943                | \$99,340   |
| Advances                 | 292,393                 | 644,715    |
| Payments                 | (253,645                | ) (684,942 |
| Adjustments <sup>1</sup> | —                       | (9,170     |
| Ending balance           | \$88,691                | \$49,943   |

<sup>1</sup> Adjustments generally consist of changes in status as a related party.

Certain related parties are customers of the Company for services other than loans, including consumer banking, corporate banking, risk management, wealth management, brokerage and trading, or fiduciary/trust services. The Company engages in transactions with related parties in the ordinary course of business in compliance with applicable regulations.

The Company rents office space in facilities owned by affiliates of Mr. Kaiser, its Chairman and principal shareholder. Lease payments totaled \$952 thousand for 2013, \$1.1 million for 2012 and \$1.1 million for 2011.

In 2008, the Company entered into a \$25 million loan commitment with the Tulsa Community Foundation ("TCF") to be secured by tax-exempt bonds purchased from the Tulsa Stadium Trust (the "Stadium Trust") by TCF. The Stadium Trust is an Oklahoma public trust, of which the City of Tulsa is the sole beneficiary. Stacy C. Kymes, Executive Vice President and Chief Credit Officer of the Company, is Chairman of the Stadium Trust.

Cavanal Hill Investment Management, Inc., a wholly-owned subsidiary of the Bank, is the administrator to and investment advisor for the Cavanal Hill Funds (the "Funds"), a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). The Bank is custodian and BOSCO, Inc. is distributor for the Funds. The Funds' products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. Approximately 99% of the Funds' assets of \$2.8 billion are held for the Company's clients. A Company executive officer serves on the Funds' board of trustees and officers of the Bank serve as president and secretary of the Funds. A majority of the members of the Funds' board of trustees are, however, independent of the Company and the Funds are managed by its board of trustees.

(14) Commitments and Contingent Liabilities

Litigation Contingencies

In an opinion dated October 11, 2011, the Oklahoma Supreme Court invalidated, pursuant to a petition brought by certain taxpayers, a \$7.1 million settlement agreement between the Bank and the City of Tulsa ("the City"). The agreement settled claims asserted by the Bank against the City and against the Tulsa Airports Improvement Trust ("the Trust") related to a defaulted loan made by the Bank to a start-up airline. The Trust agreed to purchase the loan and its collateral from the Bank in the event of a default by the airline. The settlement amount was fully accrued for in 2011 in the accrual for off-balance sheet credit risk. On July 18, 2012, the Company paid the \$7.1 million to the City.

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 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.

In July 2012, Visa announced it had reached an agreement in principle to resolve pending litigation and provide for settlement payments from the previously funded litigation escrow account. In conjunction with this agreement, Visa deposited an additional \$150 million to the litigation escrow account which reduced the exchange rate to approximately 0.4206 Class A shares for each Class B share.

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 \$5.9 million at December 31, 2013. 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 type of investments.

Consolidated tax credit entities represent the Company's interest in entities earning federal new market tax credits related to qualifying loans for which 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 creditors underlying the other borrowings of consolidated tax credit entities do not have recourse to the general credit of BOKF.

The Company also has interests in various unrelated alternative investments generally consisting of unconsolidated limited partnership interest in or loans to entities for which investment return is 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. The Company's ability to hold these investments will be curtailed by the Volcker Rule.

A summary of consolidated and unconsolidated alternative investments as of December 31, 2013 and December 31, 2012 is as follows (in thousands):

|                      | December 31, 2013 |              |                   |                  |                          |
|----------------------|-------------------|--------------|-------------------|------------------|--------------------------|
|                      | Loans             | Other assets | Other liabilities | Other borrowings | Non-controlling interest |
| Consolidated:        |                   |              |                   |                  |                          |
| Private equity funds | \$—               | \$27,341     | \$—               | \$—              | \$23,036                 |
| Tax credit entities  | 10,000            | 13,448       | —                 | 10,964           | 9,869                    |
| Other                | —                 | 9,178        | —                 | —                | 2,019                    |
| Total consolidated   | \$10,000          | \$49,967     | \$—               | \$10,964         | \$34,924                 |
| Unconsolidated:      |                   |              |                   |                  |                          |
| Tax credit entities  | \$27,319          | \$90,260     | \$35,776          | \$—              | \$—                      |
| Other                | —                 | 9,257        | 1,681             | —                | —                        |
| Total unconsolidated | \$27,319          | \$99,517     | \$37,457          | \$—              | \$—                      |
|                      | December 31, 2012 |              |                   |                  |                          |
|                      | Loans             | Other assets | Other liabilities | Other borrowings | Non-controlling interest |
| Consolidated:        |                   |              |                   |                  |                          |
| Private equity funds | \$—               | \$28,169     | \$—               | \$—              | \$23,691                 |
| Tax credit entities  | 10,000            | 13,965       | —                 | 10,964           | 10,000                   |
| Other                | —                 | 8,952        | —                 | —                | 2,130                    |
| Total consolidated   | \$10,000          | \$51,086     | \$—               | \$10,964         | \$35,821                 |
| Unconsolidated:      |                   |              |                   |                  |                          |
| Tax credit entities  | \$22,354          | \$78,109     | \$43,052          | \$—              | \$—                      |
| Other                | —                 | 9,113        | 1,802             | —                | —                        |
| Total unconsolidated | \$22,354          | \$87,222     | \$44,854          | \$—              | \$—                      |

#### Other Commitments and Contingencies

At December 31, 2013, Cavanal Hill Funds' assets included \$884 million of U.S. Treasury, \$1.2 billion of cash management and \$314 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 December 31, 2013. 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 2013 or 2012.



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 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.

Total rent expense for BOK Financial was \$23.5 million in 2013, \$21.7 million in 2012 and \$20.6 million in 2011. The Bank is obligated under a long-term lease for its bank premises in downtown Tulsa. The lease term, which began November 1, 1976, is for fifty-seven years with an option to terminate in 2024 with a two-year prior written notice. At December 31, 2013, future minimum lease payments for premises under operating leases were as follows: \$23.8 million in 2014, \$23.9 million in 2015, \$21.5 million in 2016, \$17.9 million in 2017, \$13.8 million in 2018 and \$113.0 million thereafter. Premises leases may include options to renew at then current market rates and may include escalation provisions based upon changes in consumer price index or similar benchmarks.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. Member banks may satisfy reserve balance requirements through its holdings of vault cash and balance maintained directly with a Federal Reserve Bank. The combined average balance of vault cash and balances held at the Federal Reserve Bank were \$830 million for the year ended December 31, 2013 and \$733 million for the year ended December 31, 2012.

BOSC, Inc., a wholly-owned subsidiary of BOK Financial, is an introducing broker to Pershing, LLC for retail equity investment transactions. As such, it has indemnified Pershing, LLC against losses due to a customer's failure to settle a transaction or to repay a margin loan. All unsettled transaction and margin loans are secured as required by applicable regulation. The amount of customer balances subject to indemnification totaled \$1.4 million at December 31, 2013.

The Company agreed to guarantee rents totaling \$28.7 million through September of 2017 to the City as owner of a building immediately adjacent to the Bank’s main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$11.2 million at December 31, 2013. Current leases expire or are subject to lessee termination options at various dates in 2014. Our obligation under the agreement would be affected by lessee decisions to exercise these options. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City through September 2017 from rental of space that was vacant at the inception of the agreement. The maximum amount that the Company may receive under this agreement is \$4.5 million.

The Company has agreed to purchase approximately \$13 million of Oklahoma income tax credits from certain operators of zero emission power facilities in 2014 related to power produced during 2013. Tax credits are generated based on power sold to unrelated third parties and are transferable for a period of ten years following the year of creation. Tax credits will be sold to qualifying taxpayers as BOK Financial is limited by statute on the amount of credits that may be utilized. Oklahoma statutes were amended in May 2013, so that beginning in the year 2014, transferable credits will no longer be generated by zero emission power facilities. Prior to the amended statute, the Company anticipated credits would be purchased through 2022 under long-term contracts with the producers. The agreements contained provisions that they may be terminated in the event of changes in federal law or Oklahoma statutes invalidating the tax credits or their transferability.

(15) Shareholders Equity

Preferred Stock

One billion shares of preferred stock with a par value of \$0.00005 per share are authorized. The Series A Preferred Stock has no voting rights except as otherwise provided by Oklahoma corporate law and may be converted into one share of Common Stock for each 36 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the \$0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is \$15 million. No Series A Preferred Stock was outstanding in 2013, 2012 or 2011.

## Common Stock

Common stock consists of 2.5 billion authorized shares with a \$0.00006 par value. Holders of common shares are entitled to one vote per share at the election of the Board of Directors and on any question arising at any shareholders' meeting and to receive dividends when and as declared. Additionally, regulations restrict the ability of national banks and bank holding companies to pay dividends.

## Subsidiary Bank

The amounts of dividends that BOK Financial's subsidiary bank can declare and the amounts of loans the subsidiary bank can extend to affiliates are limited by various federal banking regulations and state corporate law. Generally, dividends declared during a calendar year are limited to net profits, as defined, for the year plus retained profits for the preceding two years. The amounts of dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations as well as management's internal capital policy, at December 31, 2013, BOKF subsidiaries could declare up to \$158 million of dividends without regulatory approval. The subsidiary bank declared and paid dividends of \$225 million in 2013, \$275 million in 2012 and \$270 million in 2011.

As defined by banking regulations, loan commitments and equity investments to a single affiliate may not exceed 10% of unimpaired capital and surplus and loan commitments and equity investments to all affiliates may not exceed 20% of unimpaired capital and surplus. All loans to affiliates must be fully secured by eligible collateral. At December 31, 2013, loan commitments and equity investments were limited to \$229 million to a single affiliate and \$459 million to all affiliates. The largest loan commitment and equity investment to a single affiliate was \$220 million and the aggregate loan commitments and equity investments to all affiliates were \$334 million. The largest outstanding amount to a single affiliate at December 31, 2013 was \$22 million and the total outstanding amounts to all affiliates were \$27 million. At December 31, 2012, total loan commitments and equity investments to all affiliates were \$330 million and the total outstanding amounts to all affiliates were \$68 million.

## Regulatory Capital

BOK Financial and the Bank are subject to various capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a material effect on BOK Financial's operations. These capital requirements include quantitative measures of assets, liabilities and certain off-balance sheet items. The capital standards are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

For a banking institution to qualify as well capitalized, Tier I, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. Tier I capital consists primarily of common stockholders' equity, excluding unrealized gains or losses on available for sale securities, less goodwill, core deposit premiums and certain other intangible assets. Total capital consists primarily of Tier I capital plus preferred stock, subordinated debt and allowances for credit losses, subject to certain limitations. The Bank exceeded the regulatory definition of well capitalized as of December 31, 2013 and December 31, 2012.

