BOK FINANCIAL CORP ET AL
Form 10-K
February 27, 2009

As filed with the Securities and Exchange Commission on February 27, 2009

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

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

Bank of Oklahoma Tower P.O. Box 2300 Tulsa, Oklahoma	74192
(Address of principal executive offices)	(Zip code)

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

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

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

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

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

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

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

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

Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_|
Smaller reporting company |_|

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately $1,196,113,935 (based on the June 30, 2008 closing price of Common Stock of $53.45 per share). As of January 31, 2009, there were 67,482,730 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2009 Annual Meeting of Shareholders.

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PART I

ITEM 1. BUSINESS

General

Developments relating to individual aspects of the business of BOK Financial Corporation ("BOK Financial" or "the Company") are described below. Additional discussion of the Company's activities during the current year appears within Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." Information regarding BOK Financial's acquisitions is set forth in Note 2 of the Company's Notes to Consolidated Financial Statements, which appear elsewhere herein.

Description of Business

BOK Financial is a financial holding company whose activities are limited by the Bank Holding Company Act of 1956 ("BHCA"), as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act. BOK Financial offers full service banking in Oklahoma, Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Northwest Arkansas, Denver, Colorado, Phoenix, Arizona, and Kansas City, Missouri / Kansas. Principal subsidiaries are Bank of Oklahoma, N.A. ("BOk"), Bank of Texas, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., and Bank of Kansas City, N.A. (collectively, the "Banks"). Other subsidiaries include BOSC, Inc., a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting. Other non-bank subsidiary operations do not have a significant effect on BOKF financial statements.

Our overall strategic objective is to emphasize growth in long-term value by building on our leadership position in Oklahoma and expanding into high-growth markets. We have a solid position in Oklahoma and are the state's largest financial institution as measured by deposit market share. Since 1997, we have expanded into Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona, and Kansas City, Missouri / Kansas. We are currently exploring opportunities for further growth in our regional markets.

Our primary focus is to provide a broad range of financial products and services, including loans and deposits, cash management services, fiduciary services, mortgage banking and brokerage and trading services to middle-market businesses, financial institutions and consumers. Our revenue sources are diversified. Approximately 39% of our 2008 revenue came from commissions and fees.

Commercial banking is a significant part of our business. Our credit culture emphasizes building relationships by making high quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning activities.

Our acquisition strategy targets quality organizations that have demonstrated solid growth in their business lines. We provide additional growth opportunities by hiring talent to enhance competitiveness, adding locations, and broadening product offerings. Our operating philosophy embraces local decision-making for each of our bank subsidiaries. We also consider acquisitions of distressed financial institutions in selected markets when opportunities become available.

BOK Financial's corporate headquarters is located at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192.

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

Operating Segments

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Our principal lines of business have been re-defined from the previous year to better present the Company's organization as it has grown in markets outside of Oklahoma. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund electronic funds network. Consumer banking includes retail lending and deposit services, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets. Discussion of these principal lines of business appears within the Lines of Business section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and within Note 18 of the Company's Notes to Consolidated Financial Statements, both of which appear elsewhere herein.

Competition

BOK Financial and its operating segments face competition from other banks, thrifts, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, government agencies, mortgage brokers and insurance companies. The

Company competes largely on the basis of customer services, interest rates on loans and deposits, lending limits and customer convenience. Some operating segments face competition from

institutions that are not as closely regulated as banks, and therefore are not limited by the same capital requirements and other restrictions. All market share information presented below is based upon share of deposits in specified areas according to SNL DataSource as of December 31, 2008.

BOk is the largest banking subsidiary of BOK Financial and has the largest market share in Oklahoma with 12% of the state's total deposits. In the Tulsa and Oklahoma City areas, BOk has 24% and 11% of the market share, respectively. BOk competes with two banks that have operations nationwide and have greater access to funds at lower costs, higher lending limits, and greater access to technology resources. BOk also competes with regional and locally owned banks in both the Tulsa and Oklahoma City areas, as well as in every other community in which we do business throughout the state.

Through other subsidiary banks, BOK Financial competes in Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona, Northwest Arkansas, and Kansas City, Missouri / Kansas. Bank of Texas competes against numerous financial institutions, including some of the largest in the United States, and has a market share of approximately 2% in the Dallas, Fort Worth area and 1% in the Houston area. Bank of Albuquerque has a number 4 market share position with 10% of deposits in the Albuquerque area and competes with two large national banks, some regional banks and several locally-owned smaller community banks. Colorado State Bank and Trust has a market share of approximately 2% in the Denver area. Bank of Arizona operates as a community bank with locations in Phoenix, Scottsdale and Tucson. Bank of Arkansas serves Benton and Washington counties in Arkansas, and Bank of Kansas City serves the Kansas City market. The Company's ability to expand into additional states remains subject to various federal and state laws.

Employees

As of December 31, 2008, BOK Financial and its subsidiaries employed 4,300 full-time equivalent employees. None of the Company's employees are represented by collective bargaining agreements. Management considers its employee relations to be good.

Supervision and Regulation

BOK Financial and its subsidiaries are subject to extensive regulations under federal and state laws. These regulations are designed to protect depositors, the Bank Insurance Fund and the banking system as a whole and not necessarily to protect shareholders and creditors. As detailed below, these regulations may restrict the Company's ability to diversify, to acquire other institutions and to pay dividends on its capital stock. They also may require the Company to provide financial support to its subsidiaries, maintain certain capital balances and pay higher deposit insurance premiums.

Proposals to change laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before bank regulatory agencies. It is generally probable that laws and regulations affecting banks will increase and become more restrictive in the current economic environment. The likelihood and timing of any specific new proposals or legislation and the impact they might have on the Company and its subsidiaries cannot be predicted at this time.

The following information summarizes certain laws and regulations that affect the Company's operations. It does not discuss all provisions of these laws and regulations and it does not summarize all laws and regulations that affect the Company.

General

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

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

A financial holding company, and the companies under its control, are permitted to engage in activities considered "financial in nature" as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations, and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. Activities that are "financial in nature" include securities underwriting and dealing, insurance underwriting, operating a mortgage company, credit card company or factoring company, performing certain data processing operations, servicing loans and other extensions of credit, providing investment and financial advice, owning and operating savings and loan associations, and leasing personal property on a full pay-out, non-operating basis. In order for a financial holding company to commence any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least satisfactory in its most recent examination under the Community Reinvestment Act. A financial holding company is required to notify the

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Federal Reserve Board within thirty days of engaging in new activities determined to be "financial in nature." BOK Financial is engaged in some of these activities and has notified the Federal Reserve Board.

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

A financial holding company and its subsidiaries are prohibited under the BHCA from engaging in certain tie-in arrangements in connection with the provision of any credit, property or services. Thus, a subsidiary of a financial holding company may not extend credit, lease or sell property, furnish any services or fix or vary the consideration for these activities on the condition that (1) the customer obtain or provide additional credit, property or services from or to the financial holding company or any subsidiary thereof, or (2) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to insure the soundness of credit extended.

The Banks and other non-bank subsidiaries are also subject to other federal and state laws and regulations. For example, BOSC, Inc., the Company's broker/dealer subsidiary that engages in retail and institutional securities sales and municipal bond underwriting, is regulated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), the Federal Reserve Board, and state securities regulators. As another example, Bank of Arkansas is subject to certain consumer-protection laws incorporated in the Arkansas Constitution, which, among other restrictions, limit the maximum interest rate on general loans to five percent above the Federal Reserve Discount Rate and limit the rate on consumer loans to the lower of five percent above the discount rate or seventeen percent.

Capital Adequacy and Prompt Corrective Action

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

The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Core capital (Tier 1) includes common shareholders' equity and qualifying preferred stock, less goodwill, most intangible assets and other adjustments. Supplementary capital (Tier 2) consists of preferred stock not qualifying as Tier 1 capital, qualifying mandatory convertible debt securities, limited amounts of subordinated debt, other qualifying term debt and allowances for credit losses, subject to limitations. Market risk capital (Tier 3) includes qualifying unsecured subordinated debt. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily upon relative credit risk. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, the institution's Tier 1 and total capital ratios must be at least 6% and 10% on a risk-adjusted basis, respectively. As of December 31, 2008, BOK Financial's Tier 1 and total capital ratios under these guidelines were 9.40% and 12.81%, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least 5% to be classified as well capitalized. BOK Financial's leverage ratio at December 31, 2008 was 7.89%.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA"), among other things, identifies five capital categories for insured depository institutions from well capitalized to critically undercapitalized and requires the respective federal regulatory agencies to implement systems for prompt corrective action for institutions failing to meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive covenants on operations, management and capital distributions, depending upon the category in which an institution is classified.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2008.

The federal regulatory authorities' risk-based capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. In 2004, the BIS published a new capital accord to replace its 1988 capital accord, with an update

in November 2005 ("Basel II"). Basel II provides two approaches for setting capital standards for credit risk -- an internal ratings-based approach tailored to individual institutions' circumstances (which for many asset classes is itself broken into a "foundation" approach and an "advanced or A-IRB" approach, the availability of which is subject to additional restrictions) and a standardized approach that bases risk weightings on external credit assessments to a much greater extent than permitted in existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures.

The U.S. banking and thrift agencies are developing proposed revisions to their existing capital adequacy regulations and standards based on Basel II. In September 2006, the agencies issued a notice of proposed rulemaking setting forth a definitive proposal for implementing Basel II in the United States that would apply only to internationally active banking organizations -- defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more -- but that other U.S. banking organizations could elect but would not be required to apply. Furthermore, the U.S. agencies are proposing only to implement the most advanced version of Basel II, the A-IRB option. In December 2006, the agencies issued a notice of proposed rulemaking describing proposed amendments to their existing risk-based capital guidelines to make them more risk-sensitive, generally following aspects of the standardized approach of Basel II. These latter proposed amendments, often referred to as "Basel I-A", would apply to banking organizations that are not internationally active banking organizations subject to the A-IRB approach for internationally active banking organizations and do not "opt in" to that approach. The agencies previously had issued advance notices of proposed rulemaking on both proposals (in August 2003 regarding the A-IRB approach of Basel II for internationally active banking organizations and in October 2005 regarding Basel I-A).

BOK Financial is not an internationally active banking organization and has not made a determination as to whether or when it would opt to apply the A-IRB provisions applicable to internationally active U.S. banking organizations once they become effective. Recent U.S. bank regulatory proposals indicate that the U.S. banking system will permit adoption of a "standardized" approach for Basel II in lieu of the 1-A proposal for non-core Basel II institutions. BOK Financial does not anticipate any 2009 developments on the regulatory front regarding regulatory capital models for non-opt in banks. We do believe that previously authorized approaches toward regulatory capital that permitted reduced regulatory capital in mandatory and opt-in banks will be modified.

Further discussion of regulatory capital, including regulatory capital amounts and ratios, is set forth under the heading "Liquidity and Capital" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 16 of the Company's Notes to Consolidated Financial Statements, both of which appear elsewhere herein.

Deposit Insurance

Substantially all of the deposits held by the Banks are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating ("CAMELS rating"). As of January 1, 2007, the previous nine risk categories utilized in the risk matrix were condensed into four risk categories, which continue to be distinguished by capital levels and supervisory ratings. For large Risk Category 1 institutions (generally those with assets in excess of $10 billion) that have long-term debt issuer ratings, including Bank of Oklahoma, assessment rates are determined from weighted-average CAMELS component ratings and long-term debt issuer ratings. The minimum annualized assessment rate for large institutions is 12 basis points per $100 of deposits and the maximum annualized assessment rate for large institutions is 50 basis points per $100 of deposits. Quarterly assessment rates for large institutions in Risk Category 1 may vary within this range depending upon changes in CAMELS component ratings and long-term debt issuer ratings. Deposit insurance rates are expected to increase in 2009.

In 2008, the FDIC extended deposit insurance coverage through its Temporary Liquidity Guaranty Program ("TGLP"). TGLP consists of two basic components, a guarantee of certain newly issued unsecured debt of eligible financial institutions and full guarantee of certain deposit accounts as defined by the program. Eligible debt issued before June 30, 2009 will be fully protected through the earlier of the maturity of the debt or June 30, 2012. Eligible deposits will be fully protected until December 31, 2009. The Company's subsidiary banks have elected to participate in both components of the TGLP. The Company has not issued any debt under this guaranty program.

In addition, the Banks are assessed a charge based on deposit balances by the Financing Corporation ("FICO"). The FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987 whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation.

Dividends

The primary source of liquidity for BOK Financial is dividends from the Banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years and further restricted by minimum capital requirements. Based on the most restrictive limitations, the Banks had excess regulatory capital and could declare up to $171 million of dividends without regulatory approval as of December 31, 2008. BOK Financial management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory standards. Under this policy, the Banks could declare dividends of up to $119 million as of December 31, 2008. These amounts are not necessarily indicative of amounts that may be available to be paid in future periods.

Source of Strength Doctrine

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered by the FDIC as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default, the other Banks may be assessed for the FDIC's loss, subject to certain exceptions.

Governmental Policies and Economic Factors

The operations of BOK Financial and its subsidiaries are affected by legislative changes and by the policies of various regulatory authorities and, in particular, the credit policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit to moderate recessions and curb inflation. Among the instruments of monetary policy used by the Federal Reserve Board to implement its objectives are: open-market operations in U.S. Government securities, changes in the discount rate and federal funds rate on bank borrowings, and changes in reserve requirements on bank deposits. The effect of future changes in such policies on the business and earnings of BOK Financial and its subsidiaries is uncertain.

In response to a significant ongoing recession in business activity which began in 2007, the U.S. government enacted various programs and continues to enact programs to stimulate the economy. These programs include the Trouble Assets Relief Program ("TARP"), which provided capital to eligible financial institutions and other sectors of the domestic economy, and the TLGP, which expanded insurance coverage to a larger amount of deposit account balances and other qualifying debt issued by eligible financial institutions. In addition, the government recently enacted economic stimulus legislation, which increases government spending and reduces certain taxes. The immediate and long-term effects of these programs on the economy in general and on BOK Financial Corporation in particular are uncertain.

The Company elected not to participate in the TARP Capital Purchase Program. We believe that current capital sources are sufficient to support organic growth, acquisitions within our current market areas, cash dividends on our common stock and periodic stock repurchases.

The Sarbanes-Oxley Act (the "Act") addresses many aspects of financial reporting, corporate governance and public company disclosure. Among other things, the Act establishes a comprehensive framework for the oversight of public company auditing and for strengthening the independence of auditors and audit committees. Under the Act, audit committees are responsible for the appointment, compensation and oversight of the work of the auditors. The non-audit services that can be provided to a company by its auditor are limited. Audit committee members are subject to specific rules addressing their independence. The Act also requires enhanced and accelerated financial disclosures, and it establishes various responsibility measures, such as requiring the chief executive officer and chief financial officer to certify to the quality of the company's financial reporting. The Act imposes restrictions on and accelerated reporting requirements for certain insider trading activities. It imposes a variety of penalties for fraud and other violations and creates a federal felony for securities fraud. Various sections of the Act are applicable to BOK Financial.

Foreign Operations

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

ITEM 1A. RISK FACTORS

Since 2007, the United States economy has been in recession. Business activity across a wide range of industries and geographic regions has decreased and unemployment has increased significantly. The financial services industry and capital markets have been adversely affected by significant declines in asset values, rising delinquencies and defaults, and restricted liquidity. Numerous financial institutions have either failed or required a significant amount of government assistance due to credit losses and liquidity shortages. There is no assurance that these conditions will improve in the near term. Continued recession in the economy could adversely affect our credit quality, financial condition and results of operations.

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

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

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

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

A substantial majority of BOK Financial loans are generated in Oklahoma and other markets in the southwest region. As a result, poor economic conditions in Oklahoma or other markets in the southwest region may cause BOK Financial to incur losses associated with higher default rates and decreased collateral values in BOK Financial's loan portfolio. A regional economic downturn could also adversely affect revenue from brokerage and trading activities, mortgage loan originations and other sources of fee-based revenue.

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

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

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

BOK Financial's business is highly sensitive to:

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

- changes in prevailing interest rates, due to the dependency of BOK Financial's banks on interest income;

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

Significant increase in market interest rates, or the perception that an increase may occur, could adversely affect both BOK Financial's ability to originate new loans and BOK Financial's ability to grow. Conversely, a decrease in interest rates could result

in acceleration in the payment of loans, including loans underlying BOK Financial's holdings of mortgage-backed securities and termination of BOK Financial's mortgage servicing rights. In addition, changes in market interest rates, changes in the relationships between short-term and long-term market interest rates or changes in the relationships between different interest rate indices, could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income. An increase in market interest rates also could adversely affect the ability of BOK Financial's floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and net charge-offs, which could adversely affect BOK Financial's business.

BOK Financial's substantial holdings of mortgage-backed securities and mortgage servicing rights could adversely affect BOK Financial's business.

BOK Financial has invested a substantial amount of its holdings in mortgage-backed securities, which are investment interests in pools of mortgages. Mortgage-backed securities are highly sensitive to changes in interest rates. BOK Financial mitigates this risk somewhat by investing principally in shorter duration mortgage products, which are less sensitive to changes in interest rates. A significant decrease in interest rates could lead mortgage holders to refinance the mortgages constituting the pool backing the securities, subjecting BOK Financial to a risk of prepayment and decreased return on investment due to subsequent reinvestment at lower interest rates. Conversely, a significant increase in interest rates could cause mortgage holders to extend the term over which they repay their loans, which delays the Company's opportunity to reinvest funds at higher rates.

Mortgage-backed securities are also subject to credit risk from delinquency or default of the underlying loans. BOK Financial mitigates this risk somewhat by investing in securities issued by U.S. government agencies. Principal and interest payments on the loans underlying these securities are guaranteed by these agencies. Credit risk on mortgage-backed securities originated by private issuers is mitigated somewhat by investing in senior tranches with additional collateral support.

Legislation is being considered that would potentially override the credit enhancement of some privately issued mortgage-backed securities. The considered legislation may allow terms of a mortgage loan to be modified in the case of bankruptcy. In some cases, the reduction of principal owed on the loan would be applied pro rata to tranches of the mortgage-backed security instead of following the "water fall" structure of the tranches. The considered legislation, if enacted, could have a material adverse effect on the fair value of certain of our mortgage-backed securities.

In addition, as part of BOK Financial's mortgage banking business, BOK Financial has substantial holdings of mortgage servicing rights. The value of these rights is also very sensitive to changes in interest rates. Falling interest rates tend to increase loan prepayments, which may lead to cancellation of the related servicing rights. BOK Financial's investments and dealings in mortgage-related products increase the risk that falling interest rates could adversely affect BOK Financial's business. BOK Financial attempts to manage this risk by maintaining an active hedging program for its mortgage servicing rights. BOK Financial's hedging program has only been partially successful in recent years. The value of mortgage servicing rights may also decrease due to rising delinquency or default of the loans serviced. This risk is mitigated somewhat by adherence to underwriting standards on loans originated for sale.

Market disruptions could impact BOK Financial's funding sources.

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

Substantial competition could adversely affect BOK Financial.

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

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

Banking regulations could adversely affect BOK Financial.

BOK Financial and its subsidiaries are extensively regulated under both federal and state law. In particular, BOK Financial is subject to the Bank Holding Company Act of 1956 and the National Bank Act. These regulations are primarily for the benefit and protection of BOK Financial's customers and not for the benefit of BOK Financial's investors. In the past, BOK Financial's business has been materially affected by these regulations. For example, regulations limit BOK Financial's business to banking and related businesses, and they limit the location of BOK Financial's branches and offices, as well as the amount of deposits that it can hold in a particular state. These regulations may limit BOK Financial's ability to grow and expand into new markets and businesses.

Additionally, under the Community Reinvestment Act, BOK Financial is required to provide services in traditionally underserved areas. BOK Financial's ability to make acquisitions and engage in new business may be limited by these requirements.

The Federal Deposit Insurance Corporation Improvement Act of 1991 and the Bank Holding Company Act of 1956, and various regulations of regulatory authorities, require us to maintain specified capital ratios. Any failure to maintain required capital ratios would limit the growth potential of BOK Financial's business.

Under a long-standing policy of the Board of Governors of the Federal Reserve System, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of that policy, BOK Financial may be required to commit financial and other resources to its subsidiary banks in circumstances where we might not otherwise do so.

The trend toward extensive regulation is likely to continue in the future. Laws, regulations or policies currently affecting us and BOK Financial's subsidiaries may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, BOK Financial's business may be adversely affected by any future changes in laws, regulations, policies or interpretations.

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

BOK Financial is a financial holding company, and a substantial portion of BOK Financial's cash flow typically comes from dividends that BOK Financial's bank and nonbank subsidiaries pay to BOK Financial. Various statutory provisions restrict the amount of dividends BOK Financial's subsidiaries can pay to BOK Financial without regulatory approval. Management also developed, and the BOK Financial board of directors approved, an internal capital policy that is more restrictive than the regulatory capital standards. In addition, if any of BOK Financial's subsidiaries liquidates, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before BOK Financial, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary. If, however, BOK Financial is a creditor of the subsidiary with recognized claims against it, BOK Financial will be in the same position as other creditors.

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

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

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

Mr. George B. Kaiser owns a majority of the outstanding shares of BOK Financial's common stock. Mr. Kaiser is able to elect all of BOK Financial's directors and effectively control the vote on all matters submitted to a vote of BOK Financial's common shareholders. Mr. Kaiser's ability to prevent an unsolicited bid for BOK Financial or any other change in control could have an adverse effect on the market price for BOK Financial's common stock. A substantial majority of BOK Financial's directors are not officers or employees of BOK Financial or any of its affiliates. However, because of Mr. Kaiser's control over the election of BOK Financial's directors, he could change the composition of BOK Financial's Board of Directors so that it would not have a majority of outside directors.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

BOK Financial and its subsidiaries own and lease improved real estate that is carried at $198 million, net of depreciation and amortization. The Company's principal offices are located in leased premises in the Bank of Oklahoma Tower, Tulsa, Oklahoma. Banking offices are primarily located in Tulsa and Oklahoma City, Oklahoma, Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona, and Kansas City, Missouri / Kansas. Primary operations facilities are located in Tulsa and Oklahoma City, Oklahoma, Dallas, Texas, and Albuquerque, New Mexico. The Company's facilities are suitable for their respective uses and present needs.

The information set forth in Notes 6 and 15 of the Company's Notes to Consolidated Financial Statements, which appear elsewhere herein, provides further discussion related to properties.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 15 of the Company's Notes to Consolidated Financial Statements, which appear elsewhere herein, provides discussion related to legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended December 31, 2008.

PART II

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

BOK Financial's $0.00006 par value common stock is traded on the Nasdaq Stock Market under the symbol BOKF. As of January 31, 2009, common shareholders of record numbered 982 with 67,482,730 shares outstanding.

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

	First	Second	Third	Fourth
2008:				
Low	$46.82	$49.11	$38.61	$38.40
High	55.23	60.74	53.94	54.42
Cash dividends	0.20	0.225	0.225	0.225
2007:				
Low	$49.37	$48.59	$47.37	$51.44
High	55.43	54.96	54.20	55.43
Cash dividends	0.15	0.20	0.20	0.20

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Shareholder Return Performance Graph

Set forth below is a line graph comparing the change in cumulative shareholder return of the NASDAQ Index, the NASDAQ Bank Index, and the KBW 50 Bank Index for the period commencing December 31, 2003 and ending December 31, 2008.*

TOTAL RETURN PERFORMANCE graph shown here. Data points are:

	Period Ending				
Index	12/31/03	12/31/04	12/31/05	12/31/06	12
BOK Financial Corporation	100.00	129.71	121.66	148.86	
NASDAQ Composite	100.00	108.59	110.08	120.56	
NASDAQ Bank Index	100.00	110.99	106.18	117.87	
KBW 50	100.00	111.54	111.34	132.94	

* Graph assumes value of an investment in the Company's Common Stock for each index was $100 on December 31, 2003. The KBW 50 Bank index is the Keefe, Bruyette & Woods, Inc. index, which is available only for calendar quarter end periods. During the periods shown, no dividends were paid on BOK Financial Common Stock, except on May 31, 2004, the Company paid a 3%

dividend on BOK Financial Common Stock outstanding as of May 10, 2004. Cash dividends on Common Stock, which were first paid in 2005, are assumed to have been reinvested in BOK Financial Common Stock.

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The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended December 31, 2008.

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Sh Purchased as Part Publicly Announc Plans or Program
October 1, 2008 to October 31, 2008	-	-	-
November 1, 2008 to November 30, 2008	4,979	$42.27	-
December 1, 2008 to December 31, 2008	2,348	$41.88	-
Total	7,327		-

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

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

ITEM 6. SELECTED FINANCIAL DATA

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

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Table 1 Consolidated Selected Financial Data
(Dollars In Thousands Except Per Share Data)

December 31,

	2008	2007	2006	
Selected Financial Data				
For the year:				
Interest revenue	$1,061,645	$1,160,737	$ 986,429	$
Interest expense	414,783	616,252	499,741	
Net interest revenue	646,862	544,485	486,688	
Provision for credit losses	202,593	34,721	18,402	
Fees and commissions revenue	414,000	405,622	371,696	
Net income	153,232	217,664	212,977	
Period-end:				
Loans	12,876,006	11,940,570	10,651,178	9
Assets	22,734,648	20,667,701	18,059,624	16
Deposits	14,982,607	13,459,291	12,386,705	11
Subordinated debentures	398,407	398,273	297,800	
Shareholders' equity	1,846,257	1,935,384	1,721,022	1
Nonperforming assets(2)	342,291	104,159	44,343	
Profitability Statistics				
Earnings per share (based on average equivalent shares):				
Basic	$ 2.28	$ 3.24	$ 3.19	$
Diluted	2.27	3.22	3.16	
Percentages (based on daily averages):				
Return on average assets	0.71%	1.14%	1.27%	
Return on average shareholders' equity	7.87	12.01	13.23	
Average shareholders' equity to average assets	9.01	9.53	9.58	
Common Stock Performance				
Per Share:				
Book value per common share(5)	$ 27.36	$ 28.75	$ 25.66	$
Market price: December 31 close	40.40	51.70	54.98	
Market range - High close	60.84	55.57	54.98	
- Low close	38.48	47.47	44.43	
Cash dividends declared	0.875	0.75	0.55	
Selected Balance Sheet Statistics				
Period-end:				
Tier 1 capital ratio	9.40%	9.38%	9.78%	
Total capital ratio	12.81	12.54	11.58	
Leverage ratio	7.89	8.20	8.79	
Tangible common equity ratio(1)	6.64	7.72	8.22	
Reserve for loan losses to nonperforming loans	74.49	133.79	305.37	
Reserve for loan losses to loans	1.81	1.06	1.03	
Combined reserves for credit losses to loans (4)	1.93	1.24	1.22	
Miscellaneous (at December 31)				
Number of employees (full-time equivalent)	4,300	4,110	3,958	
Number of banking locations	195	189	163	
Number of TransFund locations	1,933	1,822	1,649	
Trust assets	$30,454,512	$36,288,592	$31,704,091	$2
Mortgage loan servicing portfolio(3)	5,983,824	5,481,736	4,988,611	

(1) Shareholders' equity less preferred equity, intangible assets and equity provided by the TARP Capital Program divided by total assets less intangible assets.

(2) Includes nonaccrual loans, renegotiated loans and assets acquired in satisfaction of loans. Excludes loans past due 90 days or more and still accruing.

(3) Includes outstanding principal for loans serviced for affiliates.

(4) Includes reserve for loan losses and reserve for off-balance sheet credit losses.
(5) Conversion of Series A preferred stock added 6.9 million common shares outstanding in 2005.

Management's Assessment of Operations and Financial Condition

Overview

BOK Financial Corporation ("BOK Financial" or "the Company") is a financial holding company that offers full service banking in Oklahoma, Northwest Arkansas, Dallas, Forth Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona and Kansas City, Missouri / Kansas. The Company was incorporated in 1990 in Oklahoma and is headquartered in Tulsa, Oklahoma. Activities are governed by the Bank Holding Company Act of 1956, as amended by the Financial Services Modernization Act or Gramm-Leach-Bliley Act of 1999. Principal banking subsidiaries are Bank of Oklahoma, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Texas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A. and Bank of Kansas City, N.A. Other subsidiaries include BOSC, Inc. a broker/dealer that engages in retail and institutional securities sales and municipal bond underwriting.

