

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

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended September 30, 2015

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

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

Commission File No. 0-19341

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

Oklahoma  
(State or other jurisdiction  
of Incorporation or Organization)

73-1373454  
(IRS Employer  
Identification No.)

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

74192  
(Zip Code)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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

---

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

Index

Part I. Financial Information

Management's Discussion and Analysis (Item 2)	<u>1</u>
Market Risk (Item 3)	<u>44</u>
Controls and Procedures (Item 4)	<u>45</u>
Consolidated Financial Statements – Unaudited (Item 1)	<u>47</u>
Six Month Financial Summary – Unaudited (Item 2)	<u>131</u>
Quarterly Financial Summary – Unaudited (Item 2)	<u>132</u>
Quarterly Earnings Trend – Unaudited	<u>135</u>

Part II. Other Information

Item 1. Legal Proceedings	<u>135</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>135</u>
Item 6. Exhibits	<u>135</u>
Signatures	<u>136</u>

---

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

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

Highlights of the third quarter of 2015 included:

Net interest revenue totaled \$178.6 million for the third quarter of 2015, compared to \$166.8 million for the third quarter of 2014 and \$175.7 million for the second quarter of 2015. Net interest revenue increased over the prior year primarily due to growth in average earning assets. Net interest margin was 2.61% for the third quarter of 2015. Net interest margin was 2.67% for the third quarter of 2014 and 2.61% for the second quarter of 2015. The decrease compared to the prior year was primarily due lower loan portfolio yield.

Fees and commissions revenue totaled \$164.7 million for the third quarter of 2015, a \$6.1 million or 4% increase over the third quarter of 2014. Mortgage banking revenue increased \$6.4 million based on higher loan production volume. Fees and commissions revenue decreased \$7.9 million compared to the second quarter of 2015. Brokerage and trading revenue decreased \$4.4 million and mortgage banking revenue decreased \$3.7 million.

Changes in the fair value of mortgage servicing rights, net of economic hedges, decreased pre-tax net income in the third quarter of 2015 by \$4.4 million, increased pre-tax net income in the third quarter of 2014 by \$4.8 million and decreased pre-tax net income by \$1.1 million in the second quarter of 2015. Net changes in the fair value of mortgage servicing rights for the third quarter of 2015 were largely driven by decreases in both the period end mortgage interest rates and escrow earnings rate.

Operating expenses totaled \$224.6 million for the third quarter of 2015, an increase of \$2.8 million over the third quarter of 2014. Personnel expense increased \$6.0 million and non-personnel expense decreased \$3.2 million.

Operating expenses decreased \$2.5 million compared to the previous quarter.

The Company recorded a \$7.5 million provision for credit losses in the third quarter of 2015. The additional provision was primarily due to credit migration and loan portfolio growth during the third quarter. The Company recorded a \$4.0 million provision in the second quarter of 2015. No provision for credit losses was recorded in the third quarter of 2014. Gross charge-offs were \$5.3 million in the third quarter of 2015, \$2.6 million in the third quarter of 2014 and \$2.9 million in the second quarter of 2015. Recoveries were \$3.5 million in the third quarter of 2015, compared to \$3.1 million in the third quarter of 2014 and \$2.2 million in the second quarter of 2015.

The combined allowance for credit losses totaled \$208 million or 1.35% of outstanding loans at September 30, 2015, compared to \$202 million or 1.34% of outstanding loans at June 30, 2015. The portion of the combined allowance attributed to the energy portfolio totaled 2.05 percent of outstanding energy loans at September 30, an increase from 1.74 percent of outstanding energy loans at June 30.

Nonperforming assets that are not guaranteed by U.S. government agencies totaled \$119 million or 0.78% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at September 30, 2015 and \$123 million or 0.82% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at June 30, 2015.

Average loans increased by \$287 million over the previous quarter due primarily to a \$209 million increase in commercial real estate loans. Average commercial loans and personal loans also increased over the previous quarter. Period-end outstanding loan balances were \$15.4 billion at September 30, 2015, a \$243 million increase over June 30, 2015. Commercial real estate loans increased \$202 million, personal loans increased \$36 million and commercial loan balances increased \$22 million.

Average deposits decreased \$401 million compared to the previous quarter, primarily due to a decrease in interest-bearing transaction accounts and time deposits. Period-end deposits were \$20.6 billion at September 30, 2015, a decrease of \$440 million compared to June 30, 2015.

New regulatory capital rules were effective for BOK Financial on January 1, 2015 and established a 7% threshold for the common equity Tier 1 ratio. The Company's common equity Tier 1 ratio was 12.78% at September 30, 2015. In



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

The Company paid a regular quarterly cash dividend of \$29 million or \$0.42 per common share during the third quarter of 2015. On October 27, 2015, the board of directors approved an increase in the regular quarterly cash dividend to \$0.43 per common share payable on or about November 27, 2015 to shareholders of record as of November 13, 2015.

The Company repurchased 1,258,348 common shares at an average price of \$63.79 per share during the third quarter of 2015, completing the existing board approval for share repurchases. No shares were repurchased during the second quarter of 2015 and third quarter of 2014. On October 27, 2015, the board of directors authorized the Company to purchase up to five million additional common shares, subject to market conditions, securities law and other regulatory compliance limitations.

#### Results of Operations

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

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

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

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

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

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

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

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

- 2 -

---

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

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

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

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

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



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

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

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

Table 2 – Other Operating Revenue  
(In thousands)

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

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

## Fees and commissions revenue

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

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

Brokerage and trading revenue includes revenues from securities trading, customer hedging, retail brokerage and investment banking. Brokerage and trading revenue decreased \$3.7 million compared to the third quarter of 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 3 – Mortgage Banking Revenue  
(In thousands)

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

serviced for others

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

Net gains on securities, derivatives and other assets

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

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

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

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

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

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

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



## Other Operating Expense

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

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

Table 5 -- Other Operating Expense  
(In thousands)

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

equivalent)

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

#### Personnel expense

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

Incentive compensation increased \$315 thousand over the third quarter of 2014. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities for the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation increased \$1.7 million or 6% over the third quarter of 2014.

- 9 -

---

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

Employee benefit expense increased \$1.2 million or 7% over the third quarter of 2014 primarily due to increased employee retirement plan and payroll tax expense.

Personnel costs decreased by \$3.6 million compared to the second quarter of 2015, primarily due to a \$2.7 million decrease in incentive compensation expense and a \$1.6 million seasonal decrease in payroll taxes. These decreases were partially offset by a \$1.1 million increase in regular compensation expense.

#### Non-personnel operating expenses

Non-personnel operating expenses decreased \$3.2 million or 3% compared to the third quarter of 2014. Net losses and operating expenses of repossessed assets were \$4.7 million lower than in the prior year. Professional fees and services expense decreased \$4.6 million. The third quarter of 2014 included \$2.2 million of risk management and regulatory compliance costs related to testing our systems and processes. Other expense increased \$2.8 million due to accruals for settled litigation. Data processing and communications expense increased \$1.3 million due to increased transaction activity.

Non-personnel expense increased \$1.1 million compared to the second quarter of 2015. Mortgage banking expense increased \$1.2 million and other expense increased \$1.3 million, partially offset by a \$1.8 million decrease in business promotion expense.

#### Income Taxes

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

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

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

BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations. The reserve for uncertain tax positions was \$14 million at both September 30, 2015 and at June 30, 2015 and \$12 million at September 30, 2014.



## Lines of Business

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

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

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

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

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

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

As shown in Table 6, net income attributable to our lines of business increased \$3.2 million or 6% over the third quarter of 2014. Growth in both net interest revenue and fees and commissions revenue was partially offset by increased operating expenses. The third quarter of 2015 had \$2.3 million of net charge-offs compared to net recoveries of \$228 thousand in the third quarter of 2014.

Table 6 -- Net Income by Line of Business

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

(In thousands)

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

- 11 -

---

## Commercial Banking

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

Table 7 -- Commercial Banking  
(Dollars in thousands)

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

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

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

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



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

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

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

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

#### Consumer Banking

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

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

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

Table 8 -- Consumer Banking

(Dollars in thousands)

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

Increase

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

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

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

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

- 14 -

---

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

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

## Wealth Management

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

Table 9 -- Wealth Management  
(Dollars in thousands)

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

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

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

- 16 -

---

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

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

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

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

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

## Financial Condition Securities

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

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

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

A primary risk of holding residential mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. Our best estimate of the duration of the combined residential mortgage-backed securities portfolio held in investment and available for sale securities at September 30, 2015 is 3.1 years. Management estimates the duration extends to 3.6 years assuming an immediate 200 basis point upward shock. The estimated duration contracts to 2.8 years assuming a 50 basis point decline in the current low rate environment.

Residential mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. We mitigate this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are fully guaranteed. At September 30, 2015, approximately \$5.7 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled \$5.8 billion at September 30, 2015.

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

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$75 million of Jumbo-A residential mortgage loans and \$59 million of Alt-A residential mortgage loans. Jumbo-A residential mortgage loans generally meet government underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Approximately 91% of our Alt-A mortgage-backed securities represent pools of fixed rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages



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

The aggregate gross amount of unrealized losses on available for sale securities totaled \$7.9 million at September 30, 2015, compared to \$26 million at June 30, 2015. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the Consolidated Financial Statements. No other-than-temporary impairment charges were recognized in earnings during the third quarter of 2015.

- 18 -

---

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

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

#### Bank-Owned Life Insurance

We have approximately \$301 million of bank-owned life insurance at September 30, 2015. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$270 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of certain life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At September 30, 2015, the fair value of investments held in separate accounts was approximately \$284 million. As the underlying fair value of the investments held in a separate account at September 30, 2015 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a domestic financial institution. The remaining cash surrender value of \$31 million primarily represents the cash surrender value of policies held in general accounts and other amounts due from various insurance companies.

## Loans

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

Table 10 -- Loans  
(In thousands)

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

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

## Commercial

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

- 20 -

---

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

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

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

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

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

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

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

The services sector of the loan portfolio totaled \$2.7 billion or 18% of total loans and consists of a large number of loans to a variety of businesses, including governmental, finance and insurance, not-for-profit, educational services and loans to entities providing services for real estate and construction. Service sector loans increased by \$25 million compared to June 30, 2015. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business.

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

- 21 -

---

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with three or more non-affiliated banks as participants. At September 30, 2015, the outstanding principal balance of these loans totaled \$3.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 18% of our shared national credits, based on dollars committed. We hold shared credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, banking regulators annually review a sample of shared national credits for proper risk grading.

### Commercial Real Estate

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

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

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

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

Residential Mortgage and Personal

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second-mortgage on the customer's primary residence. Personal loans consist primarily of loans to wealth management clients secured by the cash surrender value of insurance policies and marketable securities. It also includes direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as unsecured loans. Residential mortgage and personal loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Loans may be individually underwritten or credit scored based on size and other criteria. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability.

- 22 -

---



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

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

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

Home equity loans totaled \$739 million at September 30, 2015, a decrease of \$8.9 million compared to June 30, 2015. Our home equity loan portfolio is primarily composed of first-lien, fully amortizing home equity loans. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayment. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term subject to an update of certain credit information. A summary of our home equity loan portfolio at September 30, 2015 by lien position and amortizing status follows in Table 13.

Table 13 -- Home Equity Loans  
(In thousands)

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

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

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

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

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

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

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

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

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

- 25 -

---

## Loan Commitments

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled \$8.3 billion and standby letters of credit which totaled \$480 million at September 30, 2015. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately \$4.1 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at September 30, 2015.

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

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

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

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

## Customer Derivative Programs

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

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

limit our credit risk.

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

- 26 -

---

A deterioration of the credit standing of one or more of the customers or counterparties to these contracts may result in BOK Financial recognizing a loss as the fair value of the affected contracts may no longer move in tandem with the offsetting contracts. This occurs if the credit standing of the customer or counterparty deteriorated such that either the fair value of underlying collateral no longer supported the contract or the customer or the counterparty's ability to provide margin collateral was impaired. Credit losses on customer derivatives reduce brokerage and trading revenue in the Consolidated Statement of Earnings.

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

At September 30, 2015, total derivative assets were reduced by \$29 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$112 million of cash collateral paid to counterparties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at September 30, 2015 follows in Table 17.

Table 17 -- Fair Value of Derivative Contracts

(In thousands)

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

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

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceeds established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to \$24.84 per barrel of oil would decrease the fair value of derivative assets by \$381 thousand. An increase in prices equivalent to \$83.34 per barrel of oil would increase the fair value of derivative assets by \$37 million as current prices move towards the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in our credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$21 million. The fair value of our to-be-announced residential mortgage-backed securities and interest rate swap derivative contracts is affected by changes in interest rates. Based on our assessment as of September 30, 2015, changes in interest rates

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

- 27 -

---



### Summary of Loan Loss Experience

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

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

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

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

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

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

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

- 29 -

---

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

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

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

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

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

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

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

#### Net Loans Charged Off

Loans are charged off against the allowance for loan losses when the loan balance or a portion of the loan balance is no longer covered by the paying capacity of the borrower based on an evaluation of available cash resources and collateral value. Internally risk graded loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Non-risk graded loans are generally charged off when payments are between 60 days and 180

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

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

- 30 -

---

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

- 31 -

---

## Nonperforming Assets

Table 19 -- Nonperforming Assets  
(In thousands)

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

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

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

- 32 -

---



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

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

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

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

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

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

- 33 -

---

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

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

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

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

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



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

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

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

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

#### Commercial

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

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

the New Mexico market.  
Commercial Real Estate

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

- 35 -

---

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

#### Residential Mortgage and Personal

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

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

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

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

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

<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 the date of foreclosure or current fair value, less estimated selling costs.

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

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

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

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



## Liquidity and Capital

## Subsidiary Bank

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

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

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

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

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

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

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

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

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

- 38 -

---

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

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

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

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

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

- 39 -

---

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

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

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

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

Table 25 -- Borrowed Funds  
(In thousands)

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

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

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

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

#### Parent Company

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

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

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

- 41 -

---

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

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

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

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

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

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

Table 26 -- Capital Ratios

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

<sup>1</sup> Effective January 1, 2015



<sup>2</sup> Effective January 1, 2016

- 42 -

---

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

- 43 -

---

## Market Risk

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

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

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

## Interest Rate Risk – Other than Trading

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

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

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

- 44 -

---

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

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

### Trading Activities

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

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

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

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

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

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

### Controls and Procedures

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

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

- 45 -

---

## Forward-Looking Statements

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



Consolidated Statements of Earnings (Unaudited)  
(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Interest revenue				
Loans	\$132,985	\$126,559	\$392,878	\$374,523
Residential mortgage loans held for sale	3,793	2,929	10,634	7,042
Trading securities	669	414	1,618	1,233
Taxable securities	3,211	3,238	9,788	9,715
Tax-exempt securities	1,274	1,373	3,933	4,348
Total investment securities	4,485	4,611	13,721	14,063
Taxable securities	43,473	45,257	128,933	138,970
Tax-exempt securities	535	451	1,718	1,576
Total available for sale securities	44,008	45,708	130,651	140,546
Fair value option securities	2,480	913	6,803	2,558
Restricted equity securities	3,802	2,133	9,627	4,405
Interest-bearing cash and cash equivalents	1,442	601	4,114	1,249
Total interest revenue	193,664	183,868	570,046	545,619
Interest expense				
Deposits	10,731	12,719	34,102	38,482
Borrowed funds	3,701	2,204	9,395	5,106
Subordinated debentures	596	2,154	4,456	6,501
Total interest expense	15,028	17,077	47,953	50,089
Net interest revenue	178,636	166,791	522,093	495,530
Provision for credit losses	7,500	—	11,500	—
Net interest revenue after provision for credit losses	171,136	166,791	510,593	495,530
Other operating revenue				
Brokerage and trading revenue	31,582	35,263	99,301	103,835
Transaction card revenue	32,514	31,578	96,302	92,222
Fiduciary and asset management revenue	30,807	29,738	94,988	85,003
Deposit service charges and fees	23,606	22,508	67,618	68,330
Mortgage banking revenue	33,170	26,814	109,336	78,988
Bank-owned life insurance	2,360	2,326	6,956	6,706
Other revenue	10,618	10,320	28,694	28,380
Total fees and commissions	164,657	158,547	503,195	463,464
Gain on other assets, net	1,161	1,422	3,373	2,615
Gain (loss) on derivatives, net	1,283	(93)	1,162	1,706
Gain (loss) on fair value option securities, net	5,926	(332)	443	6,504
Change in fair value of mortgage servicing rights	(11,757)	5,281	(12,269)	(5,624)
Gain on available for sale securities, net	2,166	146	9,926	1,390
Total other-than-temporary impairment losses	—	—	(781)	—
Portion of loss recognized in other comprehensive income	—	—	689	—
Net impairment losses recognized in earnings	—	—	(92)	—
Total other operating revenue	163,436	164,971	505,738	470,055
Other operating expense				
Personnel	129,062	123,043	390,305	351,190
Business promotion	5,922	6,160	19,435	19,151
Charitable contributions to BOKF Foundation	796	—	796	2,420
Professional fees and services	10,147	14,763	29,766	33,382

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

Net occupancy and equipment	18,689	18,892	56,660	54,577
Insurance	4,864	4,793	14,960	13,801
Data processing and communications	31,228	29,971	93,311	86,177
Printing, postage and supplies	3,376	3,380	10,390	10,350
Net losses and operating expenses of repossessed assets	267	4,966	1,103	7,516
Amortization of intangible assets	1,089	1,100	3,269	2,865
Mortgage banking costs	8,587	7,734	25,325	19,328
Other expense	10,601	7,032	26,686	20,888
Total other operating expense	224,628	221,834	672,006	621,645
Net income before taxes	109,944	109,928	344,325	343,940
Federal and state income taxes	34,128	33,802	113,142	114,042
Net income	75,816	76,126	231,183	229,898
Net income attributable to non-controlling interests	925	494	2,219	1,781
Net income attributable to BOK Financial Corporation shareholders	\$74,891	\$75,632	\$228,964	\$228,117
Earnings per share:				
Basic	\$1.09	\$1.09	\$3.33	\$3.30
Diluted	\$1.09	\$1.09	\$3.32	\$3.29
Average shares used in computation:				
Basic	67,668,076	68,455,866	68,004,508	68,364,549
Diluted	67,762,483	68,609,765	68,104,017	68,520,591
Dividends declared per share	\$0.42	\$0.40	\$1.26	\$1.20
See accompanying notes to consolidated financial statements.				

- 47 -

## Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$75,816	\$76,126	\$231,183	\$229,898
Other comprehensive income (loss) before income taxes:				
Net change in unrealized gain (loss)	57,892	(42,399 )	57,763	82,252
Reclassification adjustments included in earnings:				
Interest revenue, Investments securities, Taxable securities	(105 )	(273 )	(418 )	(1,009 )
Interest expense, Subordinated debentures	—	52	121	206
Net impairment losses recognized in earnings	—	—	92	—
Gain on available for sale securities, net	(2,166 )	(146 )	(9,926 )	(1,390 )
Other comprehensive income (loss) before income taxes	55,621	(42,766 )	47,632	80,059
Federal and state income taxes	21,637	(16,645 )	18,529	31,141
Other comprehensive income (loss), net of income taxes	33,984	(26,121 )	29,103	48,918
Comprehensive income	109,800	50,005	260,286	278,816
Comprehensive income attributable to non-controlling interests	925	494	2,219	1,781
Comprehensive income attributable to BOK Financial Corp. shareholders	\$108,875	\$49,511	\$258,067	\$277,035

See accompanying notes to consolidated financial statements.