A summary of regulatory capital levels follows (dollars in thousands):

|   | As of December 31, |       | 2012 |             |       |   |
|---|--------------------|-------|------|-------------|-------|---|
|   | 2013               |       |      |             |       |   |
| Total Capital (to Risk Weighted Assets):  |                    |       |      |             |       |   |
| Consolidated                              | \$3,017,022        | 15.56 | %    | \$2,877,949 | 15.13 | % |
| BOKF, NA                                  | 2,293,673          | 11.88 |      | 2,296,451   | 12.13 |   |
| Tier I Capital (to Risk Weighted Assets): |                    |       |      |             |       |   |
| Consolidated                              | \$2,668,981        | 13.77 | %    | \$2,430,671 | 12.78 | % |

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|                                     |             |       |               |      |   |
|-------------------------------------|-------------|-------|---------------|------|---|
| BOKF, NA                            | 1,946,247   | 10.08 | 1,849,769     | 9.77 |   |
| Tier I Capital (to Average Assets): |             |       |               |      |   |
| Consolidated                        | \$2,668,981 | 10.05 | % \$2,430,671 | 9.01 | % |
| BOKF, NA                            | 1,946,247   | 7.38  | 1,849,769     | 6.89 |   |

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## Accumulated Other Comprehensive Income (Loss)

AOCI includes unrealized gains and losses on available for sale ("AFS") securities. Unrealized gain (loss) on AFS securities also includes 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 will be amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related accretion of discount 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 will be 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, 2010  | \$122,494                     | \$—  | \$(13,777 )            | \$(878 )                           |  | \$107,839  |
| Net change in unrealized gain (loss)                              | 45,593                        | —  | 1,694                  | —                                  |  | 47,287     |
| Transfer of net unrealized gain from AFS to investment securities | (12,999 )                     | 12,999                                     | —                      | —                                  |  | —          |
| Reclassification adjustments included in earnings:                |                               |  |                        |                                    |  |            |
| Interest revenue, Investment securities, Taxable securities       | —                             | (1,357 )                                   | —                      | —                                  |  | (1,357 )   |
| Interest expense, Subordinated debentures                         | —                             | —  | —                      | 304                                |  | 304        |
| Net impairment losses recognized in earnings                      | 23,507                        | —  | —                      | —                                  |  | 23,507     |
| Gain on available for sale securities, net                        | (34,144 )                     | —  | —                      | —                                  |  | (34,144 )  |
| Other comprehensive income (loss), before income taxes            | 21,957                        | 11,642                                     | 1,694                  | 304                                |  | 35,597     |
| Federal and state income tax <sup>1</sup>                         | (8,711 )                      | (4,969 )                                   | (659 )                 | (118 )                             |  | (14,457 )  |
| Other comprehensive income (loss), net of income taxes            | 13,246                        | 6,673                                      | 1,035                  | 186                                |  | 21,140     |
| Balance, December 31, 2011  | 135,740                       | 6,673                                      | (12,742 )              | (692 )                             |  | 128,979    |
| Net change in unrealized gain (loss)                              | 58,921                        | —  | 7,276                  | —                                  |  | 66,197     |
| Reclassification adjustments included in earnings:                |                               |  |                        |                                    |  |            |
| Interest revenue, Investment securities, Taxable securities       | —                             | (6,601 )                                   | —                      | —                                  |  | (6,601 )   |
| Interest expense, Subordinated debentures                         | —                             | —  | —                      | 453                                |  | 453        |
| Net impairment losses recognized in earnings                      | 7,351                         | —  | —                      | —                                  |  | 7,351      |
| Gain on available for sale securities, net                        | (33,845 )                     | —  | —                      | —                                  |  | (33,845 )  |
| Other comprehensive income (loss), before income taxes            | 32,427                        | (6,601 )                                   | 7,276                  | 453                                |  | 33,555     |
| Federal and state income tax <sup>1</sup>                         | (12,614 )                     | 3,006                                      | (2,830 )               | (176 )                             |  | (12,614 )  |
| Other comprehensive income (loss), net of income taxes            | 19,813                        | (3,595 )                                   | 4,446                  | 277                                |  | 20,941     |
| Balance, December 31, 2012  | 155,553                       | 3,078                                      | (8,296 )               | (415 )                             |  | 149,920    |
| Net change in unrealized gain (loss)                              | (284,104 )                    | —  | 8,159                  | —                                  |  | (275,945 ) |
| Reclassification adjustments included in earnings:                |                               |  |                        |                                    |  |            |



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|   |             |          |            |          |             |
|---|-------------|----------|------------|----------|-------------|
| Interest revenue, Investment securities, Taxable securities | —           | (3,210 ) | —          | —        | (3,210 )    |
| Interest expense, Subordinated debentures                   | —           | —        | —          | 262      | 262         |
| Net impairment losses recognized in earnings                | 2,308       | —        | —          | —        | 2,308       |
| Gain on available for sale securities, net                  | (10,720 )   | —        | —          | —        | (10,720 )   |
| Other comprehensive income (loss), before income taxes      | (292,516 )  | (3,210 ) | 8,159      | 262      | (287,305 )  |
| Federal and state income tax <sup>1</sup>                   | 113,788     | 1,250    | (3,174 )   | (102 )   | 111,762     |
| Other comprehensive income (loss), net of income taxes      | (178,728 )  | (1,960 ) | 4,985      | 160      | (175,543 )  |
| Balance, December 31, 2013                                  | \$(23,175 ) | \$1,118  | \$(3,311 ) | \$(255 ) | \$(25,623 ) |

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

## (16) Earnings Per Share

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

|  | Year Ended |            |            |
|--|------------|------------|------------|
|  | 2013       | 2012       | 2011       |
| Numerator:   |            |            |            |
| Net income attributable to BOK Financial Corp. shareholders  | \$316,609  | \$351,191  | \$285,875  |
| Less: Earnings allocated to participating securities   | 3,388      | 2,541      | 2,214      |
| Numerator for basic earnings per share – income available to common shareholders                     | 313,221    | 348,650    | 283,661    |
| Effect of reallocating undistributed earnings of participating securities                            | 7          | 6          | 6          |
| Numerator for diluted earnings per share – income available to common shareholders                   | \$313,228  | \$348,656  | \$283,667  |
| Denominator:   |            |            |            |
| Weighted average shares outstanding  | 68,719,069 | 68,221,013 | 68,313,898 |
| Less: Participating securities included in weighted average shares outstanding                       | 730,172    | 536,970    | 526,222    |
| Denominator for basic earnings per common share  | 67,988,897 | 67,684,043 | 67,787,676 |
| Dilutive effect of employee stock compensation plans <sup>1</sup>                                    | 216,622    | 280,897    | 251,087    |
| Denominator for diluted earnings per common share  | 68,205,519 | 67,964,940 | 68,038,763 |
| Basic earnings per share   | \$4.61     | \$5.15     | \$4.18     |
| Diluted earnings per share   | \$4.59     | \$5.13     | \$4.17     |
| <sup>1</sup> Excludes employee stock options with exercise prices greater than current market price. | —          | 224,653    | 769,041    |

## (17) Reportable Segments

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

In addition to its lines of business, BOK Financial has a Funds Management unit. The primary purpose of this unit is to manage the 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.

BOK Financial allocates resources and evaluates performance of its lines of business after allocation of funds, certain indirect expenses, taxes based on statutory rates, actual net credit losses and capital costs. The cost of funds borrowed from the Funds Management unit by the operating lines of business is transfer priced at rates that approximate market 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 based on rates which approximate the 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 rates 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 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 market risk inherent in our business lines and recognizes the diversification benefits among the units. The level of assigned economic capital is a combination of the risk taken by each business line, based on its actual exposures and calibrated to its own loss history where possible. Average invested capital includes economic capital and amounts we have invested in the lines of business.

Substantially all revenue is from domestic customers. No single external customer accounts for more than 10% of total revenue.

Net loans charged off and provision for credit losses represents net loans charged off as attributed to the lines of business and the provision for credit losses in excess of net charge-offs attributed to Funds Management and Other.

Reportable segments reconciliation to the Consolidated Financial Statements for the year ended December 31, 2013 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             | \$364,604    | \$99,509    | \$25,478             | \$184,886                        | \$674,477                        |   |
| Net interest revenue (expense) from internal sources   | (37,025 )    | 20,290      | 20,061               | (3,326 )                         | —                                |   |
| Net interest revenue                                   | 327,579      | 119,799     | 45,539               | 181,560                          | 674,477                          |   |
| Provision for credit losses                            | (3,468 )     | 4,628       | 1,275                | (30,335 )                        | (27,900 )                        |   |
| Net interest revenue after provision for credit losses | 331,047      | 115,171     | 44,264               | 211,895                          | 702,377                          |   |
| Other operating revenue                                | 171,900      | 216,828     | 213,790              | 11,954                           | 614,472                          |   |
| Other operating expense                                | 244,211      | 226,852     | 237,540              | 132,017                          | 840,620                          |   |
| Income before taxes                                    | 258,736      | 105,147     | 20,514               | 91,832                           | 476,229                          |   |
| Federal and state income tax                           | 100,648      | 40,902      | 7,980                | 7,768                            | 157,298                          |   |
| Net income   | 158,088      | 64,245      | 12,534               | 84,064                           | 318,931                          |   |
| Net income attributable to non-controlling interest    | —            | —           | —                    | 2,322                            | 2,322                            |   |
| Net income attributable to BOK Financial Corp.         | \$158,088    | \$64,245    | \$12,534             | \$81,742                         | \$316,609                        |   |
| Average assets   | \$10,483,706 | \$5,669,580 | \$4,556,132          | \$6,671,676                      | \$27,381,094                     |   |
| Average invested capital                               | 906,716      | 293,736     | 203,914              | 1,606,716                        | 3,011,082                        |   |
| Performance measurements:                              |              |             |                      |                                  |                                  |   |
| Return on average assets                               | 1.51         | % 1.13      | % 0.28               | %                                | 1.16                             | % |
| Return on average invested capital                     | 17.44        | % 21.87     | % 6.15               | %                                | 10.51                            | % |
| Efficiency ratio                                       | 49.18        | % 66.62     | % 91.92              | %                                | 65.03                            | % |

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Reportable segments reconciliation to the Consolidated Financial Statements for the year ended December 31, 2012 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             | \$367,533    | \$101,029   | \$27,647             | \$211,340                        | \$707,549                        |   |
| Net interest revenue (expense) from internal sources   | (43,438 )    | 21,305      | 21,456               | 677                              | —                                |   |
| Net interest revenue                                   | 324,095      | 122,334     | 49,103               | 212,017                          | 707,549                          |   |
| Provision for credit losses                            | 10,852       | 9,198       | 2,284                | (44,334 )                        | (22,000 )                        |   |
| Net interest revenue after provision for credit losses | 313,243      | 113,136     | 46,819               | 256,351                          | 729,549                          |   |
| Other operating revenue                                | 171,131      | 262,908     | 200,007              | 19,632                           | 653,678                          |   |
| Other operating expense                                | 246,954      | 248,767     | 214,293              | 130,349                          | 840,363                          |   |
| Income before taxes                                    | 237,420      | 127,277     | 32,533               | 145,634                          | 542,864                          |   |
| Federal and state income tax                           | 92,356       | 49,511      | 12,655               | 34,218                           | 188,740                          |   |
| Net income   | 145,064      | 77,766      | 19,878               | 111,416                          | 354,124                          |   |
| Net income attributable to non-controlling interest    | —            | —           | —                    | 2,933                            | 2,933                            |   |
| Net income attributable to BOK Financial Corp.         | \$145,064    | \$77,766    | \$19,878             | \$108,483                        | \$351,191                        |   |
| Average assets   | \$10,147,805 | \$5,726,564 | \$4,357,641          | \$6,057,140                      | \$26,289,150                     |   |
| Average invested capital                               | 882,037      | 289,665     | 184,707              | 1,549,546                        | 2,905,955                        |   |
| Performance measurements:                              |              |             |                      |                                  |                                  |   |
| Return on average assets                               | 1.43         | % 1.36      | % 0.46               | %                                | 1.34                             | % |
| Return on average invested capital                     | 16.45        | % 26.85     | % 10.76              | %                                | 12.09                            | % |
| Efficiency ratio                                       | 51.36        | % 63.97     | % 86.23              | %                                | 62.87                            | % |