Our overall strategic objective is to emphasize growth in long-term value by building on our leadership position in Oklahoma and expanding into high-growth markets in contiguous states. We have a solid position in Oklahoma and are the state's largest financial institution as measured by deposit market share. At December 31, 2008, 46% of our outstanding loans and 60% of our deposits are attributed to the Oklahoma market. Since 1997, we have expanded into Dallas, Fort Worth and Houston, Texas, Albuquerque, New Mexico, Denver, Colorado, Phoenix, Arizona and Kansas City, Missouri / Kansas. At December 31, 2008, 29% of our outstanding loans and 23% of our deposits are attributed to Texas. None of our other regional markets provide more than 10% of our outstanding loans or deposits. Our acquisition strategy targets quality organizations that have demonstrated solid growth in their business lines. We provide additional growth opportunities by hiring talent to enhance competitiveness, adding locations, and broadening product offerings. Our operating philosophy embraces local decision-making in each of our geographic markets while adhering to common Company standards. We also consider acquisitions of distressed financial institutions in selected markets when opportunities become available.

Our primary focus is to provide a comprehensive range of nationally competitive financial products and services in a personalized and responsive manner. Our products and services include loans and deposits, cash management services, fiduciary services, mortgage banking, and brokerage and trading services to middle-market businesses, financial institutions, and consumers. Commercial banking is a significant part of our business. Our credit culture emphasizes building relationships by making high-quality loans and providing a full range of financial products and services to our customers. Our energy financing expertise enables us to offer commodity derivatives for customers to use in their risk management and positioning activities. Our revenue sources are diverse. Historically, fees and commissions revenue provide 40% - 45% of our total revenue. Approximately 39% of our revenue came from commissions and fees in 2008 due to credit losses incurred on two positions in our customer hedging program.

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Our principal lines of business have been re-defined from the previous year to better present the Company's organization as it has grown in markets outside of Oklahoma. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund electronic funds network. Consumer banking includes retail lending and deposit services, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

The financial services industry experienced significant disruptions during 2008. Numerous financial institutions either failed or required a significant amount of government assistance due to credit losses and liquidity shortages. Loan losses, which initially were limited to residential construction loans in certain markets, spread to other commercial real estate loans and commercial loans. Credit spreads on certain financial instruments, such as some mortgage-backed securities, widened extremely due to uncertainty of the underlying cash flows. This uncertainty and lack of trading volumes significantly decreased the fair value of these instruments. Energy prices were extremely volatile during the year. The price of oil exceeded $140 per barrel in mid-year then fell to under $40 per barrel by year end. These market events reduced our net income for 2008, but did not significantly impair our operations.

Performance Summary

BOK Financial's net income for 2008 totaled $153 million or $2.27 per diluted share compared with $218 million or $3.22 per diluted share in 2007.

Highlights of 2008 included:

o Net interest revenue increased $102 million or 19% over 2007. Average earning assets were up $2.0 billion or 12%. Net interest margin was 3.45% for 2008, up 17 basis points over 2007.

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o Combined reserves for credit losses totaled $248 million or 1.93% of outstanding loans at December 31, 2008, up from $148 million or 1.24% of outstanding loans at December 31, 2007. Provision for credit losses and net charge-offs were $203 million and $102 million, respectively for 2008 and $35 million and $21 million, respectively, for 2007.

o Non-performing assets totaled $342 million or 2.65% of outstanding loans and repossessed assets at December 31, 2008, up from $104 million or 0.87% of outstanding loans and repossessed assets at December 31, 2007.

o Fees and commissions revenue totaled $414 million for 2008 and $406 million for 2007. Net credit losses on derivative contracts related to two bankrupt counterparties reduced fees and commissions revenue by $54 million in 2008.

o The fair value of mortgage servicing rights, net of economic hedging gains or losses decreased $24 million in 2008 and $3 million in 2007. Anticipated prepayment speeds increased significantly during the fourth quarter in response to government programs to lower mortgage interest rates.

o The Company evaluated and elected not to participate in the U.S. Treasury's TARP Capital Purchase Program. Tier 1 and tangible common equity ratios were 9.40% and 6.64%, respectively, at December 31, 2008. Tier 1 and tangible common equity ratios were 9.38% and 7.72%, respectively, at December 31, 2007. The decrease in tangible common equity ratio was due largely to a $182 million after-tax increase in unrealized losses on available for sale securities.

- The Company elected to participate in the FDIC's Temporary Liquidity Guarantee Program. This Program provides full deposit insurance coverage of non-interest bearing, transaction deposit accounts and guarantees certain newly issued senior unsecured debt. The Company has not issued any guaranteed debt under this program.

Net income for the fourth quarter of 2008 totaled $35 million or $0.53 per diluted share compared with $51 million or $0.76 per diluted share for the fourth quarter of 2007.

Highlights of the fourth quarter of 2008 included:

- Net interest revenue totaled $176 million, up $35 million over the fourth quarter of 2007. Net interest margin was 3.57% for the fourth quarter of 2008 and 3.22% for the fourth quarter of 2007.

- Net loans charged off and provision for credit losses were $34 million and $73 million, respectively for the fourth quarter of 2008. Net loans charged off and provision for credit losses were $7.3 million and $13 million, respectively, for the fourth quarter of 2007.

- The fair value of mortgage servicing rights, net of economic hedging gains or losses decreased $11 million in 2008 and $2 million in 2007.

Critical Accounting Policies

Application of Critical Accounting Policies

Preparation of our consolidated financial statements is based on the selection of certain accounting policies, which requires management to make significant assumptions and estimates. The following discussion addresses the most critical areas where these assumptions and estimates could affect financial condition and results of operations. Actual results could differ significantly from these estimates. Application of these critical accounting policies and estimates has been discussed with the appropriate committees of the Board of Directors. Additional accounting policies are described in Note 1 to the Consolidated Financial Statements.

New accounting standards first adopted in 2008 included Statement of Financial Accounting Standards No. 159, "Fair Value Option" ("FAS 159"). FAS 159 provides an option to measure eligible financial assets and financial liabilities at fair value. Certain certificates of deposit that were either currently designated as hedged or had previously been designated as hedged, but no longer met the correlation requirements of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), were designated as being reported at fair value. The initial adoption of FAS 159 did not significantly affect the Company's financial statements. In addition, certain certificates of deposit issued subsequent to the adoption of FAS 159 have been designated as reported at fair value. This determination is made when the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. The effect of FAS 159 on our 2008 operations is presented in Note 4 to the Consolidated Financial Statements.

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Reserves for Loan Losses and Off-Balance Sheet Credit Losses

Reserves for loan losses and off-balance sheet credit losses are assessed by management based on an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio and probable estimated losses on unused commitments to provide financing. A consistent, well-documented methodology has been developed that includes reserves assigned to specific loans and commitments, general reserves that are based on a statistical migration analysis and nonspecific reserves that are based on analysis of current economic conditions, loan concentrations, portfolio growth and other relevant factors.

An independent Credit Administration department is responsible for performing this evaluation for all of our subsidiaries to ensure that the methodology is applied consistently.

Specific reserves for impairment are determined through evaluation of estimated future cash flows, collateral values and historical statistics in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for the Impairment of a Loan", regulatory accounting standards and other authoritative literature. Commercial and commercial real estate loans and commitments in excess of $1 million are reviewed for impairment. Significant loans and commitments that exhibit weaknesses or deteriorating trends are individually reviewed quarterly.

General reserves for commercial and commercial real estate loan losses and related commitments not evaluated individually for impairment are determined primarily through an internally developed migration analysis model. The purpose of this model is to determine the probability that each credit relationship in the portfolio has an inherent loss based on historical trends. We use an eight-quarter aggregate accumulation of net losses as a basis for this model. Greater emphasis is placed on loan losses in more recent periods. A minimum reserve level is established for each loan grade based on long-term loss history. This model assigns a general reserve to all commercial loans and leases and commercial real estate loans, excluding loans that have a specific impairment reserve.

Separate models are used to determine the general reserve for residential mortgage loans, excluding residential mortgage loans held for sale, and consumer loans. The general reserve for residential mortgage loans is based on an eight-quarter average percent of loss. General reserves for consumer loans are based on a migration of loans from current status to loss. Separate migration factors are determined by major product line, such as indirect automobile loans and direct consumer loans.

Nonspecific reserves are maintained for risks beyond those factors specific to a particular loan or those identified by the migration models. These factors include trends in the general economy in our primary lending areas, conditions in specific industries where we have a concentration, such as energy, commercial real estate and homebuilders and agriculture, concentrations in large credits and overall growth in the loan portfolio. Evaluation of the nonspecific reserves also considers duration of the business cycle, regulatory examination results, potential errors in the migration analysis models and the underlying data, and other relevant factors. A range of potential losses is determined for each factor identified.

A separate reserve for off-balance sheet credit risk is maintained. The provision for credit losses includes the combined charge to expense for both the reserve for loan losses and the reserve for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the reserve for loan losses after funds are advanced against outstanding commitments and after the exhaustion of collection efforts.

Valuation of Mortgage Servicing Rights

We have a significant investment in mortgage servicing rights. These rights are primarily retained from sales of loans we have originated or occasionally purchased from other lenders. Originated mortgage servicing rights are initially recognized at fair value. Fair value is based on market quotes for similar servicing rights, which is a Level 2 input as defined by Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). Subsequent changes in fair value are recognized in earnings as they occur.

There is no active market for trading in mortgage servicing rights after origination. We use a cash flow model to determine fair value. Key assumptions and estimates including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. Assumptions used to value our mortgage servicing rights are considered Level 3 inputs as defined by FAS 157 and represent our best estimate of assumptions that market participants would use to value this asset. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions. We adjusted the prepayment projections determined by this model to better correlate with actual performance of our servicing portfolio. The discount rate is based on benchmark rates for mortgage loans plus a market spread expected by investors in servicing rights. Significant assumptions used to determine the fair value of our mortgage servicing rights are presented in Note 8 to the Consolidated Financial Statements. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model.

The assumptions used in this model are primarily based on mortgage interest rates. Evaluation of the effect of a change in one assumption without considering the effect of that change on other assumptions is not meaningful. Considering all related assumptions, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our servicing rights by

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$10 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our servicing rights by $11 million.

Intangible Assets

Intangible assets, which consist primarily of goodwill, core deposit intangible assets and other acquired intangibles, for each business unit are evaluated for impairment annually as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our business units is estimated by the discounted future earnings method. Income growth is projected over a seven-year period for each unit and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our business units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered Level 3 inputs as defined by FAS 157 and represent our best estimate of assumptions that market participants would use to determine fair value of the respective business units. The most critical assumptions in our evaluation were a 7.00% expected long-term growth rate, a 0.66% volatility factor for BOK Financial common stock, a 9.36% discount rate and a 11.04% market risk premium.

Approximately $240 million or 72% of total goodwill was attributed to the Texas market and $56 million or 17% of total goodwill was attributed to the Colorado market. We also have $17 million of goodwill in the Arizona market and $15 million of goodwill in the New Mexico market. Because of the large concentration of goodwill in the Texas and Colorado markets, the fair value determined by the discounted future earnings method was corroborated by comparison to the fair value of publicly traded banks of similar size and characteristics. No goodwill impairment was indicated by either valuation method.

The effect of a 10% negative change in assumptions used to evaluate goodwill impairment using the discounted future earnings method was simulated. No impairment was indicated by this simulation.

The current market value of BOK Financial common stock, a primary assumption in our goodwill impairment analysis, is approximately 32% below the market value used in our most recent annual evaluation. The decline in market value is due largely to factors affecting the overall economy and the regional banks sector of the market. It is not due to operating losses, losses of major customers or market share, or other factors specific to BOK Financial. Therefore, we do not believe the decline in market value of our stock to be an event that requires a re-evaluation of our goodwill impairment. Goodwill impairment may be indicated at our next annual evaluation date if the market value of our stock remains at or near current prices, or sooner if we incur significant operating losses or if other factors indicate a significant decline in the value of our business.

Intangible assets with finite lives, such as core deposit intangible assets, are amortized using accelerated methods over their estimated useful lives. Core deposit intangible assets generally have a weighted average life of five years based on the expected lives of the acquired deposit accounts. Such assets are reviewed for impairment whenever events indicate that the remaining carrying amount may not be recoverable.

Valuation of Derivative Instruments

We use interest rate derivative instruments to manage our interest rate risk. We also offer interest rate, commodity, and foreign exchange derivative contracts to our customers. All derivative instruments are carried on the balance sheet at fair value. Fair values for exchange-traded contracts are based on quoted prices. Fair values for over-the-counter interest rate contracts used to manage our interest rate risk are provided either by third-party dealers in the contracts or by quotes provided by independent pricing services. Information used by these third-party dealers or independent pricing services to determine fair values are considered Level 2, observable market inputs as defined by FAS 157. Interest rate, commodity and foreign exchange contracts used in our customer hedging programs are based on valuations generated internally by third-party provided pricing models. These models use Level 2, observable market inputs to estimate fair values. Changes in assumptions used in these pricing models could significantly affect the reported fair values of derivative assets and liabilities, though the net effect of these changes should not significantly affect earnings.

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

Valuation of Securities

The fair value of our securities portfolio is primarily based on a third-party pricing service. We review the methodologies used by the pricing service and concluded them to be based on Level 2 observable market inputs. Management evaluates the fair values provided by the pricing service against other sources, including brokered quotes, sales or purchases of similar securities, and discounted cash flow analysis.

Other-than-Temporary Impairment

We perform a quarterly evaluation of unrealized losses on investment and available for sale securities to determine whether the losses are temporary or other-than-temporary as required by Statement of Financial Accounting Standards No 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). This evaluation assesses the probability of full recovery of the carrying value of the security and management's ability and intent to hold the security until fair value recovers. Temporary impairment, net of deferred income taxes, is recognized as charges against shareholders' equity as part of other comprehensive income. Other-than-temporary impairment is recognized through a charge against earnings.

Impairment of debt securities rated investment grade is generally considered to be temporary. Impairment of debt securities rated below investment grade by any one of the three nationally-recognized ratings agencies is evaluated further. Securities rated below investment grade currently consist of mortgage-backed securities privately issued by publicly owned financial institutions. Other than temporary impairment is required to be recognized when it is probable that there has been an adverse change in the amount or timing of estimated cash flows of these securities as provided by Financial Accounting Standards Board ("FASB") Staff Position EITF Issue No. 99-20-1, "Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20" ("FSP EITF 99-20-1"). We assess the estimated cash flows by computing a loan to value ratio for each security rated below investment grade based on the original loan to value ratio inherent in the security, adjusted for changes in housing prices, prepayment speeds, default rates and credit enhancement. Consideration is given to other-than-temporary impairment if the adjusted loan to value ratio of a specific security exceeds 85%.

Equity securities include variable rate, preferred stocks issued by major commercial and investment banks. Impairment evaluation is based on current and anticipated market conditions, the financial condition and near term prospects of each of the issuers and the length of time the security has been impaired. We assess the probability that spreads over LIBOR on these securities will narrow and fair values will increase over a 24-month to 36-month period beginning on the most recent date that fair value equaled our carrying value, June 30, 2008, and concluded that the impairment was temporary at December 31, 2008.

Income Taxes

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

Quarterly, management evaluates the Company's effective tax rate based upon its current estimate of net income, tax credits and statutory tax rates expected for the full year. Changes in income tax expense due to changes in the effective tax rate are recognized on a cumulative basis. Annually, we file tax returns with each jurisdiction where we conduct business and settle our return liabilities. We may also provide for estimated liabilities associated with uncertain filing positions.

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

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

Pensions

The Company offers a defined-benefit, cash-balance pension plan to all employees who satisfied certain age and length of service requirements. Pension plan benefits were curtailed as of April 1, 2006. No participants may be added to the plan and no additional service benefits will be accrued. Interest continues to accrue on employees' account balances at 5.25%. Accounting for this plan requires management to make assumptions regarding the expected long-term rate of return on plan assets and the discount rate. Changes in these assumptions affect pension liability and pension expense. Management, in consultation with independent actuaries, bases its assumptions on currently available information.

All plan assets are invested in the Cavanal Hill Balanced Fund. The expected long-term return on plan assets is based on this fund's life-to-date performance, adjusted for any known or expected changes in the fund's compositions or objectives. The expected return on plan assets was 7.00% for 2008 and 2007, and reduced to 5.25% for 2009.

The discount rate, which is used to determine the present value of our obligation to provide future benefits to plan participants and the related interest cost, is based on a spot-rate yield curve of high-quality fixed income securities such as AA rated industrial and utility bonds. A weighted average discount rate is determined by matching expected future cash outflows from the plan to interest rates at various spots along the yield curve. This method of determining the discount rate is expected to better represent the cost of future cash flows as the static participant pool decreases over time. The discount rate was 6.50% as December 31, 2008 and 6.00% as of December 31, 2007. A 25 basis point decrease in the discount rate increases the pension liability by approximately $800 thousand or 2% and has no significant effect on pension expense because of the curtailment of benefits.

Stock-Based Compensation

Stock-based compensation consists of stock options and non-vested shares awarded officers and employees of the Company. Awards may be granted on a discretionary basis as described in the employee stock option plan or as required by employment agreements and incentive compensation plans with certain executive officers. Accounting for stock-based compensation requires management to make assumptions regarding the valuation of financial instruments for which there are no readily available market values, achievement of specified performance conditions and expected forfeiture rates.

The majority of our stock options have graded vesting. One-seventh of the options awarded vest annually starting one year after the grant date. Options expire three years after vesting. Each tranche of these options are considered a separate award when determining fair value.

We use the Black-Scholes option pricing model. This model requires assumptions of expected volatility of our stock price and expected term between grant date and exercise date, along with other inputs to determine fair value. Assumptions used to determine the fair value of stock options are considered Level 2 inputs as defined by FAS 157. Expected volatility is based on historical changes in our stock price measured over a period that approximates the expected term of our stock options. Expected term and forfeitures are based on historical trends. Information about assumptions used to value stock options can be found in Note 13 to the Consolidated Financial Statements. Non-vested shares, which cliff-vest five years after the grant date, are valued at the grant-date market price for BOK Financial common stock.

Stock options are generally granted annually. Certain key terms and conditions of the awards, such as vesting periods and expiration dates, are defined by the stock option plan document. The number of options to be awarded to each individual employee is recommended by management and approved by the Independent Compensation Committee of the Board of Directors prior to setting the exercise price. The exercise price of the options is the closing price for the Company's common stock on the second business Friday of January, which is the grant date.

Executive incentive plans and individual employment agreements include performance conditions that may increase or decrease the number of awards granted based on future events. Unrecognized compensation cost, which generally will be recognized as expense over the service period, based on the probable outcome of these conditions is $12 million. Future compensation cost ranges from approximately $5 million if none of the performance conditions are met to $15 million if all of the performance conditions are met.

Assessment of Operations

Net Interest Revenue

Tax-equivalent net interest revenue totaled $655 million for 2008 compared with $554 million for 2007. Net interest revenue growth was driven primarily by a $2.0 billion increase in average earning assets and a 17 basis point increase in net interest margin.

Average outstanding loans increased $1.2 billion and average securities increased $838 million. Average commercial loans were up $777 million over 2007. Average residential mortgage loans and consumer loans increased $192 million and $172 million, respectively. Growth in the securities portfolio generally consisted of highly-rated, fixed-rate mortgage-backed securities issued by U.S. government agencies. The addition of these securities supplemented the Company's earnings in 2008.

Growth in average earning assets was funded primarily by an $810 million increase in interest-bearing deposits and a $1.2 billion increase in borrowed funds. In addition, average demand deposit accounts increased $264 million. Table 2 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities.

Growth in deposits and borrowings was also used to fund a $276 million net increase in average margin assets. Margin assets are placed by the Company to secure its obligations under various derivative contracts. Margin assets are generally reported as a

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reduction of the derivative liabilities which they secure on the Company's consolidated balance sheet. Fees earned on margin assets are included in fees and commissions revenue while the related cost of funds reduces net interest revenue.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets, increased to 3.45% in 2008 compared with 3.28% in 2007. The increase in net interest margin reflected a widening of the spread between LIBOR and the federal funds rates in the second half of 2008. LIBOR is the basis for interest earned on many of our loans. The federal funds rate is the basis for interest paid on many of our interest-bearing liabilities. The widening spread increased net interest margin by approximately 7 basis points in 2008. This spread has largely narrowed to its historically normal level by year end. In addition, market uncertainty increased yields on mortgage-backed securities despite falling interest rates. The average yield on our securities portfolio for 2008 increased 22 basis points compared with 2007. The increase in net interest margin from widened spreads was partially offset by a reduction in the benefit from non-interest bearing funding sources. This benefit decreased from 69 basis points in 2007 to 36 basis points in 2008. Very low market interest rates, especially in the second half of 2008 reduced the benefit of non-interest bearing funding sources. Also, the previously noted increase in average margin assets funded by interest-bearing liabilities decreased net interest margin by 5 basis points.

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

Our overall objective is to manage the Company's balance sheet to be essentially neutral to changes in interest rates. Approximately 72% of our commercial loan portfolio is either variable rate or fixed rate that will re-price within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that re-price more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally re-price more quickly than liabilities. Among the strategies that we use to achieve a relatively rate-neutral position, we purchase fixed-rate, mortgage-backed securities to offset the short-term nature of the majority of our funding sources. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio. We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of $665 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives is to position our balance sheet to be relatively neutral to changes in interest rates.

The effectiveness of these strategies is reflected in the overall change in net interest revenue due to changes in interest rates as shown in Table 2 and in the interest rate sensitivity projections as shown in Market Risk section of this report.

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Table 2 Volume/Rate Analysis
(In Thousands)

	2008/2007	
	Change Due To(1)	

	Change	Volume	Yield/Rate	Change
Tax-equivalent interest revenue:				
Securities	$ 59,749	$ 45,461	$ 14,288	$32,162
Trading securities	2,987	2,986	1	904
Loans	(159,817)	78,623	(238,440)	140,760
Funds sold and resell agreements	(2,903)	(304)	(2,599)	2,639
Total	(99,984)	126,766	(226,750)	176,465
Interest expense:				
Transaction deposits	(73,214)	12,679	(85,893)	45,631
Savings deposits	(823)	(50)	(773)	91
Time deposits	(49,785)	(664)	(49,121)	30,116
Funds purchased and repurchase agreements	(72,976)	11,273	(84,249)	28,864
Other borrowings	(2,032)	34,907	(36,939)	7,188
Subordinated debentures	(2,639)	195	(2,834)	4,621
Total	(201,469)	58,340	(259,809)	116,511
Tax-equivalent net interest revenue	101,485	$ 68,426	$ 33,059	59,954
(Increase) decrease in tax-equivalent adjustment	892			(2,157)
Net interest revenue	$ 102,377			$ 57,797

	4th Qtr 2008 / 4th	
		Change
	Change	Volume
Tax-equivalent interest revenue:		
Securities	$ 16,790	$ 13,402
Trading securities	809	820
Loans	(51,763)	18,130
Funds sold and resell agreements	(1,211)	(327)
Total	(35,375)	32,025
Interest expense:		
Transaction deposits	(26,197)	1,526
Savings deposits	(205)	(7)
Time deposits	(11,523)	5,603
Funds purchased and repurchase agreements	(27,880)	(436)
Other borrowings	(4,070)	8,502
Subordinated debentures	(219)	(4)
Total	(70,094)	15,184
Tax-equivalent net interest revenue	34,719	$ 16,841
Decrease in tax-equivalent adjustment	439	

Net interest revenue	$ 35,158

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

Fourth Quarter 2008 Net Interest Revenue

Tax-equivalent net interest revenue for the fourth quarter of 2008 totaled $179 million compared with $144 million for the fourth quarter of 2007. Average earning assets increase $2.0 billion or 11%, including a $1.1 billion or 9% increase in average loans, net of allowance for loan losses, and a $928 million or 16% increase in average securities. Growth in average earning assets was funded by a $1.8 billion increase in interest-bearing liabilities, including an $815 million increase in average interest-bearing deposits and a $987 million increase in other borrowings. In addition, average demand deposits increased $264 million.

Net interest margin was 3.57% for the fourth quarter of 2008 and 3.22% for the fourth quarter of 2007. The previously mentioned widening of spread between LIBOR and federal funds rates added approximately 15 basis points to the fourth quarter of 2008. In addition, market uncertainty increased yields on mortgage-backed securities despite falling short-term interest rates. The benefit provided by non-interest bearing funding sources was 31 basis points in the fourth quarter of 2008 and 62 basis points in the fourth quarter of 2007. Very low market interest rates in 2008 reduced the benefit of non-interest bearing funding sources.

2007 Net Interest Revenue

Tax-equivalent net interest revenue for 2007 was $554 million, a $60 million or 12% increase from 2006. Average earning assets increased $2.2 billion or 15%, including a $1.7 billion increase in average outstanding loans, net of allowance for loan losses, and a $447 million increase in average securities. Growth in the securities portfolio generally consisted of highly-rated, fixed-rate mortgage backed securities issued by U.S. government agencies. As shown in Table 2, net interest revenue increased $71 million due to changes in earning assets and interest bearing liabilities. Net interest revenue growth due to earning assets was partially

offset by an $11 million decrease due to changes in interest yields and rates. Changes in interest rates and yields include the narrowing of spreads due to competitive pressures and other market conditions.

Other Operating Revenue

Other operating revenue increased $38 million compared with last year due to an $8.4 million increase in fees and commission revenue and a $29 million increase in net gains on securities, derivatives and other assets. Fees and commission revenue was reduced by $54 million from net credit losses on derivative contracts with two bankrupt counterparties during 2008.

Diversified sources of fees and commission revenue are a significant part of our business strategy and represented 39% of total revenue, excluding gains and losses on asset sales, securities and derivatives. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into new markets. However, current and future economic conditions, increased competition and saturation in our existing markets could affect the rate of future increases.

Table 3 Other Operating Revenue
(In Thousands)

	Years ended December 3			
	2008	2007	2006	20
Brokerage and trading revenue	$ 42,804(1)	$ 62,542	$ 53,413	$ 48
Transaction card revenue	100,153	90,425	78,622	72
Trust fees and commissions	78,979	78,231	71,037	65
Deposit service charges and fees	117,528	109,218	102,436	98
Mortgage banking revenue	27,074	22,275	26,996	30
Bank-owned life insurance	10,681	10,058	2,558	
Margin asset fees	8,548	4,800	10,166	5
Other revenue	28,233	28,073	26,468	25
Total fees and commissions	414,000	405,622	371,696	344
Gain (loss) on sales of assets	(660)	(928)	1,499	7
Gain (loss) on securities, net	21,637	(8,328)	(950)	(6
Gain (loss) on derivatives, net	1,299	2,282	(622)	1
Total other operating revenue	$ 436,276	$ 398,648	$ 371,623	$ 346

(1) Includes net derivative credit losses of $54 million.

Fees and Commissions Revenue

Brokerage and trading revenue declined $20 million compared with 2007 due to net credit losses on derivative contracts with two counterparties in our customer hedging program. These losses reduced brokerage and trading revenue by $54 million in 2008. As previously disclosed the principal owner of one of these counterparties, SemGroup, L.P., resigned from our Board of Directors on July 16, 2008. Net credit losses on derivative contracts with SemGroup totaled $41 million. Excluding these credit losses, our brokerage and trading revenue sources performed well. Securities trading revenue more than doubled, up $26 million over the previous year to $49 million. Retail brokerage revenue increased $2.8 million to $21 million, up 15% over 2007. Revenue from customer hedging activities excluding the two credit losses increased $7.2 million or 48% over 2007. This growth rate of revenue from securities trading and customer hedging is not expected to continue in 2009.

Transaction card revenue increased $9.7 million or 11% over 2007. Revenue growth depends largely on the volume and amount of transactions processed, the number of ATM locations and the number of merchants served. Check card revenue increased $3.9 million or 16% due to growth in transaction volume. The number of check card transactions processed during 2008 increased 18% over 2007. ATM fees grew $4.7 million or 12% compared to the previous year. The number of TransFund ATM locations totaled 1,933 at December 31, 2008, up 6% over last year. Merchant discount revenue for 2008 totaled $28 million, up 4% over 2007.

Trust fees increased $746 thousand or 1%. The fair value of all trust relationships overseen by the Company, which is the basis for a significant portion of trust fees decreased to $30.5 billion at December 31, 2008 compared with $36.3 billion at December 31, 2007. The decline in fair value of trust assets was due to current market conditions. Personal trust management fees, which provided 23% of total trust fees and commissions increased $495 thousand or 2% over 2007. Net fees from mutual fund advisory and administrative services, which provided 20% of total trust fees and commissions decreased $729 thousand or 4%. Employee benefit plan management fees, which provided 20% of total trust fees and commissions, increased $437 thousand. Revenue from foundations was down $1.6 million or 25% from 2007. Revenue from the management of oil and gas properties, which is more closely related to energy prices than the fair value of trust assets, increased $2.3 million compared with 2007.