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

Consolidated Balance Sheets

(In thousands, except share data)

	Sept. 30, 2015 (Unaudited)	Dec. 31, 2014 (Footnote 1)	Sept. 30, 2014 (Unaudited)
<b>Assets</b>			
Cash and due from banks	\$489,268	\$550,576	\$557,658
Interest-bearing cash and cash equivalents	1,830,105	1,925,266	2,007,901
Trading securities	181,131	188,700	169,712
Investment securities (fair value: September 30, 2015 – \$643,091; December 31, 2014 – \$673,626 ; September 30, 2014 – \$676,445)	612,384	652,360	655,091
Available for sale securities	8,801,089	8,978,945	9,306,886
Fair value option securities	427,760	311,597	175,761
Restricted equity securities	263,587	141,494	189,587
Residential mortgage loans held for sale	357,414	304,182	373,253
Loans	15,367,441	14,208,037	13,683,739
Allowance for loan losses	(204,116 )	(189,056 )	(191,244 )
Loans, net of allowance	15,163,325	14,018,981	13,492,495
Premises and equipment, net	294,669	273,833	275,718
Receivables	151,451	132,408	114,374
Goodwill	385,461	377,780	377,780
Intangible assets, net	44,999	34,376	35,476
Mortgage servicing rights	200,049	171,976	173,286
Real estate and other repossessed assets, net of allowance (September 30, 2015 – \$12,874; December 31, 2014 – \$22,937; September 30, 2014 – \$25,916)	33,116	101,861	97,871
Derivative contracts, net	726,159	361,874	360,809
Cash surrender value of bank-owned life insurance	300,981	293,978	291,583
Receivable on unsettled securities sales	30,009	74,259	94,881
Other assets	273,948	195,252	354,898
<b>Total assets</b>	<b>\$30,566,905</b>	<b>\$29,089,698</b>	<b>\$29,105,020</b>
<b>Liabilities and Equity</b>			
<b>Liabilities:</b>			
Noninterest-bearing demand deposits	\$8,041,767	\$8,066,357	\$8,038,129
<b>Interest-bearing deposits:</b>			
Transaction	9,698,849	10,114,355	9,244,709
Savings	380,296	351,431	341,638
Time	2,498,531	2,608,716	2,664,580
<b>Total deposits</b>	<b>20,619,443</b>	<b>21,140,859</b>	<b>20,289,056</b>
Funds purchased	62,297	57,031	85,135
Repurchase agreements	555,677	1,187,489	1,026,009
Other borrowings	4,635,150	2,133,774	3,484,487
Subordinated debentures	226,314	347,983	347,936
Accrued interest, taxes and expense	158,048	120,211	100,664
Derivative contracts, net	636,115	354,554	348,687
Due on unsettled securities purchases	98,351	290,540	8,126
Other liabilities	159,348	121,051	137,608

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

Total liabilities	27,150,743	25,753,492	25,827,708
Shareholders' equity:			
Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: September 30, 2015 – 74,461,234; December 31, 2014 – 74,003,754; September 30, 2014 – 73,964,496)	4	4	4
Capital surplus	973,824	954,644	948,305
Retained earnings	2,673,292	2,530,837	2,495,338
Treasury stock (shares at cost: September 30, 2015 – 6,748,203 ; December 31, 2014 – 4,890,018; September 30, 2014 – 4,626,998)	(355,670 )	(239,979 )	(223,849 )
Accumulated other comprehensive income	85,776	56,673	23,295
Total shareholders' equity	3,377,226	3,302,179	3,243,093
Non-controlling interests	38,936	34,027	34,219
Total equity	3,416,162	3,336,206	3,277,312
Total liabilities and equity	\$30,566,905	\$29,089,698	\$29,105,020

See accompanying notes to consolidated financial statements.

- 49 -

---

## Consolidated Statements of Changes in Equity (Unaudited)

(In thousands)

	Common Stock		Capital Surplus Amount	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount			Shares	Amount				
Balance, Dec. 31, 2013	73,163	\$4	\$898,586	\$2,349,428	4,305	\$(202,346)	\$(25,623)	\$3,020,049	\$34,924	\$3,054,973
Net income	—	—	—	228,117	—	—	—	228,117	1,781	229,898
Other comprehensive income	—	—	—	—	—	—	48,918	48,918	—	48,918
Repurchase of common stock	—	—	—	—	—	—	—	—	—	—
Issuance of shares for equity compensation	470	—	14,656	—	120	(8,367)	—	6,289	—	6,289
Tax effect from equity compensation, net	—	—	8,176	—	—	—	—	8,176	—	8,176
Share-based compensation	—	—	11,815	—	—	—	—	11,815	—	11,815
Issuance of shares in settlement of deferred compensation, net	331	—	15,072	—	202	(13,136)	—	1,936	—	1,936
Cash dividends on common stock	—	—	—	(82,207)	—	—	—	(82,207)	—	(82,207)
Capital calls and distributions, net	—	—	—	—	—	—	—	—	(2,486)	(2,486)
Balance, Sept. 30, 2014	73,964	\$4	\$948,305	\$2,495,338	4,627	\$(223,849)	\$23,295	\$3,243,093	\$34,219	\$3,277,312
Balances at December 31, 2014	74,004	\$4	\$954,644	\$2,530,837	4,890	\$(239,979)	\$56,673	\$3,302,179	\$34,027	\$3,336,206
Net income	—	—	—	228,964	—	—	—	228,964	2,219	231,183
Other comprehensive	—	—	—	—	—	—	29,103	29,103	—	29,103

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

income										
Repurchase of common stock	—	—	—	—	1,760	(109,760 )	—	(109,760 )	—	(109,760 )
Issuance of shares for equity compensation	457	—	10,728	—	98	(5,931 )	—	4,797	—	4,797
Tax effect from equity compensation, net	—	—	645	—	—	—	—	645	—	645
Share-based compensation	—	—	7,807	—	—	—	—	7,807	—	7,807
Cash dividends on common stock	—	—	—	(86,509 )	—	—	—	(86,509 )	—	(86,509 )
Sale of non-controlling interests	—	—	—	—	—	—	—	—	5,500	5,500
Capital calls and distributions, net	—	—	—	—	—	—	—	—	(2,810 )	(2,810 )
Balance, Sept. 30, 2015	74,461	\$4	\$973,824	\$2,673,292	6,748	\$(355,670)	\$85,776	\$3,377,226	\$38,936	\$3,416,162

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2015	2014
Cash Flows From Operating Activities:		
Net income	\$231,183	\$229,898
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	11,500	—
Change in fair value of mortgage servicing rights	12,269	5,624
Unrealized gains from derivative contracts	(974	) (7,853
Tax effect from equity compensation, net	(645	) (8,176
Change in bank-owned life insurance	(6,956	) (6,706
Share-based compensation	7,807	11,815
Depreciation and amortization	50,088	40,833
Net amortization of securities discounts and premiums	42,757	43,078
Net realized losses (gains) on financial instruments and other assets	(12,601	) 1,459
Net gain on mortgage loans held for sale	(60,075	) (43,764
Mortgage loans originated for sale	(5,007,471	) (3,220,120
Proceeds from sale of mortgage loans held for sale	5,022,109	3,091,285
Capitalized mortgage servicing rights	(62,375	) (39,183
Charitable contributions to BOKF Foundation	796	2,420
Change in trading and fair value option securities	(110,857	) (88,005
Change in receivables	8,455	14,134
Change in other assets	(8,412	) 36,931
Change in accrued interest, taxes and expense	14,447	(107,585
Change in other liabilities	40,670	23,164
Net cash provided by (used in) operating activities	171,715	(20,751
Cash Flows From Investing Activities:		
Proceeds from maturities or redemptions of investment securities	53,795	54,666
Proceeds from maturities or redemptions of available for sale securities	1,307,177	1,323,708
Purchases of investment securities	(19,037	) (37,094
Purchases of available for sale securities	(2,271,374	) (2,324,730
Proceeds from sales of available for sale securities	1,164,425	1,884,061
Change in amount receivable on unsettled securities transactions	44,250	(77,707
Loans originated, net of principal collected	(1,121,100	) (845,432
Net payments on derivative asset contracts	(291,949	) (102,302
Acquisitions, net of cash acquired	(18,098	) (21,898
Proceeds from disposition of assets	131,824	95,611
Purchases of assets	(203,546	) (193,597
Net cash used in investing activities	(1,223,633	) (244,714
Cash Flows From Financing Activities:		
Net change in demand deposits, transaction deposits and savings accounts	(411,231	) 51,142
Net change in time deposits	(110,185	) (31,413
Net change in other borrowed funds	1,786,438	1,773,313
Repayment of subordinated debentures	(121,810	) —
Net proceeds on derivative liability contracts	277,872	114,985
Net change in derivative margin accounts	(148,119	) (45,724



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

Change in amount due on unsettled security transactions	(192,189 )	(37,614 )
Issuance of common and treasury stock, net	4,797	(6,847 )
Tax effect from equity compensation, net	645	8,176
Sale of non-controlling interests	5,500	—
Repurchase of common stock	(109,760 )	—
Dividends paid	(86,509 )	(82,207 )
Net cash provided by financing activities	895,449	1,743,811
Net increase (decrease) in cash and cash equivalents	(156,469 )	1,478,346
Cash and cash equivalents at beginning of period	2,475,842	1,087,213
Cash and cash equivalents at end of period	\$2,319,373	\$2,565,559

- 51 -

---

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

Supplemental Cash Flow Information:

Cash paid for interest	\$50,066	\$47,264
Cash paid for taxes	\$78,115	\$61,627
Net loans and bank premises transferred to repossessed real estate and other assets	\$9,558	\$38,797
Residential mortgage loans guaranteed by U.S. government agencies that became eligible for repurchase during the period	\$86,242	\$100,430
Conveyance of other real estate owned guaranteed by U.S. government agencies	\$93,157	\$34,425
Issuance of shares in settlement of accrued executive compensation	\$—	\$15,072
See accompanying notes to consolidated financial statements.		

- 52 -

---

Notes to Consolidated Financial Statements (Unaudited)

(1) Significant Accounting Policies

Basis of Presentation

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

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

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

The financial information should be read in conjunction with BOK Financial’s 2014 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2014 have been derived from the audited financial statements included in BOK Financial’s 2014 Form 10-K but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the nine-month period ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Newly Adopted and Pending Accounting Policies

Financial Accounting Standards Board (“FASB”)

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

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

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

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

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

- 53 -

---

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

On May 28, 2014, the FASB issued ASU 2014-09 to clarify the principles for recognizing revenue by providing a more robust framework that will give greater consistency and comparability in revenue recognition practices. In the new framework, an entity recognizes revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The new model requires the identification of performance obligations included in contracts with customers, a determination of the transaction price and an allocation of the price to those performance obligations. The entity recognizes revenue when performance obligations are satisfied. ASU 2014-09 is effective for the Company for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial statements.

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

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

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

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

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

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

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

FASB Accounting Standards Update No. 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ("ASU 2015-07")

On May 1, 2015, the FASB issued ASU 2015-07 to gain consistency within the categorization of the fair value hierarchy. The update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for the Company for interim and annual periods beginning January 1, 2016 and should be applied retrospectively to all periods presented. Early adoption is permitted. The Company is evaluating the impact the adoption of ASU 2015-07 will have on the Company's financial statements.

- 54 -

---

(2) Securities  
Trading Securities

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

	September 30, 2015		December 31, 2014		September 30, 2014	
	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
U.S. Government agency debentures	\$42,431	\$(38 )	\$85,092	\$(62 )	\$41,004	\$(5 )
U.S. agency residential mortgage-backed securities	30,973	195	31,199	269	33,226	(2,002 )
Municipal and other tax-exempt securities	84,261	421	38,951	18	76,884	90
Other trading securities	23,466	28	33,458	(38 )	18,598	62
Total trading securities	\$181,131	\$606	\$188,700	\$187	\$169,712	\$(1,855 )

## Investment Securities

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

	September 30, 2015		Fair Value	Gross Unrealized <sup>2</sup>	
	Amortized Cost	Carrying Value <sup>1</sup>		Gain	Loss
Municipal and other tax-exempt	\$379,980	\$379,980	\$384,310	\$4,461	\$(131 )
U.S. agency residential mortgage-backed securities – Other	28,456	28,653	30,080	1,427	—
Other debt securities	203,751	203,751	228,701	25,063	(113 )
Total investment securities	\$612,187	\$612,384	\$643,091	\$30,951	\$(244 )

Carrying value includes \$197 thousand of net unrealized gain which remains in Accumulated other comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio in 2011.

<sup>1</sup>

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

	December 31, 2014		Fair Value	Gross Unrealized <sup>2</sup>	
	Amortized Cost	Carrying Value <sup>1</sup>		Gain	Loss
Municipal and other tax-exempt	\$405,090	\$405,090	\$408,344	\$4,205	\$(951 )
U.S. agency residential mortgage-backed securities – Other	35,135	35,750	37,463	1,713	—
Other debt securities	211,520	211,520	227,819	16,956	(657 )
Total investment securities	\$651,745	\$652,360	\$673,626	\$22,874	\$(1,608 )

Carrying value includes \$615 thousand of net unrealized gain which remains in Accumulated other comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio in 2011.

<sup>1</sup>

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

	September 30, 2014				
	Amortized Cost	Carrying Value <sup>1</sup>	Fair Value	Gross Unrealized Gain	Unrealized Loss <sup>2</sup>
Municipal and other tax-exempt	\$410,595	\$410,595	\$415,233	\$4,847	\$(209)
U.S. agency residential mortgage-backed securities – Other	37,763	38,585	40,259	1,674	—
Other debt securities	205,911	205,911	220,953	16,001	(959)
Total investment securities	\$654,269	\$655,091	\$676,445	\$22,522	\$(1,168)

Carrying value includes \$822 thousand of net unrealized gain which remains in Accumulated other

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

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

The amortized cost and fair values of investment securities at September 30, 2015, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Six to Ten Years	Over Ten Years	Total	Weighted Average Maturity <sup>2</sup>
Municipal and other tax-exempt:						
Carrying value	\$51,529	\$276,168	\$18,225	\$34,058	\$379,980	3.37
Fair value	51,641	278,013	18,406	36,250	384,310	
Nominal yield <sup>1</sup>	1.41 %	1.78 %	3.18 %	5.77 %	2.16 %	
Other debt securities:						
Carrying value	11,797	42,346	85,786	63,822	203,751	8.89
Fair value	11,963	45,699	97,088	73,951	228,701	
Nominal yield	4.09 %	4.63 %	5.68 %	5.97 %	5.46 %	
Total fixed maturity securities:						
Carrying value	\$63,326	\$318,514	\$104,011	\$97,880	\$583,731	5.29
Fair value	63,604	323,712	115,494	110,201	613,011	
Nominal yield	1.91 %	2.16 %	5.24 %	5.90 %	3.31 %	
Residential mortgage-backed securities:						
Carrying value					\$28,653	<sup>3</sup>
Fair value					30,080	
Nominal yield <sup>4</sup>					2.75	%
Total investment securities:						
Carrying value					\$612,384	
Fair value					643,091	
Nominal yield					3.28	%

<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 4.0 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):

	September 30, 2015		Gross Unrealized <sup>1</sup>		OTTI <sup>2</sup>
	Amortized Cost	Fair Value	Gain	Loss	
U.S. Treasury	\$1,000	\$1,003	\$3	\$—	\$—
Municipal and other tax-exempt	57,610	57,960	1,065	(715)	) —
Residential mortgage-backed securities:					
U. S. government agencies:					
FNMA	3,115,810	3,185,097	69,757	(470)	) —
FHLMC	1,853,379	1,885,201	32,646	(824)	) —
GNMA	741,212	744,647	4,557	(1,122)	) —
Other	3,922	4,182	260	—	—
Total U.S. government agencies	5,714,323	5,819,127	107,220	(2,416)	) —
Private issue:					
Alt-A loans	58,801	64,700	6,519	—	(620 )
Jumbo-A loans	75,258	80,982	6,121	—	(397 )
Total private issue	134,059	145,682	12,640	—	(1,017 )
Total residential mortgage-backed securities	5,848,382	5,964,809	119,860	(2,416)	) (1,017 )
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,708,931	2,735,787	28,889	(2,033)	) —
Other debt securities	4,400	4,150	—	(250)	) —
Perpetual preferred stock	17,171	19,163	2,030	(38)	) —
Equity securities and mutual funds	18,711	18,217	950	(1,444)	) —
Total available for sale securities	\$8,656,205	\$8,801,089	\$152,797	\$(6,896)	) \$(1,017 )

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

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

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

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

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

	September 30, 2014				
	Amortized Cost	Fair Value	Gross Unrealized <sup>1</sup>		OTTI <sup>2</sup>
			Gain	Loss	
U.S. Treasury	\$1,014	\$1,015	\$1	\$—	\$—
Municipal and other tax-exempt	63,508	64,363	1,580	(725)	) —
Residential mortgage-backed securities:					
U. S. government agencies:					
FNMA	4,117,747	4,158,631	61,663	(20,779)	) —
FHLMC	1,812,708	1,823,393	21,886	(11,201)	) —
GNMA	858,003	863,055	9,240	(4,188)	) —
Other	5,132	5,524	392	—	—
Total U.S. government agencies	6,793,590	6,850,603	93,181	(36,168)	) —
Private issue:					
Alt-A loans	68,493	73,405	4,985	—	(73)
Jumbo-A loans	92,831	98,088	5,611	—	(354)
Total private issue	161,324	171,493	10,596	—	(427)
Total residential mortgage-backed securities	6,954,914	7,022,096	103,777	(36,168)	) (427)
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,168,978	2,141,645	1,841	(29,174)	) —
Other debt securities	34,470	34,291	71	(250)	) —
Perpetual preferred stock	22,171	24,358	2,194	(7)	) —
Equity securities and mutual funds	18,896	19,118	773	(551)	) —

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

Total available for sale securities \$9,263,951 \$9,306,886 \$110,237 \$(66,875 ) \$(427 )

<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.

- 58 -

---

The amortized cost and fair values of available for sale securities at September 30, 2015, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Six to Ten Years	Over Ten Years	Total	Weighted Average Maturity <sup>5</sup>
U.S. Treasuries:						
Amortized cost	\$—	\$1,000	\$—	\$—	\$1,000	2.30
Fair value	—	1,003	—	—	1,003	
Nominal yield	—	% 0.87	% —	% —	% 0.87	%
Municipal and other tax-exempt:						
Amortized cost	\$10,078	\$23,030	\$2,761	\$21,741	\$57,610	8.15
Fair value	10,166	23,719	2,813	21,262	57,960	
Nominal yield <sup>1</sup>	3.55	% 4.31	% 3.66	% 2.01	% <sup>6</sup> 3.28	%
Commercial mortgage-backed securities:						
Amortized cost	\$—	\$945,915	\$1,537,674	\$225,342	\$2,708,931	7.14
Fair value	—	952,149	1,557,840	225,798	2,735,787	
Nominal yield	—	% 1.46	% 2.07	% 1.29	% 1.79	%
Other debt securities:						
Amortized cost	\$—	\$—	\$—	\$4,400	\$4,400	31.91
Fair value	—	—	—	4,150	4,150	
Nominal yield	—	% —	% —	% 1.71	% <sup>6</sup> 1.55	%
Total fixed maturity securities:						
Amortized cost	\$10,078	\$969,945	\$1,540,435	\$251,483	\$2,771,941	7.19
Fair value	10,166	976,871	1,560,653	251,210	2,798,900	
Nominal yield	3.55	% 1.52	% 2.07	% 1.36	% 1.82	%
Residential mortgage-backed securities:						
Amortized cost					\$5,848,382	<sup>2</sup>
Fair value					5,964,809	
Nominal yield <sup>4</sup>					1.95	%
Equity securities and mutual funds:						
Amortized cost					\$35,882	<sup>3</sup>
Fair value					37,380	
Nominal yield					—	%
Total available-for-sale securities:						
Amortized cost					\$8,656,205	
Fair value					8,801,089	
Nominal yield					1.90	%

<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 3.6 years based upon current prepayment assumptions.