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Reportable segments reconciliation to the Consolidated Financial Statements for the year ended December 31, 2011 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             | \$342,853   | \$102,854   | \$30,859             | \$216,479                        | \$693,045                        |   |
| Net interest revenue (expense) from internal sources   | (30,689 )   | 27,416      | 16,540               | (13,267 )                        | —                                |   |
| Net interest revenue                                   | 312,164     | 130,270     | 47,399               | 203,212                          | 693,045                          |   |
| Provision for credit losses                            | 20,760      | 13,598      | 2,960                | (43,368 )                        | (6,050 )                         |   |
| Net interest revenue after provision for credit losses | 291,404     | 116,672     | 44,439               | 246,580                          | 699,095                          |   |
| Other operating revenue                                | 147,545     | 182,875     | 171,827              | 26,291                           | 528,538                          |   |
| Other operating expense                                | 230,458     | 239,302     | 190,702              | 118,836                          | 779,298                          |   |
| Income before taxes                                    | 208,491     | 60,245      | 25,564               | 154,035                          | 448,335                          |   |
| Federal and state income tax                           | 81,103      | 23,435      | 9,944                | 44,029                           | 158,511                          |   |
| Net income   | 127,388     | 36,810      | 15,620               | 110,006                          | 289,824                          |   |
| Net income attributable to non-controlling interest    | —           | —           | —                    | 3,949                            | 3,949                            |   |
| Net income attributable to BOK Financial Corp.         | \$127,388   | \$36,810    | \$15,620             | \$106,057                        | \$285,875                        |   |
| Average assets   | \$9,383,530 | \$5,937,584 | \$4,073,623          | \$5,100,124                      | \$24,494,861                     |   |
| Average invested capital                               | 884,171     | 273,905     | 174,877              | 1,348,912                        | 2,681,865                        |   |
| Performance measurements:                              |             |             |                      |                                  |                                  |   |
| Return on average assets                               | 1.36        | % 0.62      | % 0.38               | %                                | 1.17                             | % |
| Return on average invested capital                     | 14.41       | % 13.44     | % 8.93               | %                                | 10.66                            | % |
| Efficiency ratio                                       | 50.22       | % 73.06     | % 87.21              | %                                | 63.83                            | % |

(18) 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. As of December 31, 2012, \$2.2 million of common stock of a privately held financial institution was transferred from Significant Other Observable Inputs (Level 2) to Significant Unobservable Inputs (Level 3). There were no other transfers in or out of quoted prices in active markets for identical instruments, significant other observable inputs or significant unobservable inputs during the year ended December 31, 2013 and 2012, respectively.

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 price provided by third-party pricing services at December 31, 2013 and 2012.

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

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2013 (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  | \$34,120   | \$—  | \$34,120                                     | \$—                                   |
| U.S. agency residential mortgage-backed securities                           | 21,011     | —  | 21,011                                       | —                                     |
| Municipal and other tax-exempt securities                                    | 27,350     | —  | 27,350                                       | —                                     |
| Other trading securities   | 9,135      | —  | 9,135  | —                                     |
| Total trading securities   | 91,616     | —  | 91,616                                       | —                                     |
| <b>Available for sale securities:</b>  |            |  |  |                                       |
| U.S. Treasury  | 1,042      | 1,042  | —  | —                                     |
| Municipal and other tax-exempt   | 73,775     | —  | 55,970                                       | 17,805                                |
| U.S. agency residential mortgage-backed securities                           | 7,716,010  | —  | 7,716,010                                    | —                                     |
| Privately issued residential mortgage-backed securities                      | 221,099    | —  | 221,099                                      | —                                     |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,055,804  | —  | 2,055,804                                    | —                                     |
| Other debt securities  | 35,241     | —  | 30,529                                       | 4,712                                 |
| Perpetual preferred stock  | 22,863     | —  | 22,863                                       | —                                     |
| Equity securities and mutual funds   | 21,328     | —  | 17,121                                       | 4,207                                 |
| Total available for sale securities  | 10,147,162 | 1,042  | 10,119,396                                   | 26,724                                |
| <b>Fair value option securities:</b>   |            |  |  |                                       |
| U.S. agency residential mortgage-backed securities                           | 157,431    | —  | 157,431                                      | —                                     |
| Other securities   | 9,694      | —  | 9,694  | —                                     |
| Total fair value option securities   | 167,125    | —  | 167,125                                      | —                                     |
| Residential mortgage loans held for sale                                     | 200,546    | —  | 200,546                                      | —                                     |
| Mortgage servicing rights, net <sup>1</sup>                                  | 153,333    | —  | —  | 153,333                               |
| Derivative contracts, net of cash margin <sup>2</sup>                        | 265,012    | 2,712  | 262,300                                      | —                                     |
| Other assets – private equity funds  | 27,341     | —  | —  | 27,341                                |
| <b>Liabilities:</b>  |            |  |  |                                       |
| Derivative contracts, net of cash margin <sup>2</sup>                        | 247,185    | —  | 247,185                                      | —                                     |

<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 7, 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 or identical instruments (Level 1) are exchange-traded energy derivative contracts, net of cash margin.



The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2012 (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  | \$ 16,545  | \$—  | \$ 16,545                                    | \$—                                   |
| U.S. agency residential mortgage-backed securities                           | 86,361     | —  | 86,361                                       | —                                     |
| Municipal and other tax-exempt securities                                    | 90,326     | —  | 90,326                                       | —                                     |
| Other trading securities   | 20,870     | —  | 20,870                                       | —                                     |
| Total trading securities   | 214,102    | —  | 214,102                                      | —                                     |
| Available for sale securities:   |            |  |  |                                       |
| U.S. Treasury  | 1,002      | 1,002  | —  | —                                     |
| Municipal and other tax-exempt   | 87,142     | —  | 46,440                                       | 40,702                                |
| U.S. agency residential mortgage-backed securities                           | 9,889,821  | —  | 9,889,821                                    | —                                     |
| Privately issued residential mortgage-backed securities                      | 325,163    | —  | 325,163                                      | —                                     |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 895,075    | —  | 895,075                                      | —                                     |
| Other debt securities  | 36,389     | —  | 30,990                                       | 5,399                                 |
| Perpetual preferred stock  | 25,072     | —  | 25,072                                       | —                                     |
| Equity securities and mutual funds   | 27,557     | 4,165  | 21,231                                       | 2,161                                 |
| Total available for sale securities  | 11,287,221 | 5,167  | 11,233,792                                   | 48,262                                |
| Fair value option securities:  |            |  |  |                                       |
| U.S. agency residential mortgage-backed securities                           | 257,040    | —  | 257,040                                      | —                                     |
| Corporate debt securities  | 26,486     | —  | 26,486                                       | —                                     |
| Other securities   | 770        | —  | 770  | —                                     |
| Total fair value option securities   | 284,296    | —  | 284,296                                      | —                                     |
| Residential mortgage loans held for sale                                     | 293,762    | —  | 293,762                                      | —                                     |
| Mortgage servicing rights, net <sup>1</sup>                                  | 100,812    | —  | —  | 100,812                               |
| Derivative contracts, net of cash margin <sup>2</sup>                        | 338,106    | 11,597   | 326,509                                      | —                                     |
| Other assets – private equity funds  | 28,169     | —  | —  | 28,169                                |
| Liabilities:   |            |  |  |                                       |
| Derivative contracts, net of cash margin <sup>2</sup>                        | 283,589    | —  | 283,589                                      | —                                     |

<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 7, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted

<sup>2</sup> prices in active markets for identical instruments (Level 1) are exchange-traded energy and agricultural derivative contracts, net of 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 options 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 reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally-recognized rating agencies adjusted for a lack of trading volume. 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 use significant other observable market inputs.

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

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

#### Residential Mortgage Loans Held for Sale

Residential mortgage loans held for sale are carried on the balance sheet at fair value. The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments.

#### 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.

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The following represents the changes 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, December 31, 2011                 | \$42,353                       | \$5,900               | \$—                                | \$30,902                            |
| Transfer to Level 3 from Level 2           | —                              | —                     | 2,161                              | —                                   |
| Purchases and capital calls                | —                              | —                     | —                                  | 3,446                               |
| Redemptions and distributions              | (988                           | ) (500                | ) —                                | (9,819                              |
| Gain (loss) recognized in earnings:        |                                |                       |                                    |                                     |
| Gain (loss) on other assets, net           | —                              | —                     | —                                  | 3,640                               |
| Gain on available for sale securities, net | 1                              | —                     | —                                  | —                                   |
| Other-than-temporary impairment losses     | (642                           | ) —                   | —                                  | —                                   |
| Other comprehensive loss                   | (22                            | ) (1                  | ) —                                | —                                   |
| Balance, December 31, 2012                 | 40,702                         | 5,399                 | 2,161                              | 28,169                              |
| Transfer to Level 3 from Level 2           | —                              | —                     | —                                  | —                                   |
| Purchases and capital calls                | —                              | —                     | —                                  | 1,415                               |
| Redemptions and distributions              | (19,238                        | ) (500                | ) —                                | (5,294                              |
| Gain (loss) recognized in earnings:        |                                |                       |                                    |                                     |
| Gain on other assets, net                  | —                              | —                     | —                                  | 3,051                               |
| Gain on available for sale securities, net | 1,216                          | —                     | —                                  | —                                   |
| Other-than-temporary impairment losses     | (1,369                         | ) —                   | —                                  | —                                   |
| Other comprehensive income (loss)          | (3,506                         | ) (187                | ) 2,046                            | —                                   |
| Balance, December 31, 2013                 | \$17,805                       | \$4,712               | \$4,207                            | \$27,341                            |

A summary of quantitative information about assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2013 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 – Investment grade | \$ 18,695 | \$ 18,624      | \$ 17,805  | Discounted cash flows  | <sup>1</sup> Interest rate spread           | 4.97%-5.27%<br>(5.16%)<br>95.02%-95.50%<br>(95.24%) | 2<br>3 |
| Other debt securities  | 4,900     | 4,900          | 4,712      | Discounted cash flows  | <sup>1</sup> Interest rate spread           | 5.67% (5.67%)<br>96.16% (96.16%)                    | 4<br>3 |
| Equity securities and other mutual funds                     | N/A       | 2,420          | 4,207      | Publicly announced preliminary purchase price information from acquirer. | Discount for settlement uncertainty.        | N/A   | 5      |
| Other assets - private equity funds                          | N/A       | N/A            | 27,341     | 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 467 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%.

<sup>5</sup> Fair value of shares of a smaller privately-held financial institution were valued using preliminary announced purchase information by a publicly-traded acquirer.

The fair value of these securities measured at fair value using significant unobservable inputs are sensitive primarily to changes in interest rate spreads. At December 31, 2013, for tax-exempt securities rated investment grade by all nationally-recognized rating agencies, a 100 basis point increase in the spreads over average yields for comparable securities would result in an additional decrease in the fair value of \$172 thousand. For taxable securities rated investment grade by all nationally-recognized rating agencies, a 100 basis point increase in the spreads over average yield for comparable securities would result in an additional decrease in the fair value of \$36 thousand.