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Service charges on deposit accounts increased $8.3 million, or 8% compared with 2007. Commercial account service charge revenue increased 23% to $36 million and overdraft fees increased 2% to $76 million. The increase in commercial service charge revenue was due to a decrease in the earnings credit available to commercial deposit customers. The earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services, decreases when interest rates fall. Service charges on retail deposit accounts decreased 4% to $5.1 million due to continued migration to service-charge free checking products.

Mortgage banking revenue increased $4.8 million or 22% over 2007. Servicing fee revenue totaled $18 million or 0.35% of loans serviced for others in 2008 and $17 million or 0.37% of loans serviced for others in 2007. The average outstanding balance of loans serviced for others was $5.0 billion for 2008 and $4.6 billion for 2007. Net secondary marketing gains totaled $9.5 million for 2008 and $5.2 million for 2007. Mortgage loans sold in the secondary market totaled $1.2 billion in 2008 and $1.0 billion in 2007.

Margin asset fees totaled $8.5 million for 2008 and $4.8 million for 2007. Margin assets, which are held primarily as part of the Company's customer derivatives programs averaged $422 million for 2008 and $117 million for 2007. The increase in revenue earned on margin assets is offset by a decrease in net interest revenue due to the cost to fund margin assets.

Securities and Derivatives

Net gains and losses on securities included changes in the fair value of securities held as an economic hedge of our mortgage servicing rights, other-than-temporary impairment of variable-rate, perpetual preferred stocks and realized gains and losses on certain available for sale securities. It also included gains realized from the sale of equity securities received from initial public stock offering by Visa, Inc. and Mastercard, Inc.

Table 4 Securities Gains (Losses), Net
(In Thousands)

	Years ended December 31,			
	2008	2007	2006	
Gains (losses) on available for sale securities	$ 9,196	$ (276)	$ 152	$
Other-than-temporary impairment of preferred stocks	(5,306)	(8,641)	-	
Gains on Mastercard and Visa IPO securities	6,799	1,075	-	
Gains (losses) on mortgage hedging securities	10,948	(486)	(1,102)	
Total	$ 21,637	$ (8,328)	$ (950)	$

Net gains on derivatives totaled $1.3 million for 2008 and $2.3 million in 2007. Net gains and losses on derivatives consist of fair value adjustments of all derivatives used to manage interest rate risk and the related hedged liabilities when adjustments are permitted by generally accepted accounting principles. Derivative instruments generally consist of interest rate swaps where the Company pays a variable rate based on LIBOR and receives a fixed rate. The fair value of these swaps generally decreases when interest rates fall.

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

Fourth Quarter 2008 Other Operating Revenue

Other operating revenue for the fourth quarter of 2008 totaled $128 million, a $20 million or 19% increase over the fourth quarter of 2007. Fees and commission revenue decreased $3.5 million or 3% compared with the fourth quarter of 2007. Brokerage and trading revenue was up $3.1 million or 60% for the fourth quarter due to continued strong securities trading gains, partially offset by reduced investment banking transactions. Transaction card revenue increased $1.7 million or 28% compared to the previous year due to ATM fees, merchant discount fees and debit card processing volumes. Trust revenue decreased $3.0 million or 59% compared with the fourth quarter of 2007 due largely to a 16% decrease in the fair value of trust assets. Deposit service charges and fees decreased $699 thousand or 9% due to a reduction in overdraft fees, partially offset by an increase in commercial account activity charges.

Net securities gains for the fourth quarter of 2008 totaled $20 million, compared with net securities losses of $6.3 million for the fourth quarter of 2007.

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Table 5 Securities Gains (Losses), Net
(In Thousands)

	Quarter ended December 31, 2008	2007
Gains on available for sale securities	$ 5,067	$ 1,102
Other-than-temporary impairment of preferred stocks	-	(8,641)
Gains on mortgage hedge securities	15,089	1,288
Total	$ 20,156	$ (6,251)

2007 Other Operating Revenue

Other operating revenue totaled $399 million for 2007, up $27 million over 2006. Fees and commissions revenue increased $34 million or 9%. Transaction card revenue increased $12 million or 15% due to increases in check card revenue and ATM fees. Brokerage and trading revenue grew $9.1 million or 17% due to increased retail brokerage revenue and securities trading gains. Trust fees and commissions were up $7.2 million or 10% due to a 15% increase in the fair value of trust assets. Deposit service charges increased $6.8 million or 7% due to a 9% increase in overdraft fees and a 6% increase in commercial account service charge revenue.

Net securities losses totaled $8.3 million for 2007 and $950 thousand for 2006. Other-than-temporary impairment charges of $8.6 million were recognized in 2007 on our holdings of variable-rate, perpetual preferred stocks.

Other Operating Expense

Other operating expense totaled $662 million for 2008, up $87 million over 2007. Personnel expenses increased $24 million or 7% over the previous year. Expenses for our mortgage-banking activities, which included reduction in the fair value of our mortgage servicing rights and provision for credit losses on mortgage loans sold with recourse, increased $41 million. All other operating expenses increased $22 million or 10%.

Table 6 Other Operating Expense
(In Thousands)

	Years ended December 31,			
	2008	2007	2006	
Personnel expense	$352,947	$328,705	$296,260	$
Business promotion	23,536	21,888	19,351	
Contribution of stock to BOK Charitable Foundation	-	-	-	
Professional fees and services	27,045	22,795	17,744	
Net occupancy and equipment	60,632	57,284	52,188	
Insurance	11,988	3,017	4,270	
Data processing and communications	78,047	72,733	66,926	
Printing, postage and supplies	16,433	16,570	15,862	
Net (gains) losses and operating expenses of repossessed assets	1,019	691	474	
Amortization of intangible assets	7,661	7,358	5,327	
Mortgage banking costs	22,513	13,111	12,898	
Change in fair value of mortgage servicing rights	34,515	2,893	(3,009)	
Recovery for impairment of mortgage servicing rights	-	-	-	
Visa retrospective responsibility obligation	(2,767)	2,767	-	
Other expense	28,835	25,175	24,016	
Total	$662,404	$574,987	$512,307	$

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Personnel Expense

Personnel expense totaled $353 million for 2008 and $329 million for 2007. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs, totaled $220 million, up $13 million or 6% over 2007. The increase in regular compensation was primarily due to an increase in the average regular compensation per full time equivalent employee. Average staffing levels increased 1% compared with 2007.

Table 7 Personnel Expense
(In Thousands)

	Years Ended December 31,			
	2008	2007	2006	2005
Regular compensation	$ 219,629	$ 206,857	$ 185,466	$ 165,529
Incentive compensation:				
Cash-based	79,215	62,657	54,093	44,726
Stock-based	3,962	8,763	11,111	5,097
Total incentive compensation	83,177	71,420	65,204	49,823
Employee benefits	50,141	47,929	45,590	43,619
Workforce reduction costs, net	-	2,499	-	-
Total personnel expense	$ 352,947	$ 328,705	$ 296,260	$ 258,971
Average staffing (full-time equivalent)	4,140	4,106	3,828	3,677

Incentive compensation increased $12 million or 16% to $83 million. Expense for cash-based incentive compensation plans increased $17 million or 26%. These plans are primarily either intended to provide current rewards to employees who generate long-term business opportunities to the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. The increase in cash-based incentive compensation over 2007 included a $13 million or 84% increase in sales commissions related to brokerage and trading revenue.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense related to liability awards decreased $5.2 million compared with 2007. This decrease reflected changes in the market value of BOK Financial common stock. The year-end closing market price per share of BOK Financial common stock decreased $11.30 during 2008 and decreased $3.28 in 2007. Compensation expense for equity awards increased $538 thousand or 8% compared with 2007. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value.

Employee benefit expense totaled $50 million, a $2.2 million or 5% increase over 2007 due to growth in payroll taxes, employee insurance expense and training costs. Employee insurance costs were up $242 thousand or 1%. The Company self-insures a portion of its employee health care coverage and these costs may be volatile. The Company expects an increase of approximately $2.0 million in pension expense for 2009 based on changes in the expected return on plan assets and discount rate.

Mortgage Banking Costs

Certain mortgage banking costs, including changes in the fair value of mortgage servicing rights and provision for losses on mortgage loans sold with recourse, totaled $57 million in 2008 and $16 million in 2007. The fair value of mortgage servicing rights decreased $35 million in 2008 and $2.9 million in 2007. Anticipated prepayment speeds increased significantly in the fourth quarter of 2008 in response to government programs to lower mortgage interest rates. Although we maintain a portfolio of mortgage-backed securities as an economic hedge against changes in the fair value of our servicing rights, disconnection between current yields on these securities and current mortgage loan commitment rates limited the effectiveness of our hedge.

We also maintain a reserve for losses on mortgage loans sold with recourse. Provision for losses on these loans totaled $8.6 million in 2008 and $1.1 million in 2007. These loans are more fully discussed in the Loan Commitments section of this report.

Other Operating Expenses

All other operating expenses totaled $252 million for 2008, up $22 million or 10% over 2007. Deposit insurance expense increased $9.0 million over the previous year due to the full implementation of assessment increases approved by the FDIC in 2006. The Company expects deposit insurance cost to increase further in 2009 as recently-announced increases in deposit insurance premiums and costs of the Temporary Liquidity Guarantee Program become effective.

Professional fees increased $4.2 million or 19% due to legal and other loan collection costs. Data processing and communications costs increased $5.3 million or 7% due to higher processing volumes. Other operating expenses for 2008 were reduced by $5.5 million compared to the previous year from charges related to Visa, Inc. retrospective responsibility plan. As a

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member of Visa, we are obligated for a proportionate share of certain covered litigation costs incurred by Visa. These costs are expected to be covered by an escrow account. The Company accrued $2.8 million in 2007 for its estimated obligation for certain litigation covered by this plan. This accrual was offset in March, 2008 when Visa funded a litigation escrow account from the proceeds of its initial public offering of common shares. During 2008, the Company recognized an additional obligation for settled litigation under the retrospective responsibility plan and Visa contributed additional funds to the escrow account. See Note 15 to the Consolidated Financial Statements for additional information about the Company's contingent obligation under the Visa retrospective responsibility plan.

Fourth Quarter 2008 Operating Expenses

Other operating expense totaled $185 million for the fourth quarter of 2008, up $28 million over the fourth quarter of 2007. Excluding the previously discussed change in fair value of mortgage servicing rights, other operating expenses increased $4.6 million or 3%. Personnel expense increased $3.2 million and deposit insurance expense increased $2.4 million. Professional fees increased $1.7 million due to legal fees and other loan collection costs. Changes in accruals for the Company's obligation under Visa, Inc. retrospective responsibility plan reduced other operating expenses by $4.5 million.

2007 Operating Expenses

Other operating expense for 2007 totaled $575 million, a $63 million or 12% increase over 2006. This increase resulted primarily from a $32 million increase in personnel expense.

Personnel expense growth was driven largely by total employment, average compensation per employee and incentive compensation expense. Regular compensation expense totaled $207 million, up $21 million, or 12% increase over 2006. Incentive compensation increased $6.2 million, or 10% to $71 million. Expense for cash-based incentive compensation plans increased $8.6 million or 16%. Stock-based compensation expense decreased $2.3 million or 21%. The Company's stock-based compensation plans include both equity awards and liability awards. Compensation expense associated with liability award plans decreased $2.9 million due to changes in the market value of BOK Financial common stock. Compensation expense for equity awards increased $567 thousand or 9% over 2006. Employee benefit expenses increased $2.3 million or 5% to $48 million.

Professional fees increased $5.1 million or 28% to $23 million compared with 2006. Growth in other professional fees includes costs related to acquisitions and subordinated debt issued during 2007, costs related to the Securities and Exchange Commission's examination of our mutual fund advisory activities discussed in Note 15 to the Consolidated Financial Statements, and professional fees related to debt collection activities.

Other expenses in 2007 included a $2.8 million charge for our contingent obligation to support Visa's antitrust litigation costs and a $695 thousand increase in FDIC insurance premiums.

Income Taxes

Income tax expense was $65 million for 2008, $116 million for 2007 and $115 million for 2006. This represented 30%, 35% and 35%, respectively, of book taxable income. Tax expense currently payable totaled $116 million in 2008, $129 million in 2007 and $122 million in 2006.

The statute of limitations expired on an uncertain income tax position and the Company adjusted its current income tax liability to amounts on filed tax returns for 2007 during 2008. In addition, the Company recognized the tax benefit from certain appreciated securities contributed to the BOKF Charitable Foundation in 2008. Income tax expense for 2008 would have been $71 million or 33% of book taxable income excluding these items.

Net deferred tax assets totaled $219 million at December 31, 2008 and $53 million at December 31, 2007. The increase was due primarily to the tax effect of unrealized losses on available for sale securities and provision for credit losses in excess of net loans charged off. We have evaluated the recoverability of our net deferred tax asset based on taxes previously paid in net loss carry-back periods and other factors and determined that no valuation allowance was required.

Reserves for uncertain tax positions totaled $13 million at December 31, 2008 and December 31, 2007. BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations.

Income taxes expense for the fourth quarter of 2008 totaled $10 million or 23% of book taxable income. Excluding the previously mentioned tax benefit from the contribution of appreciated securities and quarterly adjustments to the annual effective tax rate, income tax expense for the fourth quarter would have been $15 million or 33% of book taxable income.

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Table 8 Selected Quarterly Financial Data
(In Thousands Except Per Share Data)

	Fourth	Third	S
		2008	
Interest revenue	$262,160	$263,358	$26
Interest expense	85,713	99,010	10

Net interest revenue	176,447	164,348	15
Provision for credit losses	73,001	52,711	5
Net interest revenue after provision for credit losses	103,446	111,637	9
Other operating revenue	109,865	125,827	6
Gain (loss) on securities, net	20,156	2,103	(
Gain (loss) on derivatives, net	(2,219)	4,366	(
Other operating expense	159,010	158,736	15
Change in fair value of mortgage servicing rights	26,432	5,554	
Income (loss) before taxes	45,806	79,643	(
Income tax expense	10,363	22,958	(
Net income (loss)	$ 35,443	$56,685	$ (
Earnings (loss) per share:			
Basic	$ 0.53	$0.84	$
Diluted	$ 0.53	$0.84	$
Average shares:			
Basic	67,294	67,263	6
Diluted	67,490	67,471	6

	2007		
Interest revenue	$ 297,096	$300,380	$28
Interest expense	155,807	160,935	15
Net interest revenue	141,289	139,445	13
Provision for credit losses	13,200	7,201	
Net interest revenue after provision for credit losses	128,089	132,244	12
Other operating revenue	112,038	103,759	9
Gain (loss) on securities, net	(6,251)	4,748	(
Gain (loss) on derivatives, net	1,529	865	
Other operating expense	154,383	147,572	13
Change in fair value of mortgage servicing rights	3,344	3,446	(
Income before taxes	77,678	90,598	8
Income tax expense	26,518	30,750	2
Net income	$ 51,160	$59,848	$ 5
Earnings per share:			
Basic	$ 0.76	$ 0.89	$
Diluted	$ 0.76	$ 0.89	$
Average shares:			
Basic	67,051	67,078	6
Diluted	67,483	67,538	6

Lines of Business

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Our principal lines of business have been re-defined from the previous year to better present the Company's organization as it has grown in markets outside of Oklahoma. Line of business information for 2007 and 2006 has been revised for consistent presentation. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund network. Consumer banking includes retail lending and deposit services, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private financial services and investment advisory services in all markets.

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

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

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

As shown in Table 9, net income attributed to our lines of business decreased $98 million or 42% from last year. The decrease was due primarily to credit losses attributed to the business units. In addition, falling interest rates decreased the transfer pricing credit provided to business units that generate lower-costing funds for the Company.

Table 9 Net Income by Line of Business
(In Thousands)

	Years ended December 31, 2008	2007	2006
Commercial banking	$ 79,490	$150,537	$138,540
Consumer banking	25,749	57,252	61,731
Wealth management	29,737	25,621	27,599
Subtotal	134,976	233,410	227,870
Funds management and other	18,256	(15,746)	(14,893)
Total	$153,232	$217,664	$212,977

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Commercial Banking

Commercial banking contributed $79 million to consolidated net income in 2008, down from $151 million in 2007. The decrease in commercial banking net income was largely due to a $72 million increase in net loans charged-off and $41 million of net credit losses on a customer's derivatives position. These charges combined to reduce commercial banking net income by $69 million in 2008.

Net interest revenue decreased $8.4 million or 3% compared with 2007. The decline was primarily driven by two factors. Falling short-term interest rates decreased the internal transfer pricing credit provided to the commercial banking division for deposits sold to our funds management unit by approximately $21 million. The funding charge for average non-interest earning derivative assets increased approximately $12 million as those balances grew due to commodity price volatility. This reduction was largely offset by an increase in average outstanding balance of commercial loans. Other operating revenue excluding the previously noted credit losses on derivative contracts, increased $17 million or 13%, including a $6.3 million increase in deposit account service charges and a $4.9 million increase in TransFund revenue. Operating expenses were up $15 million or 8% due to higher personnel expenses, data processing costs and professional fees to collect problem assets.

Net commercial banking loans charged off in 2008 totaled $82 million or 0.85% of average loans attributed to this line of business. Commercial and industrial loans charged off totaled $35 million or 1.47% of average commercial and industrial loans. Commercial real estate loans charged off totaled $18 million or 0.84% of average commercial real estate loans and small business banking loans charged off totaled $11 million or 0.48% of average small business loans. Net loans charged off in 2008 also included a $26 million energy loan. The commercial banking division recognized an $11 million recovery of two loans charged off in 2001 and 2005.

The average outstanding balance of loans attributed to commercial banking was $9.7 billion for 2008. Average commercial banking division loans increased $903 million or 10% over 2007. Commercial and industrial loans averaged $2.3 billion for 2008, a $277 million or 13% increase over 2007. Small business loans averaged $2.2 billion for 2008, up $279 million or 14% over the previous year. Energy loans averaged $1.8 billion, an increase of $173 million or 11% and commercial real estate loans averaged $2.2 billion, up $54 million or 3% over 2007.

Average deposits attributed to commercial banking were $4.6 billion for 2008, up $413 million or 10% over 2007. Treasury services account balances increased $260 million or 24% and deposit balances attributed to our energy customers increased $92 million or 27%. High energy prices during 2008 provided liquidity to many of our energy-producing customers.

Table 10 Commercial Banking
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
NIR (expense) from external sources	$ 451,623	$ 526,225	$ 456,497
NIR (expense) from internal sources	(134,196)	(200,390)	(162,537)
Total net interest revenue	317,427	325,835	293,960
Other operating revenue	107,185	131,081	119,891
Operating expense	217,155	201,876	184,385
Net loans charged off	81,966	9,747	2,988
Gains on financial instruments, net	4,689	1,075	10
Gains (losses) on repossessed assets, net	(82)	10	255
Income before taxes	130,098	246,378	226,743
Federal and state income tax	50,608	95,841	88,203
Net income	$ 79,490	$ 150,537	$ 138,540
Average assets	$12,920,566	$ 11,274,301	$ 9,993,775
Average loans	9,698,214	8,795,426	7,569,827
Average deposits	4,559,653	4,146,378	3,680,944
Average invested capital	1,036,980	1,059,730	997,210
Return on assets	0.62%	1.34%	1.39%
Return on invested capital	7.67	14.21	13.89
Efficiency ratio	51.14	44.18	44.55
Net charge-offs to average loans	0.85	0.11	0.04

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Consumer Banking

Consumer banking services are provided through four primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and On-line internet banking. We currently have 195 consumer banking locations, including branch banking locations and mortgage lending offices. Our consumer banking locations are primarily distributed 84 in Oklahoma, 47 in Texas, 21 in New Mexico and 16 in Colorado. The Consumer Banking division plans to open five locations in 2009, two in Phoenix, Arizona and one each in Albuquerque, New Mexico, Allen, Texas and Kansas City, Missouri.

Consumer banking contributed $26 million to consolidated net income in 2008, down from $57 million in 2007. The decrease in consumer banking net income was largely due to a decrease in net interest revenue and a decrease in the fair value of mortgage servicing rights, net of economic hedges. In addition, net loans charged off increased $7.5 million due primarily to losses on indirect automobile loans.

Net interest revenue from consumer banking activities decreased $4.4 million or 3% from 2007. Falling short-term interest rates decreased the internal transfer pricing credit provided to the consumer banking division for deposits sold to our funds management unit by $22 million. Other operating revenue increased $4.3 million or 3% over 2007. Deposit service charges were up $2.3 million or 3%. Operating expenses increased $25 million or 13% over 2007. Personnel expense increased $7.3 million or 12% due primarily to acquisition of branch locations in Colorado and Texas in mid-year 2007. Deposit insurance expense was up $2.3 million and charges for mortgage loan foreclosure losses increased $7.5 million.

The decrease in fair value of our mortgage loan servicing rights, net of economic hedging, reduced consumer banking net income by $14 million in 2008 and $2.1 million in 2007. Anticipated prepayment speeds increased significantly in the fourth quarter of 2008 in response to government programs to lower mortgage interest rates. Although we maintain a portfolio of mortgage-backed securities as an economic hedge against changes in the fair value of our servicing rights, disconnection between current yields on these securities and current mortgage loan commitment rates limited the effectiveness of our hedge.

The interest rate sensitivity of our mortgage servicing rights and securities held as an economic hedge is modeled over a range of +/- 50 basis points. At December 31, 2008, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedging by $1.9 million. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedging by $4.4 million. Modeling changes in the value of our servicing rights due to changes in interest rates assumes stable relationships between mortgage commitment rates and discount rates and assumed prepayment speeds and actual 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.

Average consumer deposits increased $236 million or 4% over 2007. Interest-bearing transaction accounts were up $302 million or 17% and time deposits were down $161 million or 6%. Average demand deposit accounts increased $73 million or 12%. Movement of funds among the various types of consumer deposits was largely based on interest rates and product features offered.

Our Consumer Banking division originates, markets and services conventional and government-sponsored mortgage loans for all of our markets. During 2008, we funded $1.0 billion of mortgage loans, compared with $920 million in 2007. Approximately 56% of our mortgage loans funded was in the Oklahoma market and 18% of mortgage loans funded was in the Texas market. We also service $6.0 billion of mortgage loans, including $793 million of loans serviced for affiliated entities. Approximately 93% of the mortgage loans serviced was to borrowers in our primary market areas.

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Table 11 Consumer Banking
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
NIR (expense) from external sources	$ 32,076	$ (7,807)	$ (5,015)
NIR (expense) from internal sources	118,728	163,028	151,532
Total net interest revenue	150,804	155,221	146,517
Other operating revenue	148,885	144,585	134,261
Operating expense	219,024	193,599	176,649
Net loans charged off	16,726	9,233	5,075
Increase (decrease) in fair value of mortgage servicing rights	(34,515)	(2,893)	3,009
Gains(losses)on financial instruments, net	12,525	(486)	(1,102)
Gains on repossessed assets, net	193	107	72
Income before taxes	42,142	93,702	101,033
Federal and state income tax	16,393	36,450	39,302

Net income	$ 25,749	$ 57,252	$ 61,731
Average assets	$ 7,974,694	$ 7,514,732	$ 6,966,156
Average loans	2,511,634	2,274,013	2,044,930
Average deposits	5,678,166	5,442,666	5,123,224
Average invested capital	216,810	194,130	192,310
Return on assets	0.32%	0.76%	0.89%
Return on invested capital	11.88	29.49	32.10
Efficiency ratio	73.08	64.57	62.91
Net charge-offs to average loans	0.67	0.41	0.25
Banking locations (period-end)	195	189	163
Mortgage loan servicing portfolio	$ 5,983,824	$ 5,481,736	$ 4,988,611
Mortgage loan fundings	1,018,246	919,823	766,458

Wealth Management

The Wealth Management division contributed $30 million of net income in 2008, up $4.1 million or 16% over 2007. Net interest revenue decreased $719 thousand or 2%. Lower internal funds transfer credit provided for deposits sold to the funds management unit decreased net interest revenue by $11 million. Other operating revenue increased $25 million or 19% over 2007. Brokerage and trading revenue was up $26 million, more than double 2007, due primarily to securities trading revenue. Growth in trust fees and commissions was limited to $748 thousand or 1% due primarily to a decrease in the fair value of trust assets.

Operating expenses increased $19 million or 14% over 2007. Personnel expense was up $14 million or 17%, including a $13 million increase in sales commissions associated with securities trading. Non-personnel operating expenses increased $5.1 million or 11% compared with 2007 due to data processing and deposit insurance costs.

The Wealth Management division provided $2.1 billion of average deposits in 2008 compared with $1.7 billion of average deposits in 2007. Interest-bearing transaction accounts averaged $1.5 billion for 2008, an increase of $305 million or 26% over 2007. Average time deposits were $389 million, up $102 million or 35% over last year. Deposit growth for the Wealth Management division was due largely to movement of customer funds from managed money market products into deposits.

At December 31, 2008 and 2007, Wealth Management was responsible for trust assets with aggregate fair values of $30.5 billion and $36.3 billion, respectively, under various fiduciary arrangements. The decrease in fair value of trust assets was due primarily to general market conditions. We have sole or joint discretionary authority over $11.5 billion of trust assets at December 31, 2008 compared to $13.8 billion at December 31, 2007. The fair value of non-managed assets totaled $11.3 billion at December 31, 2008, down from $13.1 billion at the previous year end. The fair value of assets held in safekeeping totaled $7.7 billion at December 31, 2008 and $9.4 billion at December 31, 2007.

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Table 12 Wealth Management
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
NIR (expense) from external sources	$ 12,617	$ 8,562	$ 16,731
NIR (expense) from internal sources	32,853	37,627	29,180

Total net interest revenue	45,470	46,189	45,911
Other operating revenue	156,133	130,681	114,044
Operating expense	149,966	131,205	114,548
Net loans charged off	2,961	1,513	242
Cavanal Hill Funds settlement	-	2,232	-
Gains (losses) on financial instruments, net	(7)	13	5
Income before taxes	48,669	41,933	45,170
Federal and state income tax	18,932	16,312	17,571
Net income	$ 29,737	$ 25,621	$ 27,599
Average assets	$ 2,505,168	$ 2,020,472	$ 1,710,193
Average loans	933,139	910,568	858,267
Average deposits	2,100,237	1,653,606	1,415,860
Average invested capital	191,830	182,370	163,340
Return on assets	1.19%	1.27%	1.61%
Return on invested capital	15.50	14.05	16.90
Efficiency ratio	74.39	74.18	71.61
Trust assets	$30,454,512	$ 36,288,592	$31,704,091

Geographic Market Distribution

The Company also secondarily evaluates performance by primary geographic market. Loans are generally attributed to geographic markets based on the location of the customer and may not reflect the location of the underlying collateral. Brokered deposits and other wholesale funds are not attributed to a geographic market. Funds management and other also includes insignificant results of operations in locations outside our primary geographic regions.

Table 13 Net Income by Geographic Region
(In Thousands)

	Years ended December 31, 2008	2007	2006
Oklahoma	$ 69,957	$141,817	$145,176
Texas	42,420	53,772	48,595
New Mexico	14,449	18,474	17,326
Arkansas	9,389	4,774	3,851
Colorado	7,618	13,784	12,361
Arizona	(8,083)	4,092	3,743
Kansas City	539	(380)	(622)
Subtotal	136,289	236,333	230,430
Funds management and other	16,943	(18,669)	(17,453)
Total	$153,232	$217,664	$212,977

Oklahoma Market

Oklahoma remains our predominate market. Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Approximately 51% of our average loans, 50% of our average deposits and 46% of our consolidated net income is attributed to the Oklahoma market. In addition, all of our mortgage servicing activity and 77% of our trust assets are attributed to the Oklahoma market.

Net income generated in the Oklahoma market in 2008 totaled $70 million, down $72 million from the previous year due primarily to credit losses and a decrease in the fair value or mortgage servicing rights, net of economic hedges. Credit losses in the Oklahoma market included a $26 million loan charge off and a $41 million loss on derivative contracts with SemGroup, L.P. The Oklahoma market also recognized $11 million of recoveries of two loans charged-off in previous years and a $6.8 million gain from the partial redemption of shares received from the Visa, Inc. initial public offering.

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Net interest revenue decreased $17 million or 6% from 2007 due to the lower internal funds transfer credit provided for deposits sold to the funds management unit. This was partially offset by the benefit of a $67 million or 1% increase in average loans in the Oklahoma market.