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

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

<sup>5</sup>

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

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

- 59 -

---

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

	Three Months Ended		Nine Months Ended	
	September 30,		Sept. 30,	
	2015	2014	2015	2014
Proceeds	\$450,765	\$552,871	\$1,164,425	\$1,884,061
Gross realized gains	3,803	3,441	13,543	19,768
Gross realized losses	(1,637 )	(3,295 )	(3,617 )	(18,378 )
Related federal and state income tax expense	843	57	3,861	541

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):

	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2014
Investment:			
Carrying value	\$50,380	\$63,495	\$66,470
Fair value	52,249	65,855	69,031
Available for sale:			
Amortized cost	6,225,689	5,855,220	5,388,372
Fair value	6,318,330	5,893,972	5,390,599

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

## Impaired Securities as of September 30, 2015

(in thousands):

	Number of Securities	Less Than 12 Months Fair Value	Unrealized Loss	12 Months or Longer Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
Investment:							
Municipal and other tax-exempt	15	\$6,250	\$81	\$13,438	\$50	\$19,688	\$131
U.S. Agency residential mortgage-backed securities	—	—	—	—	—	—	—
Other							
Other debt securities	17	1,283	64	4,577	49	5,860	113
Total investment securities	32	\$7,533	\$145	\$18,015	\$99	\$25,548	\$244
	Number of Securities	Less Than 12 Months Fair Value	Unrealized Loss	12 Months or Longer Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
Available for sale:							
Municipal and other tax-exempt	18	\$7,868	\$485	\$3,800	\$230	\$11,668	\$715
Residential mortgage-backed securities:							
U. S. government agencies:							
FNMA	6	155,747	470	—	—	155,747	470
FHLMC	4	71,930	503	26,848	321	98,778	824
GNMA	4	54,701	562	54,701	560	109,402	1,122
Total U.S. government agencies	14	282,378	1,535	81,549	881	363,927	2,416
Private issue <sup>1</sup> :							
Alt-A loans	4	2,857	186	6,667	434	9,524	620
Jumbo-A loans	8	5,380	236	3,681	161	9,061	397
Total private issue	12	8,237	422	10,348	595	18,585	1,017
Total residential mortgage-backed securities	26	290,615	1,957	91,897	1,476	382,512	3,433
Commercial mortgage-backed securities guaranteed by U.S. government agencies							
Other debt securities	2	—	—	4,149	250	4,149	250
Perpetual preferred stocks	1	1,912	38	—	—	1,912	38
Equity securities and mutual funds	37	4,031	1,432	526	12	4,557	1,444
Total available for sale securities	115	\$632,216	\$5,400	\$323,379	\$2,513	\$955,595	\$7,913

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





## Impaired Securities as of December 31, 2014

(In thousands)

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

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



## Impaired Securities as of September 30, 2014

(In thousands)

	Number of Securities	Less Than 12 Months Fair Value	12 Months or Longer Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss	Total Fair Value	Unrealized Loss
Investment:							
Municipal and other tax-exempt	24	\$481	\$—	\$60,742	\$209	\$61,223	\$209
U.S. Agency residential mortgage-backed securities – Other	—	—	—	—	—	—	—
Other debt securities	83	25,373	929	1,811	30	27,184	959
Total investment securities	107	\$25,854	\$929	\$62,553	\$239	\$88,407	\$1,168
	Number of Securities	Less Than 12 Months Fair Value	12 Months or Longer Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss	Total Fair Value	Unrealized Loss
Available for sale:							
Municipal and other tax-exempt <sup>1</sup>	19	\$—	\$—	\$12,288	\$725	\$12,288	\$725
Residential mortgage-backed securities:							
U. S. government agencies:							
FNMA	55	652,845	1,923	806,175	18,856	1,459,020	20,779
FHLMC	33	385,832	1,426	499,320	9,775	885,152	11,201
GNMA	8	58,730	13	144,397	4,175	203,127	4,188
Total U.S. government agencies	96	1,097,407	3,362	1,449,892	32,806	2,547,299	36,168
Private issue <sup>1</sup> :							
Alt-A loans	4	12,169	73	—	—	12,169	73
Jumbo-A loans	8	3,252	106	7,587	248	10,839	354
Total private issue	12	15,421	179	7,587	248	23,008	427
Total residential mortgage-backed securities	108	1,112,828	3,541	1,457,479	33,054	2,570,307	36,595
Commercial mortgage-backed securities guaranteed by U.S. government agencies	125	428,610	2,312	1,235,200	26,862	1,663,810	29,174
Other debt securities	2	—	—	4,150	250	4,150	250
Perpetual preferred stocks	1	1,018	7	—	—	1,018	7
Equity securities and mutual funds	81	4,869	511	1,497	40	6,366	551
Total available for sale securities	336	\$1,547,325	\$6,371	\$2,710,614	\$60,931	\$4,257,939	\$67,302

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

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

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Based on this evaluation as of September 30, 2015, the Company does not intend to sell any impaired available for sale securities before fair value recovers to the current amortized cost and it is more-likely-than-not that the Company will not be required to sell impaired securities before fair value recovers, which may be maturity.

- 63 -

---

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 September 30, 2015.

- 64 -

---

At September 30, 2015, the composition of the Company's investment and available for sale securities portfolios by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

	U.S. Govt / GSE <sup>1</sup>		AAA - AA		A - BBB		Below Investment Grade		Not Rated		Total	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Investment:</b>												
Municipal and other tax-exempt	\$—	\$—	\$252,263	\$253,734	\$5,279	\$5,313	\$—	\$122,438	\$125,263	\$379,980	\$384,310	
Mortgage-backed securities -- other	28,653	30,080	—	—	—	—	—	—	—	28,653	30,080	
Other debt securities	—	—	151,442	174,290	—	—	—	52,309	54,411	203,751	228,701	
<b>Total investment securities</b>	<b>\$28,653</b>	<b>\$30,080</b>	<b>\$403,705</b>	<b>\$428,024</b>	<b>\$5,279</b>	<b>\$5,313</b>	<b>\$—</b>	<b>\$174,747</b>	<b>\$179,674</b>	<b>\$612,384</b>	<b>\$643,091</b>	
	U.S. Govt / GSE <sup>1</sup>		AAA - AA		A - BBB		Below Investment Grade		Not Rated		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Available for Sale:</b>												
U.S. Treasury	\$1,000	\$1,003	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$1,003
Municipal and other tax-exempt	—	—	34,053	34,912	10,588	10,026	—	—	12,969	13,022	57,613	
Residential mortgage-backed securities:												
U. S. government agencies:												
FNMA	3,115,810	3,185,097	—	—	—	—	—	—	—	—	3,185,097	
FHLMC	1,853,379	1,885,201	—	—	—	—	—	—	—	—	1,885,201	
GNMA	741,212	744,647	—	—	—	—	—	—	—	—	744,647	
Other	3,922	4,182	—	—	—	—	—	—	—	—	3,922	
<b>Total U.S. government agencies</b>	<b>5,714,323</b>	<b>5,819,127</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,819,127</b>	
Private issue:												
Alt-A loans	—	—	—	—	—	—	58,801	64,700	—	—	58,801	
Jumbo-A loans	—	—	—	—	—	—	75,258	80,982	—	—	75,258	
<b>Total private issue</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>134,059</b>	<b>145,682</b>	<b>—</b>	<b>—</b>	<b>134,059</b>	
<b>Total residential mortgage-backed securities</b>	<b>5,714,323</b>	<b>5,819,127</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>134,059</b>	<b>145,682</b>	<b>—</b>	<b>—</b>	<b>5,848,216</b>	
Commercial mortgage-backed	2,708,931	2,735,787	—	—	—	—	—	—	—	—	2,708,931	

securities guaranteed by U.S. government agencies												
Other debt securities	—	—	4,400	4,150	—	—	—	—	—	—	—	4,400
Perpetual preferred stock	—	—	—	—	6,406	7,312	10,765	11,851	—	—	—	17,174
Equity securities and mutual funds	—	—	4	515	—	—	—	—	18,707	17,702	18,707	18,707
Total available for sale securities	\$8,424,254	\$8,555,917	\$38,457	\$39,577	\$16,994	\$17,338	\$144,824	\$157,533	\$31,676	\$30,724	\$8,600,000	\$8,600,000

<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.

- 65 -

---



At September 30, 2015, the entire portfolio of privately issued residential mortgage-backed securities was rated below investment grade. The gross unrealized loss on these securities totaled \$1.0 million. Ratings by the nationally-recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below investment grade was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure.

The primary assumptions used in this evaluation were:

	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2014
Unemployment rate	Moving down to 5.1% over the next 12 months and remain at 5.1% thereafter. Starting with current depreciated housing prices based on information derived from the FHFA <sup>1</sup> , appreciating 3.2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter.	Held constant at 5.6% over the next 12 months and remain at 5.6% thereafter. Starting with current depreciated housing prices based on information derived from the FHFA <sup>1</sup> , appreciating 3.2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter.	Moving down to 6.2% over the next 12 months and remains at 6.2% thereafter. 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.
Housing price appreciation/depreciation	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.	Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company.
Estimated liquidation costs	Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.	Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.	Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields.
Discount rates			

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

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

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

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

Credit loss impairment is recorded as a charge to earnings. Additional impairment based on the difference between the total unrealized loss and the estimated credit loss on these securities is charged against other comprehensive income, net of deferred taxes. No credit loss impairments were recognized in earnings on privately issued residential mortgage-backed securities during the three months ended September 30, 2015.

- 66 -

---

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

	Number of Securities	Amortized Cost	Fair Value	Credit Losses Recognized			
				Three months ended Sept. 30, 2015		Life-to-date	
				Number of Securities	Amount	Number of Securities	Amount
Alt-A	14	\$58,801	\$64,700	—	\$—	14	\$36,219
Jumbo-A	30	75,258	80,982	—	—	29	18,220
Total	44	\$134,059	\$145,682	—	\$—	43	\$54,439

Impaired equity securities, including perpetual preferred stocks, are evaluated based on management's ability and intent to hold the securities until fair value recovers over periods not to exceed three years. The assessment of the ability and intent to hold these securities focuses on the liquidity needs, asset/liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings and credit spreads for preferred stocks which have debt-like characteristics. The Company has evaluated the near-term prospects of the investments in relation to the severity and duration of the impairment and based on that evaluation has the ability and intent to hold these investments until a recovery in fair value. Accordingly, all impairment of equity securities was considered temporary at September 30, 2015.

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2015	2014	Sept. 30, 2015	2014
Balance of credit-related OTTI recognized on available for sale debt securities, beginning of period	\$54,439	\$54,347	\$54,347	\$67,346
Additions for credit-related OTTI not previously recognized	—	—	—	—
Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost	—	—	92	—
Reductions for change in intent to hold before recovery	—	—	—	—
Sales	—	—	—	(12,999)
Balance of credit-related OTTI recognized on available for sale debt securities, end of period	\$54,439	\$54,347	\$54,439	\$54,347

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

Fair value option securities represent securities which the Company has elected to carry at fair value and are separately identified on the Consolidated Balance Sheets. Changes in the fair value are recognized in earnings as they occur. Certain residential mortgage-backed securities issued by U.S. government agencies and derivative contracts are held as an economic hedge of the mortgage servicing rights.

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

Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2014
Fair Value	Fair Value	Fair

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

		Net Unrealized Gain (Loss)		Net Unrealized Gain (Loss)	Value	Net Unrealized Gain (Loss)
U.S. agency residential mortgage-backed securities	\$427,760	\$2,067	\$311,597	\$1,624	\$175,761	\$(2,061 )

- 67 -

---

### Restricted Equity Securities

Restricted equity securities primarily include stock we are required to hold as members of the Federal Reserve system and the 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. A summary of restricted equity securities follows (in thousands):

	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2014
Federal Reserve stock	\$35,148	\$35,018	\$33,971
Federal Home Loan Bank stock	228,268	106,476	155,616
Other	171	—	—
Total	\$263,587	\$141,494	\$189,587

### (3) Derivatives

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

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

Derivative contracts may require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. In addition, derivative contracts executed with customers under Customer Risk Management Programs may be secured by non-cash collateral in conjunction with a credit agreement with that customer. Access to collateral, in the event of default is reasonably assured. As of September 30, 2015, a decrease in BOK Financial's credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$21 million.

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

### Customer Risk Management Programs

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

### Interest Rate Risk Management Programs

BOK Financial may use derivative contracts in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed-rate liabilities to floating-rate based on LIBOR. As of September 30, 2015, derivative contracts under the interest rate risk management program were primarily used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

As discussed in Note 6, 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 6 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.

- 68 -

---

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at September 30, 2015 (in thousands):

Assets						
	Notional <sup>1</sup>	Gross Fair Value	Netting Adjustments	Net Fair Value Before Cash Collateral	Cash Collateral	Fair Value Net of Cash Collateral
Customer risk management programs:						
Interest rate contracts						
To-be-announced residential mortgage-backed securities	\$ 16,093,704	\$ 136,435	\$(50,845 )	\$ 85,590	\$—	\$ 85,590
Interest rate swaps	1,345,779	42,636	—	42,636	—	42,636
Energy contracts	560,997	89,948	(28,535 )	61,413	(23,089 )	38,324
Agricultural contracts	101,321	8,064	(4,053 )	4,011	(1,558 )	2,453
Foreign exchange contracts	618,991	557,313	—	557,313	(3,985 )	553,328
Equity option contracts	143,452	3,784	—	3,784	(470 )	3,314
Total customer risk management programs	18,864,244	838,180	(83,433 )	754,747	(29,102 )	725,645
Interest rate risk management programs	47,000	514	—	514	—	514
Total derivative contracts	\$ 18,911,244	\$ 838,694	\$(83,433 )	\$ 755,261	\$(29,102 )	\$ 726,159
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	\$ 16,050,271	\$ 133,543	\$(50,845 )	\$ 82,698	\$(82,225 )	\$ 473
Interest rate swaps	1,345,779	42,901	—	42,901	(26,723 )	16,178
Energy contracts	551,989	85,856	(28,535 )	57,321	—	57,321
Agricultural contracts	101,325	8,045	(4,053 )	3,992	—	3,992
Foreign exchange contracts	618,770	556,890	—	556,890	(2,619 )	554,271
Equity option contracts	143,452	3,784	—	3,784	—	3,784
Total customer risk management programs	18,811,586	831,019	(83,433 )	747,586	(111,567 )	636,019
Interest rate risk management programs	7,500	96	—	96	—	96
Total derivative contracts	\$ 18,819,086	\$ 831,115	\$(83,433 )	\$ 747,682	\$(111,567 )	\$ 636,115

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





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

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

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



The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at September 30, 2014 (in thousands):

Assets						
	Notional <sup>1</sup>	Gross Fair Value	Netting Adjustments	Net Fair Value Before Cash Collateral	Cash Collateral	Fair Value Net of Cash Collateral
Customer risk management programs:						
Interest rate contracts						
To-be-announced residential mortgage-backed securities	\$ 13,125,309	\$ 48,913	\$(25,263 )	\$ 23,650	\$—	\$ 23,650
Interest rate swaps	1,171,163	34,148	—	34,148	(199 )	33,949
Energy contracts	847,446	32,005	(15,660 )	16,345	(3,499 )	12,846
Agricultural contracts	49,943	2,372	(470 )	1,902	—	1,902
Foreign exchange contracts	336,755	275,116	—	275,116	—	275,116
Equity option contracts	202,883	13,900	—	13,900	(554 )	13,346
Total customer risk management programs	15,733,499	406,454	(41,393 )	365,061	(4,252 )	360,809
Interest rate risk management programs	—	—	—	—	—	—
Total derivative contracts	\$ 15,733,499	\$ 406,454	\$(41,393 )	\$ 365,061	\$(4,252 )	\$ 360,809
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	\$ 13,702,440	\$ 45,889	\$(25,263 )	\$ 20,626	\$—	\$ 20,626
Interest rate swaps	1,171,163	34,316	—	34,316	(15,145 )	19,171
Energy contracts	844,976	35,583	(15,660 )	19,923	—	19,923
Agricultural contracts	49,911	2,404	(470 )	1,934	(1,888 )	46
Foreign exchange contracts	336,661	274,829	—	274,829	(1,729 )	273,100
Equity option contracts	202,883	13,900	—	13,900	—	13,900
Total customer risk management programs	16,308,034	406,921	(41,393 )	365,528	(18,762 )	346,766
Interest rate risk management programs	47,000	1,921	—	1,921	—	1,921
Total derivative contracts	\$ 16,355,034	\$ 408,842	\$(41,393 )	\$ 367,449	\$(18,762 )	\$ 348,687

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



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

	Three Months Ended		September 30, 2014	
	September 30, 2015	September 30, 2014	September 30, 2014	September 30, 2014
	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	\$7,914	\$—	\$7,547	\$—
Interest rate swaps	411	—	967	—
Energy contracts	771	—	1,523	—
Agricultural contracts	44	—	26	—
Foreign exchange contracts	152	—	806	—
Equity option contracts	—	—	—	—
Total customer risk management programs	9,292	—	10,869	—
Interest rate risk management programs	(199	) 1,283	—	(93 )
Total derivative contracts	\$9,093	\$1,283	\$10,869	\$(93 )
	Nine Months Ended		September 30, 2014	
	September 30, 2015	September 30, 2014	September 30, 2014	September 30, 2014
	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	\$25,942	\$—	\$19,322	\$—
Interest rate swaps	1,495	—	1,998	—
Energy contracts	3,138	—	5,007	—
Agricultural contracts	86	—	127	—
Foreign exchange contracts	618	—	1,358	—
Equity option contracts	—	—	—	—
Total customer risk management programs	31,279	—	27,812	—
Interest rate risk management programs	(199	) 1,162	—	1,706
Total derivative contracts	\$31,080	\$1,162	\$27,812	\$1,706

Net interest revenue was not significantly impacted by the settlement of amounts receivable or payable on interest rate swaps for the three and nine months ended September 30, 2015 and 2014, respectively.