A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of December 31, 2012 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

|   | Par Value | Amortized Cost <sup>6</sup> | Fair Value | Valuation Technique(s)  | Unobservable Input  | Range (Weighted Average)   |             |
|---|-----------|-----------------------------|------------|---|---|--|-------------|
| Available for sale securities                   |           |                             |            |   |   |  |             |
| Municipal and other tax-exempt securities       |           |                             |            |   |   |  |             |
| Investment grade                                | \$28,570  | \$28,473                    | \$28,318   | Discounted cash flows   | <sup>1</sup> Interest rate spread                         | 1.00%-1.50%<br>(1.25%)<br>98.83%-99.43%<br>(99.12%)<br>7.21%-9.83% | 2<br>3<br>4 |
| Below investment grade                          | 17,000    | 12,384                      | 12,384     | Discounted cash flows   | <sup>1</sup> Interest rate spread                         | (7.82%)<br>72.79%-73.00%<br>(72.85%)                               | 3<br>4      |
| Total municipal and other tax-exempt securities | 45,570    | 40,857                      | 40,702     |   |   |  |             |
| Other debt securities                           | 5,400     | 5,400                       | 5,399      | Discounted cash flows   | <sup>1</sup> Interest rate spread                         | 1.65%-1.71%<br>(1.70%)<br>100% (100%)                              | 5<br>3      |
| Equity securities and other mutual funds        | N/A       | 2,420                       | 2,161      | Tangible book value per share of publicly traded financial institutions of similar size, less liquidity discount. | Peer group tangible book per share and liquidity discount | N/A  | 7           |
| Other assets - private equity funds             | N/A       | N/A                         | 28,169     | 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 75 to 80 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 determined using a spread of 700 basis points over comparable municipal securities of varying durations.

<sup>5</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%.

<sup>6</sup> Amortized cost reduced by other-than-temporary impairments recorded in earnings. See Note 2 for additional discussion.

<sup>7</sup> Fair value of shares of a smaller privately-held financial institution were valued using the tangible book value per share of similarly sized financial institutions within the immediate geographical market with a discount of 20% due to the liquidity of the shares.



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

Assets measured at fair value on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments, collateral for certain impaired loans and real property and other assets acquired to satisfy loans, which are based primarily on comparisons to completed sales of similar assets. In addition, goodwill impairment is evaluated based on the fair value of the Company's reporting units.

The following represents the carrying value of assets measured at fair value on a non-recurring basis and related losses recorded during the year. The carrying value represents only those assets with the balance sheet date for which the fair value was adjusted during the year:

|  | Carrying Value at December 31, 2013                       |                                     |                                 | Fair Value Adjustments for the Year Ended December 31, 2013           |  |
|--|---|-------------------------------------|---------------------------------|---|--|
|  | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Recognized in:<br>Gross charge-offs against allowance for loan losses | Net losses and expenses of repossessed assets, net |
| Impaired loans                           | \$—   | \$8,380                             | \$4,622                         | \$6,598   | \$—  |
| Real estate and other repossessed assets | —   | 20,733                              | 191                             | —   | 5,489  |

|  | Carrying Value at December 31, 2012                       |                                     |                                 | Fair Value Adjustments for the Three Months Ended December 31, 2012   |  |
|--|---|-------------------------------------|---------------------------------|---|--|
|  | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Recognized in:<br>Gross charge-offs against allowance for loan losses | Net losses and expenses of repossessed assets, net |
| Impaired loans                           | \$—   | \$21,589                            | \$3,891                         | \$11,615  | \$—  |
| Real estate and other repossessed assets | —   | 39,077                              | 4,421                           | —   | 15,954   |

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 estimate of current fair values between appraisal dates. Significant unobservable inputs include listing prices for comparable assets, uncorroborated expert opinions or management's knowledge of the collateral or industry. These inputs are developed by asset management and workout professional 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 December 31, 2013 follows (in thousands):

## Quantitative Information about Level 3 Non-recurring Fair Value Measurements

| Fair Value | Valuation Technique(s) | Unobservable Input | Range |
|------------|------------------------|--------------------|-------|
|------------|------------------------|--------------------|-------|

|  |         |                                     |  | (Weighted<br>Average)      |
|--|---------|-------------------------------------|--|----------------------------|
| Impaired loans   | \$4,622 | Appraised<br>value, as<br>adjusted  | Broker quotes and management's<br>knowledge of industry and<br>collateral. | N/A                        |
| Real estate and other repossessed<br>assets  | 191     | Listing value,<br>less cost to sell | Marketability adjustments off<br>appraised value                           | 80%-85% (82%) <sup>1</sup> |
| <sup>1</sup> Marketability adjustments includes consideration of estimated costs to sell which is approximately 15% of the fair value. |         |                                     |  |                            |

A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of December 31, 2012 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                           | \$3,891    | Appraised value, as adjusted     | Broker quotes and management's knowledge of industry and collateral. | N/A                       |
| Real estate and other repossessed assets | 4,421      | Listing value, less cost to sell | Marketability adjustments off appraised value                        | 58%-85%(76%) <sup>1</sup> |

Marketability adjustments includes consideration of estimated costs to sell which is approximately 15% of the fair value. In addition, \$345 thousand of real estate and other repossessed assets at December 31, 2012 are based on uncorroborated expert opinions or management's knowledge of the collateral or industry and do not have an independently appraised value.

The fair value of pension plan assets was approximately \$49 million at December 31, 2013 and \$46 million at December 31, 2012, determined by significant other observable inputs. Fair value adjustments of pension plan assets along with changes in projected benefit obligation are recognized in other comprehensive income.

Goodwill and intangible assets, which consist primarily of core deposit intangible assets and other acquired intangibles, for each business unit are evaluated for impairment annually as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our reporting units is estimated by the discounted future earnings method. Income growth is projected for each of our reporting units over five years and a terminal value is computed. The projected income stream is converted to fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our business units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price.

## 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 (dollars in thousands):

|  | December 31, 2013 |                                   |          | Average<br>Re-pricing<br>(in years) | Discount Rate | Estimated<br>Fair<br>Value |           |
|--|-------------------|-----------------------------------|----------|-------------------------------------|---------------|----------------------------|-----------|
|  | Carrying<br>Value | Range of<br>Contractual<br>Yields |          |                                     |               |                            |           |
| Cash and due from banks  | \$512,931         |                                   |          |                                     |               | \$512,931                  |           |
| Interest-bearing cash and cash equivalents                                   | 574,282           |                                   |          |                                     |               | 574,282                    |           |
| Trading securities:  |                   |                                   |          |                                     |               |                            |           |
| U.S. Government agency obligations   | 34,120            |                                   |          |                                     |               | 34,120                     |           |
| U.S. agency residential mortgage-backed securities                           | 21,011            |                                   |          |                                     |               | 21,011                     |           |
| Municipal and other tax-exempt securities                                    | 27,350            |                                   |          |                                     |               | 27,350                     |           |
| Other trading securities   | 9,135             |                                   |          |                                     |               | 9,135                      |           |
| Total trading securities   | 91,616            |                                   |          |                                     |               | 91,616                     |           |
| Investment securities:   |                   |                                   |          |                                     |               |                            |           |
| Municipal and other tax-exempt securities                                    | 440,187           |                                   |          |                                     |               | 439,870                    |           |
| U.S. agency residential mortgage-backed securities                           | 50,182            |                                   |          |                                     |               | 51,864                     |           |
| Other debt securities  | 187,509           |                                   |          |                                     |               | 195,393                    |           |
| Total investment securities  | 677,878           |                                   |          |                                     |               | 687,127                    |           |
| Available for sale securities:   |                   |                                   |          |                                     |               |                            |           |
| U.S. Treasury  | 1,042             |                                   |          |                                     |               | 1,042                      |           |
| Municipal and other tax-exempt securities                                    | 73,775            |                                   |          |                                     |               | 73,775                     |           |
| U.S. agency residential mortgage-backed securities                           | 7,716,010         |                                   |          |                                     |               | 7,716,010                  |           |
| Privately issued residential mortgage-backed securities                      | 221,099           |                                   |          |                                     |               | 221,099                    |           |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 2,055,804         |                                   |          |                                     |               | 2,055,804                  |           |
| Other debt securities  | 35,241            |                                   |          |                                     |               | 35,241                     |           |
| Perpetual preferred stock  | 22,863            |                                   |          |                                     |               | 22,863                     |           |
| Equity securities and mutual funds   | 21,328            |                                   |          |                                     |               | 21,328                     |           |
| Total available for sale securities  | 10,147,162        |                                   |          |                                     |               | 10,147,162                 |           |
| Fair value option securities:  |                   |                                   |          |                                     |               |                            |           |
| U.S. agency residential mortgage-backed securities                           | 157,431           |                                   |          |                                     |               | 157,431                    |           |
| Corporate debt securities  | —                 |                                   |          |                                     |               | —                          |           |
| Other securities   | 9,694             |                                   |          |                                     |               | 9,694                      |           |
| Total fair value option securities   | 167,125           |                                   |          |                                     |               | 167,125                    |           |
| Residential mortgage loans held for sale                                     | 334,250           |                                   |          |                                     |               | 200,546                    |           |
| Loans:   |                   |                                   |          |                                     |               |                            |           |
| Commercial   | 7,943,221         | 0.04                              | % 30.00% | 0.49                                | 0.48          | % 4.33%                    | 7,835,325 |
| Commercial real estate   | 2,415,353         | 0.38                              | % 18.00% | 0.78                                | 1.21          | % 3.49%                    | 2,394,443 |
| Residential mortgage   | 2,052,026         | 0.38                              | % 18.00% | 2.63                                | 0.59          | % 4.73%                    | 2,068,690 |

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|   |            |      |   |        |      |       |   |       |            |
|---|------------|------|---|--------|------|-------|---|-------|------------|
| Consumer  | 381,664    | 0.38 | % | 21.00% | 0.55 | 1.22  | % | 3.75% | 375,962    |
| Total loans   | 12,792,264 |      |   |        |      |       |   |       | 12,674,420 |
| Allowance for loan losses   | (185,396 ) |      |   |        |      |       |   |       | —          |
| Net loans   | 12,606,868 |      |   |        |      |       |   |       | 12,674,420 |
| Mortgage servicing rights   | 153,333    |      |   |        |      |       |   |       | 153,333    |
| Derivative instruments with positive fair value, net of cash margin | 265,012    |      |   |        |      |       |   |       | 265,012    |
| Other assets – private equity funds                                 | 27,341     |      |   |        |      |       |   |       | 27,341     |
| Deposits with no stated maturity                                    | 17,573,334 |      |   |        |      |       |   |       | 17,573,334 |
| Time deposits   | 2,695,993  | 0.01 | % | 9.64%  | 2.12 | 0.75  | % | 1.33% | 2,697,290  |
| Other borrowings  | 2,721,888  | 0.25 | % | 4.78%  | 0.03 | 0.08  | % | 2.64% | 2,693,788  |
| Subordinated debentures   | 347,802    | 0.95 | % | 5.00%  | 2.63 | 2.22% |   |       | 344,783    |
| Derivative instruments with negative fair value, net of cash margin | 247,185    |      |   |        |      |       |   |       | 247,185    |