Other operating revenue, excluding the $41 million loss on derivative contracts increased $27 million or 9% due primarily to transaction card revenue, mortgage banking revenue and deposit account service charges. Operating expense increased $38 million or 12% due primarily to higher personnel costs and deposit insurance expense.

Net loans charged-off totaled $45 million or 0.70% of average loans in 2008 and $11 million or 0.18% of average loans in 2007. Net loans charged-off in 2008, excluding the SemGroup charge-offs and two recoveries that are not expected to recur, totaled $30 million or 0.47% of average loans.

Table 14 Oklahoma
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 244,090	$ 260,649	$ 251,374
Other operating revenue	280,314	294,565	274,811
Operating expense	348,345	309,836	289,766
Net loans charged off	44,783	11,145	929
Increase (decrease) in fair value of mortgage servicing rights	(34,515)	(2,893)	3,009
Gains(losses)on financial instruments, net	17,207	602	(1,088)
Gains on repossessed assets, net	527	164	193
Income before taxes	114,495	232,106	237,604
Federal and state income tax	44,538	90,289	92,428
Net income	$ 69,957	$ 141,817	$ 145,176
Average assets	$13,047,213	$ 11,652,430	$10,947,303
Average loans	6,409,208	6,329,310	6,057,379
Average deposits	6,780,539	5,999,478	5,507,046
Average invested capital	780,400	818,360	838,690
Return on assets	0.54%	1.22%	1.33%
Return on invested capital	8.96	17.33	17.31
Efficiency ratio	66.43	55.80	55.07
Net charge-offs to average loans	0.70	0.18	0.02

Texas Market

Texas is our second largest market. Our Texas offices are located primarily in

Dallas, Fort Worth and Houston metropolitan areas. Approximately 29% of our average loans, 24% of our average deposits and 28% of our consolidated net income is attributed to the Texas market.

Net interest revenue increased $2.5 million or 2% over 2007. Average outstanding loans increased $587 million or 19% over 2007. The benefit of an increase in average loans was largely offset by the reduced benefit from funds sold to the funds management unit.

Other operating revenue increased 3% and operating expenses increased 7% over last year. Growth in operating expenses included a full-year's costs of Worth National Bank, which was acquired in May, 2007, and higher deposit insurance costs.

Net loans charged-off totaled $17 million or 0.46% of average loans in 2008 and $2.4 million or 0.08% of average loans in 2007.

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Table 15 Texas
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 153,703	$ 151,157	$ 138,264
Other operating revenue	45,348	44,177	38,812
Operating expense	116,345	108,831	96,210
Net loans charged off	16,544	2,438	5,081
Gains (losses) on repossessed assets, net	119	(47)	145
Income before taxes	66,281	84,018	75,930
Federal and state income tax	23,861	30,246	27,335
Net income	$ 42,420	$ 53,772	$ 48,595
Average assets	$ 5,263,108	$ 4,544,447	$ 4,146,532
Average loans	3,635,216	3,046,091	2,559,918
Average deposits	3,222,986	2,959,111	2,803,801
Average invested capital	463,360	471,910	435,010
Return on assets	0.81%	1.18%	1.17%
Return on invested capital	9.15	11.39	11.17
Efficiency ratio	58.45	55.72	54.33
Net charge-offs to average loans	0.46	0.08	0.20

Other Markets

Net income attributed to our New Mexico market totaled $14 million or 9% of consolidated net income for 2008, down from $18 million in 2007. The decrease in net income attributed to New Mexico resulted from lower net interest revenue due to the lower internal funds transfer credit provided for deposits sold to the funds management unit.

Net income in the Arkansas market increased to $9.4 million in 2008 from $4.8 million in 2007 due primarily to growth in securities trading revenue at our Little Rock office. This was partially offset by a $2.0 million increase in net loans charged-off, primarily indirect automobile loans.

Net income attributed to the Colorado market totaled $7.6 million in 2008, down from $14 million in 2007. Net loans charged-off totaled $8.1 million or 0.95% of average loans in 2008 and $276 thousand or 0.04% of average loans in 2007.

We incurred a net loss of $8.1 million in the Arizona market in 2008 compared with net income of $4.1 million in 2007. The loss was largely due to an increase in net loans charged-off and an increase in operating expenses. Net loans charged-off totaled $18 million or 3.06% of average loans in 2008 and $1.6 million or 0.30% of average loans in 2007. Most of the net loans charged-off were land and residential development loans originated in the Tucson market. The increase in operating expenses are primarily related to personnel costs incurred to build our commercial banking presence in the Phoenix market.

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Table 16 New Mexico
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 39,242	$ 45,083	$ 41,999
Other operating revenue	23,788	24,127	21,317
Operating expense	35,662	35,329	32,869
Net loans charged off	3,715	3,645	2,117
Gains (losses) on repossessed assets, net	(6)	-	27
Income before taxes	23,647	30,236	28,357
Federal and state income tax	9,198	11,762	11,031
Net income	$ 14,449	$ 18,474	$ 17,326
Average assets	$ 1,736,872	$ 1,784,928	$ 1,666,863
Average loans	828,084	802,916	687,281
Average deposits	1,036,209	1,082,883	1,011,161
Average invested capital	114,150	118,320	107,160
Return on assets	0.83%	1.03%	1.04%
Return on invested capital	12.66	15.61	16.17
Efficiency ratio	56.58	51.05	51.91
Net charge-offs to average loans	0.45	0.45	0.31

Table 17 Arkansas
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 11,784	$ 10,075	$ 7,667
Other operating revenue	29,104	17,213	16,523
Operating expense	22,027	18,237	17,645
Net loans charged off	3,253	1,238	205
Losses on repossessed assets, net	242	-	38
Income before taxes	15,366	7,813	6,302
Federal and state income tax	5,977	3,039	2,451
Net income	$ 9,389	$ 4,774	$ 3,851

Average assets	$ 475,794	$ 393,575	$ 281,896
Average loans	434,096	357,286	241,124
Average deposits	73,605	68,659	69,891
Average invested capital	30,290	27,190	22,680
Return on assets	1.97%	1.21%	1.37%
Return on invested capital	31.00	17.56	16.98
Efficiency ratio	53.87	66.83	72.94
Net charge-offs to average loans	0.75	0.35	0.09

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Table 18 Colorado
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 37,009	$ 36,544	$ 30,777
Other operating revenue	16,600	16,276	12,633
Operating expense	32,997	29,985	23,214
Net loans charged off (recovered)	8,145	276	(35)
Income before taxes	12,467	22,559	20,231
Federal and state income tax	4,849	8,775	7,870
Net income	$ 7,618	$ 13,784	$ 12,361
Average assets	$ 1,850,419	$ 1,687,312	$ 1,192,158
Average loans	861,337	738,581	528,289
Average deposits	1,058,816	992,844	713,372
Average invested capital	126,170	115,170	96,360
Return on assets	0.41%	0.82%	1.04%
Return on invested capital	6.04	11.97	12.83
Efficiency ratio	61.55	56.77	53.48
Net charge-offs to average loans	0.95	0.04	(0.01)

Table 19 Arizona
(Dollars in Thousands)

	Years ended December 31,		
	2008	2007	2006
Net interest revenue	$ 18,608	$ 19,292	$ 14,687
Other operating revenue	1,300	2,294	1,092
Operating expense	14,741	13,301	9,644
Net loans charged off	18,109	1,588	9
Losses on repossessed assets, net	287	-	-
Income (loss) before taxes	(13,229)	6,697	6,126
Federal and state income tax (benefit)	(5,146)	2,605	2,383
Net income (loss)	$ (8,083)	$ 4,092	$ 3,743
Average assets	$ 627,784	$ 553,315	$ 349,171

Average loans	592,067	519,359	314,581
Average deposits	126,313	122,617	113,789
Average invested capital	61,780	30,040	6,970
Return on assets	(1.29)%	0.74%	1.07%
Return on invested capital	(13.08)	13.62	53.70
Efficiency ratio	74.05	61.62	61.12
Net charge-offs to average loans	3.06	0.31	-

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Table 20 Kansas City
(Dollars in Thousands)

	Years ended December 31, 2008	2007	2006
Net interest revenue	$ 7,692	$ 4,151	$ 1,637
Other operating revenue	13,456	6,533	2,118
Operating expense	13,164	11,144	4,772
Net loans charged off	7,102	162	-
Income (loss) before taxes	882	(622)	(1,017)
Federal and state income tax (benefit)	343	(242)	(395)
Net income (loss)	$ 539	$ (380)	$ (622)
Average assets	$ 354,703	$ 184,693	$ 85,718
Average loans	338,860	178,169	84,453
Average deposits	37,964	16,936	968
Average invested capital	23,970	13,790	2,310
Return on assets	0.15%	(0.21)%	(0.73)%
Return on invested capital	2.25	(2.76)	(26.93)%
Efficiency ratio	62.25	104.31	127.08
Net charge-offs to average loans	2.10	0.09	-

Assessment of Financial Condition

Securities

BOK Financial maintains a securities portfolio to support its interest rate risk management strategies, enhance profitability, provide liquidity and comply with regulatory requirements. Securities are classified as held for investment, available for sale or trading.

Table 21 Securities
(Dollars in Thousands)

	December 31, 2008 Amortized Cost	2008 Fair Value	2007 Amortized Cost	2007 Fair Value	Amo C
Investment:					
U.S. Treasury	$ -	$ -	$ -	$ -	$
Municipal and other tax-exempt	235,791	239,178	242,274	243,061	

Other debt securities	6,553	6,591	5,675	5,727	
Total	$ 242,344	$ 245,769	$ 247,949	$ 248,788	$ 2
Available for sale:					
U.S. Treasury	$ 6,987	$ 7,126	$ 6,961	$ 7,088	$
Municipal and other tax-exempt	19,537	20,163	26,478	26,578	
Mortgage-backed securities:					
U.S. agencies	4,900,895	4,972,928	3,838,219	3,817,939	3,
Other	1,636,934	1,241,238	1,664,537	1,641,189	1,
Total mortgage-backed securities	6,537,829	6,214,166	5,502,756	5,459,128	4,
Other debt securities	37	36	42	41	
Federal Reserve Banks	32,380	32,380	31,299	31,299	
Federal Home Loan Banks	61,760	61,760	57,265	57,265	
Perpetual preferred stocks	32,472	21,701	32,778	32,778	
Other equity securities and mutual funds	31,421	34,119	30,347	36,363	
Total	$6,722,423	$6,391,451	$5,687,926	$5,650,540	$4,
Mortgage trading:					
Mortgage-backed U.S. agency securities	$ 386,571	$ 399,211	$ 153,920	$ 154,701	$

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Investment securities, which consist primarily of Oklahoma municipal bonds, are carried at cost and adjusted for amortization of premiums or accretion of discounts. At December 31, 2008, investment securities were carried at $242 million and had a fair value of $246 million. Management has the ability and intent to hold these securities until they mature.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled $6.7 billion at December 31, 2008, up $1.0 billion compared with December 31, 2007. Mortgage-backed securities represented 97% of total available for sale securities. The Company holds no debt securities of corporate issuers.

A primary risk of holding mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. The expected duration of the mortgage-backed securities portfolio was approximately 2.4 years at December 31, 2008. Management estimates that the expected duration would extend to approximately 2.6 years assuming a 300 basis point immediate rate shock. The effect of falling interest rates from current low levels is not expected to be significant.

Mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. The Company mitigates this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are fully guaranteed. At December 31, 2008, approximately $4.9 billion of the amortized cost of the Company's mortgage-backed securities were issued by U.S. government agencies. The fair value of these mortgage-backed securities totaled $5.0 billion at December 31, 2008.

The Company also holds approximately $1.6 billion, based on amortized cost, of mortgage-backed securities privately issued by publicly-owned financial institutions. The fair value of our portfolio of privately issued mortgage-backed securities totaled $1.2 billion at December 31, 2008.

Credit risk on mortgage-backed securities originated by these issuers is mitigated by investment in senior tranches with additional collateral support. None of these securities are backed by sub-prime mortgage loans, collateralized debt obligations or collateralized loan obligations. Approximately $390 million of the privately issued mortgage-backed securities consisted of Alt-A mortgage loans. Approximately 82% of these securities, including all Alt-A mortgage-backed securities originated in 2007 and 2006, are credit enhanced with additional collateral support. Approximately 86% of our Alt-A mortgage-backed securities represented pools of fixed-rate mortgage loans. None of the adjustable rate mortgages are payment option ARMs.

The aggregate gross amount of unrealized losses on available for sale securities at December 31, 2008 totaled $418 million. Management evaluated the securities with unrealized losses to determine if we believe that the losses were temporary. This evaluation considered factors such as causes of the unrealized losses, support for debt securities provided by government guarantees or credit enhancements, ratings of the respective issuers and other factors to assess the prospects for recovery over various interest rate scenarios and time periods. We also considered our intent and ability to either hold or sell the securities. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary.

Approximately $252 million of our portfolio of mortgage-backed securities are rated below investment grade by at least one of the nationally-recognized rating agencies. The aggregate unrealized loss on these securities totaled $92 million. We use an adjusted loan to value ratio as part of our evaluation of whether the unrealized losses on these securities are temporary or other-than-temporary. Consideration is given to other-than-temporary impairment if the adjusted loan to value ratio of a specific security exceeds 85%. We expect the number of below investment grade securities to increase as the rating agencies continue their evaluations in a worsening economy. A distribution of the amortized cost, fair value and unrealized loss by adjusted loan to value ratio is presented in Table 22.

Table 22 Below Investment Grade Securities at December 31, 2008
(In Thousands)

Adjusted LTV Ratio	Amortized Cost	Fair Value
<70 %	$ 89,244	$ 62,886
70 <75	66,862	43,522
75 <80	83,298	46,785
80 <85	12,702	6,985
Total	$ 252,106	$ 160,178

Our portfolio of available for sale securities also included preferred stocks issued by seven financial institutions. These stocks were originally purchased for $46 million and have a current carrying value of $32 million. Our carrying value of these stocks has been reduced by $14 million of other-than-temporary impairment charges. None of the institutions that issued these stocks were in default. These preferred stocks have certain debt-like features such as a quarterly dividend based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. The aggregate fair value of these preferred stocks decreased to $22 million at December 31, 2008 due to a significant widening of spreads to LIBOR related to current market disruptions. Management believes that the fair value of these securities will recover to our carrying value as spreads to LIBOR return to a range of 400 basis points to 500 basis points.

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

Bank-Owned Life Insurance

The Company has approximately $237 million invested in bank-owned life insurance at December 31, 2008. These investments are expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately $204 million is held in separate accounts. The Company's separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, mortgage-backed securities, corporate debt, asset-backed and CMBS securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of the life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At December 31, 2008, cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately $199 million and cash surrender value represented by the value of the stable value wrap was approximately $4.6 million. The stable value wrap was provided by a highly-rated, domestic financial institution. The remaining cash surrender value of $33 million primarily represented the cash surrender value of policies held in the general accounts and amounts due from various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled $12.9 billion at December 31, 2008, a $935 million or 8% increase since December 31, 2008. Commercial loans, residential mortgage loans and consumer loans increased during the year. Commercial real estate loans decreased during the same period.

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

The commercial loan portfolio increased $650 million during 2008 to $7.4 billion at December 31, 2008. Energy loans totaled $2.3 billion or 18% of total loans. Outstanding energy loans increased $357 million during 2008. Approximately $2.0 billion of energy loans was to oil and gas producers, up from $1.6 billion at December 31, 2007. The amount of credit available to these customers generally depends on a percentage of the value of their proven energy reserves based on anticipated prices. The energy category also included $161 million of loans to borrowers that provide services to the energy industry, $128 million of loans to borrowers engaged in wholesale or retail energy sales and $55 million of loans to borrowers that manufacture equipment for the energy industry. The energy category of our loan portfolio is distributed $1.1 billion in Oklahoma, $728 million in Texas and $433 million in Colorado.

The services sector of the loan portfolio totaled $2.0 billion or 16% of total loans and consists of a large number of loans to a variety of businesses, including communications, gaming, financial services and transportation services. Outstanding loans to the services sector of the loan portfolio increased $305 million during 2008. Approximately $1.3 billion of the services category is made up of loans with individual balances of less than $10 million. Approximately $731 million of the outstanding balance of services loans is attributed to Texas, $658 million to Oklahoma, $247 million to New Mexico, $135 million to Arizona and $132 million to Colorado.

Other notable loan concentrations by primary industry of the borrowers are presented in Table 23.

Table 23 Loans
(In Thousands)

	December 31,			
	2008	2007	2006	
Commercial:				
Energy	$2,311,813	$1,954,967	$1,763,180	$1,39
Services	2,038,451	1,733,569	1,555,141	1,42
Wholesale/retail	1,165,099	1,084,379	932,531	79
Manufacturing	497,957	493,185	609,571	51
Healthcare	777,154	685,131	602,273	52
Agriculture	197,629	240,469	321,380	29
Other commercial and industrial	423,500	569,884	424,808	35
Total commercial	7,411,603	6,761,584	6,208,884	5,29
Commercial real estate:				
Construction and land development	926,226	1,007,414	889,925	63
Retail	371,228	423,118	374,294	30
Office	459,357	421,163	420,914	49
Multifamily	316,596	214,388	239,000	20
Industrial	149,367	154,255	146,406	9
Other real estate loans	478,474	502,746	376,001	25
Total commercial real estate	2,701,248	2,723,084	2,446,540	1,98
Residential mortgage:				
Permanent mortgage	1,273,275	1,092,382	867,748	80
Home equity	479,299	442,223	388,511	36
Total residential mortgage	1,752,574	1,534,605	1,256,259	1,16
Consumer:				
Indirect automobile	692,615	625,203	465,622	35
Other consumer	317,966	296,094	273,873	27
Total consumer	1,010,581	921,297	739,495	62
Total	$12,876,006	$11,940,570	$10,651,178	$9,08

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. At December 31, 2008, the outstanding principal balance of these loans totaled $2.2 billion. Substantially all of these loans are to borrowers with local market relationships. BOK Financial serves as the agent lender in approximately 21% of its shared national credits, based on dollars committed. The Company's lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer.

Commercial real estate loans totaled $2.7 billion or 21% of the loan portfolio at December 31, 2008. Over the past five years, the percentage of commercial real estate loans to our total loan portfolio ranged from 20% to 23%.

The outstanding balance of commercial real estate loans decreased $22 million or 1% from the previous year end. Construction and land development loans decreased $81 million to $926 million at December 31, 2008. Approximately $244 million of these loans are attributed to the Oklahoma market, $246 million to the Texas market, $172 million to the Colorado market and $155 million to the Arizona market.

Loans secured by multifamily residential properties increased $102 million, primarily in the Texas and Oklahoma markets. Loans secured by office buildings increased $38 million, primarily in the Colorado, Texas, Oklahoma and New Mexico markets. The geographic distribution of the $1.8 billion of commercial real estate loans excluding construction land and land development loans primarily consisted of $600 million in Oklahoma, $580 million in Texas, $206 million in New Mexico, $165 million in Arizona and $90 million in Colorado. Other commercial real estate loans in the Arizona market included $64 million secured by retail facilities and $47 million secured by office facilities.

Residential mortgage loans totaled $1.8 billion, up $218 million or 14% since December 31, 2007. Permanent 1-4 family mortgage loans increased $181 million and home equity loans increased $37 million. We have no concentration in sub-prime residential mortgage loans and our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or loans with initial rates that are below market. Our portfolio of permanent 1- 4 family mortgage loans includes $127 million of community development loans. These loans are generally underwritten to prime standards and require full documentation. Approximately $1.2 billion of our residential mortgage loan portfolio is attributed to borrowers in Oklahoma and $315 million to borrowers in Texas.

At December 31, 2008, consumer loans included $693 million of indirect automobile loans. Approximately $434 million of these loans were purchased from dealers in Oklahoma and $170 million were purchased from dealers in Arkansas. The remaining $88 million were purchased from dealers in Texas. Indirect automobile loans increased $110 million through June 30,

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2008, then decreased $42 million during the second half of 2008. Approximately 6% of the outstanding balance at December 31, 2008 is considered near-prime, which is defined as loans to borrowers that had poor credit in the past but have re-established credit over a period of time. We generally do not originate sub-prime indirect automobile loans.

Table 24 Loan Maturity and Interest Rate Sensitivity at December 31, 2008
(In Thousands)

		Remaining Maturities of Selected Loa		
	Total	Within 1 Year	1-5 Years	After 5 Ye

Loan maturity:				
Commercial	$ 7,411,603	$2,482,847	$4,099,164	$ 829,592
Commercial real estate	2,701,248	1,474,211	934,537	292,500
Total	$10,112,851	$3,957,058	$5,033,701	$1,122,092
Interest rate sensitivity for selected loans with:				
Predetermined interest rates	$ 3,921,529	$ 614,129	$2,707,477	$ 599,923
Floating or adjustable interest rates	6,191,322	3,342,929	2,326,224	522,169
Total	$10,112,851	$3,957,058	$5,033,701	$1,122,092

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Table 25 Loans by Principal Market Area
(In Thousands)

	December 31,			
	2008	2007	2006	
Oklahoma:				
Commercial	$3,356,520	$3,224,013	$3,186,085	$3,05
Commercial real estate	843,576	885,866	979,251	85
Residential mortgage	1,196,924	1,080,483	896,567	84
Consumer	579,809	576,070	512,032	46
Total Oklahoma	$5,976,829	$5,766,432	$5,573,935	$5,22
Texas:				
Commercial	$2,353,860	$1,997,659	$1,722,627	$1,35
Commercial real estate	825,769	830,980	670,635	56
Residential mortgage	315,438	278,842	213,801	19
Consumer	212,820	142,958	95,652	8
Total Texas	$3,707,887	$3,250,439	$2,702,715	$2,21
New Mexico:				
Commercial	$418,732	$473,262	$411,272	$38
Commercial real estate	286,574	252,884	257,079	23
Residential mortgage	98,018	84,336	75,159	6
Consumer	18,616	16,105	13,256	1
Total New Mexico	$821,940	$826,587	$756,766	$69
Arkansas:				
Commercial	$103,446	$106,328	$95,483	$7
Commercial real estate	134,015	124,317	94,395	7
Residential mortgage	16,875	16,393	23,076	1
Consumer	175,647	163,626	86,017	2
Total Arkansas	$429,983	$410,664	$298,971	$19
Colorado:				
Commercial	$660,546	$490,373	$451,046	$27
Commercial real estate	261,820	252,537	193,747	13
Residential mortgage	53,875	26,556	15,812	2

Consumer	16,141	16,457	26,591	2
Total Colorado	$992,382	$785,923	$687,196	$45
Arizona:				
Commercial	$211,356	$157,341	$96,453	$5
Commercial real estate	319,525	342,673	207,035	11
Residential mortgage	62,123	46,269	31,280	2
Consumer	6,075	5,522	5,947	
Total Arizona	$599,079	$551,805	$340,715	$19
Kansas:				
Commercial	$307,143	$312,608	$245,918	$10
Commercial real estate	29,969	33,827	44,398	
Residential mortgage	9,321	1,726	564	
Consumer	1,473	559	-	
Total Kansas	$347,906	$348,720	$290,880	$10
Total BOK Financial loans	$12,876,006	$11,940,570	$10,651,178	$9,08

Loan Commitments

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $5.0 billion and standby letters of credit which totaled $599 million at December 31, 2008. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately $1.6 million of the outstanding standby letters of credit were issued on behalf of customers whose loans are non-performing at December 31, 2008.

Table 26 Off-Balance Sheet Credit Commitments
(In Thousands)

	As of December 31, 2008	2007	2006	2005	
Loan commitments	$5,015,660	$5,345,736	$5,318,257	$4,349,114	$3,4
Standby letters of credit	598,618	555,758	527,627	558,907	4
Mortgage loans sold with recourse	391,188	392,534	329,713	248,150	

The Company also has off-balance sheet commitments for residential mortgage loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs and sold to U.S. government agencies. These loans were underwritten to standards approved by the agencies, including full documentation. However, these loans have a higher risk of delinquency and losses from default than traditional residential mortgage loans. A separate recourse reserve is maintained as part of other liabilities. At December 31, 2008, the principal balance of loans sold subject to recourse obligations totaled $391 million. Substantially all of these loans are to borrowers in our primary markets including $274 million to borrowers in Oklahoma, $44 million to borrowers in Arkansas, $22 million to borrowers in New Mexico, $19 million to borrowers in the Kansas City area and $18 million to borrowers in Texas. The separate reserve for this off-balance commitment totaled $8.8 million at December 31, 2008. Approximately 3.14% of the loans sold with recourse with an outstanding principal balance of $13 million were either delinquent more than 90 days, in bankruptcy or in foreclosure. The provision for credit losses on loans sold with recourse, which is included in mortgage banking costs, was $8.6 million for 2008. Net losses charged against the reserve totaled $3.4 million for 2008.

Customer Derivative Programs

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

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

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

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

Derivative contracts are carried at fair value. At December 31, 2008, the net fair values of derivative contracts reported as assets under these programs totaled $656 million, up from $501 million at December 31, 2007. At December 31, 2008, derivative contracts carried as assets included energy contracts with fair values of $423 million, interest rate contracts with fair values of $174 million and foreign exchange contracts with fair values of $52 million. The aggregate net fair values of derivative contracts held under these programs reported as liabilities totaled $682 million.

As of January 1, 2008, the Company adopted FASB Staff Position FIN 39-1 which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. Total derivative assets were reduced by $217 million of cash collateral received from counterparties and total derivative liabilities were reduced by $15 million of cash collateral delivered to counterparties at December 31, 2008.

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at December 31, 2008 was (in thousands):

Customers	$206,719
Banks	120,516
Energy companies	76,296
Exchanges	30,204
Other	5,319
Fair value of customer hedge asset derivative contracts, net	$439,054

The largest net reported amount due from a single counterparty, a subsidiary of a major energy company, at December 31, 2008 was $64 million. Letters of credit issued by independent financial institutions further reduce our exposure to this customer to $14 million.

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 exceed 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 $20 per barrel of oil would increase the fair value of derivative assets by $256 million. An increase in prices equivalent to $80 per barrel of oil would decrease the fair value of derivative assets by $98 million as current prices move closer to the fixed prices embedded in our existing contracts. Further increases in prices equivalent to $120 per barrel of oil would increase the fair value of our derivative assets by $621 million. Liquidity requirements of this program are also affected by our credit rating. A decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $286 million.

Summary of Loan Loss Experience

BOK Financial maintains separate reserves for loan losses and reserves for off-balance sheet credit risk. The combined allowance for loan and off-balance sheet credit losses totaled $248 million or 1.93% of outstanding loans and 83% of non-accruing loans at December 31, 2008. At December 31, 2007, the combined allowance for loan losses and off-balance sheet credit losses was $148 million or 1.24% of outstanding loans and 175% of non-accruing loans. The reserve for loan losses totaled $233 million or 1.81% of outstanding loans at December 31, 2008 and $127 million or 1.06% of outstanding loans at December 31, 2007. The reserve for off-balance sheet credit commitments was $15 million at December 31, 2008, down from $21 million at December 31, 2007 due largely to changes in risk factors and the funding of existing commitments.

Net loans charged off during 2008 totaled $102 million compared to $21 million in the previous year. The ratio of net loans charged off to average outstanding loans was 0.81% for 2008 compared with 0.19% for 2007.

Gross loans charged off in 2008 totaled $122 million, an increase of $91 million over 2007. The single largest gross amount charged off during 2008 was $26 million from the SemGroup credit. The remaining gross loans charged off included $49 million of other commercial loans, $19 million of commercial real estate loans and $21 million of consumer loans. Recoveries of loans previously charged off increased to $20 million in 2008 from $11 million in the previous year. In addition to the normal trend of recoveries, we recovered $7.1 million from a loan charged off in 2005 and $4.0 million from a loan charged off in 2001 during 2008.

Commercial loans charged off in 2008, in addition to SemGroup, included $17 million in the services sector of the loan portfolio. Commercial loans charged off were distributed across our markets. Commercial real estate loans charged off were largely concentrated in the Arizona market. Approximately $16 million of land and residential construction loans in Arizona were charged off in 2008.

Consumer loan net charge-offs, which includes indirect auto loan and deposit account overdraft losses, totaled $14 million for 2008, up $6.3 million over the previous year. Net charge-offs of indirect auto loans totaled $8.6 million for 2008 and $2.9 million for 2007. Net indirect auto loans charged off were $4.7 million in the Oklahoma market, $2.9 million in the Arkansas market and $923 thousand in the Texas market.