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

##### Loans

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

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

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

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

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

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

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

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

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

- 73 -

---

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

	September 30, 2015				December 31, 2014			
	Fixed Rate	Variable Rate	Non-accrual	Total	Fixed Rate	Variable Rate	Non-accrual	Total
Commercial	\$1,854,163	\$7,909,461	\$ 33,798	\$9,797,422	\$1,736,976	\$7,345,167	\$ 13,527	\$9,095,670
Commercial real estate	588,604	2,635,507	10,956	3,235,067	721,513	1,988,080	18,557	2,728,150
Residential mortgage	1,624,759	200,136	44,100	1,868,995	1,698,620	202,771	48,121	1,949,512
Personal	100,615	364,848	494	465,957	102,865	331,274	566	434,705
Total	\$4,168,141	\$11,109,952	\$ 89,348	\$15,367,441	\$4,259,974	\$9,867,292	\$ 80,771	\$14,208,037
Accruing loans past due (90 days) <sup>1</sup>				\$101				\$125

  

	September 30, 2014			
	Fixed Rate	Variable Rate	Non-accrual	Total
Commercial	\$1,714,251	\$6,841,383	\$ 16,404	\$8,572,038
Commercial real estate	757,846	1,935,693	30,660	2,724,199
Residential mortgage	1,722,864	207,892	48,907	1,979,663
Personal	106,736	300,523	580	407,839
Total	\$4,301,697	\$9,285,491	\$ 96,551	\$13,683,739
Accruing loans past due (90 days) <sup>1</sup>				\$25

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

At September 30, 2015, \$5.2 billion or 34% of our total loan portfolio is to businesses and individuals attributed to the Texas market and \$3.4 billion or 22% of the total loan portfolio is to businesses and individuals attributed to the Oklahoma market. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas.

### Commercial

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

At September 30, 2015, commercial loans attributed to the Texas market totaled \$3.4 billion or 35% of the commercial loan portfolio segment and commercial loans attributed to the Oklahoma market totaled \$2.1 billion or 21% of the commercial loan portfolio segment.

The commercial loan portfolio segment is further divided into loan classes. The energy loan class totaled \$2.8 billion or 18% of total loans at September 30, 2015, including \$2.3 billion of outstanding loans to energy producers. Approximately 61% of committed production loans are secured by properties primarily producing oil and 39% are



secured by properties producing natural gas. The services loan class totaled \$2.7 billion at September 30, 2015. Approximately \$1.2 billion of loans in the services category consist of loans with individual balances of less than \$10 million. Businesses included in the services class include governmental, finance and insurance, not-for-profit, educational services and loans to entities providing services for real estate and construction.

- 74 -

---

## 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 September 30, 2015, 31% of commercial real estate loans are secured by properties primarily located in the Dallas and Houston areas of Texas. An additional 13% of commercial real estate loans are secured by properties located primarily in the Tulsa and Oklahoma City metropolitan areas of Oklahoma.

## Residential Mortgage and Personal

Residential mortgage loans provide funds for our customers to purchase or refinance their primary residence or to borrow against the equity in their home. Residential mortgage loans are secured by a first or second mortgage on the customer's primary residence. Personal loans consist primarily of loans secured by the cash surrender value of insurance policies and marketable securities. It also includes direct loans secured by and for the purchase of automobiles, recreational and marine equipment as well as unsecured loans. Residential mortgage and personal loans are made in accordance with underwriting policies we believe to be conservative and are fully documented. Loans may be individually underwritten or credit scored based on size and other criteria. Credit scoring is assessed based on significant credit characteristics including credit history, residential and employment stability. Residential mortgage loans 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 September 30, 2015, residential mortgage loans included \$193 million of loans guaranteed by U.S. government agencies previously sold into GNMA mortgage pools. These loans either have been repurchased or are eligible to be repurchased by the Company when certain defined delinquency criteria are met. Although payments on these loans generally are past due more than 90 days, interest continues to accrue based on the government guarantee.

Home equity loans totaled \$739 million at September 30, 2015. Approximately, 69% of the home equity loan portfolio is comprised of first lien loans and 31% of the home equity portfolio is comprised of junior lien loans. Junior lien loans are distributed 67% to amortizing term loans and 33% to revolving lines of credit. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayments. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term, subject to an update of certain credit information.

### Credit Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At September 30, 2015, outstanding commitments totaled \$8.3 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.

- 75 -

---

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 September 30, 2015, outstanding standby letters of credit totaled \$480 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At September 30, 2015, outstanding commercial letters of credit totaled \$7.4 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 6, the Company also has separate accruals for off-balance sheet credit risk related to residential mortgage loans previously sold with full or partial recourse and for residential mortgage loans sold to government sponsored agencies under standard representations and warranties.

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

The allowance for loan losses consists of specific allowances attributed to impaired loans that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans based on estimated loss rates by loan class and nonspecific allowances based on general economic conditions, risk concentration and related factors. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses and the accrual for off-balance sheet credit losses for the three and nine months ended September 30, 2015.

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

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



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

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

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

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

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended September 30, 2015 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Personal	Nonspecific Allowance	Total
Allowance for loan losses:						
Beginning balance	\$ 107,037	\$ 39,744	\$ 21,449	\$ 3,955	\$ 28,902	\$ 201,087
Provision for loan losses	4,694	180	(349)	) 1,413	(1,156)	) 4,782
Loans charged off	(3,497)	) —	(446)	) (1,331)	) —	(5,274)
Recoveries	759	1,865	205	692	—	3,521
Ending balance	\$ 108,993	\$ 41,789	\$ 20,859	\$ 4,729	\$ 27,746	\$ 204,116
Allowance for off-balance sheet credit losses:						
Beginning balance	\$ 595	\$ 242	\$ 26	\$ 19	\$ —	\$ 882
Provision for off-balance sheet credit losses	1,873	847	(2)	) —	—	2,718
Ending balance	\$ 2,468	\$ 1,089	\$ 24	\$ 19	\$ —	\$ 3,600
Total provision for credit losses	\$ 6,567	\$ 1,027	\$ (351)	) \$ 1,413	\$ (1,156)	) \$ 7,500

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the nine months ended September 30, 2015 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Personal	Nonspecific Allowance	Total
Allowance for loan losses:						
Beginning balance	\$90,875	\$42,445	\$23,458	\$4,233	\$28,045	\$189,056
Provision for loan losses	20,869	(11,571 )	(1,938 )	2,069	(299 )	9,130
Loans charged off	(4,552 )	(44 )	(1,784 )	(3,940 )	—	(10,320 )
Recoveries	1,801	10,959	1,123	2,367	—	16,250
Ending balance	\$108,993	\$41,789	\$20,859	\$4,729	\$27,746	\$204,116
Allowance for off-balance sheet credit losses:						
Beginning balance	\$475	\$707	\$28	\$20	\$—	\$1,230
Provision for off-balance sheet credit losses	1,993	382	(4 )	(1 )	—	2,370
Ending balance	\$2,468	\$1,089	\$24	\$19	\$—	\$3,600
Total provision for credit losses	\$22,862	\$(11,189 )	\$(1,942 )	\$2,068	\$(299 )	\$11,500

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended September 30, 2014 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Personal	Nonspecific Allowance	Total
Allowance for loan losses:						
Beginning balance	\$87,806	\$41,252	\$27,654	\$7,029	\$26,949	\$190,690
Provision for loan losses	(1,174 )	(84 )	185	156	995	78
Loans charged off	(117 )	(145 )	(773 )	(1,603 )	—	(2,638 )
Recoveries	260	1,410	150	1,294	—	3,114
Ending balance	\$86,775	\$42,433	\$27,216	\$6,876	\$27,944	\$191,244
Allowance for off-balance sheet credit losses:						
Beginning balance	\$345	\$902	\$43	\$18	\$—	\$1,308
Provision for off-balance sheet credit losses	(65 )	10	(19 )	(4 )	—	(78 )
Ending balance	\$280	\$912	\$24	\$14	\$—	\$1,230
Total provision for credit losses	\$(1,239 )	\$(74 )	\$166	\$152	\$995	\$—

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the nine months ended September 30, 2014 is summarized as follows (in thousands):

	Commercial	Commercial Real Estate	Residential Mortgage	Personal	Nonspecific Allowance	Total
Allowance for loan losses:						
Beginning balance	\$79,180	\$41,573	\$29,465	\$6,965	\$28,213	\$185,396
Provision for loan losses	4,444	(4,633 )	136	1,180	(269 )	858
Loans charged off	(290 )	(365 )	(3,611 )	(4,742 )	—	(9,008 )
Recoveries	3,441	5,858	1,226	3,473	—	13,998
Ending balance	\$86,775	\$42,433	\$27,216	\$6,876	\$27,944	\$191,244
Allowance for off-balance sheet credit losses:						
Beginning balance	\$119	\$1,876	\$90	\$3	\$—	\$2,088
Provision for off-balance sheet credit losses	161	(964 )	(66 )	11	—	(858 )
Ending balance	\$280	\$912	\$24	\$14	\$—	\$1,230
Total provision for credit losses	\$4,605	\$(5,597 )	\$70	\$1,191	\$(269 )	\$—

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at September 30, 2015 is as follows (in thousands):

	Collectively Measured for Impairment		Individually Measured for Impairment		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	\$9,763,624	\$104,157	\$33,798	\$4,836	\$9,797,422	\$108,993
Commercial real estate	3,224,111	41,771	10,956	18	3,235,067	41,789
Residential mortgage	1,824,896	20,762	44,099	97	1,868,995	20,859
Personal	465,463	4,729	494	—	465,957	4,729
Total	15,278,094	171,419	89,347	4,951	15,367,441	176,370
Nonspecific allowance	—	—	—	—	—	27,746
Total	\$15,278,094	\$171,419	\$89,347	\$4,951	\$15,367,441	\$204,116



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

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

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at September 30, 2014 is as follows (in thousands):

	Collectively Measured for Impairment		Individually Measured for Impairment		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	\$8,555,634	\$83,609	\$16,404	\$3,166	\$8,572,038	\$86,775
Commercial real estate	2,693,539	42,358	30,660	75	2,724,199	42,433
Residential mortgage	1,930,756	27,109	48,907	107	1,979,663	27,216
Personal	407,259	6,876	580	—	407,839	6,876
Total	13,587,188	159,952	96,551	3,348	13,683,739	163,300
Nonspecific allowance	—	—	—	—	—	27,944
Total	\$13,587,188	\$159,952	\$96,551	\$3,348	\$13,683,739	\$191,244

- 80 -

## 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 September 30, 2015 is as follows (in thousands):

	Internally Risk Graded		Non-Graded		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	\$9,771,003	\$108,101	\$26,419	\$892	\$9,797,422	\$108,993
Commercial real estate	3,235,067	41,789	—	—	3,235,067	41,789
Residential mortgage	190,361	2,938	1,678,634	17,921	1,868,995	20,859
Personal	380,376	1,790	85,581	2,939	465,957	4,729
Total	13,576,807	154,618	1,790,634	21,752	15,367,441	176,370
Nonspecific allowance	—	—	—	—	—	27,746
Total	\$13,576,807	\$154,618	\$1,790,634	\$21,752	\$15,367,441	\$204,116

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

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

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at September 30, 2014 is as follows (in thousands):

	Internally Risk Graded		Non-Graded		Total	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Commercial	\$8,545,949	\$85,892	\$26,089	\$883	\$8,572,038	\$86,775
Commercial real estate	2,724,199	42,433	—	—	2,724,199	42,433
Residential mortgage	200,701	4,083	1,778,962	23,133	1,979,663	27,216
Personal	314,604	3,257	93,235	3,619	407,839	6,876
Total	11,785,453	135,665	1,898,286	27,635	13,683,739	163,300
Nonspecific allowance	—	—	—	—	—	27,944
Total	\$11,785,453	\$135,665	\$1,898,286	\$27,635	\$13,683,739	\$191,244

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

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

The following table summarizes the Company's loan portfolio at September 30, 2015 by the risk grade categories (in thousands):

	Internally Risk Graded		Nonaccrual	Non-Graded		Total
	Performing	Potential Problem		Performing	Nonaccrual	
<b>Commercial:</b>						
Energy	\$2,723,841	\$96,446	\$17,880	\$—	\$—	\$2,838,167
Services	2,687,862	8,070	10,692	—	—	2,706,624
Wholesale/retail	1,455,636	3,242	3,058	—	—	1,461,936
Manufacturing	553,418	1,907	352	—	—	555,677
Healthcare	1,740,462	—	1,218	—	—	1,741,680
Other commercial and industrial	466,397	—	522	26,343	76	493,338
Total commercial	9,627,616	109,665	33,722	26,343	76	9,797,422
<b>Commercial real estate:</b>						
Residential construction and land development	148,392	370	4,748	—	—	153,510
Retail	767,368	433	1,648	—	—	769,449
Office	624,907	560	684	—	—	626,151
Multifamily	750,791	7,682	185	—	—	758,658
Industrial	563,795	—	76	—	—	563,871
Other commercial real estate	359,672	141	3,615	—	—	363,428
Total commercial real estate	3,214,925	9,186	10,956	—	—	3,235,067
<b>Residential mortgage:</b>						
Permanent mortgage	186,923	918	2,520	719,163	28,140	937,664
Permanent mortgages guaranteed by U.S. government agencies	—	—	—	188,827	3,885	192,712
Home equity	—	—	—	729,065	9,554	738,619
Total residential mortgage	186,923	918	2,520	1,637,055	41,579	1,868,995
Personal	380,221	15	140	85,227	354	465,957
Total	\$13,409,685	\$119,784	\$47,338	\$1,748,625	\$42,009	\$15,367,441

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

	Internally Risk Graded		Nonaccrual	Non-Graded		Total
	Performing	Potential Problem		Performing	Nonaccrual	
<b>Commercial:</b>						
Energy	\$2,843,093	\$15,919	\$1,416	\$—	\$—	\$2,860,428
Services	2,371,189	15,140	5,201	—	—	2,391,530
Wholesale/retail	1,427,725	8,141	4,149	—	—	1,440,015
Manufacturing	527,951	4,193	450	—	—	532,594
Healthcare	1,449,024	4,565	1,380	—	—	1,454,969
Other commercial and industrial	389,378	3,293	823	22,532	108	416,134
<b>Total commercial</b>	<b>9,008,360</b>	<b>51,251</b>	<b>13,419</b>	<b>22,532</b>	<b>108</b>	<b>9,095,670</b>
<b>Commercial real estate:</b>						
Residential construction and land development	127,437	10,855	5,299	—	—	143,591
Retail	662,335	628	3,926	—	—	666,889
Office	411,548	576	3,420	—	—	415,544
Multifamily	691,053	13,245	—	—	—	704,298
Industrial	428,817	—	—	—	—	428,817
Other commercial real estate	362,375	724	5,912	—	—	369,011
<b>Total commercial real estate</b>	<b>2,683,565</b>	<b>26,028</b>	<b>18,557</b>	<b>—</b>	<b>—</b>	<b>2,728,150</b>
<b>Residential mortgage:</b>						
Permanent mortgage	187,520	1,773	3,010	745,813	31,835	969,951
Permanent mortgages guaranteed by U.S. government agencies	—	—	—	202,238	3,712	205,950
Home equity	—	—	—	764,047	9,564	773,611
<b>Total residential mortgage</b>	<b>187,520</b>	<b>1,773</b>	<b>3,010</b>	<b>1,712,098</b>	<b>45,111</b>	<b>1,949,512</b>
Personal	343,041	19	167	91,079	399	434,705
<b>Total</b>	<b>\$12,222,486</b>	<b>\$79,071</b>	<b>\$35,153</b>	<b>\$1,825,709</b>	<b>\$45,618</b>	<b>\$14,208,037</b>

The following table summarizes the Company's loan portfolio at September 30, 2014 by the risk grade categories (in thousands):

	Internally Risk Graded		Nonaccrual	Non-Graded		Total
	Performing	Potential Problem		Performing	Nonaccrual	
<b>Commercial:</b>						
Energy	\$2,519,924	\$30,267	\$1,508	\$—	\$—	\$2,551,699
Services	2,318,991	17,376	3,584	—	—	2,339,951
Wholesale/retail	1,412,199	3,406	5,502	—	—	1,421,107
Manufacturing	469,881	6,180	3,482	—	—	479,543
Healthcare	1,376,399	4,583	1,417	—	—	1,382,399
Other commercial and industrial	359,159	11,234	857	26,035	54	397,339
<b>Total commercial</b>	<b>8,456,553</b>	<b>73,046</b>	<b>16,350</b>	<b>26,035</b>	<b>54</b>	<b>8,572,038</b>
<b>Commercial real estate:</b>						
Residential construction and land development	145,223	15,371	14,634	—	—	175,228
Retail	605,718	1,538	4,009	—	—	611,265
Office	434,829	581	3,499	—	—	438,909
Multifamily	725,720	14,037	—	—	—	739,757
Industrial	371,426	—	—	—	—	371,426
Other commercial real estate	377,419	1,677	8,518	—	—	387,614
<b>Total commercial real estate</b>	<b>2,660,335</b>	<b>33,204</b>	<b>30,660</b>	<b>—</b>	<b>—</b>	<b>2,724,199</b>
<b>Residential mortgage:</b>						
Permanent mortgage	195,688	1,312	3,701	758,970	31,436	991,107
Permanent mortgages guaranteed by U.S. government agencies	—	—	—	194,653	3,835	198,488
Home equity	—	—	—	780,133	9,935	790,068
<b>Total residential mortgage</b>	<b>195,688</b>	<b>1,312</b>	<b>3,701</b>	<b>1,733,756</b>	<b>45,206</b>	<b>1,979,663</b>
Personal	314,409	20	175	92,830	405	407,839
<b>Total</b>	<b>\$11,626,985</b>	<b>\$107,582</b>	<b>\$50,886</b>	<b>\$1,852,621</b>	<b>\$45,665</b>	<b>\$13,683,739</b>

## Impaired Loans

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

A summary of impaired loans follows (in thousands):

	As of September 30, 2015		Recorded Investment			For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	Unpaid Principal Balance	Total	With No Allowance	With Allowance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:									
Energy	\$18,904	\$17,880	\$5,017	\$12,863	\$4,644	\$12,361	\$—	\$9,648	\$—
Services	13,677	10,692	10,041	651	148	10,818	—	7,946	—
Wholesale/retail	8,588	3,058	3,046	12	9	3,612	—	3,603	—
Manufacturing	675	352	352	—	—	365	—	401	—
Healthcare	1,612	1,218	1,064	154	35	1,248	—	1,299	—
Other commercial and industrial	8,277	598	598	—	—	611	—	765	—
Total commercial	51,733	33,798	20,118	13,680	4,836	29,015	—	23,662	—
Commercial real estate:									
Residential construction and land development	9,349	4,748	4,748	—	—	7,058	—	5,023	—
Retail	2,252	1,648	1,648	—	—	2,737	—	2,787	—
Office	2,046	684	684	—	—	1,522	—	2,052	—
Multifamily	192	185	185	—	—	190	—	93	—
Industrial	76	76	76	—	—	76	—	38	—
Other real estate loans	9,650	3,615	3,452	163	18	3,965	—	4,763	—
Total commercial real estate	23,565	10,956	10,793	163	18	15,548	—	14,756	—
Residential mortgage:									
Permanent mortgage	38,829	30,660	30,506	154	97	31,424	297	32,753	942
Permanent mortgage guaranteed by U.S. government agencies <sup>1</sup>	198,905	192,712	192,712	—	—	193,165	1,902	198,312	6,205
Home equity	10,085	9,554	9,554	—	—	9,810	—	9,559	—
	247,819	232,926	232,772	154	97	234,399	2,199	240,624	7,147

Total residential mortgage

Personal	516	494	494	—	—	522	—	530	—
Total	\$323,633	\$278,174	\$264,177	\$13,997	\$4,951	\$279,484	\$2,199	\$279,572	\$7,147

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 September 30, 2015, \$3.9 million of these loans were nonaccruing and \$189 million were accruing based on the guarantee by U.S. government agencies.