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|  | December 31, 2012 |             |                       |               |            | Estimated            |            |
|--|-------------------|-------------|-----------------------|---------------|------------|----------------------|------------|
|  | Carrying          | Range of    | Average               | Discount Rate | Fair       | Value                |            |
|  | Value             | Contractual | Re-pricing            |               | Value      |                      |            |
|  |                   | Yields      | (in years)            |               |            |                      |            |
| Cash and due from banks  | \$710,739         |             |                       |               | \$710,739  |                      |            |
| Interest-bearing cash and cash equivalents                                   | 575,500           |             |                       |               | 575,500    |                      |            |
| Trading securities:  |                   |             |                       |               |            |                      |            |
| Obligations of the U.S. government   | 16,545            |             |                       |               | 16,545     |                      |            |
| U.S. agency residential mortgage-backed securities                           | 86,361            |             |                       |               | 86,361     |                      |            |
| Municipal and other tax-exempt securities                                    | 90,326            |             |                       |               | 90,326     |                      |            |
| Other trading securities   | 20,870            |             |                       |               | 20,870     |                      |            |
| Total trading securities   | 214,102           |             |                       |               | 214,102    |                      |            |
| Investment securities:   |                   |             |                       |               |            |                      |            |
| Municipal and other tax-exempt   | 232,700           |             |                       |               | 235,940    |                      |            |
| U.S. agency residential mortgage-backed securities                           | 82,767            |             |                       |               | 85,943     |                      |            |
| Other debt securities  | 184,067           |             |                       |               | 206,575    |                      |            |
| Total investment securities  | 499,534           |             |                       |               | 528,458    |                      |            |
| Available for sale securities:   |                   |             |                       |               |            |                      |            |
| U.S. Treasury  | 1,002             |             |                       |               | 1,002      |                      |            |
| Municipal and other tax-exempt   | 87,142            |             |                       |               | 87,142     |                      |            |
| U.S. agency residential mortgage-backed securities                           | 9,889,821         |             |                       |               | 9,889,821  |                      |            |
| Privately issued residential mortgage-backed securities                      | 325,163           |             |                       |               | 325,163    |                      |            |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 895,075           |             |                       |               | 895,075    |                      |            |
| Other debt securities  | 36,389            |             |                       |               | 36,389     |                      |            |
| Perpetual preferred stock  | 25,072            |             |                       |               | 25,072     |                      |            |
| Equity securities and mutual funds   | 27,557            |             |                       |               | 27,557     |                      |            |
| Total available for sale securities  | 11,287,221        |             |                       |               | 11,287,221 |                      |            |
| Fair value option securities:  |                   |             |                       |               |            |                      |            |
| U.S. agency residential mortgage-backed securities                           | 257,040           |             |                       |               | 257,040    |                      |            |
| Corporate debt securities  | 26,486            |             |                       |               | 26,486     |                      |            |
| Other securities   | 770               |             |                       |               | 770        |                      |            |
| Total fair value option securities   | 284,296           |             |                       |               | 284,296    |                      |            |
| Residential mortgage loans held for sale                                     | 293,762           |             |                       |               | 293,762    |                      |            |
| Loans:   |                   |             |                       |               |            |                      |            |
| Commercial   | 7,641,912         | 0.21        | $\frac{\%}{-}$ 30.00% | 0.69          | 0.51       | $\frac{\%}{-}$ 3.59% | 7,606,505  |
| Commercial real estate   | 2,228,999         | 0.21        | $\frac{\%}{-}$ 18.00% | 0.92          | 1.26       | $\frac{\%}{-}$ 3.18% | 2,208,217  |
| Residential mortgage   | 2,045,040         | 0.38        | $\frac{\%}{-}$ 18.00% | 3.34          | 0.86       | $\frac{\%}{-}$ 3.09% | 2,110,773  |
| Consumer   | 395,505           | 0.38        | $\frac{\%}{-}$ 21.00% | 0.32          | 1.37       | $\frac{\%}{-}$ 3.60% | 388,748    |
| Total loans  | 12,311,456        |             |                       |               |            |                      | 12,314,243 |
| Allowance for loan losses  | (215,507 )        |             |                       |               |            |                      | —          |

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|  |            |      |         |      |       |         |            |
|--|------------|------|---------|------|-------|---------|------------|
| Net loans  | 12,095,949 |      |         |      |       |         | 12,314,243 |
| Mortgage servicing rights  | 100,812    |      |         |      |       |         | 100,812    |
| Derivative instruments with positive fair value,<br>net of cash margin | 338,106    |      |         |      |       |         | 338,106    |
| Other assets – private equity funds                                    | 28,169     |      |         |      |       |         | 28,169     |
| Deposits with no stated maturity                                       | 18,211,068 |      |         |      |       |         | 18,211,068 |
| Time deposits  | 2,967,992  | 0.01 | % 9.64% | 2.15 | 0.80  | % 1.15% | 3,441,610  |
| Other borrowings   | 2,706,221  | 0.09 | % 5.25% | —    | 0.09  | % 2.67% | 2,369,224  |
| Subordinated debentures  | 347,633    | 1.00 | % 5.00% | 3.56 | 2.40% |         | 411,243    |
| Derivative instruments with negative fair value,<br>net of cash margin | 283,589    |      |         |      |       |         | 283,589    |

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

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

#### Cash and Cash Equivalents

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

#### Securities

The fair values of securities are 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 \$157 million at December 31, 2013 and \$171 million at December 31, 2012.

#### 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 December 31, 2013 or December 31, 2012.

#### Fair Value Election

As more fully disclosed in Note 2 and Note 7 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.





## (19) Parent Company Only Financial Statements

Summarized financial information for BOK Financial – Parent Company Only follows:

## Balance Sheets

(In thousands)

|   | December 31, |             |
|---|--------------|-------------|
|   | 2013         | 2012        |
| <b>Assets</b>                                 |              |             |
| Cash and cash equivalents                     | \$561,297    | \$457,514   |
| Available for sale securities                 | 27,526       | 44,881      |
| Investment in subsidiaries                    | 2,426,495    | 2,464,729   |
| Other assets                                  | 12,872       | 4,324       |
| Total assets                                  | \$3,028,190  | \$2,971,448 |
| <b>Liabilities and Shareholders' Equity</b>   |              |             |
| Other liabilities                             | \$8,141      | \$13,588    |
| Total liabilities                             | 8,141        | 13,588      |
| Shareholders' equity:                         |              |             |
| Common stock                                  | 4            | 4           |
| Capital surplus                               | 898,586      | 859,278     |
| Retained earnings                             | 2,349,428    | 2,137,541   |
| Treasury stock                                | (202,346 )   | (188,883 )  |
| Accumulated other comprehensive income (loss) | (25,623 )    | 149,920     |
| Total shareholders' equity                    | 3,020,049    | 2,957,860   |
| Total liabilities and shareholders' equity    | \$3,028,190  | \$2,971,448 |

## Statements of Earnings

(In thousands)

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2013                    | 2012      | 2011      |
| Dividends, interest and fees received from subsidiaries                | \$225,340               | \$275,330 | \$270,474 |
| Other revenue  | 3,341                   | 2,295     | 2,128     |
| Other-than-temporary impairment losses recognized in earnings          | —                       | (1,099 )  | (2,098 )  |
| Total revenue  | 228,681                 | 276,526   | 270,504   |
| Interest expense   | 292                     | 269       | 354       |
| Professional fees and services   | 811                     | 765       | 538       |
| Other operating expense  | 3,272                   | 3,099     | 7,688     |
| Total expense  | 4,375                   | 4,133     | 8,580     |
| Income before taxes and equity in undistributed income of subsidiaries | 224,306                 | 272,393   | 261,924   |
| Federal and state income tax (benefit)                                 | (1,578 )                | (1,706 )  | (3,169 )  |
| Income before equity in undistributed income of subsidiaries           | 225,884                 | 274,099   | 265,093   |
| Equity in undistributed income of subsidiaries                         | 90,725                  | 77,092    | 20,782    |
| Net income attributable to BOK Financial Corp. shareholders            | \$316,609               | \$351,191 | \$285,875 |

## Statements of Cash Flows

(In thousands)

|   | Year Ended December 31, |            |           |
|---|-------------------------|------------|-----------|
|   | 2013                    | 2012       | 2011      |
| Cash flows from operating activities:   |                         |            |           |
| Net income  | \$316,609               | \$351,191  | \$285,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |            |           |
| Equity in undistributed income of subsidiaries                                    | (90,725 )               | (77,092 )  | (20,782 ) |
| Tax benefit on exercise of stock options  | (2,210 )                | (120 )     | (659 )    |
| Change in other assets  | (8,308 )                | 4,237      | 15,249    |
| Change in other liabilities   | 4,263                   | (4,965 )   | (18,225 ) |
| Net cash provided by operating activities   | 219,629                 | 273,251    | 261,458   |
| Cash flows from investing activities:   |                         |            |           |
| Purchases of available for sale securities  | —                       | (5,343 )   | (3,797 )  |
| Sales of available for sale securities  | 13,600                  | 4,781      | 16,500    |
| Investment in subsidiaries  | (36,000 )               | (9,100 )   | (7,250 )  |
| Acquisitions, net of cash acquired  | (7,500 )                | (20,000 )  | —         |
| Net cash provided by (used in) investing activities                               | (29,900 )               | (29,662 )  | 5,453     |
| Cash flows from financing activities:   |                         |            |           |
| Issuance of common and treasury stock, net  | 16,566                  | 14,650     | 14,541    |
| Tax benefit on exercise of stock options  | 2,210                   | 120        | 659       |
| Dividends paid  | (104,722 )              | (166,982 ) | (76,423 ) |
| Repurchase of common stock  | —                       | (20,558 )  | (26,446 ) |
| Net cash used in financing activities   | (85,946 )               | (172,770 ) | (87,669 ) |
| Net increase in cash and cash equivalents   | 103,783                 | 70,819     | 179,242   |
| Cash and cash equivalents at beginning of period                                  | 457,514                 | 386,695    | 207,453   |
| Cash and cash equivalents at end of period  | \$561,297               | \$457,514  | \$386,695 |
| Cash paid for interest  | \$292                   | \$269      | \$354     |
| (20) Subsequent Events  |                         |            |           |

The Company evaluated events from the date of the consolidated financial statements on December 31, 2013 through the issuance of those consolidated financial statements included in this Annual Report on Form 10-K. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

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

|   | Year Ended<br>December 31, 2013 |                     |                |   |
|---|---------------------------------|---------------------|----------------|---|
|   | Average<br>Balance              | Revenue/<br>Expense | Yield/<br>Rate |   |
| <b>Assets</b>   |                                 |                     |                |   |
| Interest-bearing cash and cash equivalents            | \$ 503,603                      | \$ 1,075            | 0.21           | % |
| Trading securities                                    | 148,816                         | 2,696               | 1.81           | % |
| Investment securities                                 |                                 |                     |                |   |
| Taxable   | 244,750                         | 14,260              | 5.83           | % |
| Tax-exempt  | 365,543                         | 6,324               | 1.82           | % |
| Total investment securities                           | 610,293                         | 20,584              | 3.48           | % |
| Available for sale securities                         |                                 |                     |                |   |
| Taxable   | 10,717,416                      | 204,830             | 1.96           | % |
| Tax-exempt  | 116,066                         | 3,498               | 3.13           | % |
| Total available for sale securities                   | 10,833,482                      | 208,328             | 1.97           | % |
| Fair value option securities                          | 200,888                         | 3,907               | 1.97           | % |
| Restricted equity securities                          | 126,127                         | 5,071               | 4.02           | % |
| Residential mortgage loans held for sale              | 230,588                         | 8,505               | 3.73           | % |
| Loans   | 12,342,333                      | 505,503             | 4.10           | % |
| Less: allowance for loan losses                       | 203,874                         |                     |                |   |
| Loans, net of allowance                               | 12,138,459                      | 505,503             | 4.16           | % |
| Total earning assets                                  | 24,792,256                      | 755,669             | 3.09           | % |
| Receivable on unsettled securities trades             | 121,540                         |                     |                |   |
| Cash and other assets                                 | 2,467,298                       |                     |                |   |
| Total assets  | \$27,381,094                    |                     |                |   |
| <b>Liabilities and equity</b>                         |                                 |                     |                |   |
| Interest-bearing deposits:                            |                                 |                     |                |   |
| Transaction   | \$9,524,008                     | \$ 11,155           | 0.12           | % |
| Savings   | 313,280                         | 442                 | 0.14           | % |
| Time  | 2,795,676                       | 43,967              | 1.57           | % |
| Total interest-bearing deposits                       | 12,632,964                      | 55,564              | 0.44           | % |
| Funds purchased                                       | 866,062                         | 848                 | 0.10           | % |
| Repurchase agreements                                 | 811,996                         | 503                 | 0.06           | % |
| Other borrowings                                      | 1,693,993                       | 5,238               | 0.31           | % |
| Subordinated debentures                               | 347,717                         | 8,741               | 2.51           | % |
| Total interest-bearing liabilities                    | 16,352,732                      | 70,894              | 0.43           | % |
| Non-interest bearing demand deposits                  | 7,090,319                       |                     |                |   |
| Due on unsettled securities trades                    | 313,082                         |                     |                |   |
| Other liabilities                                     | 613,879                         |                     |                |   |
| Total equity  | 3,011,082                       |                     |                |   |
| Total liabilities and equity                          | \$27,381,094                    |                     |                |   |
| <b>Tax-equivalent Net Interest Revenue</b>            |                                 |                     |                |   |
| Tax-equivalent Net Interest Revenue                   |                                 | \$ 684,775          | 2.66           | % |
| Tax-equivalent Net Interest Revenue to Earning Assets |                                 |                     | 2.80           | % |
| Less tax-equivalent adjustment                        |                                 | 10,298              |                |   |
| Net Interest Revenue                                  |                                 | 674,477             |                |   |