Table 27 Summary of Loan Loss Experience
(Dollars in Thousands)

	Years ended December 31,			
Reserve for loan losses:	2008	2007	2006	
Beginning balance	$126,677	$109,497	$103,876	$10
Loans charged off:				
Commercial	74,976	14,380	10,517	
Commercial real estate	19,141	1,795	87	
Residential mortgage	7,223	1,709	1,265	
Consumer	20,871	13,733	12,127	1
Total	122,211	31,617	23,996	2
Recoveries of loans previously charged off:				
Commercial	13,379	4,534	5,405	
Commercial real estate	332	110	327	
Residential mortgage	366	309	161	
Consumer	6,413	5,558	5,638	
Total	20,490	10,511	11,531	
Net loans charged off	101,721	21,106	12,465	1
Provision for loan losses	208,280	34,758	18,086	1
Additions due to acquisitions	-	3,528	-	
Ending balance	$233,236	$126,677	$109,497	$10
Reserve for off-balance sheet credit losses:				
Beginning balance	$20,853	$20,890	$20,574	$1
Provision for off-balance sheet credit losses	(5,687)	(37)	316	
Additions due to acquisitions	-	-	-	
Ending balance	$15,166	$20,853	$20,890	$2

Total provision for credit losses	$202,593	$34,721	$18,402	$1
Reserve for loan losses to loans outstanding at year-end	1.81%	1.06%	1.03%	
Net charge-offs to average loans	0.81	0.19	0.13	
Total provision for credit losses to average loans	1.62	0.31	0.19	
Recoveries to gross charge-offs	16.77	33.24	48.05	
Reserve for loan losses as a multiple of net charge-offs	2.29x	6.00x	8.78x	
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	0.27%	0.35%	0.36%	
Combined reserves for credit losses to loans outstanding at year-end	1.93%	1.24%	1.22%	
Problem Loans:				
Loans past due (90 days)	$ 19,123	$ 5,575	$ 5,945	$
Nonaccrual(1)	300,073	84,290	26,055	2
Renegotiated(2)	13,039	10,394	9,802	
Total	$332,235	$100,259	$ 41,802	$ 4
Foregone interest on nonaccrual loans(1)	$ 8,391	$ 3,011	$ 2,130	$

(1) Interest collected and recognized on nonaccrual loans was not significant in 2008 and previous years disclosed.
(2) Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.

The Company considers the credit risk from loan commitments and letters of credit in its evaluation of the adequacy of the reserve for loan losses. A separate reserve for off-balance sheet credit risk is maintained. Table 27 presents the trend of reserves for off-balance sheet credit losses and the relationship between the reserve and loan commitments. The relationship between the combined reserve for credit losses and outstanding loans is also presented for comparison with peer banks and others who have not adopted the preferred presentation. The provision for credit losses included the combined charge to expense for both the reserve for loan losses and the reserve for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the reserve for loan losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts.

At December 31, 2008, specific impairment reserves totaled $29 million on total impaired loans of $270 million. Specific impairment reserves were $4.4 million on total impaired loans of $74 million at December 31, 2007. Impaired loans with no specific impairment reserves totaled $76 million at December 31, 2008. Impairment losses on these loans were charged-off against the allowance for loan losses as they were identified.

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

The provision for credit losses totaled $203 million for 2008, compared with $35 million for the previous year. Factors considered in determining the provision for credit losses for 2008 included trends of increasing net charge-offs and nonperforming loans, concentrations in commercial real estate and residential homebuilder loans and deteriorating trends in the general economy. The application of statistical migration factors to our loan portfolio identified a trend toward more rapid deterioration from pass grading in the current recession. The increased provision also considered growth in identified potential problem loans.

Table 28 Loan Loss Reserve Allocation
(Dollars in Thousands)

	December 31,						
	2008		2007		2006		200
	Reserve(2)	% of Loans(1)	Reserve(2)	% of Loans(1)	Reserve(2)	% of Loans(1)	Reserve(2)
Loan category:							
Commercial	$100,743	57.56%	$49,961	56.07%	$44,151	58.29%	$43,915
Commercial real estate	75,555	20.98	40,807	22.89	30,838	22.97	25,529
Residential mortgage	14,017	13.61	6,156	13.38	4,663	11.80	5,302
Consumer	19,819	7.85	9,962	7.66	11,784	6.94	10,929
Nonspecific allowance	23,102	-	19,791	-	18,061	-	18,201
Total	$233,236	100.00%	$126,677	100.00%	$109,497	100.00%	$103,876 1

(1) Excludes residential mortgage loans held for sale.
(2) Specific allocation for the loan concentration risks are included in the appropriate category.

Non-performing Assets

Non-performing assets totaled $342 million or 2.65% of outstanding loans and repossessed assets at December 31, 2008, up $238 million since December 31, 2007. In addition to $300 million of non-accruing loans, non-performing assets included $13 million of restructured residential mortgage loans and $29 million of real estate and other repossessed assets. Approximately $10 million of the restructured residential mortgage loans are guaranteed by agencies of the U.S. government. Non-performing assets included $15 million of loans and repossessed assets acquired with First United Bank in the second quarter of 2007. The Company will be reimbursed by the sellers up to $5.3 million for any losses incurred during a three-year period after the acquisition date. The Company generally retains non-performing assets to maximize potential recovery which may cause future non-performing assets to increase.

Non-accruing commercial loans totaled $135 million or 1.82% of total commercial loans at December 31, 2008. Non-accruing commercial loans increased $92 million since December 31, 2007. Non-accruing loans in the energy sector of the commercial loan portfolio increased $49 million, substantially all due to the

SemGroup credit. This represents approximately one-third of our pre-bankruptcy credit exposure to SemGroup. In addition, wholesale/retail, services and healthcare sectors of the commercial loan portfolio increased $15 million, $11 million and $10 million, respectively. The distribution of non-accruing commercial loans among our various markets included $75 million in Oklahoma, $22 million in Colorado, $20 million in Texas and $11 million in Kansas City.

Non-accruing commercial real estate loans totaled $137 million or 5.08% of outstanding commercial real estate loans at December 31, 2008. Total non-accruing commercial real estate loans increased $112 million since December 31, 2007, including a $63 million increase in loans secured by land, residential lots and residential construction properties, a $21 million increase in multifamily residential loans and a $10 million increase in loans secured by retail facilities. Non-accruing land and residential construction loans totaled $76 million or 8.21% of the respective loan portfolio sector at December 31, 2008. Other increases in non-accruing commercial real estate loans are spread across all sectors of the commercial real estate loan portfolio. Non-accruing commercial real estate loans attributed to our various markets included $76 million to Arizona, $23 million to Oklahoma, $14 million to Texas, $10 million to Colorado and $8 million to New Mexico.

At December 31, 2008, non-accruing commercial real estate loans in the Arizona market totaled $76 million or 23.85% of commercial real estate loans in that market, up from $9 million or 1.70% at the previous year end. Non-accruing land and residential lot and construction loans in Arizona totaled $50 million at December 31, 2008. Other non-accruing commercial real estate loans in the Arizona market included $12 million of loans secured by retail properties, $6 million of loans secured by industrial properties and $3 million of loans secured by office properties. These properties are primarily located in the Phoenix and Tucson areas of Arizona.

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Our consumer credit exposure consists primarily of permanent residential mortgage loans, home equity loans and indirect automobile loans. Non-accruing permanent residential mortgage loans totaled $26 million or 2.06% of outstanding residential mortgage loans at December 31, 2008. Non-accruing home equity loans totaled $1.2 million or 0.24% of outstanding home equity loans. The distribution of non-accruing residential mortgage loans and home equity loans among our various markets included $11 million in Oklahoma, $8 million in Texas, $3 million in New Mexico and $3 million in Arizona.

At December 31, 2008, the distribution of our $693 million portfolio of indirect automobile loans among various markets was $434 million in Oklahoma, $170 million in Arkansas and $88 million in Texas. Approximately 3.36% of the indirect automobile loan portfolio is past due 30 days or more, including 3.25% in Oklahoma, 3.74% in Arkansas and 3.17% in Texas. At September 30, 2008, the most recent date for which comparable information is available, approximately 2.29% of our indirect automobile loan portfolio was past due 30 days or more. This compares to a national average of 3.06% for indirect automobile loans past due 30 days or more at September 30, 2008.

Real estate and other repossessed assets totaled $29 million at December 31, 2008, up from $9 million at December 31, 2007. Real estate and other repossessed assets included $18 million of 1-4 family residential properties and residential land development properties, $5 million of developed commercial real estate properties, $3 million of undeveloped land and $3 million of automobiles. Real estate owned and other repossessed assets are primarily located in Oklahoma, Texas, Arkansas and Colorado. Approximately $2 million of residential and residential land development properties are supported by the First United Bank sellers' guaranty.

Table 29 Nonperforming Assets
(Dollars in Thousands)

	December 31,			
	2008	2007	2006	
Nonperforming loans				
Nonaccrual loans:				
Commercial	$134,846	$ 42,981	$10,737	$11
Commercial real estate	137,279	25,319	4,771	5
Residential mortgage	27,387	15,272	10,325	7
Consumer	561	718	222	
Total nonaccrual loans	300,073	84,290	26,055	25
Renegotiated loans(2)	13,039	10,394	9,802	6
Total nonperforming loans	313,112	94,684	35,857	31
Other nonperforming assets	29,179	9,475	8,486	8
Total nonperforming assets	$342,291	$104,159	$44,343	$40
Nonaccrual loans by principal market:				
Oklahoma	$108,367	$47,977	$17,683	$16,
Texas	42,934	4,983	6,096	5,
New Mexico	16,016	11,118	871	
Arkansas	3,263	1,635	267	
Colorado(3)	32,415	9,222	1,138	1,
Arizona	80,994	9,355	-	
Kansas	16,084	-	-	
Total nonaccrual loans	$300,073	$84,290	$26,055	$ 2
Nonaccrual loans by loan portfolio sector:				
Commercial:				
Energy	$49,364	$529	$ 535	$
Manufacturing	7,343	9,915	101	
Wholesale / retail	18,773	3,792	2,457	
Agriculture	680	380	93	
Services	36,873	25,468	5,759	
Healthcare	12,118	2,301	1,600	
Other	9,695	596	192	
Total commercial	134,846	42,981	10,737	1
Commercial real estate:				
Land development and construction	76,082	13,466	2,031	
Retail	15,625	5,259	-	
Office	7,637	1,013	732	
Multifamily	24,950	3,998	320	
Industrial	6,287	-	-	
Other commercial real estate	6,698	1,583	1,688	
Total commercial real estate	137,279	25,319	4,771	
Residential mortgage:				
Permanent mortgage	26,233	14,541	9,923	
Home equity	1,154	731	402	
Total residential mortgage	27,387	15,272	10,325	
Consumer	561	718	222	

Total nonaccrual loans	$300,073	$84,290	$26,055	$25
Ratios:				
Reserve for loan losses to nonperforming loans	74.49%	133.79%	305.37%	32
Nonperforming loans to period-end loans	2.43	0.79	0.34	
Loans past due (90 days)(1)	$19,123	$5,575	$ 5,945	$ 8

(1) Includes residential mortgages guaranteed by agencies of the U.S. Government.	$ 872	$ 1,017	$ 2,233	$ 2
(2) Includes residential mortgage loans guaranteed by agencies of the U.S. government. These loans have been modified to extend payment terms and/or reduce interest rates to current market.	$10,396	$ 7,550	$ 5,747	$ 3
(3) Includes loans subject to First United Bank sellers escrow.	$13,181	$ 8,412	$ -	$

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Our loan review process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in Nonperforming Assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $95 million at December 31, 2008. The current composition of potential problem loans by primary industry included real estate - $68 million, healthcare - $17 million and services - $6 million. Potential problem real estate loans included $37 million of residential development loans on properties primarily located in Arizona and Colorado, $12 million of loans secured by undeveloped land located primarily in Arizona and $11 million of loans secured by office buildings.

Liquidity and Capital

Subsidiary Banks

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary banks. Approximately 63% of our funding is provided by average deposit accounts, 22% from borrowed funds, 2% from long-term subordinated debt and 9% from shareholders' equity. Our funding sources, which primarily include deposits, borrowings from the Federal Home Loan Banks and other banks, and may include issuance of qualifying debt under the TLGP, provide adequate liquidity to meet our operating needs.

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

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 and on-line Billpay services, an extensive network of branch locations and ATMs and a 24-hour Express Bank call center. Commercial deposit growth is supported by offering treasury management and lockbox services. We also acquire brokered deposits when the cost of funds is advantageous to other funding sources.

Average deposits represented approximately 63% of total average liabilities and capital for 2008, compared with 66% for 2007. The decrease in deposits relative to our other funding sources was due to several factors. Funds purchased, repurchase agreements and other borrowed funds were lower-costing funding sources during much of 2008. We increased borrowings to fund our securities portfolio growth. Additionally, we increased borrowings in mid-year to fund margin calls related to our derivatives liabilities.

Average deposits totaled $13.7 billion for 2008, up $1.1 billion or 9% over 2007. Average interest-bearing transaction deposit accounts continued to grow in 2008, up $834 million or 15% over 2007. Average demand deposits also increased, up $264 million or 11% over last year. Average time deposits decreased $16 million from 2007.

Growth in our average interest-bearing transaction deposit accounts included $305 million of wealth management deposits, $306 million of consumer banking deposits and $326 million of commercial deposits.

Table 30 Maturity of Domestic CDs and Public Funds in Amounts of $100,000 or More (In Thousands)

	December 31, 2008	December 31, 2007
Months to maturity:		
3 or less	$ 879,792	$ 820,339
Over 3 through 6	844,957	580,427
Over 6 through 12	651,632	456,103
Over 12	710,395	584,180
Total	$3,086,776	$2,441,049

Brokered deposits, which are included in time deposits, averaged $735 million for 2008, up $120 million or 20% over the previous year. Brokered deposits totaled $1.0 billion at December 31, 2008. These deposits were largely added to remix wholesale funding sources in order to provide more available overnight liquidity. Average wealth management time deposits

increased $102 million or 35% compared with 2007. Average retail time deposits decreased $161 million or 6% compared with 2007.

Core deposits which we define as deposits of less than $100,000 excluding public funds and brokered deposits, averaged $6.6 billion for 2008 and $6.4 billion for 2007. Accounts with balances in excess of $100,000 excluding brokered deposit accounts averaged $5.6 billion for 2008 and $5.0 billion for 2007.

The distribution of deposit accounts among our principal markets is shown in Table 31.

Table 31 Deposits by Principal Market Area
(In Thousands)

	December 31,				
	2008	2007	2006	2005	2004
Oklahoma:					
Demand	$1,683,374	$1,394,861	$1,298,593	$1,333,331	$1,233,662
Interest-bearing:					
Transaction	4,117,729	3,477,208	3,072,830	2,672,563	2,152,655
Savings	86,476	80,467	83,017	85,837	87,597
Time	3,104,933	2,426,822	2,595,890	2,564,337	2,505,849
Total interest-bearing	7,309,138	5,984,497	5,751,737	5,322,737	4,746,101
Total Oklahoma	$8,992,512	$7,379,358	$7,050,330	$6,656,068	$5,979,763
Texas:					
Demand	$1,067,456	$1,035,134	$ 848,152	$ 841,197	$ 688,353
Interest-bearing:					
Transaction	1,460,576	1,753,843	1,480,138	1,310,105	1,049,348
Savings	32,071	34,618	24,074	27,398	30,331
Time	857,416	800,460	829,255	735,731	571,993
Total interest-bearing	2,350,063	2,588,921	2,333,467	2,073,234	1,651,672
Total Texas	$3,417,519	$3,624,055	$3,181,619	$2,914,431	$2,340,025
New Mexico:					
Demand	$ 155,345	$ 151,231	$ 175,980	$ 172,363	$ 153,063
Interest-bearing:					
Transaction	397,382	432,919	380,450	338,025	303,654
Savings	16,289	15,146	16,417	17,839	17,885
Time	522,894	486,868	490,460	453,314	411,939
Total interest-bearing	936,565	934,933	887,327	809,178	733,478
Total New Mexico	$ 1,091,910	$ 1,086,164	$ 1,063,307	$ 981,541	$ 886,541
Arkansas:					
Demand	$ 16,293	$ 13,247	$ 15,604	$ 14,414	$ 16,056
Interest-bearing:					
Transaction	38,566	19,027	14,890	18,369	25,315
Savings	1,083	883	1,010	1,058	1,434
Time	75,579	40,692	57,446	75,034	99,677
Total interest-bearing	115,228	60,602	73,346	94,461	126,426
Total Arkansas	$ 131,521	$ 73,849	$ 88,950	$ 108,875	$ 142,482
Colorado:					
Demand	$ 116,637	$ 117,939	$ 80,559	$ 91,483	$ 78,756
Interest-bearing:					
Transaction	480,113	446,427	296,451	228,832	173,345
Savings	17,660	23,806	12,632	17,772	19,092
Time	532,475	539,523	485,200	264,020	54,394
Total interest-bearing	1,030,248	1,009,756	794,283	510,624	246,831
Total Colorado	$1,146,885	$1,127,695	$ 874,842	$ 602,107	$ 325,587

Arizona:					
Demand	$ 39,424	$ 46,701	$ 51,542	$ 59,689	$ -
Interest-bearing:					
Transaction	56,985	65,788	61,539	42,872	-
Savings	1,014	1,435	1,978	4,111	-
Time	34,290	11,603	6,574	5,624	-
Total interest-bearing	92,289	78,826	70,091	52,607	-
Total Arizona	$ 131,713	$ 125,527	$ 121,633	$ 112,296	$ -
Kansas:					
Demand	$ 3,850	$ 9,656	$ 57	$ -	$ -
Interest-bearing:					
Transaction	10,999	8,304	244	-	-
Savings	42	13	2	-	-
Time	55,656	24,670	5,721	-	-
Total interest-bearing	66,697	32,987	5,967	-	-
Total Kansas	$ 70,547	$ 42,643	$ 6,024	$ -	$ -
Total BOK Financial deposits	$14,982,607	$13,459,291	$12,386,705	$11,375,318	$ 9,674,398

In addition to deposits, subsidiary bank liquidity is provided primarily by federal funds purchased, securities repurchase agreements and Federal Home Loan Bank borrowings. Federal funds purchased consist primarily of unsecured, overnight funds acquired from other financial institutions. Funds are primarily purchased from bankers' banks and Federal Home Loan banks from across the country. The largest single source of Federal funds purchased totaled $200 million at December 31, 2008. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities.

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Federal Home Loan Bank borrowings generally mature within one year and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family mortgage loans and multifamily mortgage loans). At December 31, 2008, the outstanding balance of federal funds purchased totaled $1.6 billion and securities repurchase agreements totaled $1.4 billion. Amounts borrowed from the Federal Home Loan Banks of Topeka and Dallas totaled $991 million.

The Company elected to participate in the TLGP, which expanded insurance coverage to certain qualifying debt issued by eligible financial institutions. In general, senior unsecured debt newly issued on or before June 30, 2009 will be fully protected by the FDIC through the earlier of the maturity of the debt or June 30, 2012. Collectively, our subsidiary banks may issue up to $1.8 billion of TLGP protected debt. No TLGP protected debt is currently outstanding.

In 2008, the subsidiary banks began borrowing funds under the Federal Reserve Bank Term Auction Facility program. This is a temporary program which allows banks that are in generally sound financial condition to bid for funds. Funds are borrowed for either 28 or 84 days and are secured by a pledge of eligible collateral. Funds borrowed under this program totaled $450 million at December 31, 2008.

At December 31, 2008, the estimated unused credit available to the subsidiary banks from our traditional sources and within our internal policy limits was approximately $4.6 billion.

Parent Company

The primary source of liquidity for BOK Financial is dividends from subsidiary banks, which are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the preceding two years. Dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations, at December 31, 2008, the subsidiary banks could declare up to $171 million of dividends without regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. The subsidiary banks could declare dividends of up to $119 million under this policy. Future losses or increases in required regulatory capital at the subsidiary banks could affect their ability to pay dividends to the parent company.

On July 21, 2008, the Company entered into a $188 million, unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The revolving credit agreement with Mr. Kaiser replaced a similar credit agreement with certain commercial banks that was terminated at the Company's request. The Company was in compliance with all terms of that credit agreement when it was terminated. Interest on the outstanding balance due to Mr. Kaiser is based on one-month LIBOR plus 125 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 25 basis points. This agreement has no restrictive covenants. This credit agreement matures in December, 2010. At December 31, 2008, the outstanding balance under this credit agreement was $50 million. Subsequent to December 31, 2008, the Company fully repaid the amounts owed under this credit agreement.

Equity capital for BOK Financial was $1.8 billion at December 31, 2008, down $89 million from December 31, 2007. Net income less cash dividend paid increased equity $94 million. Accumulated other comprehensive losses increased $192 million during 2008 due primarily to an increase in net unrealized losses on available for sale securities. Employee stock option transactions increased equity capital $16 million and common share repurchases reduced shareholders' equity $8.0 million. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

BOK Financial is the largest commercial bank, based on asset size, that elected not to participate in the TARP Capital Purchase Program. The decision not to participate in TARP was based on an evaluation of our capital needs in both the current environment and in several capital stress environments. We considered capital requirements for organic growth and potential acquisitions, the cost of TARP capital and a defined exit strategy when the cost of TARP capital increases substantially at the end of year five. We also considered reasonable capital and liquidity support from our majority shareholder.

On April 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, securities law limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. Since this program began, 784,073 shares have been repurchased by the Company for $38.7 million. The Company repurchased 166,114 shares for $8.0 million in 2008.

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

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For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. All of the Company's banking subsidiaries exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis and for each of the subsidiary banks are presented in Note 16 to the Consolidated Financial Statements.

Capital resources of financial institutions are also regularly measured by the tangible common shareholders' equity ratio. Common shareholders' equity is shareholders' equity as defined by generally accepted accounting principles less intangible assets and equity which does not benefit common shareholders. Equity that does not benefit common shareholders includes preferred equity and equity provided by the U.S. Treasury's TARP program. This non-GAAP measurement 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 (loss) in shareholders' equity. At December 31, 2008, BOK Financial's tangible common shareholders' equity ratio was 6.64%.

Off-Balance Sheet Arrangements

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

Aggregate Contractual Obligations

BOK Financial has numerous contractual obligations in the normal course of business. These obligations included time deposits and other borrowed funds, premises used under various operating leases, commitments to extend credit to borrowers and to purchase securities, derivative contracts and contracts for services such as data processing that are integral to our operations. The following table summarizes payments due per these contractual obligations at December 31, 2008.

Table 32 Contractual Obligations as of December 31, 2008
(In Thousands)

	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years	T
Time deposits	$ 966,345	$1,074,944	$ 227,371	$153,838	$2,42
Other borrowings	1,064,235	312,870	1,144	9,526	1,38

Subordinated debentures	21,875	43,750	43,750	480,417	58
Operating lease obligations	17,108	31,224	20,855	29,904	9
Derivative contracts	430,036	60,295	173,284	10,503	67
Data processing contracts	10,298	18,241	13,660	-	4
Total	$2,509,897	$1,541,324	$ 480,064	$684,188	$5,21

Loan commitments	$ 5,015,660
Standby letters of credit	598,618
Mortgage loans sold with recourse	391,188
Alternative investment commitments	13,911
Unfunded third-party private equity commitments	17,531
Deferred compensation and stock-based compensation obligations	22,524

Payments on time deposits and other borrowed funds include interest which has been calculated from rates at December 31, 2008. Many of these obligations have variable interest rates and actual payments will differ from the amounts shown on this table. Obligations under derivative contracts used for interest rate risk management purposes are included with projected payments from time deposits and other borrowed funds as appropriate.

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

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

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

Loan commitments represent legally binding obligations to provide financing to our customers. Some of these commitments are expected to expire before being drawn upon and the total commitment amounts do not necessarily represent future cash requirements. Approximately $2.0 billion of the loan commitments expire within one year.

Obligations under derivative contracts are used in customer hedging programs. As previously discussed, we have entered into derivative contracts which are expected to substantially offset the cash payments due on these obligations.

The Company has funded $43 million and has commitments to fund an additional $14 million for various alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities that invest in distressed assets, energy development, venture capital and other activities. The Company is prohibited by banking regulations from controlling or actively managing the activities of these investments.

The Company has $17.5 million of commitments to make investments through its BOK Financial Private Equity Funds. These commitments, which are included in unfunded third-party private equity commitments, generally reflect customer investment obligations.

The Company has compensation and employment agreements with our President and

Chief Executive Officer. Collectively, these agreements provide, among other things, that all unvested stock-based compensation shall fully vest upon his termination, subject to certain conditions. These agreements provide for settlement in cash or other assets. We currently have recognized a $15 million liability for these plans. This liability would increase to $16 million if all awards were fully vested. We also have obligations with respect to employee and executive benefit plans. See Notes 12 and 13 to the Consolidated Financial Statements for additional information about our employee benefit plans.

Recently Issued Accounting Standards

Financial Accounting Standards Board

Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159")

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

Statement of Financial Accounting Standards No. 141 (Revised), "Business Combinations" ("FAS 141R")

The FASB issued FAS 141R during 2007 to replace Statement of Financial Accounting Standards No. 141, Business Combinations. FAS 141R applies to all transactions or other events in which an entity obtains control over one or more businesses, including combinations achieved without the transfer of consideration. FAS 141R retains the fundamental requirement that all business combinations must be accounted for under the acquisition or purchase method of accounting. All assets acquired, including identifiable intangible assets, liabilities assumed and any non-controlling interests must be recognized at the acquisition-date fair values. Banks may no longer carry over the pre-acquisition allowance for loan losses. Costs incurred to effect the acquisition and restructuring costs that the acquirer is expected but not obligated to incur must be recognized separately from the business combination. Contingent assets and liabilities generally will be recognized at their acquisition-date fair values. Changes in the recognized amounts of contingent assets and liabilities will be recognized in post acquisition-date earnings. FAS 141R may have a significant effect on the Company's financial statements for business combinations completed after January 1, 2009.

Statement of Financial Accounting Standards No. 160,"Non-controlling Interest in Consolidated Financial Statements - An Amendment of ARB No. 51" ("FAS 160")

The FASB issued FAS 160 during 2007 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, FAS 160 requires consolidated net income to be reported at amounts that included the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. FAS 160, which will be adopted on January 1, 2009, is not expected to have a significant impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 161, "Disclosure About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," ("FAS 161")

FAS 161 amends and expands the disclosure requirements of FAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

FASB Staff Position FIN 39-1, "Amendment of FASB Interpretation No. 39"

As of January 1, 2008, the Company adopted FSP FIN 39-1, which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative assets and liabilities as of December 31, 2008 was reduced by $217 million and $15 million, respectively, of cash collateral. Derivative liabilities as of December 31, 2007 were reduced by $172 million of cash collateral.

FASB Staff Position No. EITF 99-20-1, "Amendment to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20" ("FSP EITF 99-20-1")

FSP EITF 99-20-1 amends the impairment (and related interest income measurement) guidance for certain beneficial interests in securitized financial assets that are within the scope of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment of Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets" ("EITF 99-20"). This FSP eliminates the requirement that a holder's best estimate of cash flows be based upon those that "a market participant" would use. Instead, this FSP requires that an other-than-temporary impairment ("OTTI") be recognized as a realized loss through earnings when it is "probable" there has been an adverse change in the holder's estimated cash flows from the cash flows previously projected, which is consistent with the impairment model in FAS 115. The FSP also reiterates and emphasizes the objective of an OTTI assessment and the related disclosure requirements in FAS 115 and other related guidance, including the requirement that the holder consider all available information when developing the estimate of future cash flows (i.e. past events, current conditions and expected events). FSP 99-20-1 is effective for the Company as of December 31, 2008 and did not have a significant impact on the Company's financial statements.

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

Legal Notice

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

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

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

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

Interest Rate Risk - Other than Trading

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company's balance sheet to be relatively neutral to changes in interest rates over a twelve month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 and 24 months based on eight interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 100 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful. The Company also performs a sensitivity analysis based on a "most likely" interest rate scenario, which includes non-parallel shifts in interest rates. An independent source is used to determine the most likely interest rate scenario.

The Company's primary interest rate exposures included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 33 due to the extreme volatility over such a large rate range. The effects of interest rate changes on the value of mortgage servicing rights and securities identified as economic hedges are presented in the Lines of Business - Consumer Banking section of this report.

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

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Table 33 Interest Rate Sensitivity
(Dollars in Thousands)

	200 bp Increase		100 bp Decrease	
	2008	2007	2008	2007

Anticipated impact over the next twelve months on net interest revenue	$ (5,609)	$(12,424)	$(27,628)	***	$
	(0.8)%	(2.0)%	(3.8)%	***	

*** A 100 basis point decrease was not computed in 2007. A 200 basis point decrease in interest rates was expected to increase net interest revenue by $3.1 million or 0.5%.