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

- 86 -

---



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

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

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

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

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

A summary of impaired loans at September 30, 2014 follows (in thousands):

	As of September 30, 2014					For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014	
	Unpaid Principal Balance	Total Recorded Investment	With No Allowance	With Allowance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:									
Energy	\$1,536	\$1,508	\$1,508	\$—	\$—	\$1,563	\$—	\$1,684	\$—
Services	6,400	3,584	2,851	733	157	3,626	—	4,253	—
Wholesale/retail	10,792	5,502	5,470	32	9	5,693	—	6,235	—
Manufacturing	3,754	3,482	482	3,000	3,000	3,495	—	2,037	—
Healthcare	2,451	1,417	1,417	—	—	1,420	—	1,502	—
Other									
commercial and industrial	8,580	911	911	—	—	956	—	871	—
Total commercial	33,513	16,404	12,639	3,765	3,166	16,753	—	16,582	—
Commercial real estate:									
Residential									
construction and land development	18,953	14,634	14,490	144	57	14,890	—	16,006	—
Retail	5,425	4,009	4,009	—	—	4,104	—	4,433	—
Office	6,004	3,499	3,499	—	—	3,545	—	4,945	—
Multifamily	—	—	—	—	—	—	—	3	—
Industrial	—	—	—	—	—	315	—	126	—
Other real estate loans	15,261	8,518	8,341	177	18	9,711	—	10,242	—
Total commercial real estate	45,643	30,660	30,339	321	75	32,565	—	35,755	—
Residential mortgage:									
Permanent mortgage	44,396	35,137	34,962	175	107	34,045	429	34,708	1,067
Permanent mortgage guaranteed by U.S. government agencies <sup>1</sup>	204,807	198,488	198,488	—	—	194,882	2,089	189,820	6,279
Home equity	10,031	9,935	9,935	—	—	9,688	—	8,599	—
Total residential mortgage	259,234	243,560	243,385	175	107	238,615	2,518	233,127	7,346
Personal	597	580	580	—	—	673	—	900	—
Total	\$338,987	\$291,204	\$286,943	\$4,261	\$3,348	\$288,606	\$2,518	\$286,364	\$7,346

1

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 September 30, 2014, \$3.8 million of these loans were nonaccruing and \$195 million were accruing based on the guarantee by U.S. government agencies.

- 88 -

---

## Troubled Debt Restructurings

A summary of troubled debt restructurings ("TDRs") by accruing status as of September 30, 2015 is as follows (in thousands):

	As of September 30, 2015				Amounts Charged Off During	
	Recorded Investment	Performing in Accordance With Modified Terms	Not Performing in Accordance With Modified Terms	Specific Allowance	Three Months Ended September 30, 2015	Nine Months Ended Sept. 30, 2015
Nonaccruing TDRs:						
Commercial:						
Energy	\$—	\$—	\$—	\$—	\$—	\$—
Services	9,362	8,502	860	148	—	—
Wholesale/retail	2,897	2,844	53	9	—	—
Manufacturing	296	296	—	—	—	—
Healthcare	689	689	—	—	—	—
Other commercial and industrial	590	76	514	—	100	100
Total commercial	13,834	12,407	1,427	157	100	100
Commercial real estate:						
Residential construction and land development	2,539	1,624	915	—	—	—
Retail	1,356	960	396	—	—	—
Office	169	169	—	—	—	—
Multifamily	—	—	—	—	—	—
Industrial	—	—	—	—	—	—
Other real estate loans	1,037	584	453	—	—	—
Total commercial real estate	5,101	3,337	1,764	—	—	—
Residential mortgage:						
Permanent mortgage	16,359	9,361	6,998	97	140	142
Permanent mortgage guaranteed by U.S. government agencies	1,944	140	1,804	—	—	—
Home equity	4,975	4,336	639	—	10	68
Total residential mortgage	23,278	13,837	9,441	97	150	210
Personal	365	209	156	—	—	2
Total nonaccruing TDRs	\$42,578	\$29,790	\$12,788	\$254	\$250	\$312
Accruing TDRs:						
Permanent mortgages guaranteed by U.S. government agencies	81,598	22,352	59,246	—	—	—

Total TDRs	\$124,176	\$52,142	\$72,034	\$254	\$250	\$312
------------	-----------	----------	----------	-------	-------	-------

- 89 -

---

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

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

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

A summary of troubled debt restructurings by accruing status as of September 30, 2014 is as follows (in thousands):

	As of September 30, 2014				Amounts Charged Off	
	Recorded Investment	Performing in Accordance With Modified Terms	Not Performing in Accordance With Modified Terms	Specific Allowance	During Three Months Ended September 30, 2014	Nine Months Ended Sept. 30, 2014
Nonaccruing TDRs:						
Commercial:						
Energy	\$—	\$—	\$—	\$—	\$—	\$—
Services	1,714	724	990	148	—	—
Wholesale/retail	3,545	3,440	105	9	—	—
Manufacturing	3,355	355	3,000	3,000	—	—
Healthcare	—	—	—	—	—	—
Other commercial and industrial	644	48	596	—	—	—
Total commercial	9,258	4,567	4,691	3,157	—	—
Commercial real estate:						
Residential construction and land development	8,562	264	8,298	56	—	—
Retail	3,664	2,486	1,178	—	—	—
Office	2,345	1,194	1,151	—	—	—
Multifamily	—	—	—	—	—	—
Industrial	—	—	—	—	—	—
Other real estate loans	1,743	1,743	—	—	—	—
Total commercial real estate	16,314	5,687	10,627	56	—	—
Residential mortgage:						
Permanent mortgage	16,764	11,227	5,537	80	147	246
Permanent mortgage guaranteed by U.S. government agencies	1,665	329	1,336	—	—	—
Home equity	4,937	3,864	1,073	—	12	58
Total residential mortgage	23,366	15,420	7,946	80	159	304
Personal	474	322	152	—	—	1
Total nonaccruing TDRs	\$49,412	\$25,996	\$23,416	\$3,293	\$159	\$305
Accruing TDRs:						
Permanent mortgages guaranteed by U.S. government agencies	70,459	22,998	47,461	—	—	—
Total TDRs	\$119,871	\$48,994	\$70,877	\$3,293	\$159	\$305





Troubled debt restructurings generally consist of interest rate concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans at September 30, 2015 by class that were restructured during the three and nine months ended September 30, 2015 by primary type of concession (in thousands):

	Three Months Ended Sept. 30, 2015			Nonaccrual			Total	Total
	Accruing Payment Stream	Combination & Other	Total	Interest Rate	Payment Stream	Combination & Other		
Commercial:								
Energy	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	—	—	—
Wholesale/retail	—	—	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—	—	—
Healthcare	—	—	—	—	—	—	—	—
Other commercial and industrial	—	—	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—	—	—
Commercial real estate:								
Residential construction and land development	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—
Office	—	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—	—	—
Residential mortgage:								
Permanent mortgage	—	—	—	—	1,448	150	1,598	1,598
Permanent mortgage guaranteed by U.S. government agencies	5,809	3,846	9,655	—	—	—	—	9,655
Home equity	—	—	—	—	—	447	447	447
Total residential mortgage	5,809	3,846	9,655	—	1,448	597	2,045	11,700
Personal	—	—	—	—	—	18	18	18
Total	\$5,809	\$3,846	\$9,655	\$—	\$1,448	\$615	\$2,063	\$11,718

	Nine Months Ended Sept. 30, 2015			Nonaccrual			Total	Total
	Accruing Payment Stream	Combination & Other	Total	Interest Rate	Payment Stream	Combination & Other		
Commercial:								
Energy	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	7,851	7,851	7,851
Wholesale/retail	—	—	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—	—	—
Healthcare	—	—	—	689	—	—	689	689
Other commercial and industrial	—	—	—	—	—	—	—	—
Total commercial	—	—	—	689	—	7,851	8,540	8,540
Commercial real estate:								
Residential construction and land development	—	—	—	—	329	—	329	329
Retail	—	—	—	—	—	—	—	—
Office	—	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	329	—	329	329
Residential mortgage:								
Permanent mortgage	—	—	—	—	2,150	1,125	3,275	3,275
Permanent mortgage guaranteed by U.S. government agencies	15,858	10,397	26,255	—	—	843	843	27,098
Home equity	—	—	—	59	145	1,523	1,727	1,727
Total residential mortgage	15,858	10,397	26,255	59	2,295	3,491	5,845	32,100
Personal	—	—	—	—	—	104	104	104
Total	\$15,858	\$10,397	\$26,255	\$748	\$2,624	\$11,446	\$14,818	\$41,073

Troubled debt restructurings generally consist of interest rate concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans by class that were restructured during three and nine months ended September 30, 2014 by primary type of concession (in thousands):

	Three Months Ended Sept. 30, 2014			Nonaccrual			Total
	Accruing Payment Stream	Combination & Other	Total	Payment Stream	Combination & Other	Total	
Commercial:							
Energy	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	—	—
Wholesale/retail	—	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—	—
Healthcare	—	—	—	—	—	—	—
Other commercial and industrial	—	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—	—
Commercial real estate:							
Residential construction and land development	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—
Office	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—	—
Residential mortgage:							
Permanent mortgage	—	—	—	196	1,018	1,214	1,214
Permanent mortgage guaranteed by U.S. government agencies	3,439	12,626	16,065	—	163	163	16,228
Home equity	—	—	—	—	570	570	570
Total residential mortgage	3,439	12,626	16,065	196	1,751	1,947	18,012
Personal	—	—	—	—	20	20	20
Total	\$3,439	\$12,626	\$16,065	\$196	\$1,771	\$1,967	\$18,032

	Nine Months Ended Sept. 30, 2014						Total
	Accruing Payment Stream	Combination & Other	Total	Nonaccrual Payment Stream	Combination & Other	Total	
Commercial:							
Energy	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	—	—
Wholesale/retail	—	—	—	3,400	—	3,400	3,400
Manufacturing	—	—	—	3,000	—	3,000	3,000
Healthcare	—	—	—	—	—	—	—
Other commercial and industrial	—	—	—	—	22	22	22
Total commercial	—	—	—	6,400	22	6,422	6,422
Commercial real estate:							
Residential construction and land development	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—
Office	—	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—	—
Residential mortgage:							
Permanent mortgage	—	—	—	540	3,066	3,606	3,606
Permanent mortgage guaranteed by U.S. government agencies	8,288	19,222	27,510	—	1,128	1,128	28,638
Home equity	—	—	—	—	1,771	1,771	1,771
Total residential mortgage	8,288	19,222	27,510	540	5,965	6,505	34,015
Personal	—	—	—	—	41	41	41
Total	\$8,288	\$19,222	\$27,510	\$6,940	\$6,028	\$12,968	\$40,478

The following table summarizes, by loan class, the recorded investment at September 30, 2015 and 2014, respectively, of loans modified as TDRs within the previous 12 months and for which there was a payment default during the three months ended September 30, 2015 and 2014, respectively (in thousands):

	Three Months Ended Sept. 30, 2015			Nine Months Ended Sept. 30, 2015		
	Accruing	Nonaccrual	Total	Accruing	Nonaccrual	Total
Commercial:						
Energy	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	—
Wholesale/retail	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—
Healthcare	—	—	—	—	—	—
Other commercial and industrial	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
Commercial real estate:						
Residential construction and land development	—	329	329	—	329	329
Retail	—	—	—	—	—	—
Office	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
Industrial	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—
Total commercial real estate	—	329	329	—	329	329
Residential mortgage:						
Permanent mortgage	—	2,364	2,364	—	2,543	2,543
Permanent mortgage guaranteed by U.S. government agencies	29,942	779	30,721	31,673	919	32,592
Home equity	—	398	398	—	435	435
Total residential mortgage	29,942	3,541	33,483	31,673	3,897	35,570
Personal	—	38	38	—	38	38
Total	\$29,942	\$3,908	\$33,850	\$31,673	\$4,264	\$35,937

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.

	Three Months Ended Sept. 30, 2014			Nine Months Ended Sept. 30, 2014		
	Accruing	Nonaccrual	Total	Accruing	Nonaccrual	Total
Commercial:						
Energy	\$—	\$—	\$—	\$—	\$—	\$—
Services	—	—	—	—	—	—
Wholesale/retail	—	—	—	—	—	—
Manufacturing	—	3,000	3,000	—	3,000	3,000
Healthcare	—	—	—	—	—	—
Other commercial and industrial	—	—	—	—	—	—
Total commercial	—	3,000	3,000	—	3,000	3,000
Commercial real estate:						
Residential construction and land development	—	—	—	—	—	—
Retail	—	445	445	—	445	445
Office	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
Industrial	—	—	—	—	—	—
Other real estate loans	—	—	—	—	—	—
Total commercial real estate	—	445	445	—	445	445
Residential mortgage:						
Permanent mortgage	—	2,758	2,758	—	3,254	3,254
Permanent mortgage guaranteed by U.S. government agencies	23,376	1,115	24,491	24,126	1,115	25,241
Home equity	—	759	759	—	777	777
Total residential mortgage	23,376	4,632	28,008	24,126	5,146	29,272
Personal	—	—	—	—	3	3
Total	\$23,376	\$8,077	\$31,453	\$24,126	\$8,594	\$32,720

## 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 September 30, 2015 is as follows (in thousands):

	Current	Past Due 30 to 89 Days	90 Days or More	Nonaccrual	Total
Commercial:					
Energy	\$2,813,145	\$7,142	\$—	\$17,880	\$2,838,167
Services	2,690,554	5,378	—	10,692	2,706,624
Wholesale/retail	1,458,681	197	—	3,058	1,461,936
Manufacturing	555,325	—	—	352	555,677
Healthcare	1,740,462	—	—	1,218	1,741,680
Other commercial and industrial	492,554	86	100	598	493,338
Total commercial	9,750,721	12,803	100	33,798	9,797,422
Commercial real estate:					
Residential construction and land development	148,762	—	—	4,748	153,510
Retail	767,801	—	—	1,648	769,449
Office	625,250	217	—	684	626,151
Multifamily	752,055	6,418	—	185	758,658
Industrial	563,795	—	—	76	563,871
Other real estate loans	359,813	—	—	3,615	363,428
Total commercial real estate	3,217,476	6,635	—	10,956	3,235,067
Residential mortgage:					
Permanent mortgage	903,685	3,318	—	30,661	937,664
Permanent mortgages guaranteed by U.S. government agencies	33,046	25,776	130,005	3,885	192,712
Home equity	725,572	3,492	1	9,554	738,619
Total residential mortgage	1,662,303	32,586	130,006	44,100	1,868,995
Personal	465,218	245	—	494	465,957
Total	\$15,095,718	\$52,269	\$130,106	\$89,348	\$15,367,441

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

	Current	Past Due 30 to 89 Days	90 Days or More	Nonaccrual	Total
<b>Commercial:</b>					
Energy	\$2,857,082	\$1,930	\$—	\$1,416	\$2,860,428
Services	2,385,193	1,136	—	5,201	2,391,530
Wholesale/retail	1,435,866	—	—	4,149	1,440,015
Manufacturing	532,144	—	—	450	532,594
Healthcare	1,453,409	180	—	1,380	1,454,969
Other commercial and industrial	415,030	173	—	931	416,134
Total commercial	9,078,724	3,419	—	13,527	9,095,670
<b>Commercial real estate:</b>					
Residential construction and land development	133,642	4,650	—	5,299	143,591
Retail	662,963	—	—	3,926	666,889
Office	412,124	—	—	3,420	415,544
Multifamily	704,298	—	—	—	704,298
Industrial	428,817	—	—	—	428,817
Other real estate loans	362,529	570	—	5,912	369,011
Total commercial real estate	2,704,373	5,220	—	18,557	2,728,150
<b>Residential mortgage:</b>					
Permanent mortgage	929,090	5,970	46	34,845	969,951
Permanent mortgages guaranteed by U.S. government agencies	26,691	23,558	151,989	3,712	205,950
Home equity	761,247	2,723	77	9,564	773,611
Total residential mortgage	1,717,028	32,251	152,112	48,121	1,949,512
Personal	433,590	547	2	566	434,705
Total	\$13,933,715	\$41,437	\$152,114	\$80,771	\$14,208,037



A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of September 30, 2014 is as follows (in thousands):

	Current	Past Due 30 to 89 Days	90 Days or More	Nonaccrual	Total
Commercial:					
Energy	\$2,549,441	\$750	\$—	\$1,508	\$2,551,699
Services	2,335,550	812	5	3,584	2,339,951
Wholesale/retail	1,415,072	533	—	5,502	1,421,107
Manufacturing	475,595	466	—	3,482	479,543
Healthcare	1,380,982	—	—	1,417	1,382,399
Other commercial and industrial	396,358	70	—	911	397,339
Total commercial	8,552,998	2,631	5	16,404	8,572,038
Commercial real estate:					
Residential construction and land development	152,399	8,195	—	14,634	175,228
Retail	606,383	873	—	4,009	611,265
Office	434,160	1,250	—	3,499	438,909
Multifamily	739,757	—	—	—	739,757
Industrial	371,426	—	—	—	371,426
Other real estate loans	378,796	300	—	8,518	387,614
Total commercial real estate	2,682,921	10,618	—	30,660	2,724,199
Residential mortgage:					
Permanent mortgage	947,791	8,179	—	35,137	991,107
Permanent mortgages guaranteed by U.S. government agencies	35,318	23,475	135,860	3,835	198,488
Home equity	778,175	1,938	20	9,935	790,068
Total residential mortgage	1,761,284	33,592	135,880	48,907	1,979,663
Personal	406,463	796	—	580	407,839
Total	\$13,403,666	\$47,637	\$135,885	\$96,551	\$13,683,739

## (5) Acquisitions

On May 4, 2015, the Company acquired a majority voting interest in Heartland Food Products, LLC, a Kansas-based food product and restaurant equipment company.

The purchase price for this acquisition was \$18 million. The preliminary purchase price allocation included \$14 million of identifiable intangible assets and \$7.7 million of goodwill. The pro-forma impact of these transactions was not material to the Company's consolidated financial statements.

## (6) Mortgage Banking Activities

## Residential Mortgage Loan Production

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

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

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

	September 30, 2015		Dec. 31, 2014		September 30, 2014	
	Unpaid		Unpaid		Unpaid	
	Principal	Fair Value	Principal	Fair Value	Principal	Fair Value
	Balance/		Balance/		Balance/	
	Notional		Notional		Notional	
Residential mortgage loans held for sale	\$336,974	\$348,400	\$291,537	\$298,212	\$360,126	\$366,183
Residential mortgage loan commitments	742,742	18,161	627,505	9,971	638,925	8,480
Forward sales contracts	1,073,343	(9,147 )	701,066	(4,001 )	790,131	(1,410 )
		\$357,414		\$304,182		\$373,253

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of September 30, 2015, December 31, 2014 or September 30, 2014. No credit losses were recognized on residential mortgage loans held for sale for the nine month periods ended September 30, 2015 and 2014.