|   |           |   |
|---|-----------|---|
| Provision for credit losses                                       | (27,900   | ) |
| Other operating revenue   | 614,472   |   |
| Other operating expense   | 840,620   |   |
| Income before taxes   | 476,229   |   |
| Federal and state income tax                                      | 157,298   |   |
| Net income  | 318,931   |   |
| Net income attributable to non-controlling interest               | 2,322     |   |
| Net income attributable to BOK Financial Corporation shareholders | \$316,609 |   |
| Earnings Per Average Common Share Equivalent:                     |           |   |
| Net income:   |           |   |
| Basic   | \$4.61    |   |
| Diluted   | \$4.59    |   |

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 include average loan balances for which the accrual of interest has been discontinued and are net of unearned income.

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

|  | Year Ended                              |                     |                | December 31, 2011                       |                     |                |   |
|--|---|---------------------|----------------|---|---------------------|----------------|---|
|  | December 31, 2012<br>Average<br>Balance | Revenue/<br>Expense | Yield/<br>Rate | December 31, 2011<br>Average<br>Balance | Revenue/<br>Expense | Yield/<br>Rate |   |
| <b>Assets</b>                              |   |                     |                |   |                     |                |   |
| Interest-bearing cash and cash equivalents | \$279,063                               | \$945               | 0.34           | % \$586,783                             | \$491               | 0.08           | % |
| Trading securities                         | 134,176                                 | 2,138               | 1.59           | % 81,978                                | 2,486               | 3.62           | % |
| <b>Investment securities</b>               |   |                     |                |   |                     |                |   |
| Taxable                                    | 286,626                                 | 16,848              | 5.88           | % 211,949                               | 12,581              | 5.94           | % |
| Tax-exempt                                 | 145,899                                 | 5,601               | 4.06           | % 155,707                               | 7,562               | 4.86           | % |
| Total investment securities                | 432,525                                 | 22,449              | 5.29           | % 367,656                               | 20,143              | 5.48           | % |
| <b>Available for sale securities</b>       |   |                     |                |   |                     |                |   |
| Taxable                                    | 10,542,074                              | 237,226             | 2.42           | % 9,557,442                             | 259,871             | 2.91           | % |
| Tax-exempt                                 | 106,037                                 | 3,716               | 3.68           | % 89,976                                | 3,566               | 4.13           | % |
| Total available for sale securities        | 10,648,111                              | 240,942             | 2.44           | % 9,647,418                             | 263,437             | 2.92           | % |
| Fair value option securities               | 379,603                                 | 8,464               | 2.51           | % 543,318                               | 18,649              | 3.70           | % |
| Restricted equity securities               | 47,961                                  | 2,291               | 4.78           | % 19,898                                | 1,075               | 5.40           | % |
| Residential mortgage loans held for sale   | 227,795                                 | 8,185               | 3.64           | % 154,794                               | 6,492               | 4.23           | % |
| Loans                                      | 11,696,054                              | 518,784             | 4.44           | % 10,841,341                            | 509,462             | 4.70           | % |
| Less: allowance for loan losses            | 238,806                                 |                     |                | 284,516                                 |                     |                |   |
| Loans, net of allowance                    | 11,457,248                              | 518,784             | 4.53           | % 10,556,825                            | 509,462             | 4.83           | % |
| Total earning assets                       | 23,606,482                              | 804,198             | 3.53           | % 21,958,670                            | 822,235             | 3.86           | % |
| Receivable on unsettled securities trades  | 160,576                                 |                     |                | 648,864                                 |                     |                |   |
| Cash and other assets                      | 2,522,092                               |                     |                | 1,887,327                               |                     |                |   |
| Total assets                               | \$26,289,150                            |                     |                | \$24,494,861                            |                     |                |   |
| <b>Liabilities and equity</b>              |   |                     |                |   |                     |                |   |
| <b>Interest-bearing deposits:</b>          |   |                     |                |   |                     |                |   |
| Transaction                                | \$9,040,626                             | \$14,300            | 0.16           | % \$9,349,760                           | \$23,415            | 0.25           | % |
| Savings                                    | 261,822                                 | 540                 | 0.21           | % 212,443                               | 719                 | 0.34           | % |
| Time                                       | 3,114,046                               | 52,173              | 1.68           | % 3,587,698                             | 64,756              | 1.80           | % |
| Total interest-bearing deposits            | 12,416,494                              | 67,013              | 0.54           | % 13,149,901                            | 88,890              | 0.68           | % |
| Funds purchased                            | 1,512,711                               | 2,095               | 0.14           | % 1,046,114                             | 917                 | 0.09           | % |
| Repurchase agreements                      | 1,072,650                               | 1,008               | 0.09           | % 1,096,615                             | 2,453               | 0.22           | % |
| Other borrowings                           | 155,664                                 | 3,428               | 2.20           | % 137,122                               | 5,456               | 3.98           | % |
| Subordinated debentures                    | 363,699                                 | 13,778              | 3.79           | % 398,790                               | 22,385              | 5.61           | % |
| Total interest-bearing liabilities         | 15,521,218                              | 87,322              | 0.56           | % 15,828,542                            | 120,101             | 0.76           | % |
| Non-interest bearing demand deposits       | 6,590,283                               |                     |                | 4,877,906                               |                     |                |   |
| Due on unsettled securities purchases      | 691,644                                 |                     |                | 648,864                                 |                     |                |   |
| Other liabilities                          | 580,051                                 |                     |                | 457,684                                 |                     |                |   |
| Total equity                               | 2,905,955                               |                     |                | 2,681,865                               |                     |                |   |

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|   |              |      |   |              |      |   |
|---|--------------|------|---|--------------|------|---|
| Total liabilities and equity                                      | \$26,289,151 |      |   | \$24,494,861 |      |   |
| Tax-equivalent Net Interest Revenue                               | \$716,876    | 2.97 | % | \$702,134    | 3.10 | % |
| Tax-equivalent Net Interest Revenue to Earning Assets             |              | 3.15 | % |              | 3.30 | % |
| Less tax-equivalent adjustment                                    | 9,327        |      |   | 9,089        |      |   |
| Net Interest Revenue  | 707,549      |      |   | 693,045      |      |   |
| Provision for credit losses                                       | (22,000      | )    |   | (6,050       | )    |   |
| Other operating revenue   | 653,678      |      |   | 528,538      |      |   |
| Other operating expense   | 840,363      |      |   | 779,298      |      |   |
| Income before taxes   | 542,864      |      |   | 448,335      |      |   |
| Federal and state income tax                                      | 188,740      |      |   | 158,511      |      |   |
| Net income  | 354,124      |      |   | 289,824      |      |   |
| Net income attributable to non-controlling interest               | 2,933        |      |   | 3,949        |      |   |
| Net income attributable to BOK Financial Corporation shareholders | \$351,191    |      |   | \$285,875    |      |   |
| Earnings Per Average Common Share Equivalent:                     |              |      |   |              |      |   |
| Net income:   |              |      |   |              |      |   |
| Basic   | \$5.15       |      |   | \$4.18       |      |   |
| Diluted   | \$5.13       |      |   | \$4.17       |      |   |

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

|  | Three Months Ended |                              |            |                    |                 |                              |            |   |
|--|--------------------|------------------------------|------------|--------------------|-----------------|------------------------------|------------|---|
|  | December 31, 2013  |                              |            | September 30, 2013 |                 |                              |            |   |
|  | Average Balance    | Revenue/Expense <sup>1</sup> | Yield/Rate |                    | Average Balance | Revenue/Expense <sup>1</sup> | Yield/Rate |   |
| <b>Assets</b>                                    |                    |                              |            |                    |                 |                              |            |   |
| Interest-bearing cash and cash equivalents       | \$559,918          | \$258                        | 0.18       | %                  | \$654,591       | \$355                        | 0.22       | % |
| Trading securities                               | 127,011            | 472                          | 1.73       | %                  | 124,689         | 688                          | 2.25       | % |
| <b>Investment securities</b>                     |                    |                              |            |                    |                 |                              |            |   |
| Taxable <sup>3</sup>                             | 238,306            | 3,424                        | 5.75       | %                  | 237,487         | 3,434                        | 5.78       | % |
| Tax-exempt <sup>3</sup>                          | 434,416            | 1,772                        | 1.66       | %                  | 383,617         | 1,501                        | 1.60       | % |
| Total investment securities                      | 672,722            | 5,196                        | 3.12       | %                  | 621,104         | 4,935                        | 3.22       | % |
| <b>Available for sale securities</b>             |                    |                              |            |                    |                 |                              |            |   |
| Taxable <sup>3</sup>                             | 10,322,624         | 48,295                       | 1.89       | %                  | 10,439,353      | 50,167                       | 1.92       | % |
| Tax-exempt <sup>3</sup>                          | 112,186            | 751                          | 2.74       | %                  | 119,324         | 828                          | 2.81       | % |
| Total available for sale securities <sup>3</sup> | 10,434,810         | 49,046                       | 1.89       | %                  | 10,558,677      | 50,995                       | 1.93       | % |
| Fair value option securities                     | 167,490            | 892                          | 2.06       | %                  | 169,299         | 814                          | 1.80       | % |
| Restricted equity securities                     | 123,009            | 1,555                        | 5.06       | %                  | 155,938         | 1,189                        | 3.05       | % |
| Residential mortgage loans held for sale         | 217,811            | 2,251                        | 4.16       | %                  | 225,789         | 2,168                        | 3.87       | % |
| Loans <sup>2</sup>                               | 12,461,576         | 125,917                      | 4.01       | %                  | 12,402,096      | 126,849                      | 4.06       | % |
| Less allowance for loan losses (193,309 )        |                    |                              |            |                    | (201,616 )      |                              |            |   |
| Loans, net of allowance                          | 12,268,267         | 125,917                      | 4.07       | %                  | 12,200,480      | 126,849                      | 4.13       | % |
| Total earning assets <sup>3</sup>                | 24,571,038         | 185,587                      | 3.02       | %                  | 24,710,567      | 187,993                      | 3.03       | % |
| Receivable on unsettled securities trades        | 83,016             |                              |            |                    | 90,014          |                              |            |   |
| Cash and other assets                            | 2,448,734          |                              |            |                    | 2,454,151       |                              |            |   |
| Total assets                                     | \$27,102,788       |                              |            |                    | \$27,254,732    |                              |            |   |
| <b>Liabilities and equity</b>                    |                    |                              |            |                    |                 |                              |            |   |
| <b>Interest-bearing deposits:</b>                |                    |                              |            |                    |                 |                              |            |   |
| Transaction                                      | \$9,486,136        | \$2,566                      | 0.11       | %                  | \$9,276,136     | \$2,681                      | 0.11       | % |
| Savings  | 323,123            | 95                           | 0.12       | %                  | 317,912         | 107                          | 0.13       | % |
| Time   | 2,710,019          | 10,587                       | 1.55       | %                  | 2,742,970       | 10,738                       | 1.55       | % |
| Total interest-bearing deposits                  | 12,519,278         | 13,248                       | 0.42       | %                  | 12,337,018      | 13,526                       | 0.43       | % |
| Funds purchased                                  | 748,074            | 145                          | 0.08       | %                  | 776,356         | 134                          | 0.07       | % |
| Repurchase agreements                            | 752,286            | 105                          | 0.06       | %                  | 799,175         | 123                          | 0.06       | % |
| Other borrowings                                 | 1,551,591          | 1,205                        | 0.31       | %                  | 2,175,747       | 1,547                        | 0.28       | % |
| Subordinated debentures                          | 347,781            | 2,173                        | 2.48       | %                  | 347,737         | 2,209                        | 2.52       | % |
| Total interest-bearing liabilities               | 15,919,010         | 16,876                       | 0.42       | %                  | 16,436,033      | 17,539                       | 0.42       | % |
| Non-interest bearing demand deposits             | 7,356,063          |                              |            |                    | 7,110,079       |                              |            |   |
| Due on unsettled securities trades               | 152,078            |                              |            |                    | 111,998         |                              |            |   |
| Other liabilities                                | 621,834            |                              |            |                    | 631,699         |                              |            |   |
| Total equity                                     | 3,053,803          |                              |            |                    | 2,964,923       |                              |            |   |
| Total liabilities and equity                     | \$27,102,788       |                              |            |                    | \$27,254,732    |                              |            |   |
|  |                    | \$168,711                    | 2.60       | %                  |                 | \$170,454                    | 2.61       | % |