Trading Activities

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

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

Management uses a Value at Risk ("VAR") methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to $3.6 million. At December 31, 2008, the VAR was $1.6 million. The greatest value at risk during 2008 was $2.7 million. The value at risk guideline was exceeded with appropriate approvals by management to take advantage of wide yields available on certain securities during the year.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Financial Statements

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

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, conducted an assessment of internal control over financial reporting as of December 31, 2008. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. In establishing internal control over financial reporting, management assesses risk and designs controls to prevent or detect financial reporting misstatements that may be consequential to a reader. Management also assesses the impact of any internal control deficiencies and oversees efforts to improve internal control over financial reporting. Because of inherent limitations, it is possible that internal controls may not prevent or detect misstatements, and it is possible that internal controls may vary over time based on changing conditions. There have been no material changes in internal controls subsequent to December 31, 2008.

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

Report of Management on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), as amended. Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on that assessment and criteria, management has determined that the Company maintained effective internal control over financial reporting as of December 31, 2008.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. Their report, which expresses unqualified opinions on the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, is included in this annual report.

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Report of Independent Registered Public Accounting Firm

Report on Consolidated Financial Statements

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited the accompanying consolidated balance sheets of BOK Financial Corporation as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOK Financial Corporation at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, BOK Financial Corporation changed its method of accounting for uncertainty in income taxes recognized as of January 1, 2007, in accordance with Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109. Also, BOK Financial Corporation changed its framework for fair value measurements as of January 1, 2007, in accordance with Financial Accounting Standards Board Statement No. 157, Fair Value Measurement.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BOK Financial Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

February 26, 2009

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Report of Independent Registered Public Accounting Firm

Report on Effectiveness of Internal Control over Financial Reporting

The Board of Directors and Shareholders of BOK Financial Corporation

We have audited BOK Financial Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BOK Financial Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, BOK Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BOK Financial Corporation as of December 31, 2008 and 2007, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of BOK Financial Corporation and our report dated February 26, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma

February 26, 2009

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

	2008	2007
Interest Revenue		
Loans	$ 732,210	$ 892,024
Taxable securities	313,360	248,972
Tax-exempt securities	10,651	13,604
Total securities	324,011	262,576
Trading securities	3,847	1,657
Funds sold and resell agreements	1,577	4,480

Total interest revenue	1,061,645	1,160,737
Interest Expense		
Deposits	288,924	412,746
Borrowed funds	103,597	178,605
Subordinated debentures	22,262	24,901
Total interest expense	414,783	616,252
Net Interest Revenue	646,862	544,485
Provision for Credit Losses	202,593	34,721
Net Interest Revenue After Provision for Credit Losses	444,269	509,764
Other Operating Revenue		
Brokerage and trading revenue	42,804	62,542
Transaction card revenue	100,153	90,425
Trust fees and commissions	78,979	78,231
Deposit service charges and fees	117,528	109,218
Mortgage banking revenue	27,074	22,275
Bank-owned life insurance	10,681	10,058
Margin asset fees	8,548	4,800
Other revenue	28,233	28,073
Total fees and commissions	414,000	405,622
Gain (loss) on sales of assets	(660)	(928)
Gain (loss) on securities, net	21,637	(8,328)
Gain (loss) on derivatives, net	1,299	2,282
Total other operating revenue	436,276	398,648
Other Operating Expense		
Personnel	352,947	328,705
Business promotion	23,536	21,888
Professional fees and services	27,045	22,795
Net occupancy and equipment	60,632	57,284
Insurance	11,988	3,017
Data processing and communications	78,047	72,733
Printing, postage and supplies	16,433	16,570
Net losses and operating expenses of repossessed assets	1,019	691
Amortization of intangible assets	7,661	7,358
Mortgage banking costs	22,513	13,111
Change in fair value of mortgage servicing rights	34,515	2,893
Visa retrospective responsibility obligation	(2,767)	2,767
Other expense	28,835	25,175
Total other operating expense	662,404	574,987
Income Before Taxes	218,141	333,425
Federal and state income tax	64,909	115,761
Net Income	$ 153,232	$ 217,664
Earnings Per Share:		
Basic	$ 2.28	$ 3.24
Diluted	$ 2.27	$ 3.22
Average Shares Used in Computation:		
Basic	67,274,457	67,083,200
Diluted	67,557,220	67,550,538

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets
(In Thousands Except Share Data)

	Dece
	2008
Assets	
Cash and due from banks	$ 581,133
Funds sold and resell agreements	113,809
Trading securities	99,601
Securities:	
Available for sale	5,800,691
Available for sale securities pledged to creditors	590,760
Investment (fair value: 2008 - $245,769; 2007 - $248,788)	242,344
Mortgage trading securities	399,211
Total securities	7,033,006
Residential mortgage loans held for sale	129,246
Loans	12,876,006
Less reserve for loan losses	(233,236
Loans, net of reserve	12,642,770
Premises and equipment, net	277,458
Accrued revenue receivable	96,673
Intangible assets, net	361,209
Mortgage servicing rights, net	42,752
Real estate and other repossessed assets	29,179
Bankers' acceptances	12,913
Derivative contracts	452,604
Cash surrender value of bank-owned life insurance	237,006
Receivable on unsettled securities trades	239,474
Other assets	385,815
Total assets	$ 22,734,648
Liabilities and Shareholders' Equity	
Noninterest-bearing demand deposits	$ 3,082,379
Interest-bearing deposits:	
Transaction	6,562,350
Savings	154,635
Time (includes $632,754 at fair value at December 31, 2008)	5,183,243
Total deposits	14,982,607
Funds purchased and repurchase agreements	3,025,399
Other borrowings	1,522,054
Subordinated debentures	398,407
Accrued interest, taxes and expense	133,220
Bankers' acceptances	12,913

Derivative contracts	667,034
Other liabilities	146,757
Total liabilities	20,888,391
Shareholders' equity:	
Preferred stock ($.00005 par value; 1,000,000,000 shares authorized; no shares issued and outstanding)	-
Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: 2008 - 69,884,749; 2007 - 69,465,154)	4
Capital surplus	743,411
Retained earnings	1,427,057
Treasury stock (shares at cost: 2008 - 2,411,663; 2007 - 2,158,774)	(101,329
Accumulated other comprehensive loss	(222,886
Total shareholders' equity	1,846,257
Total liabilities and shareholders' equity	$ 22,734,648

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
(In Thousands)

	2008	
Cash Flows From Operating Activities:		
Net income	$ 153,232	$
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses	202,593	
Change in fair value of mortgage servicing rights	34,515	
Unrealized (gains) losses from derivatives	35,408	
Depreciation and amortization	51,282	
Change in bank-owned life insurance	(7,466)	
Tax benefit on exercise of stock options	(895)	
Stock-based compensation	4,798	
Net (accretion) amortization of securities discounts and premiums	(18,106)	
Net (gain) loss on sale of assets	(30,981)	
Mortgage loans originated for resale	(1,201,613)	
Proceeds from sale of mortgage loans held for resale	1,170,722	
Change in trading securities, including mortgage trading securities	(297,292)	
Change in accrued revenue receivable	41,570	
Change in other assets	(82,948)	
Change in accrued interest, taxes and expense	9,191	
Change in other liabilities	18,055	
Net cash provided by operating activities	82,065	
Cash Flows From Investing Activities:		
Proceeds from sales of available for sale securities	3,499,128	
Proceeds from maturities of investment securities	69,931	
Proceeds from maturities of available for sale securities	1,091,054	
Purchases of investment securities	(65,506)	
Purchases of available for sale securities	(5,576,035)	
Loans originated or acquired net of principal collected	(1,043,001)	
Net payments or proceeds on derivative asset contracts	63,109	

Investment in bank-owned life insurance	-
Net change in other investment assets	33
Proceeds from disposition of assets	39,522
Purchases of other assets	(85,943)
Cash and equivalents of subsidiaries and branches acquired and sold, net	-
Net cash used by investing activities	(2,007,708)
Cash Flows From Financing Activities:	
Net change in demand deposits, transaction deposits and savings accounts	670,712
Net change in time deposits	842,408
Net change in other borrowings	294,758
Change in amount receivable (due) on unsettled security transactions	(219,510)
Issuance of common and treasury stock, net	7,743
Issuance of other borrowings	50,000
Pay down of other borrowings	(50,000)
Issuance of subordinated debenture, net	-
Pay down of subordinated debentures	-
Net change in derivative margin accounts	244,413
Net payments or proceeds on derivative liability contracts	(44,064)
Tax benefit on exercise of stock options	895
Repurchase of common stock	(7,992)
Dividends paid	(59,191)
Net cash provided by financing activities	1,730,172
Net increase (decrease) in cash and cash equivalents	(195,471)
Cash and cash equivalents at beginning of period	890,413
Cash and cash equivalents at end of period	$ 694,942
Cash paid for interest	$ 411,860
Cash paid for taxes	114,120
Net loans transferred to repossessed real estate	30,972

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	
	Shares	Amount
December 31, 2005	-	$ -
Effect of implementing FAS 156, net of tax	-	-
Comprehensive income:		
Net income	-	-
Other comprehensive loss, net of tax	-	-
Comprehensive income		

Treasury stock purchase	-	-
Exercise of stock options	-	-
Tax benefit on exercise of stock options	-	-
Stock-based compensation	-	-
Cash dividends on common stock	-	-
December 31, 2006	-	-
Effect of implementing FAS 157, net of tax	-	-
Effect of implementing FIN 48	-	-
Comprehensive income:		
Net income	-	-
Other comprehensive income, net of tax	-	-
Comprehensive income		
Treasury stock purchase	-	-
Exercise of stock options	-	-
Tax benefit on exercise of stock options	-	-
Stock-based compensation	-	-
Cash dividends on common stock	-	-
December 31, 2007	-	-
Effect of implementing FAS 159, net of tax	-	-
Comprehensive income (loss):		
Net income	-	-
Other comprehensive loss, net of tax	-	-
Comprehensive loss		
Treasury stock purchase	-	-
Exercise of stock options	-	-
Tax benefit on exercise of stock options	-	-
Stock-based compensation	-	-
Cash dividends on common stock	-	-
December 31, 2008	-	$ -

See accompanying notes to consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	
$(67,811)	$656,579	$990,422	1,202	$(40,040)	$
-	-	383	-	-	
-	-	212,977	-	-	
(5,633)	-	-	-	-	
-	-	-	249	(12,103)	
-	21,897	-	186	(9,250)	

-	4,014	-	-	-	
-	6,371	-	-	-	
-	-	(36,788)	-	-	
(73,444)	688,861	1,166,994	1,637	(61,393)	
-	-	(679)	-	-	
-	-	(609)	-	-	
-	-	217,664	-	-	
42,210	-	-	-	-	
-	-	-	340	(17,353)	
-	23,429	-	182	(9,682)	
-	3,460	-	-	-	
-	6,338	-	-	-	
-	-	(50,416)	-	-	
(31,234)	722,088	1,332,954	2,159	(88,428)	
-	-	62	-	-	
-	-	153,232	-	-	
(191,652)	-	-	-	-	
-	-	-	166	(7,992)	
-	12,652	-	87	(4,909)	
-	895	-	-	-	
-	7,776	-	-	-	
-	-	(59,191)	-	-	
$(222,886)	$ 743,411	$ 1,427,057	2,412	$(101,329)	$

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Notes to Consolidated Financial Statements

(1) Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements of BOK Financial Corporation ("BOK Financial" or "the Company") have been prepared in conformity with accounting principles generally accepted in the United States, including general practices of the banking industry. The consolidated financial statements include the accounts of BOK Financial and its subsidiaries, principally Bank of Oklahoma, N.A. and its subsidiaries ("BOk"), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., Bank of Kansas City, N.A., and BOSC, Inc. All significant intercompany transactions are eliminated in consolidation. During 2008, the Company revised the presentation of certain deposit accounts. Previously, demand deposit accounts were shown net of adjustments made to manage reserve requirements. These adjustments were excluded from the current presentation to provide a more meaningful presentation of the Company's deposit accounts. All prior periods have been reclassified for a consistent presentation. The reclassification had no effect on total deposits, interest expense, net interest revenue or net interest margin.

The consolidated financial statements would also include the assets, liabilities, non-controlling interests and results of operations of variable interest entities ("VIEs") when BOK Financial is determined to be the primary beneficiary. Variable interest entities are generally defined in FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities," 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. BOK Financial is not the primary beneficiary in any VIE that would be significant to its operations.

Nature of Operations

BOK Financial, through its subsidiaries, provides a wide range of financial services to commercial and industrial customers, other financial institutions and consumers throughout Oklahoma; Northwest Arkansas; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; Denver, Colorado; Phoenix, Arizona; and Kansas City, Missouri / Kansas. These services include depository and cash management; lending and lease financing; mortgage banking; securities brokerage, trading and underwriting; and personal and corporate trust.

Use of Estimates

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

Acquisitions

Assets and liabilities acquired, including identifiable intangible assets, are recorded at present value based on current interest rates, appraised values or fair values on the acquisition dates. Goodwill is recognized as the excess of the purchase price over the net fair value of assets acquired and liabilities assumed. The Consolidated Statements of Earnings include the results of operations from the dates of acquisition.

Intangible Assets

Intangible assets, which generally result from business combinations, are accounted for under the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and No. 147, "Acquisitions of Certain Financial Institutions."

Intangible assets with indefinite lives, such as goodwill, are evaluated for each of BOK Financial's business units for impairment annually or more frequently if conditions indicate impairment. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of BOK Financial's business units is estimated by the discounted future earnings method. Income growth is projected over a seven-year period for each unit and a terminal value is computed. This projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to determine the fair value of the Company in the aggregate are based on observable inputs, such as the market value of BOK Financial common stock. However, attribution of the overall fair value to individual business units requires significant unobservable inputs. In total, the fair value measurement for goodwill impairment evaluation is based on Level 3 inputs as defined by FAS 157. There have been no changes in the techniques used to value goodwill.

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

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Cash Equivalents

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

Securities

Securities are identified as trading, investment (held to maturity) or available for sale at the time of purchase based upon the intent of management, liquidity and capital requirements, regulatory limitations and other relevant factors. Trading securities, which are acquired for profit through resale, are carried at market value with unrealized gains and losses included in current period earnings. Investment securities are carried at amortized cost. Amortization is computed by methods that approximate level yield and is adjusted for changes in prepayment estimates. Investment securities may be sold or transferred to trading or available for sale classification in certain limited circumstances specified in generally accepted accounting principles. Securities identified as available for sale are carried at fair value. Unrealized gains and losses are recorded, net of deferred income taxes, as accumulated other comprehensive income (loss) in shareholders' equity. Unrealized losses on securities are evaluated to determine if the losses are temporary based on various factors, including the cause of the loss, prospects for recovery, projected cash flows, collateral values, credit enhancements and other relevant factors, and management's intent and ability to hold the security until the fair value exceeds amortized cost. An impairment charge is recorded against earnings if the loss is determined to be other than temporary. Realized gains and losses on sales of securities are based upon the amortized cost of the specific security sold. Available for sale securities are separately identified as pledged to creditors if the creditor has the right to sell or repledge the collateral.

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

The purchase or sale of securities is recognized on a trade date basis. A net receivable or payable is recognized for subsequent transaction settlement. BOK Financial will periodically commit to purchase to-be-announced mortgage-backed securities. These commitments are carried at fair value if they are considered derivative contracts. These commitments are not reflected in BOK Financial's balance sheet until settlement date if they meet specific criteria exempting them from the definition of derivative contracts.

Derivative Instruments

Derivative instruments may be used by the Company as part of its interest rate risk management programs or may be offered to customers. All derivative instruments are carried at fair value. The determination of fair value of derivative instruments considers changes in interest rates, commodity prices, foreign exchange rates and the Company's and counterparty credit ratings, when appropriate. Changes in fair value are generally reported in income as they occur.

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

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

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

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

BOK Financial also enters into mortgage loan commitments that are considered derivative instruments. Forward sales contracts are used to hedge these mortgage loan commitments as well as mortgage loans held for sale. Mortgage loan commitments are carried at fair value based upon quoted prices, excluding the value of loan servicing rights or other ancillary values. Changes in fair value of the mortgage loan commitments and forward sales contracts are reported in other operating revenue – mortgage banking revenue.

Derivative contracts are also offered to customers. BOK Financial serves as an intermediary between its customers and the markets. Each contract between BOK Financial and its customers is offset by a contract between BOK Financial and various counterparties. These contracts are carried at fair value. Compensation for credit risk and reimbursement of administrative costs are recognized over the life of the contracts and included in other operating revenue – brokerage and trading revenue.

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

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

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.

Interest is accrued at the applicable interest rate on the principal amount outstanding. Loans are placed on nonaccrual status when, in the opinion of management, full collection of principal or interest is uncertain, generally when the collection of principal or interest is 90 days or more past due. Interest previously accrued but not collected is charged against interest income when the loan is placed on nonaccrual status. Payments on nonaccrual loans are applied to principal or reported as interest income, according to management's judgment as to the collectability of principal.

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.

Mortgage loans originated by our mortgage banking unit are held for sale and are carried at the lower of aggregate cost or market value. Mortgage loans held for sale that are designated as hedged assets are carried at fair value based on sales commitments or market quotes. Changes in fair value after the date of designation of an effective hedge are recorded in other operating revenue - mortgage banking revenue.

Reserve for Loan Losses and Off-Balance Sheet Credit Losses

Reserves for loan losses and off-balance sheet credit losses are assessed by management, based upon an ongoing quarterly evaluation of the probable estimated losses inherent in the portfolio, and include probable losses on both outstanding loans and unused commitments to provide financing. A consistent methodology has been developed that includes reserves assigned to specific criticized loans, general reserves that are based upon statistical migration analyses for each category of loans, and a nonspecific allowance that is based upon an analysis of current economic conditions, loan concentrations, portfolio growth and other relevant factors. The reserve for loan losses related to loans that are identified for evaluation in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("FAS 114"), is based on discounted cash flows using the loan's initial effective interest rate, the fair value of the collateral for certain collateral dependent loans, or historical statistics. 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 agreement. This is substantially the same criteria used to determine when a loan should be placed on nonaccrual status. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

In accordance with the provisions of FAS 114, management has excluded small balance, homogeneous loans from the impairment evaluation specified in FAS 114.

Such loans include 1-4 family mortgage loans, consumer loans and commercial loans with committed amounts less than $1 million. The adequacy of the reserve for loan losses applicable to these loans is evaluated in accordance with generally accepted accounting principles and standards established by the banking regulatory authorities and adopted as policy by BOK Financial.

A provision for credit losses is charged against earnings in amounts necessary to maintain adequate reserves for loan and off-balance sheet credit losses. Loans are charged off 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. Loans are evaluated quarterly and charge-offs are taken in the quarter in which the loss is identified. Additionally, all unsecured or under-secured

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loans that are past due by 180 days or more are charged off within 30 days. Recoveries of loans previously charged off are added to the reserve.

Transfers of Financial Assets

BOK Financial transfers financial assets as part of its mortgage banking activities and periodically may transfer other financial assets. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control specified in Statement of Financial Accounting Standards, No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" are met. BOK Financial may retain the right to service the assets and may incur a recourse obligation. The Company may also retain a residual interest in excess cash flows generated by the assets. All assets obtained, including cash, servicing rights and residual interests, and all liabilities incurred, including recourse obligations, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings. Subsequently, servicing rights, residual interest and recourse obligations are carried at fair value with changes in fair value recognized in earnings as they occur. A separate reserve is maintained as part of other liabilities for the Company's credit risk on loans transferred subject to a recourse obligation.

Real Estate and Other Repossessed Assets

Real estate and other repossessed assets are assets acquired in partial or total forgiveness of loans. These assets are carried at the lower of cost, which is determined by fair value at date of foreclosure, or current fair value. Income generated by these assets is recognized as received, and operating expenses are recognized as incurred.

Premises and Equipment

Premises and equipment are carried at cost including capitalized interest, when appropriate, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the estimated useful lives or remaining lease terms. Useful lives range from 5 years to 40 years for buildings and improvements, 3 years to 7 years for software and 3 years to 10 years for furniture and equipment. Repair and maintenance costs are charged to expense as incurred.

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

Mortgage Servicing Rights

Mortgage servicing rights are carried at fair value as permitted by Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets" ("FAS 156"). Mortgage servicing rights may be purchased or may be recognized when mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Originated mortgage servicing rights are initially recognized at fair value. Fair value is based on market quotes for similar servicing rights, which is a Level 2 input as defined by FAS 157. Changes in the fair value are recognized in earnings as they occur.

There is no active market for trading in mortgage servicing rights after origination. A cash flow model is used to determine fair value. Key assumptions and estimates, including projected prepayment speeds and assumed servicing costs, earnings on escrow deposits, ancillary income and discount rates, used by this model are based on current market sources. Assumptions used to value mortgage servicing rights are considered Level 3 inputs as defined by FAS 157. 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. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model. There have been no changes in the techniques used to value mortgage servicing rights.

Federal and State Income Taxes

BOK Financial and its subsidiaries file consolidated tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to BOK Financial amounts determined to be currently payable.

Income tax expense is based on an effective tax rate that considers statutory federal and state income tax rates and permanent differences between income and expense recognition for financial reporting and income tax purposes. The amount of income tax expense recognized in any period may differ from amounts reported to taxing authorities.

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

Deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Employee Benefit Plans

BOK Financial sponsors a defined benefit cash balance pension plan ("Pension

Plan"), qualified profit sharing plan ("Thrift Plan") and employee healthcare plans. Pension Plan costs, which are based upon actuarial computations of current costs, are expensed annually. Unrecognized prior service cost and net gains or losses are amortized on a straight-line basis over the lesser of the average remaining service periods of the participants or 10 years. Employer contributions to the Pension Plan are in accordance with Federal income tax regulations. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the Pension Plan and no additional service benefits will be accrued.

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

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

Stock Compensation Plans

BOK Financial adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payments" ("FAS 123R") as of January 1, 2006. Adoption of FAS 123R did not significantly affect the Company's financial statements. Excess tax benefits from share-based payments recognized in capital surplus are determined by the excess of tax benefits recognized over the tax effect of compensation cost recognized.

Grant date fair value of stock options is based on the Black-Scholes option pricing model. Stock options generally have graded vesting over 7 years. Each tranche is considered a separate award for valuation and compensation cost recognition. Grant date fair value of non-vested shares is based on the current market value of BOK Financial common stock. Non-vested shares generally cliff vest in 5 years.

Compensation cost is recognized as expense over the service period, which is generally the vesting period of the options to be exercised. Expense is reduced for estimated forfeitures over the vesting period and adjusted for actual forfeitures as they occur. Stock-based compensation awarded to certain officers has performance conditions that affect the number of awards granted. Compensation cost is adjusted based on the probable outcome of the performance conditions.

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

Other Operating Revenue

Fees and commission revenue is recognized at the time the related services are provided or products are sold and may be accrued when necessary. Accrued fees and commissions are reversed against revenue if amounts are subsequently deemed to be uncollectible. As described in FASB EITF Issue 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent, revenue is recognized on a gross basis whenever we have primary responsibility and risk in providing the services or products to our customers and on a net basis whenever we act as a broker for products or services of others.

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

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

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

Effect of Recently Issued Statements of Financial Accounting Standards

Financial Accounting Standards Board

Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159")

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

Statement of Financial Accounting Standards No. 141 (Revised), "Business Combinations" ("FAS 141R")

The FASB issued FAS 141R during 2007 to replace Statement of Financial Accounting Standards No. 141, Business Combinations. FAS 141R applies to all transactions or other events in which an entity obtains control over one or more businesses, including combinations achieved without the transfer of consideration. FAS 141R retains the fundamental requirement that all business combinations must be accounted for under the acquisition or purchase method of accounting. All assets acquired, including identifiable intangible assets, liabilities assumed and any non-controlling interests must be recognized at the acquisition-date fair values. Banks may no longer carry over the pre-acquisition allowance for loan losses. Costs incurred to effect the acquisition and restructuring costs that the acquirer is expected but not obligated to incur must be recognized separately from the business combination. Contingent assets and liabilities generally will be recognized at their acquisition-date fair values. Changes in the recognized amounts of contingent assets and liabilities will be recognized in post acquisition-date earnings. FAS 141R may have a significant effect on the Company's financial statements for business combinations completed after January 1, 2009.

Statement of Financial Accounting Standards No. 160,"Non-controlling Interest in Consolidated Financial Statements - An Amendment of ARB No. 51" ("FAS 160")

The FASB issued FAS 160 during 2007 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, FAS 160 requires consolidated net income to be reported at amounts that included the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. FAS 160, which will be adopted on January 1, 2009, is not expected to have a significant impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 161, "Disclosure About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," ("FAS 161")

FAS 161 amends and expands the disclosure requirements of FAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

FASB Staff Position FIN 39-1, "Amendment of FASB Interpretation No. 39"("FIN 39-1")

As of January 1, 2008, the Company adopted FASB Staff Position FIN 39-1, which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative assets and liabilities as of December 31, 2008 was reduced by $217 million and $15 million, respectively, of cash collateral.

FASB Staff Position No. EITF 99-20-1, "Amendment to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20" ("FSP EITF 99-20-1")

FSP EITF 99-20-1 amends the impairment (and related interest income measurement) guidance for certain beneficial interests in securitized financial assets that are within the scope of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment of Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets" ("EITF 99-20"). This FSP eliminates the requirement that a holder's best estimate of cash flows be based upon those that "a market participant" would use. Instead, this FSP requires that an other-than-temporary impairment ("OTTI") be recognized as a realized loss through earnings when it is "probable" there has been an adverse change in the holder's estimated cash flows from the cash flows previously projected, which is consistent with the impairment model in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). The FSP also reiterates and emphasizes the objective of an OTTI assessment and the related disclosure requirements in FAS 115 and other related guidance, including the requirement that the holder consider all available information when developing the estimate of future cash flows (i.e. past events, current conditions and expected events). FSP 99-20-1 is effective for the Company as of December 31, 2008 and did not have a significant impact on the Company's financial statements.

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(2) Acquisitions

On June 18, 2007, BOK Financial paid $43 million in cash for all the outstanding stock of Colorado-based United Banks of Colorado, Inc. United Banks had total assets of approximately $166 million, including loans of $94 million, and total deposits of $133 million and eleven banking locations in the Denver area. Loans acquired from United Banks are subject to a guaranty by the sellers through an escrow fund held in trust by Colorado State Bank and Trust. The Company will be reimbursed for up to $8.0 million of losses, including principal, interest and collection costs, on acquired loans in a three-year period after the acquisition date. Accordingly, none of the purchase price was allocated to an allowance for loan losses. At December 31, 2008, $5.3 million remains in the escrow fund to absorb future credit losses. On September 21, 2007, operations of United Banks' subsidiary, First United Bank, N.A. were combined with Colorado State Bank and Trust, N.A. through a purchase and assumption agreement.

On May 31, 2007, BOK Financial paid $127 million in cash for all the outstanding stock of Texas-based Worth Bancorporation, Inc. Worth had total assets of approximately $410 million, including net loans of $281 million, and total deposits of $369 million and five branches in the Fort Worth market. None of Worth National Bank's loans were impaired at the acquisition date. Therefore, none of the allowance for loan losses was allocated as a reduction of the principal balance of the acquired loans.

Allocations of the purchase prices to net assets acquired are as follows (in thousands):

	United Banks of Colorado, Inc.	Worth Bancorporation, Inc.
Cash and cash equivalents	$ 36,249	$ 86,563
Securities	2,245	22,676
Loans	93,810	284,039
Less reserve for loan losses	-	(3,528)
Loans, net of reserve	93,810	280,511
Premises and equipment	32,277	6,214
Core deposit premium	5,039	13,741
Other assets	2,298	15,029
Total assets acquired	171,918	424,734
Deposits	133,342	369,343
Other borrowings	2,138	7,217
Other liabilities	6,909	6,285
Net assets acquired	29,529	41,889
Less purchase price	42,796	127,067
Goodwill	$ 13,267	$ 85,178

Core deposit premiums are identifiable intangible assets initially recognized at estimated fair value. Fair value is determined by projecting future cash flows that may be earned from investing the proceeds of the acquired deposits, less interest, servicing and other costs over the estimated lives of the acquired deposits. The projected net cash flow is discounted to determine the current fair value. The fair value measurement of core deposit premiums is based on Level 3 inputs as defined by FAS 157.

During the first quarter of 2007, the Company paid approximately $425 thousand to acquire a charter for Bank of Kansas City in order to begin full-service banking operations in Missouri. Previously, the Company's full-service banking rights were restricted to Kansas City, Kansas.