Mortgage banking revenue was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Sept. 30,	2014	Sept. 30,	2014
	2015		2015	
Production revenue:				
Net realized gains on sale of mortgage loans	\$18,968	\$17,100	\$60,075	\$39,025
Net change in unrealized gain on mortgage loans held for sale	6,666	(3,110)	4,751	4,739
Net change in the fair value of mortgage loan commitments	9,838	(5,136)	8,190	5,824
Net change in the fair value of forward sales contracts	(16,755)	5,839	(5,146)	(5,716)
Total production revenue	18,717	14,693	67,870	43,872
Servicing revenue	14,453	12,121	41,466	35,116
Total mortgage banking revenue	\$33,170	\$26,814	\$109,336	\$78,988

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

#### Residential Mortgage Servicing

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

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

	September 30,	Dec. 31,	September 30,
	2015	2014	2014
Number of residential mortgage loans serviced for others	128,828	117,483	114,493
Outstanding principal balance of residential mortgage loans serviced for others	\$18,928,726	\$16,162,887	\$15,499,653
Weighted average interest rate	4.15	% 4.29	% 4.33
Remaining term (in months)	300	296	295

Activity in capitalized mortgage servicing rights during the three months ended September 30, 2015 was as follows (in thousands):

	Purchased	Originated	Total
Balance, June 30, 2015	\$10,730	\$187,964	\$198,694
Additions, net	—	19,993	19,993
Change in fair value due to loan runoff	(661)	(6,220)	(6,881)
Change in fair value due to market changes	(656)	(11,101)	(11,757)
Balance, Sept. 30, 2015	\$9,413	\$190,636	\$200,049

Activity in capitalized mortgage servicing rights during the nine months ended September 30, 2015 was as follows (in thousands):

	Purchased	Originated	Total
Balance, Dec. 31, 2014	\$11,114	\$160,862	\$171,976
Additions, net	—	62,375	62,375

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

Change in fair value due to loan runoff	(2,171	) (19,862	) (22,033	)
Change in fair value due to market changes	470	(12,739	) (12,269	)
Balance, Sept. 30, 2015	\$9,413	\$190,636	\$200,049	

- 102 -

---

Activity in capitalized mortgage servicing rights during the three months ended September 30, 2014 was as follows (in thousands):

	Purchased	Originated	Total
Balance, June 30, 2014	\$ 13,082	\$ 142,658	\$ 155,740
Additions, net	—	17,367	17,367
Change in fair value due to loan runoff	(624 )	(4,478 )	(5,102 )
Change in fair value due to market changes	821	4,460	5,281
Balance, Sept. 30, 2014	\$ 13,279	\$ 160,007	\$ 173,286

Activity in capitalized mortgage servicing rights during the nine months ended September 30, 2014 was as follows (in thousands):

	Purchased	Originated	Total
Balance, Dec. 31, 2013	\$ 15,935	\$ 137,398	\$ 153,333
Additions, net	—	39,183	39,183
Change in fair value due to loan runoff	(1,737 )	(11,869 )	(13,606 )
Change in fair value due to market changes	(919 )	(4,705 )	(5,624 )
Balance, Sept. 30, 2014	\$ 13,279	\$ 160,007	\$ 173,286

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

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

	September 30, 2015	Dec. 31, 2014	September 30, 2014
Discount rate – risk-free rate plus a market premium	10.12%	10.17%	10.17%
Loan servicing costs – annually per loan based upon loan type:			
Performing loans	\$63-\$105	\$60 - \$105	\$60 - \$105
Delinquent loans	\$150 - \$500	\$150 - \$500	\$150 - \$500
Loans in foreclosure	\$650 - \$4,250	\$1,000 - \$4,250	\$1000 - \$4,250
Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life	1.40%	1.77%	1.95%

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 September 30, 2015 follows (in thousands):

	< 4.00%	4.00% - 4.99%	5.00% - 5.99%	> 5.99%	Total
Fair value	\$93,382	\$86,546	\$15,883	\$4,238	\$200,049
Outstanding principal of loans serviced for others	\$8,785,402	\$7,652,269	\$1,673,815	\$817,240	\$18,928,726
Weighted average prepayment rate <sup>1</sup>	7.51	% 8.74	% 13.57	% 26.99	% 9.39

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

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At September 30, 2015, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by \$488 thousand. A 50 basis point decrease in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by \$716 thousand. 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 September 30, 2015 follows (in thousands):

	Current	Past Due 30 to 59 Days	60 to 89 Days	90 Days or More	Total
FHLMC	\$6,177,382	\$36,398	\$7,426	\$26,517	\$6,247,723
FNMA	6,428,098	32,897	7,009	19,297	6,487,301
GNMA	5,483,012	145,747	38,984	15,816	5,683,559
Other	500,024	5,102	953	4,064	510,143
Total	\$18,588,516	\$220,144	\$54,372	\$65,694	\$18,928,726

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 \$162 million at September 30, 2015, \$180 million at December 31, 2014 and \$175 million at September 30, 2014. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets. At September 30, 2015, approximately 3% of the loans sold with recourse with an outstanding principal balance of \$5.5 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 4% with an outstanding balance of \$7.0 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

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):

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

	Three Months Ended		Nine Months Ended	
	September 30,		Sept. 30,	
	2015	2014	2015	2014
Beginning balance	\$6,691	\$8,690	\$7,299	\$9,562
Provision for recourse losses	81	93	211	260
Loans charged off, net	(506	) (461	) (1,244	) (1,500
Ending balance	\$6,266	\$8,322	\$6,266	\$8,322

The Company also has obligations to repurchase or provide indemnification for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements and to service loans in

- 104 -

---



accordance with investor guidelines. The Company has established accruals for losses related to these obligations that are included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statements of Earnings.

The Company repurchased 10 loans from the agencies for \$2.1 million during the third quarter of 2015. There were no indemnifications on loans paid during the third quarter of 2015. Losses recognized on indemnifications and repurchases were insignificant.

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

	September 30, 2015	September 30, 2014
Number of unresolved deficiency requests	194	184
Aggregate outstanding principal balance subject to unresolved deficiency requests	\$ 14,237	\$ 15,548
Unpaid principal balance subject to indemnification by the Company	4,604	4,792

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Beginning balance	\$8,908	\$12,119	\$11,868	\$12,716
Provision for losses	(52 )	1,122	(3,056 )	2,475
Charge-offs, net	(1,262 )	(3,486 )	(1,218 )	(5,436 )
Ending balance	\$7,594	\$9,755	\$7,594	\$9,755

#### (7) Commitments and Contingent Liabilities

##### Litigation Contingencies

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

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

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

On June 24, 2015, the Company received a complaint alleging that an employee had colluded with a borrower and an individual in misusing revenues pledged to the municipal bonds for which the Company served as trustee under the bond indenture. The Company conducted an investigation and has concluded that the employee had, with respect to a single group of affiliated bond issuances, violated Company policies and procedures by waiving financial covenants, granting forbearances and accepting without disclosure to the bondholders, debt service payments from sources other than pledged revenues. The employee was terminated. At this time, management and counsel have not determined whether the Company has any liability to the bondholders and, if so, the amount of any loss that might reasonably be estimated from such liability.

- 105 -

---

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 \$5.1 million at September 30, 2015. Substantially all of the obligations are offset by limited partner commitments. The Company does not accrue its contingent liability to fund investments. The Volcker Rule in Title VI of the Dodd-Frank Act will limit both the amount and structure of these types of investments.

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

Other consolidated alternative investments include entities held under merchant banking authority. While the Company owns a majority of the voting interest in these entities, its ability to manage daily operations is limited by applicable banking regulations. Consolidated other assets includes total tangible assets, identifiable intangible assets and goodwill held by these entities.

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

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

A summary of consolidated and unconsolidated alternative investments as of September 30, 2015, December 31, 2014 and September 30, 2014 is as follows (in thousands):

	September 30, 2015				
	Loans	Other assets	Other liabilities	Other borrowings	Non-controlling interests
Consolidated:					
Private equity funds	\$—	\$24,133	\$—	\$—	\$ 19,947
Tax credit entities	10,000	12,361	—	10,964	10,000
Other	—	41,197	2,774	2,788	8,989
Total consolidated	\$10,000	\$77,691	\$2,774	\$13,752	\$ 38,936
Unconsolidated:					
Tax credit entities	\$18,114	\$94,600	\$21,973	\$—	\$ —
Other	—	15,822	6,899	—	—
Total unconsolidated	\$18,114	\$110,422	\$28,872	\$—	\$ —
	Dec. 31, 2014				
	Loans	Other assets	Other liabilities	Other borrowings	Non-controlling interests
Consolidated:					
Private equity funds	\$—	\$25,627	\$—	\$—	\$ 21,921
Tax credit entities	10,000	12,827	—	10,964	10,000
Other	—	5,996	—	—	2,106
Total consolidated	\$10,000	\$44,450	\$—	\$10,964	\$ 34,027
Unconsolidated:					
Tax credit entities	\$18,192	\$96,721	\$28,920	\$—	\$ —
Other	—	9,471	4,050	—	—
Total unconsolidated	\$18,192	\$106,192	\$32,970	\$—	\$ —
	September 30, 2014				
	Loans	Other assets	Other liabilities	Other borrowings	Non-controlling interests
Consolidated:					
Private equity funds	\$—	\$27,118	\$—	\$—	\$ 22,141
Tax credit entities	10,000	12,982	—	10,964	10,000
Other	—	7,012	—	—	2,078
Total consolidated	\$10,000	\$47,112	\$—	\$10,964	\$ 34,219
Unconsolidated:					
Tax credit entities	\$18,243	\$93,291	\$25,611	\$—	\$ —
Other	—	6,811	1,622	—	—
Total unconsolidated	\$18,243	\$100,102	\$27,233	\$—	\$ —

### Other Commitments and Contingencies

At September 30, 2015, Cavanal Hill Funds' assets included \$1.5 billion of U.S. Treasury, \$1.6 billion of cash management and \$267 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 September 30, 2015. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at \$1.00. No assets were purchased from the funds in 2015 or 2014.

Cottonwood Valley Ventures, Inc. ("CVV, Inc."), an indirectly wholly-owned subsidiary of BOK Financial, favorable resolved its audit 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. CVV will now be allowed to resume selling qualified credits.

The Company agreed to guarantee rents totaling \$29 million through September of 2017 to the City of Tulsa as owner of a building immediately adjacent to the Bank's main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$6.3 million at September 30, 2015. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City of Tulsa through September 2017 from rental of space that was vacant at the inception of the agreement. The maximum amount that the Company may receive under this agreement is \$4.5 million.

#### (8) Shareholders' Equity

On October 27, 2015, the Company declared a quarterly cash dividend of \$0.43 per common share on or about November 27, 2015 to shareholders of record as of November 13, 2015.

Dividends declared were \$0.42 and \$1.26 per share during the three and nine months ended September 30, 2015 and \$0.40 and \$1.20 per share during the three and nine months ended September 30, 2014.

#### Accumulated Other Comprehensive Income (Loss)

AOCI includes unrealized gains and losses on available for sale ("AFS") securities and non-credit related unrealized losses on AFS securities for which an other-than-temporary impairment has been recorded in earnings. AOCI also includes unrealized gains on AFS securities that were transferred from AFS to investment securities in the third quarter of 2011. Such amounts are being amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of premium on the transferred securities. Unrealized losses on employee benefit plans will be reclassified into income as pension plan costs are recognized over the remaining service period of plan participants. Accumulated losses on the interest rate lock hedge of the 2005 subordinated debt issuance were 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, Dec. 31, 2013	\$(23,175 )	\$ 1,118	\$(3,311 )	\$(255 )	\$(25,623 )
Net change in unrealized gain (loss)	82,254	—	(2 )	—	82,252
Reclassification adjustments included in earnings:					
Interest revenue, Investment securities, Taxable securities	—	(1,009 )	—	—	(1,009 )
Interest expense, Subordinated debentures	—	—	—	206	206
Net impairment losses recognized in earnings	—	—	—	—	—
Gain on available for sale securities, net	(1,390 )	—	—	—	(1,390 )
Other comprehensive income (loss), before income taxes	80,864	(1,009 )	(2 )	206	80,059
Federal and state income taxes <sup>1</sup>	31,456	(394 )	(1 )	80	31,141
Other comprehensive income (loss), net of income taxes	49,408	(615 )	(1 )	126	48,918
Balance, Sept. 30, 2014	\$26,233	\$ 503	\$(3,312 )	\$(129 )	\$23,295
Balance, Dec. 31, 2014	\$59,239	\$ 376	\$(2,868 )	\$(74 )	\$56,673
Net change in unrealized gain (loss)	57,763	—	—	—	57,763
Reclassification adjustments included in earnings:					
Interest revenue, Investment securities, Taxable securities	—	(418 )	—	—	(418 )
Interest expense, Subordinated debentures	—	—	—	121	121
Net impairment losses recognized in earnings	92	—	—	—	92
Gain on available for sale securities, net	(9,926 )	—	—	—	(9,926 )
Other comprehensive income (loss), before income taxes	47,929	(418 )	—	121	47,632
Federal and state income taxes <sup>1</sup>	18,644	(162 )	—	47	18,529
Other comprehensive income (loss), net of income taxes	29,285	(256 )	—	74	29,103
Balance, Sept. 30, 2015	\$88,524	\$ 120	\$(2,868 )	\$—	\$85,776

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

## (9) Earnings Per Share

(In thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Numerator:				
Net income attributable to BOK Financial Corp. shareholders	\$74,891	\$75,632	\$228,964	\$228,117
Less: Earnings allocated to participating securities	894	898	2,652	2,479
Numerator for basic earnings per share – income available to common shareholders	73,997	74,734	226,312	225,638
Effect of reallocating undistributed earnings of participating securities	1	1	2	3
Numerator for diluted earnings per share – income available to common shareholders	\$73,998	\$74,735	\$226,314	\$225,641
Denominator:				
Weighted average shares outstanding	68,486,376	69,275,121	68,800,419	69,113,914
Less: Participating securities included in weighted average shares outstanding	818,300	819,255	795,911	749,365
Denominator for basic earnings per common share	67,668,076	68,455,866	68,004,508	68,364,549
Dilutive effect of employee stock compensation plans <sup>1</sup>	94,407	153,899	99,509	156,042
Denominator for diluted earnings per common share	67,762,483	68,609,765	68,104,017	68,520,591
Basic earnings per share	\$1.09	\$1.09	\$3.33	\$3.30
Diluted earnings per share	\$1.09	\$1.09	\$3.32	\$3.29
<sup>1</sup> Excludes employee stock options with exercise prices greater than current market price.	—	—	—	—

## (10) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2015 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Funds Management and Other	BOK Financial Consolidated	
Net interest revenue from external sources	\$ 109,495	\$ 21,578	\$ 6,680	\$ 40,883	\$ 178,636	
Net interest revenue (expense) from internal sources	(12,730 )	7,688	\$ 5,161	(119 )	—	
Net interest revenue	96,765	29,266	11,841	40,764	178,636	
Provision for credit losses	828	1,488	2	5,182	7,500	
Net interest revenue after provision for credit losses	95,937	27,778	11,839	35,582	171,136	
Other operating revenue	44,899	52,978	63,095	2,464	163,436	
Other operating expense	52,499	50,608	57,742	63,779	224,628	
Net direct contribution	88,337	30,148	17,192	(25,733 )	109,944	
Corporate expense allocations	14,668	21,845	10,858	(47,371 )	—	
Net income before taxes	73,669	8,303	6,334	21,638	109,944	
Federal and state income taxes	28,657	3,230	2,464	(223 )	34,128	
Net income	45,012	5,073	3,870	21,861	75,816	
Net income attributable to non-controlling interests	—	—	—	925	925	
Net income attributable to BOK Financial Corp. shareholders	\$ 45,012	\$ 5,073	\$ 3,870	\$ 20,936	\$ 74,891	
Average assets	\$ 13,544,828	\$ 7,286,709	\$ 4,629,506	\$ 5,308,690	\$ 30,769,733	
Average invested capital	1,062,053	264,540	226,477	1,808,477	3,361,547	
Performance measurements:						
Return on average assets	1.32	% 0.28	% 0.38	%	0.97	%
Return on average invested capital	16.83	% 7.61	% 7.75	%	8.84	%
Efficiency ratio	36.90	% 56.97	% 76.56	%	64.34	%



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

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2015 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Funds Management and Other	BOK Financial Consolidated	
Net interest revenue from external sources	\$319,279	\$64,030	\$18,289	\$120,495	\$522,093	
Net interest revenue (expense) from internal sources	(37,928 )	23,226	\$15,712	(1,010 )	—	
Net interest revenue	281,351	87,256	34,001	119,485	522,093	
Provision for credit losses	(8,122 )	1,488	(745 )	18,879	11,500	
Net interest revenue after provision for credit losses	289,473	85,768	34,746	100,606	510,593	
Other operating revenue	133,363	167,773	191,316	13,286	505,738	
Other operating expense	155,855	158,404	171,760	185,987	672,006	
Net direct contribution	266,981	95,137	54,302	(72,095 )	344,325	
Corporate expense allocations	43,970	64,779	33,154	(141,903 )	—	
Net income before taxes	223,011	30,358	21,148	69,808	344,325	
Federal and state income taxes	86,751	11,809	8,227	6,355	113,142	
Net income	136,260	18,549	12,921	63,453	231,183	
Net income attributable to non-controlling interests	—	—	—	2,219	2,219	
Net income attributable to BOK Financial Corp. shareholders	\$136,260	\$18,549	\$12,921	\$61,234	\$228,964	
Average assets	\$13,114,958	\$7,307,097	\$4,696,750	\$5,285,625	\$30,404,430	
Average invested capital	1,028,013	268,427	225,222	1,819,969	3,341,631	
Performance measurements:						
Return on average assets	1.39	% 0.34	% 0.42	%	1.01	%
Return on average invested capital	17.74	% 9.24	% 8.66	%	9.16	%
Efficiency ratio	37.51	% 58.28	% 75.69	%	64.48	%

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

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2014 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Funds Management and Other	BOK Financial Consolidated	
Net interest revenue from external sources	\$95,423	\$19,742	\$5,956	\$45,670	\$166,791	
Net interest revenue (expense) from internal sources	(9,796 )	9,517	5,191	(4,912 )	—	
Net interest revenue	85,627	29,259	11,147	40,758	166,791	
Provision for credit losses	(1,702 )	1,599	(125 )	228	—	
Net interest revenue after provision for credit losses	87,329	27,660	11,272	40,530	166,791	
Other operating revenue	45,121	55,243	61,001	3,606	164,971	
Other operating expense	55,532	49,105	56,301	60,896	221,834	
Net direct contribution	76,918	33,798	15,972	(16,760 )	109,928	
Corporate expense allocations	13,081	18,229	12,276	(43,586 )	—	
Net income before taxes	63,837	15,569	3,696	26,826	109,928	
Federal and state income taxes	24,833	6,056	1,438	1,475	33,802	
Net income	39,004	9,513	2,258	25,351	76,126	
Net income attributable to non-controlling interests	—	—	—	494	494	
Net income attributable to BOK Financial Corp. shareholders	\$39,004	\$9,513	\$2,258	\$24,857	\$75,632	
Average assets	\$11,508,661	\$7,123,786	\$4,324,204	\$5,158,906	\$28,115,557	
Average invested capital	940,091	271,705	220,489	1,780,818	3,213,103	
Performance measurements:						
Return on average assets	1.35	% 0.53	% 0.26	%	1.07	%
Return on average invested capital	16.47	% 13.89	% 5.06	%	9.34	%
Efficiency ratio	42.45	% 58.99	% 77.69	%	67.18	%

- 113 -

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

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2014 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Funds Management and Other	BOK Financial Consolidated	
Net interest revenue from external sources	\$281,064	\$61,672	\$17,574	\$135,220	\$495,530	
Net interest revenue (expense) from internal sources	(33,419 )	28,354	14,594	(9,529 )	—	
Net interest revenue	247,645	90,026	32,168	125,691	495,530	
Provision for credit losses	(8,894 )	1,599	323	6,972	—	
Net interest revenue after provision for credit losses	256,539	88,427	31,845	118,719	495,530	
Other operating revenue	126,527	154,030	180,790	8,708	470,055	
Other operating expense	155,529	141,462	160,846	163,808	621,645	
Net direct contribution	227,537	100,995	51,789	(36,381 )	343,940	
Corporate expense allocations	42,024	57,768	36,130	(135,922 )	—	
Net income before taxes	185,513	43,227	15,659	99,541	343,940	
Federal and state income taxes	72,165	16,815	6,091	18,971	114,042	
Net income	113,348	26,412	9,568	80,570	229,898	
Net income attributable to non-controlling interests	—	—	—	1,781	1,781	
Net income attributable to BOK Financial Corp. shareholders	\$113,348	\$26,412	\$9,568	\$78,789	\$228,117	
Average assets	\$11,222,847	\$7,091,118	\$4,499,858	\$4,803,104	\$27,616,927	
Average invested capital	937,281	278,396	212,729	1,713,968	3,142,374	
Performance measurements:						
Return on average assets	1.35	% 0.50	% 0.33	%	1.10	%
Return on average invested capital	16.21	% 12.68	% 6.89	%	9.71	%
Efficiency ratio	41.39	% 56.26	% 75.13	%	63.58	%

(11) Fair Value Measurements

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

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

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

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

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

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

Transfers between levels are recognized as of the end of the reporting period. There were no transfers in or out of quoted prices in active markets for identical instruments to significant other observable inputs or significant unobservable inputs during the nine months ended September 30, 2015 and 2014, respectively. Transfers between significant other observable inputs and significant unobservable inputs during the nine months ended September 30, 2015 and 2014 are included in the summary of changes in recurring fair values measured using unobservable inputs.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on all observable inputs, management may adjust prices obtained from third-party pricing services to more appropriately reflect the prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market. No significant adjustments were made to prices provided by third-party pricing services at September 30, 2015, December 31, 2014 or September 30, 2014.