|  |          |      |   |          |
|--|----------|------|---|----------|
| Tax-equivalent Net Interest Revenue <sup>3</sup>                   |          |      |   |          |
| Tax-equivalent Net Interest Revenue to Earning Assets <sup>3</sup> |          | 2.74 | % | 2.75     |
|  |          |      |   | %        |
| Less tax-equivalent adjustment <sup>1</sup>                        | 2,467    |      |   | 2,565    |
| Net Interest Revenue   | 166,244  |      |   | 167,889  |
| Provision for credit losses  | (11,400  | )    |   | (8,500   |
|  |          |      |   | )        |
| Other operating revenue  | 147,015  |      |   | 143,432  |
| Other operating expense  | 215,419  |      |   | 210,298  |
| Income before taxes  | 109,240  |      |   | 109,523  |
| Federal and state income tax                                       | 35,318   |      |   | 33,461   |
| Net income before non-controlling interest                         | 73,922   |      |   | 76,062   |
| Net income (loss) attributable to non-controlling interest         | 946      |      |   | 324      |
| Net income attributable to BOK Financial Corp.                     | \$72,976 |      |   | \$75,738 |
| Earnings Per Average Common Share Equivalent:                      |          |      |   |          |
| Net income:  |          |      |   |          |
| Basic  | \$1.06   |      |   | \$1.10   |
| Diluted  | \$1.06   |      |   | \$1.10   |

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

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

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

<sup>4</sup> Yield / rate calculations are generally based on the conventions that determine how interest revenue and expense is accrued.

Quarterly Financial Summary – Unaudited (continued)  
Consolidated Daily Average Balances, Average Yields and Rates  
Three Months Ended

| June 30, 2013   |                               |              | March 31, 2013  |                                |              | December 31, 2012 |                                |              |
|-----------------|-------------------------------|--------------|-----------------|--------------------------------|--------------|-------------------|--------------------------------|--------------|
| Average Balance | Revenue /Expense <sup>1</sup> | Yield / Rate | Average Balance | Revenue / Expense <sup>1</sup> | Yield / Rate | Average Balance   | Revenue / Expense <sup>1</sup> | Yield / Rate |
| \$408,224       | \$278                         | 0.27 %       | \$388,132       | \$184                          | 0.19 %       | \$413,920         | \$218                          | 0.21 %       |
| 181,866         | 829                           | 2.40 %       | 162,353         | 707                            | 2.13 %       | 165,109           | 441                            | 1.54 %       |
| 245,311         | 3,604                         | 5.88 %       | 258,196         | 3,798                          | 5.88 %       | 271,957           | 4,008                          | 5.90 %       |
| 365,629         | 1,568                         | 1.88 %       | 276,576         | 1,483                          | 2.38 %       | 202,128           | 1,379                          | 2.95 %       |
| 610,940         | 5,172                         | 3.58 %       | 534,772         | 5,281                          | 4.17 %       | 474,085           | 5,387                          | 4.69 %       |
| 10,940,486      | 51,360                        | 1.94 %       | 11,179,674      | 55,007                         | 2.09 %       | 11,369,596        | 56,505                         | 2.15 %       |
| 120,214         | 1,013                         | 3.59 %       | 112,507         | 907                            | 3.39 %       | 112,616           | 836                            | 3.10 %       |
| 11,060,700      | 52,373                        | 1.96 %       | 11,292,181      | 55,914                         | 2.11 %       | 11,482,212        | 57,341                         | 2.16 %       |
| 216,312         | 1,024                         | 1.92 %       | 251,725         | 1,177                          | 2.06 %       | 292,490           | 780                            | 1.64 %       |
| 144,332         | 1,462                         | 4.05 %       | 80,433          | 865                            | 4.30 %       | 65,275            | 678                            | 4.15 %       |
| 261,977         | 2,294                         | 3.54 %       | 216,816         | 1,792                          | 3.36 %       | 272,581           | 2,323                          | 3.44 %       |
| 12,277,444      | 125,992                       | 4.12 %       | 12,224,960      | 126,745                        | 4.20 %       | 11,989,319        | 130,510                        | 4.33 %       |
| (206,807 )      |                               |              | (214,017 )      |                                |              | (229,095 )        |                                |              |
| 12,070,637      | 125,992                       | 4.19 %       | 12,010,943      | 126,745                        | 4.27 %       | 11,760,224        | 130,510                        | 4.42 %       |
| 24,954,988      | 189,424                       | 3.10 %       | 24,937,355      | 192,665                        | 3.21 %       | 24,925,896        | 197,678                        | 3.30 %       |
| 135,964         |                               |              | 178,561         |                                |              | 144,077           |                                |              |
| 2,568,372       |                               |              | 2,397,515       |                                |              | 2,426,803         |                                |              |
| \$27,659,324    |                               |              | \$27,513,431    |                                |              | \$27,496,776      |                                |              |
| \$9,504,128     | \$2,762                       | 0.12 %       | \$9,836,204     | \$3,146                        | 0.13 %       | \$9,343,421       | \$3,496                        | 0.15 %       |
| 315,421         | 120                           | 0.15 %       | 296,319         | 120                            | 0.16 %       | 278,714           | 124                            | 0.18 %       |
| 2,818,533       | 11,027                        | 1.57 %       | 2,913,999       | 11,615                         | 1.62 %       | 3,010,367         | 13,588                         | 1.80 %       |
| 12,638,082      | 13,909                        | 0.44 %       | 13,046,522      | 14,881                         | 0.46 %       | 12,632,502        | 17,208                         | 0.54 %       |
| 789,302         | 205                           | 0.10 %       | 1,155,983       | 364                            | 0.13 %       | 1,295,442         | 477                            | 0.15 %       |
| 819,373         | 129                           | 0.06 %       | 878,679         | 146                            | 0.07 %       | 900,131           | 197                            | 0.09 %       |
| 2,172,417       | 1,442                         | 0.27 %       | 863,360         | 1,044                          | 0.49 %       | 364,425           | 824                            | 0.90 %       |
| 347,695         | 2,200                         | 2.54 %       | 347,654         | 2,159                          | 2.52 %       | 347,613           | 2,239                          | 2.56 %       |
| 16,766,869      | 17,885                        | 0.43 %       | 16,292,198      | 18,594                         | 0.46 %       | 15,540,113        | 20,945                         | 0.54 %       |
| 6,888,983       |                               |              | 7,002,046       |                                |              | 7,505,074         |                                |              |
| 330,926         |                               |              | 665,175         |                                |              | 854,474           |                                |              |
| 644,892         |                               |              | 556,173         |                                |              | 625,628           |                                |              |
| 3,027,654       |                               |              | 2,997,839       |                                |              | 2,971,487         |                                |              |
| \$27,659,324    |                               |              | \$27,513,431    |                                |              | \$27,496,776      |                                |              |
|                 | \$171,539                     | 2.67 %       |                 | \$174,071                      | 2.75 %       |                   | \$176,733                      | 2.76 %       |
|                 |                               | 2.80 %       |                 |                                | 2.90 %       |                   |                                | 2.95 %       |
|                 | 2,647                         |              |                 | 2,619                          |              |                   | 2,472                          |              |
|                 | 168,892                       |              |                 | 171,452                        |              |                   | 174,261                        |              |
|                 | —                             |              |                 | (8,000 )                       |              |                   | (14,000 )                      |              |

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|          |          |          |
|----------|----------|----------|
| 163,340  | 160,685  | 166,422  |
| 210,921  | 203,982  | 226,774  |
| 121,311  | 136,155  | 127,909  |
| 41,423   | 47,096   | 44,293   |
| 79,888   | 89,059   | 83,616   |
| (43 )    | 1,095    | 1,051    |
| \$79,931 | \$87,964 | \$82,565 |
| <br>     |          |          |
| \$1.16   | \$1.28   | \$1.21   |
| \$1.16   | \$1.28   | \$1.21   |

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Company, within the time periods specified in the Securities and Exchange Commission's rules and forms.

In addition and as of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f), as amended, of the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

The Report of Management on Financial Statements and Management's Report on Internal Control over Financial Reporting appear within Item 8, "Financial Statements and Supplementary Data." The independent registered public accounting firm, Ernst & Young LLP, has audited the financial statements included in Item 8 and has issued an audit report on the Company's internal control over financial reporting, which appears therein.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information set forth under the headings "Election of Directors," "Executive Officers," "Insider Reporting," "Director Nominations," and "Risk Oversight and Audit Committee" in BOK Financial's 2014 Annual Proxy Statement is incorporated herein by reference.

The Company has a Code of Ethics which is applicable to all Directors, officers and employees of the Company, including the Chief Executive Officer and the Chief Financial Officer, the principal executive officer and principal financial and accounting officer, respectively. A copy of the Code of Ethics will be provided without charge to any person who requests it by writing to the Company's headquarters at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192 or telephoning the Chief Auditor at (918) 588-6000. The Company will also make available amendments to or waivers from its Code of Ethics applicable to Directors or executive officers, including the Chief Executive Officer and the Chief Financial Officer, in accordance with all applicable laws and regulations.