On November 6, 2006, BOK Financial paid a net amount of $365 thousand in cash to acquire a state banking charter. The acquired state banking charter was subsequently converted to a national banking charter and the surviving entity renamed Bank of Kansas City, N.A. This transaction was necessary to comply with state restrictions on forming a de novo bank in Kansas.

The results of operations of these acquisitions would not have been significant to the Company's consolidated results during the pre-acquisition periods of 2007 and 2006. None of the intangible assets acquired are deductible for tax purposes.

(3) Securities

Investment Securities

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

	December 31,					
	2008					
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Amortized Cost	Fair Value
Municipal and other tax-exempt	$235,791	$239,178	$3,736	$ (349)	$242,274	$243,0
Other debt securities	6,553	6,591	38	-	5,675	5,7
Total	$242,344	$245,769	$3,774	$ (349)	$247,949	$248,7

The amortized cost and fair values of investment securities at December 31, 2008, 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

Municipal and other tax-exempt:					
Amortized cost	$ 70,795	$ 128,171	$28,895	$ 7,930	
Fair value	71,408	130,589	29,469	7,712	
Nominal yield(1)	5.24	5.44	5.83	6.50	
Other debt securities:					
Amortized cost	$ 4,852	$ 1,689	$ -	$ 12	$
Fair value	4,853	1,726	-	12	
Nominal yield	3.66	4.40	-	-	
Total fixed maturity securities:					
Amortized cost	$ 75,647	$ 129,860	$ 28,895	$ 7,942	$
Fair value	76,261	132,315	29,469	7,724	
Nominal yield	5.14	5.42	5.83	6.49	
Total investment securities:					
Amortized cost					
Fair value					
Nominal yield					

(1) Calculated on a taxable equivalent basis using a 39% effective tax rate.
(2) Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalty.

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Available for Sale Securities

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

	December 31,					
	2008					
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Amortized Cost	Fai Val
U.S. Treasury	$ 6,987	$ 7,126	$ 139	$ -	$ 6,961	$ 7,
Municipal and other tax-exempt	19,537	20,163	664	(38)	26,478	26,
Mortgage-backed securities:						
U. S. agencies	4,900,895	4,972,928	84,073	(12,040)	3,838,219	3,817,
Other	1,636,934	1,241,238	28	(395,724)	1,664,537	1,641,
Total mortgage-backed securities	6,537,829	6,214,166	84,101	(407,764)	5,502,756	5,459,
Other debt securities	37	36	-	(1)	42	
Equity securities and mutual funds	158,033	149,960	2,485	(10,558)	151,689	157,
Total	$6,722,423	$6,391,451	$87,389	$(418,361)	$5,687,926	$5,650,

The amortized cost and fair values of available for sale securities at December 31, 2008, 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
U.S. Treasuries:				
Amortized cost	$ -	$ 6,987	$ -	$ -
Fair value	-	7,126	-	-
Nominal yield	-	2.16	-	-
Municipal and other tax-exempt:				
Amortized cost	$ -	$ 2,404	$ 16,117	$ 1,016
Fair value	-	2,486	16,659	1,018
Nominal yield(1)	-	3.98	4.11	4.65
Other debt securities:				
Amortized cost	$ -	$ 37	$ -	$ -
Fair value	-	36	-	-
Nominal yield(1)	-	6.62	-	-
Total fixed maturity securities:				
Amortized cost	$ -	$ 9,428	$ 16,117	$ 1,016
Fair value	-	9,648	16,659	1,018
Nominal yield	-	4.02	4.11	4.65
Mortgage-backed securities:				
Amortized cost				
Fair value				
Nominal yield(4)				
Equity securities and mutual funds:				
Amortized cost				
Fair value				
Nominal yield				
Total available-for-sale securities:				
Amortized cost				
Fair value				
Nominal yield				

(1) Calculated on a taxable equivalent basis using a 39% effective tax rate.
(2) The average expected lives of mortgage-backed securities were 1.96 years based upon current prepayment assumptions.
(3) Primarily restricted common stock of U.S. government agencies and preferred stock of corporate issuers with no stated maturity.
(4) 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.
(5) Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalty.

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

	2008	2007	2006

Proceeds	$3,499,128	$806,979	$646,944
Gross realized gains	21,128	2,862	2,454
Gross realized losses	11,932	3,138	2,302
Related federal and state income tax expense (benefit)	2,736	(96)	53

Gross unrealized losses excludes other-than-temporary charges of $5.3 million in 2008 and $8.6 million in 2007.

Mortgage trading securities are mortgage-backed securities that have been designated as an economic hedge of the mortgage servicing rights and are separately identified on the balance sheet. These securities are carried at fair value. Changes in fair value are recognized in earnings as they occur. As of December 31, 2008, mortgage trading securities are carried at their $399 million fair value and had a net unrealized gain of $12.6 million.

In addition to securities that have been reclassified as pledged to creditors, securities with an amortized cost of $5.0 billion and $4.1 billion at December 31, 2008 and 2007, respectively, have been pledged as collateral for repurchase agreements, public and trust funds on deposit and for other purposes, as required by law. The secured parties do not have the right to sell or repledge these securities.

Net unrealized losses on securities not recognized as an other-than-temporary impairment totaled $328 million at December 31, 2008 compared with net unrealized losses of $37 million at December 31, 2007. The aggregate gross amount of unrealized losses at December 31, 2008 totaled $419 million. Management evaluated the securities with unrealized losses to determine if we believe that the losses were temporary. This evaluation considered factors such as causes of the unrealized losses, support for debt securities provided by government guarantees or credit enhancements, ratings of the respective issuers and other factors to assess the prospects for recovery over various interest rate scenarios and time periods. We also considered our intent and ability to either hold or sell the securities. It is our belief, based on currently available information and our evaluation, that the unrealized losses in these securities were temporary.

The Company's portfolio of available for sale securities includes preferred stocks issued by seven financial institutions. These stocks were originally purchased for $46 million and have a current carrying value of $32 million. The carrying value of these stocks has been reduced by $14 million of other-than-temporary impairment charges, approximately $5 million and $9 million in 2008 and 2007, respectively. None of the institutions that issued these stocks are in default. BOK Financial does not own any equity securities issued by Fannie Mae or Freddie Mac. These preferred stocks have certain debt-like features such as a quarterly dividends based on LIBOR. However, the issuers of these stocks have no obligation to redeem them. The aggregate fair value of these preferred stocks decreased to $22 million at December 31, 2008 due to a significant widening of spreads to LIBOR related to current market disruptions. We assessed the probability that spreads over LIBOR on these securities will narrow and fair values will increase over a 24-month to 36-month period beginning on the most recent date that fair value equaled our carrying value, June 30, 2008, and concluded that the impairment was temporary at December 31, 2008.

FSP EITF 99-20-1 became effective for the Company as of December 31, 2008 and requires that an other-than-temporary impairment be recognized as a realized loss through earnings when it is "probable" there has been an adverse change in the holder's estimated cash flows from the cash flows previously projected. It also emphasizes the objective of an other-than-temporary impairment assessment, including the requirement that the holder consider all available information when developing the estimate of future cash flows (i.e. past events, current conditions and expected events). FSP EITF 99-20-1 did not have a significant impact on the Company's financial statements.

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Temporarily Impaired Securities as of December 31, 2008
(In Thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss
Investment:					
Municipal and other tax exempt	63	$ 10,331	$ 147	$ 7,914	$ 202
Available for sale:					
Other debt securities	2	-	-	36	1
Municipal and other tax-exempt	4	645	30	1,269	8
Mortgage-backed securities:					
U. S. agencies	60	794,962	9,778	217,441	2,262
Other	114	297,736	83,721	936,077	312,003
Equity securities and mutual funds	18	22,039	10,558	-	-
	198	1,115,382	104,087	1,154,823	314,274
Total	261	$1,125,713	$ 104,234	$1,162,737	$ 314,476

Temporarily Impaired Securities as of December 31, 2007
(In Thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss
Investment:					
Municipal and other tax exempt	210	$ 1,996	$ 5	$ 91,319	$ 646
Other	1	-	-	600	1
	211	1,996	5	91,919	647
Available for sale:					
Other debt securities	2	16	-	25	1
Municipal and other tax-exempt	9	2,925	22	304	11
Mortgage-backed securities:					
U. S. agencies	282	290,657	6,489	1,943,030	29,911
Other	84	425,527	4,150	1,003,557	20,423
	377	719,125	10,661	2,946,916	50,346
Total	588	$721,121	$ 10,666	$3,038,835	$ 50,993

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(4) Derivatives

The fair values of derivative contracts at December 31, 2008 were (in thousands):

	December 31, 2008		December 31, 2007	
	Assets	Liabilities	Assets	Liabil
Customer Risk Management Programs:				
Interest rate contracts	$174,144	$180,008	$73,946	$78
Energy contracts	423,044	442,791	399,363	406
Cattle contracts	3,526	3,529	3,374	3
Foreign exchange contracts	51,767	51,767	20,205	20
CD options	3,655	3,655	4,325	4
Fair value before cash collateral	656,136	681,750	501,213	513
Less: cash collateral	(217,082)	(14,716)	-	(172
Total Customer Derivatives	439,054	667,034	501,213	341
Interest Rate Risk Management Programs	13,550	-	1,233	
Total Derivative Contracts	$ 452,604	$667,034	$ 502,446	$341

Customer Risk Management Programs

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

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

As of January 1, 2008, the Company adopted FSP FIN 39-1, which permits offsetting of cash collateral against the fair value of derivative instruments executed with the same counterparty under a master netting agreement. The total amount of derivative assets and liabilities at December 31, 2008 were reduced by $217 million and $15 million, respectively, of cash collateral.

Interest Rate Risk Management Programs

BOK Financial uses interest rate swaps in managing its interest rate sensitivity. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed rate liabilities to floating rate based on LIBOR.

The following table details interest rate swaps and, when applicable, the associated fair value of liabilities at December 31, 2008 (dollars in thousands):

		Liabilities Carried at Fair Value			Interest Rate Swap		
Maturity	Description	Principal Amount	Fair Value(2)	Weighted Avg Fixed Rate (Paid)	Notional Amount	Weighted Average Fixed Rate Received (Paid)	Floating R Received (Paid) (
2009	Certificates of deposit	$587,339	595,748	(4.488)%	$625,000	4.487%	(0.436
2010	Certificates of deposit	8,851	9,024	(3.631)	10,000	3.657	(0.436
2011	Certificates of deposit	27,294	27,982	(3.983)	30,000	4.013	(0.436
		623,484	632,754		665,000		
	Other derivatives	-	-		4,046	(5.510)	0.436
	Total	$623,484	$632,754		$669,046		

(1) Floating rates are based on 30-day LIBOR, unless otherwise noted.
(2) Fair value of certificates of deposit are based upon brokered certificate of deposit market rates or Federal Home Loan Bank rates for advances with similar maturities.

During 2008 and 2007, net interest revenue was decreased by $7.0 million and $6.8 million, respectively, from the settlement of amounts receivable or payable on interest rate swaps.

As of January 1, 2008, the Company adopted FAS 159, which provides an option to measure eligible financial assets and financial liabilities at fair value. Certain certificates of deposit that were either currently designated as hedged or had previously

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been designated as hedged, but no longer met the correlation requirements of Statement of Financial Accounting Standards No. 133 were designated as being reported at fair value when FAS 159 was first adopted. In addition, certain certificates of deposit issued subsequent to the adoption of FAS 159 have been designated as reported at fair value. This determination is made when the certificates of deposit are issued based on the Company's intent to swap the interest rate on the certificates from a fixed rate to a LIBOR-based variable rate. The fair value of these fixed-rate certificates of deposit generally increases when interest rates fall. Interest on these certificates of deposit based on contractual interest rates and outstanding principal balances is included in interest expense on the Consolidated Statement of Earnings. Changes in the fair value of liabilities carried at fair value which is included in derivatives gains (losses), net on the Consolidated Statement of Earnings decreased net income by $10.2 million in 2008. Changes in the fair value of interest rate swaps, which is included in derivatives gains (losses), net on the

Consolidated Statement of Earnings increased net income by $11.6 million in 2008.

(5) Loans

Significant components of the loan portfolio are as follows (in thousands):

	December 31,					
	2008					
	Fixed Rate	Variable Rate	Non-accrual	Total	Fixed Rate	Varia Rat
Commercial	$3,012,649	$4,264,108	$134,846	$7,411,603	$2,714,050	$4,004
Commercial real estate	847,816	1,716,153	137,279	2,701,248	857,300	1,840
Residential mortgage	772,234	952,953	27,387	1,752,574	757,130	762
Consumer	805,136	204,884	561	1,010,581	736,295	184
Total	$5,437,835	$7,138,098	$300,073	$12,876,006	$5,064,775	$6,791
Loans past due (90 days)				$ 19,123		
Foregone interest on nonaccrual loans				$ 8,391		

Approximately 43% of the commercial and consumer loan portfolios and approximately 68% of the residential mortgage loan portfolio (excluding loans held for sale) are loans to businesses and individuals in Oklahoma. This geographic concentration subjects the loan portfolio to the general economic conditions within this area.

Within the commercial loan classification, loans to energy-related businesses totaled $2.3 billion or 18% of total loans as of December 31, 2008. Other notable segments include services, $2.0 billion; wholesale/retail, $1.2 billion; healthcare, $777 million; manufacturing, $498 million; and agriculture, $198 million, which includes $134 million of loans to the cattle industry. The services category consists almost entirely of loans with individual balances of less than $10 million.

Approximately 25% of commercial real estate loans are secured by properties located in Oklahoma, primarily in the Tulsa and Oklahoma City metropolitan areas. An additional 28% of commercial real estate loans are secured by property located in Texas, primarily in the Dallas and Houston areas. The major components of these properties are multifamily residences, $317 million; construction and land development, $926 million; retail facilities, $371 million; and office buildings, $459 million.

At December 31, 2008 and 2007, residential mortgage loans included $12.8 million and $9.9 million, respectively, and consumer loans included $254 thousand and $515 thousand, respectively, of loans with repayment terms that have been modified from the original contracts.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2008, outstanding commitments totaled

$5.0 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.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At December 31, 2008, outstanding standby letters of credit totaled $599 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At December 31, 2008, outstanding commercial letters of credit totaled $18 million.

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The Company also has off-balance sheet credit risk for residential loans sold with full or partial recourse. These loans consist of first lien, fixed rate residential mortgage loans originated under various community development programs and sold to U.S. government agencies. These loans were underwritten to standards approved by the agencies, including full documentation. However, these loans have a higher risk of delinquency and losses given default than traditional residential mortgage loans. A separate recourse reserve is maintained for this off-balance sheet credit risk. At December 31, 2008, the principal balance of loans sold subject to recourse obligations totaled $391 million and the reserve for credit risk from these loans totaled $8.8 million. Losses incurred during 2008 and 2007 totaled $8.6 million and $1.1 million, respectively.

Reserve for Credit Losses

The activity in the reserve for loan losses is summarized as follows (in thousands):

	2008	2007	2006
Beginning balance	$ 126,677	$ 109,497	$ 103,876
Provision for loan losses	208,280	34,758	18,086
Loans charged off	(122,211)	(31,617)	(23,996)
Recoveries	20,490	10,511	11,531
Addition due to acquisitions	-	3,528	-
Ending balance	$ 233,236	$ 126,677	$ 109,497

The activity in the reserve for off-balance sheet credit losses is summarized as follows (in thousands):

	2008	2007	2006
Beginning balance	$ 20,853	$20,890	$ 20,574
Provision for off-balance sheet credit losses	(5,687)	(37)	316

Ending balance	$ 15,166	$20,853	$ 20,890
Provision for credit losses	$ 202,593	$34,721	$ 18,402

Reserve for Recourse Loan Losses

The activity in the reserve for recourse loan losses is summarized as follows (in thousands):

	2008	2007	2006
Beginning balance	$ 3,560	$ 2,473	$ 1,861
Provision for loan losses	8,577	1,092	723
Loans charged off, net	(3,370)	(5)	(111)
Ending balance	$ 8,767	$ 3,560	$ 2,473

Impaired Loans

Investments in loans considered to be impaired under FAS 114 were as follows (in thousands):

	December 31,		
	2008	2007	2006
Investment in loans impaired under FAS 114 (all of which were on a nonaccrual basis)	$269,908	$74,085	$22,586
Loans with specific reserves for loss	194,292	22,749	4,694
Specific reserve balance	28,532	4,425	1,670
No specific related reserve for loss	75,616	51,336	17,892
Average recorded investment in impaired loans	179,808	44,535	26,435

Approximately $76.6 million of losses on impaired loans with no related specific reserves at December 31, 2008 were charged off against the allowance for loan losses during 2008. Interest income recognized on impaired loans during 2008, 2007 and 2006 was not significant.

(6) Premises and Equipment

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

	December 31,	
	2008	2007
Land	$71,306	$68,496
Buildings and improvements	221,035	201,171
Software	55,488	44,499

Furniture and equipment	136,785	128,869
Subtotal	484,614	443,035
Less accumulated depreciation	207,156	184,249
Total	$ 277,458	$ 258,786

Depreciation expense of premises and equipment was $28.4 million, $25.6 million and $23.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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(7) Intangible Assets

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

	December 31, 2008	December 31, 2007
Core deposit premiums	$109,417	$109,417
Less accumulated amortization	95,059	88,263
Net core deposit premiums	14,358	21,154
Other identifiable intangible assets	16,791	18,656
Less accumulated amortization	5,769	6,770
Net other identifiable intangible assets	11,022	11,886
Goodwill	388,964	388,448
Less accumulated amortization	53,135	53,135
Net goodwill	335,829	335,313
Total intangible assets, net	$361,209	$368,353

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

	Core Deposit Premiums	Other Identifiable Intangible Assets	Total
2009	$ 5,606	$ 1,138	$ 6,744
2010	4,131	1,163	5,294
2011	2,227	1,190	3,417
2012	815	1,218	2,033
2013	485	936	1,421
Thereafter	1,094	5,377	6,471
	$14,358	$11,022	$25,380

The net amortized cost of identifiable intangible assets at December 31, 2008 is assigned to the Company's subsidiary banks as follows (in thousands):

Core deposit premiums:	
Bank of Texas	$ 8,621
Colorado State Bank and Trust	4,674
Bank of Arizona	1,063
	$ 14,358
Other identifiable intangible assets:	
Bank of Oklahoma	$6,257
Colorado State Bank and Trust	3,975
Bank of Kansas City	790
	$11,022
Goodwill:	
Bank of Oklahoma	$8,173
Bank of Texas	240,122
Bank of Albuquerque	15,273
Colorado State Bank and Trust	55,611
Bank of Arizona	16,650
	$335,829

The annual goodwill evaluation did not indicate impairment for any business unit in 2008, 2007 or 2006. Economic conditions did not indicate that impairment existed for any identifiable intangible assets and therefore no impairment evaluation was performed.

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(8) Mortgage Banking Activities

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of BOk. Residential mortgage loans held for sale totaled $129 million and $77 million, and outstanding mortgage loan commitments totaled $241 million and $53 million at December 31, 2008 and 2007, respectively. Mortgage loan commitments are generally outstanding for 60 to 90 days and 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 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. As of December 31, 2008, the unrealized loss on forward sales contracts used to manage the mortgage pipeline interest rate risk was approximately $2.1 million. Gains on mortgage loans sold, including capitalized mortgage servicing rights, totaled $9.5 million in 2008, $5.2 million in 2007 and $10.5 million in 2006.

At December 31, 2008, BOK Financial owned the rights to service 58,023 mortgage loans with outstanding principal balances of $6.0 billion, including $793 million serviced for affiliates, and held related funds of $65 million for investors and borrowers. The weighted average interest rate and remaining term was 6.15% and 284 months, respectively. Mortgage loans sold with recourse totaled $391 million at December 31, 2008, and $13.2 million of loans sold with recourse were 90 days or more delinquent. At December 31, 2007, BOK Financial owned the rights to service 58,227 mortgage loans with outstanding principal balances of $5.5 billion, including $614 million serviced for affiliates, and held related funds of $63 million for investors and borrowers. The weighted average interest rate and remaining term was 6.18% and 280 months, respectively. Mortgage loans sold with recourse totaled $393 million at December 31, 2007, and $3.7 million of loans sold with recourse were 90 days or more delinquent. Servicing revenue and late charges on loans serviced for others, which are included in mortgage banking revenue in the Consolidated Statements of Earnings totaled $17.6 million for 2008, $17.1 million for 2007 and $16.5 million for 2006.

The portfolio of mortgage servicing rights exposes BOK Financial to interest rate risk. During periods of falling interest rates, mortgage loan prepayments increase, reducing the value of the mortgage servicing rights. See Note 1 for specific accounting policies for mortgage servicing rights.

BOK Financial implemented FAS 156 in the first quarter of 2006. An initial adjustment of the mortgage servicing rights to fair value of approximately $351 thousand, net of income taxes, was recognized as an increase to retained earnings in the same period. Also upon implementation of FAS 156, certain securities designated as an economic hedge of mortgage servicing rights were transferred from the available for sale classification to trading. Approximately $32 thousand was transferred from accumulated other comprehensive income to retained earnings for the net of tax effect of this reclassification.

Activity in capitalized mortgage servicing rights and related valuation allowance during 2006, 2007 and 2008 are as follows (in thousands):

	Capitalized Mortgage Servicing Rights			Valuation
	Purchased	Originated	Total	Allowance
Balance at December 31, 2005(1)	$ 8,606	$ 52,905	$ 61,511	$ (7,414)
Adoption of FAS 156 effective January 1, 2006	(117)	(6,747)	(6,864)	7,414
Additions, net	6,774	11,917	18,691	-
Change in fair value due to loan runoff	(2,448)	(7,953)	(10,401)	-
Change in fair value due to market changes	(2)	3,011	3,009	-
Balance at December 31, 2006(1)	$ 12,813	$ 53,133	$ 65,946	$ -
Additions, net	3,628	14,080	17,708	-
Change in fair value due to loan runoff	(2,478)	(8,274)	(10,752)	-
Change in fair value due to market changes	(57)	(2,836)	(2,893)	-
Balance at December 31, 2007(1)	$ 13,906	$ 56,103	$ 70,009	$ -
Additions, net	-	19,220	19,220	-
Change in fair value due to loan runoff	(2,286)	(9,676)	(11,962)	-
Change in fair value due to market changes	(5,267)	(29,248)	(34,515)	-
Balance at December 31, 2008(1)	$ 6,353	$ 36,399	$ 42,752	$ -

(1) Excludes approximately $0.2 million, $0.7 million and $0.8 million at December 31, 2008, 2007 and 2006, respectively, of loan servicing rights on mortgage loans originated prior to the adoption of FAS 122.

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

Discount rate - Indexed to a risk-free rate commensurate with the average life of the servicing portfolio plus a market premium. The discount rate at

December 31, 2008 was 9.26%.

Prepayment rate - Annual prepayment estimates ranging from 8.3% to 38% based upon loan interest rate, original term and loan type.

Loan servicing costs - $43 to $73 annually per loan based upon loan type.

Escrow earnings rate - Indexed to rates paid on deposit accounts with a comparable average life. The escrow earnings rate at December 31, 2008 was 2.08%.

The effect of a 50 basis point decrease in mortgage interest rates on all significant assumptions is expected to decrease the fair value of mortgage servicing rights by $11 million.

Stratification of the mortgage loan-servicing portfolio, outstanding principal of loans serviced, and related hedging information by interest rate at December 31, 2008 follows (in thousands):

	<5.51%	5.51% - 6.50%	6.51% - 7.50%	=> 7.51%
Fair value	$ 9,638	$ 25,866	$ 5,847	$ 1,401
Outstanding principal of loans serviced(1)	$ 951,800	$2,983,300	$ 1,049,200	$ 172,700

(1) Excludes outstanding principal of $793 million for loans serviced for affiliates and $34 million of mortgage loans for which there are no capitalized mortgage servicing rights.

(9) Deposits

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

	2008	2007	2006
Transaction deposits	$ 121,403	$ 194,617	$ 148,986
Savings	676	1,499	1,408
Time:			
Certificates of deposits under $100,000	70,806	88,465	69,844
Certificates of deposits $100,000 and over	78,965	110,791	100,916
Other time deposits	17,074	17,374	15,754
Total time	166,845	216,630	186,514
Total	$288,924	$412,746	$336,908

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2008 and 2007 were $3.1 billion and $2.4 billion, respectively.

Time deposit maturities are as follows: 2009 - $3.7 billion, 2010 - $191 million, 2011 - $194 million, 2012 - $279 million, 2013 - $704 million and $117 million thereafter. At December 31, 2008, the Company had $1.0 billion in fixed rate, brokered certificates of deposits. The weighted-average interest rate paid on these certificates is 3.55%.

Interest expense on time deposits during 2008 and 2007 was reduced by the net accrued settlement from interest rate swaps of $6.9 million and $2.6 million, respectively.

The aggregate amount of overdrawn transaction deposits that have been reclassified as loan balances was $35 million at December 31, 2008 and $91 million at December 31, 2007.

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(10) Other Borrowings

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

	December 31						
	2008			2007			
	Balance	Rate	Maximum Outstanding At Any Month End	Balance	Rate	Maximum Outstanding At Any Month End	Bala
Parent Company:							
Revolving, unsecured line	$ 50,000	3.78%	$ 50,000	$ 50,000	5.42%	$ 50,000	$
Subsidiary Banks:							
Funds purchased and repurchase agreements	3,025,399	0.72	3,686,019	3,225,131	4.30	3,225,131	2,3
Federal Home Loan Bank advances	991,401	1.76	2,391,618	938,168	4.65	938,168	5
Federal Reserve advances	450,000	0.24	450,000	-	-	-	
Subordinated debentures	398,407	5.51	398,407	398,273	5.91	548,187	2
Other	30,653	2.62	44,227	39,396	4.10	43,985	
Total subsidiary banks	4,895,860	1.30		4,600,968	4.52		3,2
Total other borrowings	$4,945,860	1.32		$4,650,968	4.53		$3,2

Aggregate annual principal repayments of long-term debt at December 31, 2008 are as follows (in thousands):

	Parent Company	Subsidiary Banks
2009	$ -	$4,226,052
2010	50,000	250,475
2011	-	2,372
2012	-	1,418
2013	-	525
Thereafter	-	415,018
Total	$ 50,000	$4,895,860

Funds purchased generally mature within one to ninety days from the transaction date. At December 31, 2008, securities sold under agreements to repurchase totaled $1.9 billion with related accrued interest payable of $4.5 million.

Additional information relating to repurchase agreements at December 31, 2008 is as follows (dollars in thousands):

Security Sold/Maturity	Amortized Cost	Market Value	Repurchase Liability(1)
U.S. Agency Securities:			
Overnight(1)	$1,364,651	$ 1,233,500	$ 975,131
Long-term	573,722	590,760	470,429
Total Agency Securities	$1,938,373	$ 1,824,260	$1,445,560

(1) BOK Financial maintains control over the securities underlying overnight repurchase agreements and generally transfers control over securities underlying longer-term dealer repurchase agreements to the respective counterparty.

Borrowings from the Federal Home Loan Bank are used for funding purposes. In accordance with policies of the Federal Home Loan Bank, BOK Financial has granted a blanket pledge of eligible assets (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family loans and multifamily loans) as collateral for these advances. The Federal Home Loan Bank has issued letters of credit totaling $394 million to secure BOK Financial's obligations to depositors of public funds. The unused credit available to BOK Financial at December 31, 2008 pursuant to the Federal Home Loan Bank's collateral policies is $2.3 billion.

The Company elected to participate in the TLGP, which expanded insurance coverage to certain qualifying debt issued by eligible financial institutions. In general, senior unsecured debt newly issued on or before June 30, 2009 will be fully protected by the FDIC through the earlier of the maturity of the debt or June 30, 2012. Collectively, our subsidiary banks may issue up to $1.8 billion of TLGP protected debt. No TLGP protected debt is currently outstanding.

In 2008, the subsidiary banks began borrowing funds under the Federal Reserve Bank Term Auction Facility program. This is a temporary program which allows banks that are in generally sound financial condition to bid for funds. Funds are borrowed for

either 28 or 84 days and are secured by a pledge of eligible collateral. Funds borrowed under this program totaled $450 million at December 31, 2008.

On July 21, 2008, the Company entered into a $188 million, unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. Interest on the outstanding balance is based on one-month LIBOR plus 125 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 25 basis points. This agreement has no restrictive covenants and matures in December of 2010. At December 31, 2008, the outstanding balance under this credit agreement was $50 million. Subsequent to December 31, 2008, the Company fully repaid the amounts owed under this credit agreement.