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

The fair value of financial assets and liabilities measured on a recurring basis was as follows as of September 30, 2015 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
<b>Assets:</b>				
<b>Trading securities:</b>				
U.S. Government agency debentures	\$42,431	\$—	\$42,431	\$—
U.S. agency residential mortgage-backed securities	30,973	—	30,973	—
Municipal and other tax-exempt securities	84,261	—	84,261	—
Other trading securities	23,466	—	23,466	—
Total trading securities	181,131	—	181,131	—
<b>Available for sale securities:</b>				
U.S. Treasury	1,003	1,003	—	—
Municipal and other tax-exempt	57,960	—	48,360	9,600
U.S. agency residential mortgage-backed securities	5,819,127	—	5,819,127	—
Privately issued residential mortgage-backed securities	145,682	—	145,682	—
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,735,787	—	2,735,787	—
Other debt securities	4,150	—	—	4,150
Perpetual preferred stock	19,163	—	19,163	—
Equity securities and mutual funds	18,217	3,505	14,712	—
Total available for sale securities	8,801,089	4,508	8,782,831	13,750
<b>Fair value option securities:</b>				
U.S. agency residential mortgage-backed securities	427,760	—	427,760	—
Other securities	—	—	—	—
Total fair value option securities	427,760	—	427,760	—
Residential mortgage loans held for sale	357,414	—	349,381	8,033
Mortgage servicing rights <sup>1</sup>	200,049	—	—	200,049
Derivative contracts, net of cash collateral <sup>2</sup>	726,159	4,922	721,237	—
Other assets – private equity funds	24,133	—	—	24,133
<b>Liabilities:</b>				
Derivative contracts, net of cash collateral <sup>2</sup>	636,115	—	636,115	—

<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 6, Mortgage Banking Activities.

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

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

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

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

<sup>1</sup> A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 6, Mortgage Banking Activities.

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

The fair value of financial assets and liabilities measured on a recurring basis was as follows as of September 30, 2014 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Trading securities:				
U.S. Government agency debentures	\$41,004	\$—	\$41,004	\$—
U.S. agency residential mortgage-backed securities	33,226	—	33,226	—
Municipal and other tax-exempt securities	76,884	—	76,884	—
Other trading securities	18,598	—	18,598	—
Total trading securities	169,712	—	169,712	—
Available for sale securities:				
U.S. Treasury	1,015	1,015	—	—
Municipal and other tax-exempt	64,363	—	54,170	10,193
U.S. agency residential mortgage-backed securities	6,850,603	—	6,850,603	—
Privately issued residential mortgage-backed securities	171,493	—	171,493	—
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,141,645	—	2,141,645	—
Other debt securities	34,291	—	30,141	4,150
Perpetual preferred stock	24,358	—	24,358	—
Equity securities and mutual funds	19,118	4,789	14,329	—
Total available for sale securities	9,306,886	5,804	9,286,739	14,343
Fair value option securities:				
U.S. agency residential mortgage-backed securities	175,761	—	175,761	—
Other securities	—	—	—	—
Total fair value option securities	175,761	—	175,761	—
Residential mortgage loans held for sale	373,253	—	365,877	7,376
Mortgage servicing rights <sup>1</sup>	173,286	—	—	173,286
Derivative contracts, net of cash collateral <sup>2</sup>	360,809	10,799	350,010	—
Other assets – private equity funds	27,118	—	—	27,118
Liabilities:				
Derivative contracts, net of cash collateral <sup>2</sup>	348,687	4,286	344,401	—

<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 6, Mortgage Banking Activities.

<sup>2</sup> See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted prices in active markets for identical instruments (Level 1) are exchange-traded energy derivative contracts, net of cash margin. Derivative contracts in liability positions that were valued using quoted prices in active markets for identical instruments (Level 1) were exchange-traded interest rate and agricultural derivative contracts.

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

#### Securities

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

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

#### Derivatives

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

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

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

#### Residential Mortgage Loans Held for Sale

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

#### Other Assets - Private Equity Funds

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



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

- 119 -

---

The following represents the changes for the three months ended September 30, 2015 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities			
	Municipal and other tax-exempt securities	Other debt securities	Residential mortgage loans held for sale	Other assets – private equity funds
Balance, June 30, 2015	\$9,617	\$4,150	\$7,973	\$24,399
Transfer to Level 3 from Level 2	—	—	966	—
Purchases and capital calls	—	—	—	122
Proceeds from sales	—	—	(811	) —
Redemptions and distributions	—	—	—	(1,339 )
Gain (loss) recognized in earnings:				
Mortgage banking revenue	—	—	(95	) —
Gain on other assets, net	—	—	—	951
Other comprehensive gain (loss):				
Net change in unrealized gain (loss)	(17	) —	—	—
Balance, Sept. 30, 2015	\$9,600	\$4,150	\$8,033	\$24,133

The following represents the changes for the nine months ended September 30, 2015 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities			
	Municipal and other tax-exempt securities	Other debt securities	Residential mortgage loans held for sale	Other assets – private equity funds
Balance, Dec. 31, 2014	\$10,093	\$4,150	\$11,856	\$25,627
Transfer to Level 3 from Level 2	—	—	2,153	—
Purchases and capital calls	—	—	—	720
Proceeds from sales	—	—	(6,099	) —
Redemptions and distributions	(500	) —	—	(4,689 )
Gain (loss) recognized in earnings:				
Mortgage banking revenue	—	—	123	—
Gain on other assets, net	—	—	—	2,475
Other comprehensive gain (loss):				
Net change in unrealized gain (loss)	7	—	—	—
Balance, Sept. 30, 2015	\$9,600	\$4,150	\$8,033	\$24,133

The following represents the changes for the three months ended September 30, 2014 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities				
	Municipal and other tax-exempt	Other debt securities	Equity securities and mutual funds	Residential mortgage loans held for sale	Other assets – private equity funds
Balance, June 30, 2014	\$10,445	\$4,231	\$—	\$—	\$27,833
Transfer to Level 3 from Level 2	—	—	—	7,764	—
Purchases and capital calls	—	—	—	—	505
Redemptions and distributions	—	—	—	—	(1,994 )
Gain (loss) recognized in earnings	—	—	—	—	—
Mortgage banking revenue	—	—	—	(388 )	—
Gain on other assets, net	—	—	—	—	774
Loss on available for sale securities, net	—	—	—	—	—
Charitable contributions to BOKF Foundation	—	—	—	—	—
Other comprehensive gain (loss):					
Net change in unrealized gain (loss)	(252 )	(81 )	—	—	—
Balance, Sept. 30, 2014	\$10,193	\$4,150	\$—	\$7,376	\$27,118

The following represents the changes for the nine months ended September 30, 2014 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Available for Sale Securities				
	Municipal and other tax-exempt	Other debt securities	Equity securities and mutual funds	Residential mortgage loans held for sale	Other assets – private equity funds
Balance, Dec. 31, 2013	\$17,805	\$4,712	\$4,207	\$—	\$27,341
Transfer to Level 3 from Level 2	—	—	—	7,764	—
Purchases, and capital calls	—	—	—	—	930
Redemptions and distributions	(7,487 )	(500 )	—	—	(5,175 )
Gain (loss) recognized in earnings	—	—	—	—	—
Mortgage banking revenue	—	—	—	(388 )	—
Gain on other assets, net	—	—	—	—	4,022
Loss on available for sale securities, net	(235 )	—	—	—	—
Charitable contributions to BOKF Foundation	—	—	(2,420 )	—	—
Other comprehensive gain (loss):					
Net change in unrealized gain (loss)	110	(62 )	(1,787 )	—	—
Balance, Sept. 30, 2014	\$10,193	\$4,150	\$—	\$7,376	\$27,118

A summary of quantitative information about assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of September 30, 2015 follows (in thousands):

	Par Value	Amortized Cost/Unpaid Principal Balance	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
Available for sale securities							
Municipal and other tax-exempt securities	\$10,370	\$ 10,310	\$9,600	Discounted cash flows	<sup>1</sup> Interest rate spread	5.23%-5.53% (5.49%)	2
						92.35%-92.73% (92.57%)	3
Other debt securities	4,400	4,400	4,150	Discounted cash flows	<sup>1</sup> Interest rate spread	5.65%-5.70% (5.69%)	4
						94.32% - 94.33 (94.33%)	3
Residential mortgage loans held for sale	N/A	8,538	8,033	Quoted prices of loans sold in securitization transactions, with a liquidity discount applied	Liquidity discount applied to the market value of a mortgage loans qualifying for sale to U.S. government agencies.	94.09%	
Other assets - private equity funds	N/A	N/A	24,133	Net asset value reported by underlying funds	Net asset value reported by underlying fund	N/A	

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

<sup>2</sup> Interest rate yields used to value investment grade tax-exempt securities represent a spread of 510 to 538 basis points over average yields for comparable tax-exempt securities.

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

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

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

	Par Value	Amortized Cost/Unpaid Principal Balance	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
Available for sale securities							
Municipal and other tax-exempt securities	\$10,870	\$10,805	\$10,093	Discounted cash flows	<sup>1</sup> Interest rate spread	4.96%-5.26% (5.21%)	2
						92.65%-94.32% (93.09%)	3
Other debt securities	4,400	4,400	4,150	Discounted cash flows	<sup>1</sup> Interest rate spread	5.62%-5.67% (5.66%)	4
						92.65% - 92.95 (92.77%)	3
Residential mortgage loans held for sale	N/A	12,468	11,856	Quoted prices of loans sold in securitization transactions, with a liquidity discount applied	Liquidity discount applied to the market value of a mortgage loans qualifying for sale to U.S. government agencies.	95.09%	
Other assets - private equity funds	N/A	N/A	25,627	Net asset value reported by underlying funds	Net asset value reported by underlying fund	N/A	

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

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

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

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

A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of September 30, 2014 follows (in thousands):

	Par Value	Amortized Cost	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Available for sale securities						

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

Municipal and other tax-exempt securities	\$ 10,970	\$ 10,904	\$ 10,193	Discounted cash flows	1	Interest rate spread	4.93%-5.23% (5.19%)	2
							92.68%-94.32% (93.13%)	3
Other debt securities	4,400	4,400	4,150	Discounted cash flows	1	Interest rate spread	5.61%-5.65% (5.65%)	4
							92.68% - 92.99 (92.80%)	3
Residential mortgage loans held for sale	N/A	7,764	7,376	Quoted prices of loans sold in securitization transactions, with a liquidity discount applied		Liquidity discount applied to the market value of a mortgage loans qualifying for sale to U.S. government agencies.	95.00%	
Other assets - private equity funds	N/A	N/A	27,118	Net asset value reported by underlying funds		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 482 to 514 basis points over average yields for comparable tax-exempt securities.

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

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

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

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

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at September 30, 2015 for which the fair value was adjusted during the three and nine months ended September 30, 2015:

	Carrying Value at Sept. 30, 2015			Fair Value Adjustments for the			
				Three Months Ended Sept. 30, 2015		Nine Months Ended Sept. 30, 2015	
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Recognized in:		Recognized in:	
				Gross charge-offs against allowance for loan losses	Net losses and expenses of repossessed assets, net	Gross charge-offs against allowance for loan losses	Net losses and expenses of repossessed assets, net
Impaired loans	\$—	\$3,239	\$12,386	\$890	\$—	\$1,439	\$—
Real estate and other repossessed assets	—	12,689	702	—	670	—	1,771

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at September 30, 2014 for which the fair value was adjusted during the nine months ended September 30, 2014:

	Carrying Value at Sept. 30, 2014			Fair Value Adjustments for the			
				Three Months Ended Sept. 30, 2014		Nine Months Ended Sept. 30, 2014	
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Recognized in:		Recognized in:	
				Gross charge-offs against allowance for loan losses	Net losses and expenses of repossessed assets, net	Gross charge-offs against allowance for loan losses	Net losses and expenses of repossessed assets, net
Impaired loans	\$—	\$6,585	\$681	\$809	\$—	\$2,263	\$—
Real estate and other repossessed assets	—	16,870	495	—	4,139	—	5,515

The fair value of collateral-dependent impaired loans and real estate and other repossessed assets and the related fair value adjustments are generally based on unadjusted third-party appraisals. Our appraisal review policies require appraised values to be supported by observed inputs derived principally from or corroborated by observable market data. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs. Non-recurring fair value measurements of collateral-dependent impaired loans and real estate and other repossessed assets based on significant unobservable inputs are generally due to estimates of current fair values

between appraisal dates. Significant unobservable inputs include listing prices for the same or comparable assets, uncorroborated expert opinions or management's knowledge of the collateral or industry. These inputs are developed by asset management and workout professionals and approved by senior Credit Administration executives.

- 124 -

---



A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of September 30, 2015 follows (in thousands):

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Impaired loans	\$12,386	Appraised value, as adjusted	Broker quotes and management's knowledge of industry and collateral.	N/A
Real estate and other repossessed assets	702	Appraised value, as adjusted	Marketability adjustment off appraised value <sup>1</sup>	66% - 86% (78%)

<sup>1</sup> Marketability adjustment includes consideration for estimated costs to sell, which is approximately 10% of fair value.

A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of September 30, 2014 follows (in thousands):

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Impaired loans	\$681	Appraised value, as adjusted	Broker quotes and management's knowledge of industry and collateral.	N/A
Real estate and other repossessed assets	495	Appraised value, as adjusted	Marketability adjustments off appraised value <sup>1</sup> or limited observable sales with similar development restrictions.	N/A

<sup>1</sup> Marketability adjustment includes consideration for estimated costs to sell, which is approximately 10% of fair value.

## Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of September 30, 2015 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and due from banks	\$489,268				\$489,268
Interest-bearing cash and cash equivalents	1,830,105				1,830,105
Trading securities:					
U.S. Government agency debentures	42,431				42,431
U.S. agency residential mortgage-backed securities	30,973				30,973
Municipal and other tax-exempt securities	84,261				84,261
Other trading securities	23,466				23,466
Total trading securities	181,131				181,131
Investment securities:					
Municipal and other tax-exempt	379,980				384,310
U.S. agency residential mortgage-backed securities	28,653				30,080
Other debt securities	203,751				228,701
Total investment securities	612,384				643,091
Available for sale securities:					
U.S. Treasury	1,003				1,003
Municipal and other tax-exempt	57,960				57,960
U.S. agency residential mortgage-backed securities	5,819,127				5,819,127
Privately issued residential mortgage-backed securities	145,682				145,682
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,735,787				2,735,787
Other debt securities	4,150				4,150
Perpetual preferred stock	19,163				19,163
Equity securities and mutual funds	18,217				18,217
Total available for sale securities	8,801,089				8,801,089
Fair value option securities:					
U.S. agency residential mortgage-backed securities	427,760				427,760
Other securities	—				—
Total fair value option securities	427,760				427,760
Residential mortgage loans held for sale	357,414				357,414
Loans:					
Commercial	9,797,422	0.19% - 30.00%	0.63	0.47% - 4.06%	9,530,437
Commercial real estate	3,235,067	0.38% - 18.00%	0.77	0.92% - 3.60%	3,330,298
Residential mortgage	1,868,995	1.25% - 18.00%	2.34	0.86% - 3.94%	1,906,585

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

Personal	465,957	0.38% - 21.00%	0.40	0.89% - 3.86%	462,266
Total loans	15,367,441				15,229,586
Allowance for loan losses	(204,116 )				—
Loans, net of allowance	15,163,325				15,229,586
Mortgage servicing rights	200,049				200,049
Derivative instruments with positive fair value, net of cash margin	726,159				726,159
Other assets – private equity funds	24,133				24,133
Deposits with no stated maturity	18,120,912				18,120,912
Time deposits	2,498,531	0.02% - 9.64%	1.75	0.85% - 1.25%	2,500,469
Other borrowed funds	5,253,124	0.25% - 3.34%	0.02	0.07% - 2.66%	5,239,400
Subordinated debentures	226,314	1.01	% 1.63	1.83	% 223,334
Derivative instruments with negative fair value, net of cash margin	636,115				636,115

- 126 -

---

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

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

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

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

- 127 -

---

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of September 30, 2014 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and due from banks	\$557,658				\$557,658
Interest-bearing cash and cash equivalents	2,007,901				2,007,901
Trading securities:					
U.S. Government agency debentures	41,004				41,004
U.S. agency residential mortgage-backed securities	33,226				33,226
Municipal and other tax-exempt securities	76,884				76,884
Other trading securities	18,598				18,598
Total trading securities	169,712				169,712
Investment securities:					
Municipal and other tax-exempt	410,595				415,233
U.S. agency residential mortgage-backed securities	38,585				40,259
Other debt securities	205,911				220,953
Total investment securities	655,091				676,445
Available for sale securities:					
U.S. Treasury	1,015				1,015
Municipal and other tax-exempt	64,363				64,363
U.S. agency residential mortgage-backed securities	6,850,603				6,850,603
Privately issued residential mortgage-backed securities	171,493				171,493
Commercial mortgage-backed securities guaranteed by U.S. government agencies	2,141,645				2,141,645
Other debt securities	34,291				34,291
Perpetual preferred stock	24,358				24,358
Equity securities and mutual funds	19,118				19,118
Total available for sale securities	9,306,886				9,306,886
Fair value option securities:					
U.S. agency residential mortgage-backed securities	175,761				175,761
Other securities	—				—
Total fair value option securities	175,761				175,761
Residential mortgage loans held for sale	373,253				373,253
Loans:					
Commercial	8,572,038	0.25% - 30.00%	0.60	0.53% - 4.30%	8,441,120
Commercial real estate	2,724,199	0.38% - 18.00%	0.80	1.13% - 3.66%	2,702,389
Residential mortgage	1,979,663	1.20% - 18.00%	2.42	0.57% - 4.21%	2,009,619
Personal	407,839	0.38% - 21.00%	0.46	1.07% - 3.88%	401,986

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

Total loans	13,683,739				13,555,114
Allowance for loan losses	(191,244 )				—
Loans, net of allowance	13,492,495				13,555,114
Mortgage servicing rights	173,286				173,286
Derivative instruments with positive fair value, net of cash margin	360,809				360,809
Other assets – private equity funds	27,118				27,118
Deposits with no stated maturity	17,624,476				17,624,476
Time deposits	2,664,580	0.02% - 9.64%	2.02	0.74% - 1.31%	2,670,657
Other borrowed funds	4,595,631	0.21% - 6.68%	0.46	0.07% - 2.62%	4,555,307
Subordinated debentures	347,936	0.92% - 5.00%	2.00	2.17 %	344,764
Derivative instruments with negative fair value, net of cash margin	348,687				348,687

- 128 -

---

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

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

#### Cash and Cash Equivalents

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

#### Securities

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

#### Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings which are classified as Significant Unobservable Inputs. The fair values of loans were estimated to approximate their discounted cash flows less loan loss allowances allocated to these loans of \$176 million at September 30, 2015, \$161 million at December 31, 2014 and \$163 million at September 30, 2014.