There are no material changes to the procedures by which security holders may recommend nominees to the Company's board of directors since the Company's 2013 Annual Proxy Statement to Shareholders.

**ITEM 11. EXECUTIVE COMPENSATION**

The information set forth under the heading "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Executive Compensation Tables," and "Director Compensation" in BOK Financial's 2014 Annual Proxy Statement is incorporated herein by reference.



ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Election of Directors” in BOK Financial's 2014 Annual Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related parties is set forth in Note 13 of the Company's Notes to Consolidated Financial Statements, which appears elsewhere herein. Additionally, the information set forth under the headings “Certain Transactions,” “Director Independence” and “Related Party Transaction Review and Approval Process” in BOK Financial's 2014 Annual Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the heading “Principal Accountant Fees and Services” in BOK Financial's 2014 Annual Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements of BOK Financial Corporation are filed as part of this Form 10-K in Item 8:

Consolidated Statements of Earnings for the years ended December 31, 2013, 2012 and 2011  
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011  
Consolidated Balance Sheets as of December 31, 2013 and 2012  
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011  
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011  
Notes to Consolidated Financial Statements  
Annual Financial Summary - Unaudited  
Quarterly Financial Summary - Unaudited  
Quarterly Earnings Trends - Unaudited  
Reports of Independent Registered Public Accounting Firm

(a) (2) Financial Statement Schedules

The schedules to the consolidated financial statements required by Regulation S-X are not required under the related instructions or are inapplicable and are therefore omitted.

(a) (3) Exhibits

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 3.0            | The Articles of Incorporation of BOK Financial, incorporated by reference to (i) Amended and Restated Certificate of Incorporation of BOK Financial filed with the Oklahoma Secretary of State on May 28, 1991, filed as Exhibit 3.0 to S-1 Registration Statement No. 33-90450, and (ii) Amendment attached as Exhibit A to Information Statement and Prospectus Supplement filed November 20, 1991. |
| 3.1            | Bylaws of BOK Financial, incorporated by reference to Exhibit 3.1 of S-1 Registration Statement No. 33-90450.   |
| 3.1(a)         | Bylaws of BOK Financial, as amended and restated as of October 30, 2007, incorporated by reference to Exhibit 3.1 of Form 8-K filed on November 5, 2007.  |
| 4.0            | The rights of the holders of the Common Stock and Preferred Stock of BOK Financial are set forth in its Certificate of Incorporation.   |
| 10.0           | Purchase and Sale Agreement dated October 25, 1990, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.0 of S-1 Registration Statement No. 33-90450.   |
| 10.1           | Amendment to Purchase and Sale Agreement effective March 29, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.2 of S-1 Registration Statement No. 33-90450.  |
| 10.2           | Letter agreement dated April 12, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.3 of S-1 Registration Statement No. 33-90450.  |
| 10.3           | Second Amendment to Purchase and Sale Agreement effective April 15, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.4 of S-1 Registration Statement No. 33-90450.   |
| 10.4           | Employment and Compensation Agreements.   |
| 10.4(a)        | Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(a) of Form 10-K for the fiscal year ended December 31, 1991.  |
| 10.4(b)        | Amendment to 1991 Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(b) of Form 10-K for the fiscal year ended December 31, 2001.  |
| 10.4(c)        | Amended and Restated Deferred Compensation Agreement (Amended as of September 1, 2003) between Stanley A. Lybarger and BOK Financial Corporation, incorporated by reference to Exhibit 10.4 (c) of Form 10-Q for the quarter ended September 30, 2003.  |
| 10.4 (d)       | 409A Deferred Compensation Agreement between Stanley A. Lybarger and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4 (d) of Form 8-K filed   |

on January 5, 2005.

- 10.4 (e) Guaranty by George B. Kaiser in favor of Stanley A. Lybarger dated March 7, 2005, incorporated by reference to Exhibit 10.4 (e) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4 (f) Third Amendment to 1991 Employment Agreement between Stanley A. Lybarger and Bank of Oklahoma, National Association, incorporated by reference to Exhibit 10.4 (f) of Form 10-K for the fiscal year ended December 31, 2007.
- 10.4 (g) Amended and Restated Employment Agreement dated December 26, 2008 between BOK Financial Corporation and Stanley A. Lybarger, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on December 26, 2008.
- 10.4.2 Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven G. Bradshaw and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.2 of Form 10-K for the fiscal year ended December 31, 2003.



- 10.4.2 (a) 409A Deferred Compensation Agreement between Steven G. Bradshaw and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.2 (a) of Form 8-K filed on January 5, 2005.
- 10.4.2 (b) Employment Agreement between BOK Financial and Steven G. Bradshaw dated September 29, 2003, incorporated by reference to Exhibit 10.4.2 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.2 (c) Amended and Restated Employment Agreement (amended as of June 30, 2013) between BOK Financial and Steven G. Bradshaw, incorporated by reference to Exhibit 99.A of Form 8-K filed August 20, 2013.
- 10.4.4 Amended and Restated Employment Agreement (Amended as of June 14, 2002) among First National Bank of Park Cities, BOK Financial Corporation and C. Fred Ball, Jr., incorporated by reference to Exhibit 10.4.4 of Form 10-K for the fiscal year ended December 31, 2003.
- 10.4.5 409A Deferred Compensation Agreement between Daniel H. Ellinor and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.5 of Form 8-K filed on January 5, 2005.
- 10.4.5 (a) Employment Agreement between BOK Financial and Dan H. Ellinor dated August 29, 2003, incorporated by reference to Exhibit 10.4.5 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.5 (b) Deferred Compensation Agreement dated November 28, 2003 between Daniel H. Ellinor and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.5 (b) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.5 (c) Amended and Restated Employment Agreement (amended as of June 15, 2013) between BOK Financial and Daniel Ellinor, incorporated by reference to Exhibit 99.B of Form 8-K filed August 20, 2013.
- 10.4.7 409A Deferred Compensation Agreement between Steven E. Nell and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.7 of Form 8-K filed on January 5, 2005.
- 10.4.7 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven E. Nell and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.7 (a) of Form 10-K for the fiscal year ended December 31, 2004.
- 10.4.7 (b) Amended and Restated Employment Agreement (amended June 15, 2013) between BOK Financial and Steven Nell incorporated by reference to Exhibit 99.B of Form 8-K filed September 4, 2013.
- 10.4.8 Employment Agreement dated August 1, 2005 between BOK Financial Corporation and Donald T. Parker, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on February 1, 2006.
- 10.4.9 Employment Agreement dated April 4, 2008 between Bank of Texas, NA, and Norman P. Bagwell, incorporated by reference to Exhibit 10.4.9 of Form 10-K filed on February 27, 2013.

- 10.4.9 (a) First Amendment of Employment Agreement dated June 30, 2011 between Bank of Texas, a division of BOKF, NA, and Norman P. Bagwell, incorporated by reference to Exhibit 10.4.9 (a) of Form 10-K filed on February 27, 2013.
- 10.4.9 (b) Amended and Restated Employment Agreement (amended as of June 15, 2013) between BOK Financial and Norman Bagwell, incorporated by reference to Exhibit 99.A of Form 8-K filed September 4, 2013.
- 10.6 Capitalization and Stock Purchase Agreement dated May 20, 1991, between BOK Financial and Kaiser, incorporated by reference to Exhibit 10.6 of S-1 Registration Statement No. 33-90450.
- 10.7.7 BOK Financial Corporation 2001 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-62578.
- 10.7.8 BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79836.

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- 10.7.9 Bank of Oklahoma Thrift Plan (Amended and Restated Effective as of January 1, 1995), incorporated by reference to Exhibit 10.7.6 of Form 10-K for the year ended December 31, 1994.
- 10.7.10 Trust Agreement for the Bank of Oklahoma Thrift Plan (December 30, 1994), incorporated by reference to Exhibit 10.7.7 of Form 10-K for the year ended December 31, 1994.
- 10.7.11 BOK Financial Corporation 2003 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106531.
- 10.7.12 BOK Financial Corporation 2003 Executive Incentive Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106530.
- 10.7.13 10b5-1 Repurchase Plan between BOK Financial Corporation and BOSCO, Inc. dated May 27, 2008, incorporated by reference to Exhibit 10.1 of Form 8-K filed May 27, 2008.
- 10.7.14 BOK Financial Corporation 2003 Executive Incentive Plan, as amended and restated, for the Chief Executive Officer and for Direct Reports to the Chief Executive Officer, incorporated by reference to the Schedule 14 A Definitive Proxy Statement filed on March 15, 2011.
- 10.7.15 BOK Financial Corporation 2011 True-Up Plan, for the Chief Executive Officer and his Direct Reports, incorporated by reference to the Schedule 14A Definitive Proxy Statement filed on March 15, 2011.
- 10.7.16 BOK Financial Corporation 2009 Omnibus Incentive Plan, Amended and Restated effective April 30, 2013, incorporated by reference to the Schedule 14A Definitive Proxy Statement filed on March 20, 2013.
- 10.8 Lease Agreement between One Williams Center Co. and National Bank of Tulsa (predecessor to BOK) dated June 18, 1974, incorporated by reference to Exhibit 10.9 of S-1 Registration Statement No. 33-90450.
- 10.9 Lease Agreement between Security Capital Real Estate Fund and BOK dated January 1, 1988, incorporated by reference to Exhibit 10.10 of S-1 Registration Statement No. 33-90450.
- 21.0 Subsidiaries of BOK Financial, filed herewith.
- 23.0 Consent of independent registered public accounting firm - Ernst & Young LLP, filed herewith.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 99.0 Additional Exhibits.
- 99 (a)

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Credit Agreement dated June 9, 2011 between BOK Financial Corporation and participating lenders, incorporated by reference to Form 10-Q filed November 6, 2012.

99 (c) First Amended Debenture dated December 2, 2009 between BOK Financial Corporation and George B. Kaiser, incorporated by reference to Exhibit 99 (a) of Form 8-K filed December 4, 2009.

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

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(b) Exhibits

See Item 15 (a) (3) above.

(c) Financial Statement Schedules

See Item 15 (a) (2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

DATE: February 26, 2014

BY: /s/ George B. Kaiser

George B. Kaiser Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 26, 2014, by the following persons on behalf of the registrant and in the capacities indicated.

OFFICERS

/s/ George B. Kaiser  
George B. Kaiser  
Chairman of the Board of Directors

/s/ Steven G. Bradshaw  
Steven G. Bradshaw  
Director, President and Chief Executive Officer

/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

DIRECTORS

/s/ Gregory S. Allen  
Gregory S. Allen

Douglas D. Hawthorne

/s/ Alan S. Armstrong

/s/ E. Carey Joullian, IV  
E. Carey Joullian, IV

Alan S. Armstrong

/s/ C. Frederick Ball, Jr.  
C. Frederick Ball, Jr.

/s/ Robert J. LaFortune  
Robert J. LaFortune

/s/ Sharon J. Bell  
Sharon J. Bell

/s/ Stanley A. Lybarger

Stanley A. Lybarger

/s/ Peter C. Boylan, III  
Peter C. Boylan, III

/s/ Steven J. Malcolm

Steven J. Malcolm

/s/ Chester E. Cadieux, III  
Chester E. Cadieux, III

/s/ Emmet C. Richards

Emmet C. Richards

/s/ Joseph W. Craft, III  
Joseph W. Craft, III

/s/ John Richels

John Richels

/s/ John W. Gibson  
John W. Gibson

/s/ Michael C. Turpen

Michael C. Turpen

/s/ David F. Griffin  
David F. Griffin

R.A. Walker

/s/ V. Burns Hargis  
V. Burns Hargis