#### Deposits

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

#### Other Borrowings and Subordinated Debentures

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

#### Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at September 30, 2015, December 31, 2014 or September 30, 2014.

#### Fair Value Election

As more fully disclosed in Note 2 and Note 6 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 and all residential mortgage loans originated for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

- 129 -

---

## (12) Federal and State Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Amount:				
Federal statutory tax	\$38,481	\$38,475	\$120,514	\$120,379
Tax exempt revenue	(2,473 )	(2,164 )	(7,041 )	(6,254 )
Effect of state income taxes, net of federal benefit	2,586	2,328	7,711	7,655
Utilization of tax credits:				
Low-income housing tax credit, net of amortization	(1,163 )	(969 )	(2,975 )	(1,801 )
Other tax credits	(521 )	(527 )	(1,564 )	(1,582 )
Bank-owned life insurance	(818 )	(806 )	(2,450 )	(2,358 )
Reduction of tax accrual	(1,967 )	(2,281 )	(1,967 )	(2,281 )
Charitable contributions to BOKF Foundation	(99 )	—	(99 )	(427 )
Other, net	102	(254 )	1,013	711
Total	\$34,128	\$33,802	\$113,142	\$114,042

	Three Months Ended September 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Percent of pretax income:				
Federal statutory tax	35.0	% 35.0	% 35.0	% 35.0
Tax exempt revenue	(2.2 )	(2.0 )	(2.0 )	(1.8 )
Effect of state income taxes, net of federal benefit	2.4	2.1	2.2	2.2
Utilization of tax credits:				
Low-income housing tax credit, net of amortization	(1.1 )	(0.9 )	(0.9 )	(0.5 )
Other tax credits	(0.5 )	(0.5 )	(0.5 )	(0.5 )
Bank-owned life insurance	(0.7 )	(0.7 )	(0.7 )	(0.7 )
Reduction of tax accrual	(1.8 )	(2.1 )	(0.6 )	(0.7 )
Charitable contributions to BOKF Foundation	(0.1 )	—	—	(0.1 )
Other, net	—	(0.2 )	0.4	0.3
Total	31.0	% 30.7	% 32.9	% 33.2

## (13) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on September 30, 2015 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

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

	Nine Months Ended							
	September 30, 2015			September 30, 2014				
	Average Balance	Revenue/Expense	Yield/Rate		Average Balance	Revenue/Expense	Yield/Rate	
<b>Assets</b>								
Interest-bearing cash and cash equivalents	\$2,043,351	\$4,114	0.27	%	\$803,300	\$1,249	0.21	%
Trading securities	149,292	2,216	2.37	%	105,558	1,619	2.63	%
<b>Investment securities</b>								
Taxable	237,416	9,788	5.50	%	229,300	9,715	5.65	%
Tax-exempt	391,621	4,557	1.55	%	427,896	5,199	1.62	%
Total investment securities	629,037	14,345	3.04	%	657,196	14,914	3.03	%
<b>Available for sale securities</b>								
Taxable	8,952,043	128,933	1.96	%	9,705,731	138,970	1.93	%
Tax-exempt	82,951	2,555	4.26	%	93,788	2,417	3.57	%
Total available for sale securities	9,034,994	131,488	1.98	%	9,799,519	141,387	1.94	%
Fair value option securities	423,432	6,803	2.25	%	170,210	2,558	1.99	%
Restricted equity securities	219,248	9,627	5.85	%	108,432	4,405	5.42	%
Residential mortgage loans held for sale	404,756	10,634	3.52	%	238,936	7,042	3.96	%
Loans <sup>2</sup>	14,886,418	400,053	3.59	%	13,245,746	380,538	3.84	%
Allowance for loan losses	(198,755 )				(189,165 )			
Loans, net of allowance	14,687,663	400,053	3.64	%	13,056,581	380,538	3.90	%
Total earning assets	27,591,773	579,280	2.82	%	24,939,732	553,712	2.98	%
Receivable on unsettled securities sales	86,095				95,415			
Cash and other assets	2,726,562				2,581,780			
Total assets	\$30,404,430				\$27,616,927			
<b>Liabilities and equity</b>								
<b>Interest-bearing deposits:</b>								
Transaction	\$10,052,159	\$6,723	0.09	%	\$9,740,231	\$7,429	0.10	%
Savings	375,883	294	0.10	%	344,863	305	0.12	%
Time	2,622,634	27,085	1.38	%	2,644,073	30,748	1.55	%
Total interest-bearing deposits	13,050,676	34,102	0.35	%	12,729,167	38,482	0.40	%
Funds purchased	67,777	44	0.09	%	636,599	327	0.07	%
Repurchase agreements	814,429	214	0.04	%	906,006	474	0.07	%
Other borrowings	3,961,436	9,137	0.31	%	1,560,624	4,305	0.37	%
Subordinated debentures	293,623	4,456	2.03	%	347,869	6,501	2.50	%
Total interest-bearing liabilities	18,187,941	47,953	0.35	%	16,180,265	50,089	0.41	%
Non-interest bearing demand deposits	7,959,336				7,590,672			
Due on unsettled securities purchases	148,445				135,954			
Other liabilities	731,126				532,768			
Total equity	3,377,582				3,177,268			
Total liabilities and equity	\$30,404,430				\$27,616,927			

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

Tax-equivalent Net Interest Revenue	\$531,327	2.47	%	\$503,623	2.57	%
Tax-equivalent Net Interest Revenue to Earning Assets		2.59	%		2.71	%
Less tax-equivalent adjustment	9,234			8,093		
Net Interest Revenue	522,093			495,530		
Provision for credit losses	11,500			—		
Other operating revenue	505,738			470,055		
Other operating expense	672,006			621,645		
Income before taxes	344,325			343,940		
Federal and state income taxes	113,142			114,042		
Net income	231,183			229,898		
Net income attributable to non-controlling interests	2,219			1,781		
Net income attributable to BOK Financial Corp. shareholders	\$228,964			\$228,117		
Earnings Per Average Common Share Equivalent:						
Net income:						
Basic	\$3.33			\$3.30		
Diluted	\$3.32			\$3.29		

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

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

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

	Three Months Ended							
	September 30, 2015			June 30, 2015				
	Average Balance	Revenue/Expense	Yield/Rate		Average Balance	Revenue/Expense	Yield/Rate	
<b>Assets</b>								
Interest-bearing cash and cash equivalents	\$2,038,611	\$1,442	0.28	%	\$2,002,456	\$1,250	0.25	%
Trading securities	179,098	945	2.70	%	127,391	585	1.85	%
<b>Investment securities</b>								
Taxable	233,914	3,211	5.49	%	236,956	3,251	5.49	%
Tax-exempt	382,177	1,468	1.54	%	391,533	1,526	1.56	%
Total investment securities	616,091	4,679	3.04	%	628,489	4,777	3.05	%
<b>Available for sale securities</b>								
Taxable	8,862,917	43,473	1.99	%	8,980,312	42,355	1.92	%
Tax-exempt	79,344	796	4.15	%	82,694	838	4.21	%
Total available for sale securities	8,942,261	44,269	2.01	%	9,063,006	43,193	1.94	%
Fair value option securities	429,951	2,480	2.30	%	435,294	2,320	2.17	%
Restricted equity securities	255,610	3,802	5.95	%	221,911	3,228	5.82	%
Residential mortgage loans held for sale	401,359	3,793	3.79	%	464,269	3,892	3.37	%
Loans <sup>2</sup>	15,192,311	135,498	3.54	%	14,905,352	135,603	3.65	%
Allowance for loan losses	(202,829 )				(198,400 )			
Loans, net of allowance	14,989,482	135,498	3.59	%	14,706,952	135,603	3.70	%
Total earning assets	27,852,463	196,908	2.83	%	27,649,768	194,848	2.84	%
Receivable on unsettled securities sales	64,591				94,374			
Cash and other assets	2,852,679				2,719,930			
Total assets	\$30,769,733				\$30,464,072			
<b>Liabilities and equity</b>								
<b>Interest-bearing deposits:</b>								
Transaction	\$9,760,839	\$2,061	0.08	%	\$10,063,589	\$2,197	0.09	%
Savings	379,828	97	0.10	%	381,833	103	0.11	%
Time	2,557,874	8,573	1.33	%	2,651,820	8,966	1.36	%
Total interest-bearing deposits	12,698,541	10,731	0.34	%	13,097,242	11,266	0.35	%
Funds purchased	70,281	15	0.08	%	63,312	13	0.08	%
Repurchase agreements	672,085	49	0.03	%	773,977	61	0.03	%
Other borrowings	4,779,981	3,637	0.30	%	4,001,479	3,047	0.31	%
Subordinated debentures	226,296	596	1.04	%	307,903	1,695	2.21	%
Total interest-bearing liabilities	18,447,184	15,028	0.32	%	18,243,913	16,082	0.35	%
Non-interest bearing demand deposits	7,994,607				7,996,717			
Due on unsettled securities purchases	90,135				151,369			
Other liabilities	838,612				690,604			
Total equity	3,399,195				3,381,469			
Total liabilities and equity	\$30,769,733				\$30,464,072			

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

Tax-equivalent Net Interest Revenue	\$ 181,880	2.51	%	\$ 178,766	2.49	%
Tax-equivalent Net Interest Revenue to Earning Assets		2.61	%		2.61	%
Less tax-equivalent adjustment	3,244			3,035		
Net Interest Revenue	178,636			175,731		
Provision for credit losses	7,500			4,000		
Other operating revenue	163,436			176,285		
Other operating expense	224,628			227,113		
Income before taxes	109,944			120,903		
Federal and state income taxes	34,128			40,630		
Net income	75,816			80,273		
Net income attributable to non-controlling interests	925			1,043		
Net income attributable to BOK Financial Corp. shareholders	\$ 74,891			\$ 79,230		
Earnings Per Average Common Share Equivalent:						
Net income:						
Basic	\$ 1.09			\$ 1.15		
Diluted	\$ 1.09			\$ 1.15		

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

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

Three Months Ended March 31, 2015			December 31, 2014			September 30, 2014				
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		
\$2,089,546	\$1,422	0.27	% \$2,090,176	\$1,500	0.28	% \$1,217,942	\$601	0.20	%	
140,968	685	2.55	% 164,502	901	2.48	% 107,909	561	2.67	%	
241,458	3,326	5.51	% 244,395	3,468	5.68	% 228,771	3,238	5.66	%	
401,367	1,564	1.56	% 406,516	1,586	1.56	% 412,604	1,605	1.56	%	
642,825	4,890	3.04	% 650,911	5,054	3.11	% 641,375	4,843	3.03	%	
9,014,566	43,105	1.95	% 9,073,467	43,953	1.97	% 9,436,137	45,257	1.94	%	
86,899	921	4.40	% 88,434	904	4.23	% 90,590	675	3.14	%	
9,101,464	44,026	1.98	% 9,161,901	44,857	1.99	% 9,526,727	45,932	1.95	%	
404,775	2,003	2.28	% 221,773	1,053	2.18	% 180,268	913	2.05	%	
179,385	2,597	5.79	% 182,737	2,635	5.77	% 142,418	2,133	5.99	%	
348,054	2,949	3.41	% 321,746	3,101	3.87	% 310,924	2,929	3.79	%	
14,554,582	128,953	3.59	% 13,882,005	130,378	3.73	% 13,518,578	128,695	3.78	%	
(194,948 )			(190,787 )			(191,141 )				
14,359,634	128,953	3.64	% 13,691,218	130,378	3.78	% 13,327,437	128,695	3.83	%	
27,266,651	187,525	2.80	% 26,484,964	189,479	2.86	% 25,455,000	186,607	2.93	%	
99,706			69,109			63,277				
2,604,347			2,578,124			2,597,280				
\$29,970,704			\$29,132,197			\$28,115,557				
\$10,338,396	\$2,465	0.10	% \$9,730,564	\$2,328	0.09	% \$9,473,575	\$2,381	0.10	%	
365,835	94	0.10	% 346,132	96	0.11	% 342,488	101	0.12	%	
2,659,323	9,546	1.46	% 2,647,147	9,777	1.47	% 2,610,561	10,237	1.56	%	
13,363,554	12,105	0.37	% 12,723,843	12,201	0.38	% 12,426,624	12,719	0.41	%	
69,730	16	0.09	% 71,728	14	0.08	% 320,817	59	0.07	%	
1,000,839	104	0.04	% 996,308	109	0.04	% 1,027,206	141	0.05	%	
3,084,214	2,453	0.32	% 3,021,094	2,443	0.32	% 2,333,961	2,004	0.34	%	
348,007	2,165	2.52	% 347,960	2,189	2.50	% 347,914	2,154	2.46	%	
17,866,344	16,843	0.38	% 17,160,933	16,956	0.39	% 16,456,522	17,077	0.41	%	
7,885,485			7,974,165			7,800,350				
205,096			137,566			124,952				
662,218			549,388			485,304				
3,351,561			3,310,145			3,248,429				
\$29,970,704			\$29,132,197			\$28,115,557				
	\$170,682	2.42	%	\$172,523	2.47	%	\$169,530	2.52	%	
		2.55	%		2.61	%		2.67	%	
	2,956			2,859			2,739			
	167,726			169,664			166,791			
	—			—			—			
	166,017			151,903			164,971			
	220,265			225,877			221,834			
	113,478			95,690			109,928			

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

38,384	30,109	33,802
75,094	65,581	76,126
251	1,263	494
\$74,843	\$64,318	\$75,632
\$1.08	\$0.93	\$1.09
\$1.08	\$0.93	\$1.09

- 133 -

---



Quarterly Earnings Trends – Unaudited  
(In thousands, except share and per share data)

	Three Months Ended				
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Interest revenue	\$ 193,664	\$ 191,813	\$ 184,569	\$ 186,620	\$ 183,868
Interest expense	15,028	16,082	16,843	16,956	17,077
Net interest revenue	178,636	175,731	167,726	169,664	166,791
Provision for credit losses	7,500	4,000	—	—	—
Net interest revenue after provision for credit losses	171,136	171,731	167,726	169,664	166,791
Other operating revenue					
Brokerage and trading revenue	31,582	36,012	31,707	30,602	35,263
Transaction card revenue	32,514	32,778	31,010	31,467	31,578
Fiduciary and asset management revenue	30,807	32,712	31,469	30,649	29,738
Deposit service charges and fees	23,606	22,328	21,684	22,581	22,508
Mortgage banking revenue	33,170	36,846	39,320	30,105	26,814
Bank-owned life insurance	2,360	2,398	2,198	2,380	2,326
Other revenue	10,618	9,473	8,603	10,071	10,320
Total fees and commissions	164,657	172,547	165,991	157,855	158,547
Gain on other assets, net	1,161	1,457	755	338	1,422
Gain (loss) on derivatives, net	1,283	(1,032)	) 911	1,070	(93)
Gain (loss) on fair value option securities, net	5,926	(8,130)	) 2,647	3,685	(332)
Change in fair value of mortgage servicing rights	(11,757)	) 8,010	(8,522)	) (10,821)	) 5,281
Gain on available for sale securities, net	2,166	3,433	4,327	149	146
Total other-than-temporary impairment losses	—	—	(781)	) (373)	) —
Portion of loss recognized in other comprehensive income	—	—	689	—	—
Net impairment losses recognized in earnings	—	—	(92)	) (373)	) —
Total other operating revenue	163,436	176,285	166,017	151,903	164,971
Other operating expense					
Personnel	129,062	132,695	128,548	125,741	123,043
Business promotion	5,922	7,765	5,748	7,498	6,160
Charitable contributions to BOKF Foundation	796	—	—	1,847	—
Professional fees and services	10,147	9,560	10,059	11,058	14,763
Net occupancy and equipment	18,689	18,927	19,044	22,655	18,892
Insurance	4,864	5,116	4,980	4,777	4,793
Data processing and communications	31,228	31,463	30,620	30,872	29,971
Printing, postage and supplies	3,376	3,553	3,461	3,168	3,380
Net losses (gains) and operating expenses of repossessed assets	267	223	613	(1,497)	) 4,966
Amortization of intangible assets	1,089	1,090	1,090	1,100	1,100
Mortgage banking costs	8,587	7,419	9,319	10,553	7,734
Other expense	10,601	9,302	6,783	8,105	7,032
Total other operating expense	224,628	227,113	220,265	225,877	221,834
Net income before taxes	109,944	120,903	113,478	95,690	109,928

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

Federal and state income taxes	34,128	40,630	38,384	30,109	33,802
Net income	75,816	80,273	75,094	65,581	76,126
Net income attributable to non-controlling interests	925	1,043	251	1,263	494
Net income attributable to BOK Financial Corporation shareholders	\$74,891	\$79,230	\$74,843	\$64,318	\$75,632
Earnings per share:					
Basic	\$1.09	\$1.15	\$1.08	\$0.93	\$1.09
Diluted	\$1.09	\$1.15	\$1.08	\$0.93	\$1.09
Average shares used in computation:					
Basic	67,668,076	68,096,341	68,254,780	68,481,630	68,455,866
Diluted	67,762,483	68,210,353	68,344,886	68,615,808	68,609,765

- 134 -

---

## PART II. Other Information

## Item 1. Legal Proceedings

See discussion of legal proceedings at Note 7 to the Consolidated Financial Statements.

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

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended September 30, 2015.

Period	Total Number of Shares Purchased <sup>2</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>1</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans
July 1 to July 31, 2015	6,264	\$70.33	—	1,258,348
August 1 to August 31, 2015	723,000	\$64.44	723,000	535,348
September 1 to September 30, 2015	535,348	\$62.92	535,348	—
Total	1,264,612		1,258,348	

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 September 30, 2015, the Company had repurchased 2,000,000 shares under this plan.

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

## Item 6. Exhibits

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

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

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

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

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



Signatures

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

BOK FINANCIAL CORPORATION  
(Registrant)

Date: October 30, 2015

/s/ Steven E. Nell  
Steven E. Nell  
Executive Vice President and  
Chief Financial Officer

/s/ John C. Morrow  
John C. Morrow  
Senior Vice President and  
Chief Accounting Officer

- 136 -