As of December 31, 2007, BOK Financial had a $188 million unsecured revolving line of credit with certain commercial banks with an outstanding principal balance of $50 million. In 2008, that balance was repaid and the agreement was terminated at the Company's request.

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

In 2005, BOk 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. During 2006, a $150 million notional amount interest rate swap was designated as a hedge of changes in fair value of the subordinated debt due to changes in interest rates. The Company received a fixed rate of 5.257% and paid a variable rate based on 1-month LIBOR. This fair value hedging relationship was discontinued and the interest rate swap was terminated in April 2007.

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(11) Federal and State Income Taxes

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

	December 31,	
	2008	2007
Deferred tax liabilities:		
Valuation adjustments	$33,800	$ 30,600
Mortgage servicing rights	29,500	25,900
Lease financing	19,800	16,600
Pension contributions in excess of book expense	-	4,900
Other	2,300	3,700
Total deferred tax liabilities	85,400	81,700
Deferred tax assets:		
Available for sale securities mark-to-market	126,300	14,600
Stock-based compensation	6,500	5,700
Credit loss reserves	94,200	56,000
Valuation adjustments	23,900	9,400
Deferred book income	22,300	26,000
Deferred compensation	11,300	10,000
Book expense in excess of pension contribution	1,200	-
Other	18,800	12,500
Total deferred tax assets	304,500	134,200
Deferred tax assets in excess of deferred tax liabilities	$219,100	$52,500

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

	Years ended December 31, 2008	2007	2006
Current:			
Federal	$ 108,879	$ 119,025	$ 113,554
State	7,377	10,179	8,518
Total current	116,256	129,204	122,072
Deferred:			
Federal	(47,685)	(12,935)	(7,001)
State	(3,662)	(508)	(446)
Total deferred	(51,347)	(13,443)	(7,447)
Total income tax	$ 64,909	$ 115,761	$ 114,625

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

	Years ended December 31, 2008	2007	2006
Amount:			
Federal statutory tax	$76,353	$116,698	$114,660
Tax exempt revenue	(4,173)	(4,204)	(3,529)
Effect of state income taxes, net of federal benefit	1,278	5,783	4,805
Intangible amortization	-	-	82
Utilization of tax credits	(1,234)	(1,218)	(1,040)
Bank-owned life insurance	(3,555)	(3,411)	(830)
Charitable contribution	(2,852)	-	-
Reduction of tax accrual	(2,437)	-	(2,200)
Other, net	1,529	2,113	2,677
Total	$64,909	$115,761	$114,625

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Due to the favorable resolution of certain tax issues for the tax periods ended December 31, 2002 and December 31, 2004, BOK Financial reduced its tax accrual by $2.2 million and $2.4 million in 2006 and 2008, respectively, which was credited against current income tax expense.

	Years ended December 31, 2008	2007	2006
Percent of pretax income:			
Federal statutory rate	35%	35%	35%
Tax-exempt revenue	(2)	(1)	(1)
Effect of state income taxes net of federal benefit	1	1	1
Bank-owned life insurance	(2)	(1)	-

Charitable contribution	(1)	-	-
Reduction of tax accrual	(1)	-	(1)
Other, net	-	1	1
Total	30%	35%	35%

BOK Financial adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), on January 1, 2007. As a result of the implementation of FIN 48, BOK Financial recognized a $609 thousand increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

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

	2008	2007
Balance as of December 31, 2007	$ 13,200	$ 12,639
Additions for tax for current year positions	3,800	4,100
Settlements during the period	(100)	-
Lapses of applicable statute of limitations	(3,700)	(3,539)
Balance as of December 31, 2008	$ 13,200	$ 13,200

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

BOK Financial recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2008 and 2007, the Company recognized $1.5 million and $1.0 million, respectively, in interest and penalties. The Company had approximately $3.0 million and $2.3 million for the payment of interest and penalties accrued as of December 31, 2008 and 2007, respectively. Federal statutes remain open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

One of our acquired entities is currently under examination by the Internal Revenue Service ("IRS") for the year ending May 31, 2007 and the related carryback period. Refunds claimed in the carryback period total $3.5 million. The ultimate resolution is unlikely to have a material impact on the financial statements. Also during 2008, the IRS exam for the year ended December 31, 2005 for the same acquired entity was closed with no adjustments.

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(12) Employee Benefits

BOK Financial sponsors a defined benefit cash balance Pension Plan for all employees who satisfy certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. No participants may be added to the plan and no additional service benefits will be accrued. Interest will continue to accrue on employees' account balances at 5.25%.

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

December 31,

	2008	2007
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 46,183	$ 58,220
Service cost	-	-
Interest cost	2,685	2,823
Actuarial (gain) loss	(1,205)	(6,474)
Benefits paid	(8,564)	(8,386)
Projected benefit obligation at end of year(1,2)	$ 39,099	$ 46,183
Change in plan assets:		
Plan assets at fair value at beginning of year	$ 58,089	$ 63,038
Actual return on plan assets	(14,224)	3,437
Company contributions	-	-
Benefits paid	(8,564)	(8,386)
Plan assets at fair value at end of year	$ 35,301	$ 58,089
Funded status of the plan / prepaid pension costs	$(3,798)	$11,906
Components of net periodic benefit costs:		
Service cost	$ -	$ -
Interest cost	2,685	2,823
Expected return on plan assets	(3,910)	(4,165)
Amortization of unrecognized net loss	496	958
Net periodic pension cost (benefit)	$ (729)	$ (384)

(1) Projected benefit obligation equals accumulated benefit obligation.
(2) Projected benefit obligation is based on a January 1 measurement date.

Weighted-average assumptions as of December 31:		
Discount rate	6.50%	6.00%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

As of December 31, 2008, expected future benefit payments related to the Pension Plan were as follows (in thousands):

2009	$ 3,142
2010	3,531
2011	3,662
2012	4,329
2013	3,705
2014 through 2017	18,770
	$37,139

Assets of the Pension Plan consist primarily of shares in the Cavanal Hill Balanced Fund. The stated objective of this fund is to provide an attractive total return through a broadly diversified mix of equities and bonds. The typical portfolio mix is approximately 60% equities and 40% bonds. The net asset value of shares in the Cavanal Hill Funds is reported daily based on market quotations for the Fund's securities. If market quotations are not readily available, the securities' fair values are determined by the Fund's pricing committee. The inception-to-date return on the fund, which is used as an indicator when setting the expected return on plan assets, was 5.39%. As of December 31, 2008, the expected return on plan assets for 2009 is 5.25% The maximum allowed and minimum required Pension Plan contributions for 2008 were $6.6 million and $0, respectively. No contributions were made for 2007 or 2008. We expect approximately $2.0 million of net pension costs currently in accumulated other comprehensive income to be recognized as net periodic pension cost in 2009.

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

Participants may direct investments in their accounts to a variety of options, including a BOK Financial common stock fund. Employer contributions, which are invested in accordance with the participant's investment options, vest over five years. Thrift Plan expenses were $12.1 million, $11.6 million and $9.1 million for 2008, 2007 and 2006, respectively.

BOK Financial also sponsors a defined benefit post-retirement employee medical plan, which pays 50 percent of annual medical insurance premiums for retirees who meet certain age and service requirements. Assets of the retiree medical plan consist primarily of shares in a cash management fund. The post-retirement medical plan is limited to current retirees and certain employees who were age 60 or older at the time the plan was frozen in 1993. The net obligation recognized under the plan was $2.2 million at December 31, 2008. A 1% change in medical expense trends would not significantly affect the net obligation or cost of this plan.

BOK Financial offers numerous incentive compensation plans that are aligned with the Company's growth strategy. Compensation awarded under these plans may be based on defined formulas, other performance criteria or discretionary. Incentive compensation is designed to motivate and reinforce sales and customer service behavior in all markets. Earnings were charged $83.2 million in 2008, $71.4 million in 2007 and $65.2 million in 2006 for incentive compensation plans.

(13) Stock Compensation Plans

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

These awards consist primarily of stock options that are subject to vesting requirements. Generally, one-seventh of the options awarded vest annually and expire three years after vesting. Additionally, stock options that vest in two years and expire 45 days after vesting have been awarded. Non-vested shares may be granted to the Chief Executive Officer and other senior executives of the Company. These shares vest five years after the grant date. The holders of these shares may be required to retain the shares for a three-year period after vesting.

The Chief Executive Officer and other senior executives participate in an

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

The following table presents options outstanding during 2006, 2007 and 2008 under these plans:

	Number	Weighted-Average Exercise Price
Options outstanding at December 31, 2005	3,488,712	$34.03
Options awarded	900,119	48.30
Options exercised	(790,981)	29.50
Options forfeited	(100,149)	36.65
Options expired	(1,076)	37.35
Options outstanding at December 31, 2006	3,496,625	$38.63
Options awarded	956,475	54.18
Options exercised	(703,833)	32.41
Options forfeited	(429,848)	43.74
Options expired	(1,249)	45.80
Options outstanding at December 31, 2007	3,318,170	$43.50
Options awarded	1,098,172	47.71
Options exercised	(498,700)	33.05
Options forfeited	(271,250)	47.96
Options expired	(70,924)	49.91
Options outstanding at December 31, 2008	3,575,468	$45.77
Options vested at December 31, 2008	846,387	$39.62

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

	Options Outstanding			Options Vested	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$17.37 - 19.02	100,818	1.24	17.73	100,818	17.73
28.27 - 30.87	315,641	2.30	29.90	196,747	29.35
37.74	310,730	3.00	37.74	104,714	37.74
38.91 - 44.30	107,887	2.00	41.73	-	-
45.15 - 47.34	577,139	3.50	47.32	212,325	47.31
47.05 - 48.53	509,099	4.00	47.06	72,424	47.08

48.46	805,163	6.00	48.46	-	-
50.61 - 54.00	107,887	0.12	53.51	107,887	53.51
54.33	579,206	5.00	54.33	51,472	54.33
52.54 - 54.28	161,898	1.00	53.57	-	-

Compensation expense for stock options is generally recognized based on the fair value of options granted over the options' vesting period. The fair value of options was determined as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007	2006
Average risk-free interest rate	3.50%	4.68%	4.42%
Dividend yield	1.70%	1.10%	0.90%
Volatility factors	.147	.143	.161
Weighted average expected life	4.9 years	4.9 years	4.9 years
Weighted average fair value	$7.09	$9.91	$9.56

Compensation cost of stock options granted that may be recognized as compensation expense in future years totaled $11.0 million at December 31, 2008. Subject to adjustments for forfeitures, we expect to recognize compensation expense for current outstanding options of $4.6 million in 2009, $3.0 million in 2010, $1.7 million in 2011, $970 thousand in 2012, $490 thousand in 2013 and $170 thousand thereafter. Stock option expense for the years ended December 31, 2008, 2007 and 2006 was $7.8 million, $6.3 million and $6.4 million, respectively. The intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was $11.8 million, $14.9 million and $16.6 million, respectively. The aggregate intrinsic value of options outstanding as of December 31, 2008 and 2007 was $19.2 million and $27.2 million, respectively. The aggregate intrinsic value of options exercisable as of December 31, 2008 and 2007 was $656 thousand and $15.1 million, respectively.

BOK Financial also issues non-vested common shares under the various stock-based compensation plans. At December 31, 2008, a total of 137,958 non-vested common shares have been awarded, including 56,853 awarded in 2008. The weighted average grant date fair value of non-vested shares awarded in 2008 was $47.62 per share. Unrecognized compensation cost of non-vested shares totaled $3.4 million at December 31, 2008. Subject to adjustment for forfeitures, we expect to recognize compensation expense of $1.1 million in 2009, $950 thousand in 2010, $750 thousand in 2011, $520 thousand in 2012 and $50 thousand in 2013.

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

Stock-based compensation subject to these deferral plans is recognized as a liability award rather than as an equity award. Compensation expense is based on the fair value of the award recognized over the vesting period. At December 31, 2008, the recorded obligation for liability awards was $1.2 million. Compensation cost of liability awards was a benefit of $471 thousand in 2008, expense of $506 thousand in 2007 and expense of $4.7 million in 2006.

During January 2009, BOK Financial awarded the following stock-based compensation:

Number	Exercise Price	Fair Value / Award

Equity awards:			
Stock options	779,541	$36.65	$ 5.38
Nonvested stock	139,839	-	36.65
Total equity awards	919,380		
Total stock-based awards	919,380		

The aggregate compensation cost of these awards totaled approximately $9.3 million. This cost will be recognized over the vesting periods, subject to adjustments for forfeitures. None of the stock-based compensation awards in January 2009 are subject to deferred compensation plans.

(14) Related Parties

In compliance with applicable regulations, the Company may extend credit to certain executive officers, directors, principal shareholders and their affiliates (collectively referred to as "related parties") in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements. The Company's loans to related parties do not involve more than the normal credit risk and there are no non-accrual or impaired related party loans outstanding at December 31, 2008 or 2007. Activity in loans to related parties is summarized as follows (in thousands):

	2008	2007
Beginning balance	$252,051	$ 160,901
Advances	734,553	700,742
Payments	(704,433)	(700,488)
Charge-offs(2)	(26,000)	-
Adjustments(1)	(49,031)	90,896
Ending balance	$207,140	$252,051

(1) Adjustments generally consist of changes in status as a related party. In 2008, adjustments include $48 million of loans to SemGroup, L.P., which ceased to be a related party upon resignation of Thomas L. Kivisto, its principal owner, from the Company's Board of Directors. These loans remain outstanding and are non-performing.

(2) In 2008, the Company charged off $26 million of the balance due from SemGroup, L.P.

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

On July 21, 2008, the Company entered into a $188 million, unsecured revolving credit agreement with George B. Kaiser, its Chairman and principal shareholder. The revolving credit agreement with Mr. Kaiser replaced a similar credit agreement with certain commercial banks that was terminated at the Company's request. The Company was in compliance with all terms of that credit agreement when it was terminated. Interest on the outstanding balance due to Mr. Kaiser is based on one-month LIBOR plus 125 basis points and is payable quarterly. Additional interest in the form of a facility fee is paid quarterly on the unused portion of the commitment at 25 basis points. This agreement has no restrictive covenants and matures in December of 2010. At December 31, 2008, the outstanding balance under this credit agreement was $50 million. Subsequent to December 31, 2008, the Company fully repaid the amounts owed under this credit agreement.

The Company also rents office space in facilities owned by affiliates of Mr. Kaiser. Lease payments for 2008 totaled $1.1 million.

In 2008, the Company entered into a $25 million loan commitment with the Tulsa Community Foundation ("TCF") to be secured by tax-exempt bonds purchased from the Tulsa Stadium Trust (the "Stadium Trust") by TCF. The Stadium Trust is an Oklahoma public trust, of which the City of Tulsa is the sole beneficiary. Stanley A. Lybarger, President and CEO of the Company, is Chairman of the Stadium Trust.

Cavanal Hill Investment Management, Inc., a wholly-owned subsidiary of BOk, is the administrator to and investment advisor for the Cavanal Hill Funds (the "Funds"), a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). BOk is custodian and BOSC, Inc. is distributor for the Funds. The Funds' products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. Approximately 98% of the Funds' assets of $3.8 billion are held for the Company's clients. A Company executive officer serves on the Funds' board of trustees and BOk officers serve as president and secretary of the Funds. A majority of the members of the Funds' board of trustees are, however, independent of the Company and the Funds are managed by its board of trustees.

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(15) Commitments and Contingent Liabilities

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

On April 7, 2008, AXIA and its parent, BOK, received a Wells notice from the regional office of the SEC in Los Angeles indicating that the staff is considering recommending that the SEC bring a civil injunctive action against AXIA and BOK for violations of Section 17(a) of the Securities Act of 1955, Section 10(b) of the Securities Exchange Act of 1934, Sections 206(1) and (2) of the Investment Advisors Act of 1940, and Sections 12(b) and 34(b) of the Investment Company Act of 1940. BOK and AXIA have been cooperating fully with the SEC in connection with these matters that arose prior to December 31, 2003. BOK and AXIA are not bound by the SEC BISYS Order and disagree with the SEC position as it relates to BOK and AXIA. On May 27, 2008, BOK and AXIA responded to the Wells notice denying the SEC position. On June 26, 2008, BOK and AXIA representatives met with SEC Staff at which time the SEC Staff advised that the Staff had not determined whether to recommend any action to the Commission. On September 25, 2008, The SEC Staff requested, and BOK and AXIA agreed to, a tolling agreement for any action the SEC might take until January 15, 2009. On December 22, 2008, the tolling agreement was extended to March 2, 2009. On February 11, AXIA representatives met again with SEC Staff. Nothing further has occurred as of the time of this filing.

As a member of Visa, BOK Financial is obligated for a proportionate share of certain covered litigation losses incurred by Visa under a retrospective responsibility plan. A contingent liability was recognized for the Company's share of Visa's covered litigation liabilities. This contingent liability totaled $2.5 million at December 31, 2008. During 2008, 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 and from available cash. BOK Financial recognized a $2.5 million receivable for its proportionate share of this escrow account.

BOK Financial received 410,562 Visa Class B shares as part of Visa's initial public offering in the first quarter of 2008. A partial redemption of Class B shares was completed and the Company received $6.8 million in cash in exchange for 158,725 Class B shares. The remaining 251,837 Class B shares are convertible into Visa Class A shares at the later of three years after the date of Visa's initial public offering or the final settlement of all covered litigation. The current exchange rate is approximately 0.6296 Class A shares for each Class B share. However, the Company's Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. Therefore, under currently issued accounting guidance, no value has been currently assigned to the Class B shares and no value may be assigned until the Class B shares are converted into a known number of Class A shares.

At December 31, 2008, Cavanal Hill Funds' assets included $1.6 billion of U.S. Treasury, $1.4 billion of cash management and $881 million of tax-free money market funds. Assets of these funds consist of highly-rated, short-term obligations of the U.S. Treasury, corporate issuers and U.S. states and municipalities. The net asset value of units in these funds was $1.00 at December 31, 2008. 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.

BOk is obligated under a long-term lease for its bank premises owned by Williams Companies, Inc. and located in downtown Tulsa. The Chairman and CEO of the Williams Companies, Inc. is a director of BOK Financial Corporation. The lease term, which began November 1, 1976, is for fifty-seven years with options to terminate in 2014 and 2024. Annual base rent is $3.2 million. BOk subleases portions of its space for annual rents of $213 thousand in years 2009 and 2010. Net rent expense on this lease was $3.0 million in 2008, 2007 and 2006. Total rent expense for BOK Financial was $20.3 million in 2008, $18.8 million in 2007, and $16.5 million in 2006.

At December 31, 2008, future minimum lease payments for equipment and premises under operating leases were as follows: $17.4 million in 2009, $17.2 million in 2010, $14.6 million in 2011, $11.9 million in 2012, $9.4 million in 2013, and a total of $102.7 million thereafter. Premises leases may include options to renew at then current market rates and may include escalation provisions based upon changes in the consumer price index or similar benchmarks.

The Federal Reserve Bank requires member banks to maintain certain minimum average cash balances. These balances were approximately $373 million and $315 million at December 31, 2008 and 2007, respectively.

BOSC, Inc., a wholly-owned subsidiary of BOK Financial, is an introducing broker to Pershing, LLC for retail equity investment transactions. As such, it has indemnified Pershing, LLC against losses due to a customer's failure to settle a transaction or to repay a margin loan. All unsettled transactions and margin loans are secured as required by applicable regulation. The amount of customer balances subject to indemnification totaled $1.5 million at December 31, 2008.

At December 31, 2008, the Company has funded $42.6 million and has commitments to fund an additional $13.9 million in various unrelated alternative investments. Alternative investments generally consist of limited partnership interests in or loans to entities 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.

BOKF Equity, LLC, indirectly a wholly-owned subsidiary of BOK Financial, is the general partner in two private equity funds ("the Funds"). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through limited partnerships. The Funds generally invest in distressed assets, asset buy-out or venture capital limited partnerships or limited liability companies. The general partner has contingent obligations through the Funds to make additional investments totaling $17.5 million as of December 31, 2008. Substantially all of those contingent obligations are offset by commitments of BOK Financial customers.

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

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

(16) Shareholders' Equity

Preferred Stock

One billion shares of preferred stock with a par value of $0.00005 per share are authorized. The Series A Preferred Stock has no voting rights except as otherwise provided by Oklahoma corporate law and may be converted into one share of Common Stock for each 36 shares of Series A Preferred Stock at the option of the holder. Dividends are cumulative at an annual rate of ten percent of the $0.06 per share liquidation preference value when declared and are payable in cash. Aggregate liquidation preference is $15 million. No Series A Preferred Stock was outstanding in 2008, 2007 or 2006.

Common Stock

Common stock consists of 2.5 billion authorized shares with a $0.00006 par value. Holders of common shares are entitled to one vote per share at the election of the Board of Directors and on any question arising at any shareholders' meeting and to receive dividends when and as declared. Additionally, regulations restrict the ability of national banks and bank holding companies to pay dividends.

Cash dividends paid on common stock totaled $59 million, $50 million and $37 million in 2008, 2007 and 2006, respectively. Previously, annual dividends were paid in shares of common stock.

Subsidiary Banks

The amounts of dividends that BOK Financial's subsidiary banks can declare and the amounts of loans the subsidiary banks can extend to affiliates are limited by various federal banking regulations and state corporate law. Generally, dividends declared during a calendar year are limited to net profits, as defined, for the year plus retained profits for the preceding two years. The amounts of dividends are further restricted by minimum capital requirements. Pursuant to the most restrictive of the regulations at December 31, 2008, BOK Financial's subsidiary banks could declare dividends up to $171 million without prior regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. As of December 31, 2008, the subsidiary banks could declare dividends of up to $119 million under this policy. The subsidiary banks declared and paid dividends of $76 million, $254 million and $81 million in 2008, 2007, and 2006, respectively.

Loans to a single affiliate may not exceed 10% and loans to all affiliates may not exceed 20% of unimpaired capital and surplus, as defined. Additionally, loans to affiliates must be fully secured. As of December 31, 2008 and 2007, outstanding loans and equity investments totaled $45 million and $22 million, respectively, and outstanding letters of credit totaled $18 million and $17 million, respectively. Total loan commitments to affiliates at December 31, 2008 were $199 million.

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Regulatory Capital

BOK Financial and its banking subsidiaries are subject to various capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a material effect on BOK Financial's operations. These capital requirements include quantitative measures of assets, liabilities and certain off-balance sheet items. The capital standards are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

For a banking institution to qualify as well capitalized, its Tier I, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. Tier I capital consists primarily of common stockholders' equity, excluding unrealized gains or losses on available for sale securities, less goodwill, core deposit premiums and certain other intangible assets. Total capital consists primarily of Tier I capital plus preferred stock, subordinated debt and reserves for credit losses, subject to certain limitations. All of BOK Financial's banking subsidiaries exceeded the regulatory definition of well capitalized.

	December 31,	
	2008	200

(Dollars in thousands)	Amount	Ratio	Amount
Total Capital (to Risk Weighted Assets):			
Consolidated	$ 2,356,948	12.81%	$ 2,167,763
BOk	1,584,353	12.22	1,432,405
Bank of Texas	440,303	11.07	380,221
Bank of Albuquerque	127,910	17.20	112,693
Bank of Arkansas	34,395	12.18	28,058
Colorado State Bank and Trust	87,370	12.41	88,603
Bank of Arizona	25,136	10.65	21,715
Bank of Kansas City	16,057	28.42	17,354
Tier I Capital (to Risk Weighted Assets):			
Consolidated	$ 1,728,926	9.40%	$ 1,621,583
BOk	1,032,120	7.96	937,477
Bank of Texas	390,444	9.82	349,793
Bank of Albuquerque	118,588	15.94	105,089
Bank of Arkansas	30,842	10.92	25,198
Colorado State Bank and Trust	80,232	11.39	85,542
Bank of Arizona	22,133	9.37	19,644
Bank of Kansas City	15,424	27.30	17,252
Tier I Capital (to Average Assets):			
Consolidated	$ 1,728,926	7.89%	$ 1,621,58
BOk	1,032,120	6.46	937,47
Bank of Texas	390,444	9.30	349,79
Bank of Albuquerque	118,588	7.22	105,08
Bank of Arkansas	30,842	10.80	25,19
Colorado State Bank and Trust	80,232	6.90	85,54
Bank of Arizona	22,133	9.55	19,64
Bank of Kansas City	15,424	23.88	17,25

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Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI") includes unrealized gains and losses on available for sale securities and accumulated gains or losses on effective cash flow hedges, including hedges of anticipated transactions. Gains and losses in AOCI are net of deferred income taxes. Accumulated losses on the rate lock hedge of the 2005 subordinated debenture issuance will be reclassified into income over the ten-year life of the debt. Unrealized losses on employee benefit plans were recognized as required by Statement of Financial Accounting Standards Board No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("FAS 158"), and will be reclassified into income as Pension Plan costs.

	Unrealized Gain (Loss) On Available For Sale Securities	Accumulated (Loss) on Effective Cash Flow Hedges	Unrealize (Loss) On Employee Benefit Pl
Balance at December 31, 2005	$ (64,082)	$ (3,729)	$ -
Unrealized gains on securities	7,061	-	-
Unrealized gains on cash flow hedges	-	664	-
Unrealized losses on employee benefit plans	-	-	(18,587

Tax benefit (expense) on unrealized gains (losses)	(2,619)	-	7,230
Reclassification adjustment for losses realized and included in net income	739	211	-
Reclassification adjustment for tax benefit on realized losses	(251)	(81)	-
Balance at December 31, 2006	$ (59,152)	$ (2,935)	$ (11,357
Unrealized gains on securities	48,308	-	-
Unrealized gains on cash flow hedges	-	2,201	-
Unrealized gains on employee benefit plans	-	-	7,518
Tax benefit (expense) on unrealized gains (losses)	(17,239)	(856)	(2,925
Reclassification adjustment for losses realized and included in net income	8,117	211	(384
Reclassification adjustment for tax benefit on realized losses	(2,809)	(82)	150
Balance at December 31, 2007	$ (22,775)	$ (1,461)	$ (6,998
Unrealized losses on securities	(236,990)	-	-
Unrealized gains on cash flow hedges	-	139	-
Unrealized losses on employee benefit plans	-	-	(16,434
Tax benefit (expense) on unrealized gains (losses)	70,492	(54)	6,393
Reclassification adjustment for (gains) losses realized and included in net income	(21,926)	289	-
Reclassification adjustment for tax expense (benefit) on realized gains (losses)	6,551	(112)	-
Balance at December 31, 2008	$ (204,648)	$ (1,199)	$ (17,039

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(17) Earnings Per Share

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

	Years ended D	
	2008	2007
Numerator:		
Net income	$ 153,232	$ 217
Denominator:		
Denominator for basic earnings per share - weighted average shares	67,274,457	67,083
Effect of dilutive potential common shares:		
Employee stock compensation plans(1)	282,763	467
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	67,557,220	67,550
Basic earnings per share	$2.28	$
Diluted earnings per share	$2.27	$
(1) Excludes employee stock options with exercise prices greater than the current market price.	1,571,239	799

(18) Reportable Segments

BOK Financial operates three principal lines of business: commercial banking, consumer banking and wealth management. Our principal lines of business have been re-defined from the previous year to better present the Company's organization as it has grown in markets outside of Oklahoma. Commercial banking includes lending, treasury and cash management services and customer risk management products to small businesses, middle market and larger commercial customers. Commercial banking also includes the TransFund network. Consumer banking includes retail lending and deposit services, all mortgage banking activities and our indirect automobile lending products. Wealth management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

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

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 30 days for certain rate-sensitive deposits to five years.

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

Substantially all revenue is from domestic customers. No single external customer accounts for more than 10% of total revenue.

(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2008					

Net interest revenue/(expense)					
from external sources	$ 451,623	$ 32,076	$ 12,617	$ 150,546	$ 646,8
Net interest revenue/(expense) from internal sources	(134,196)	118,728	32,853	(17,385)	
Total net interest revenue	317,427	150,804	45,470	133,161	646,8
Other operating revenue	107,185	148,885	156,133	1,137	413,3
Operating expense	217,155	219,024	149,966	42,233	628,3
Provision for credit losses	81,966	16,726	2,961	100,940	202,5
Increase (decrease) in fair value of mortgage servicing rights	-	(34,515)	-	-	(34,5
Gains (losses) on financial instruments, net	4,689	12,525	(7)	5,729	22,9
Gains (losses) on repossessed assets, net	(82)	193	-	378	4
Income before taxes	130,098	42,142	48,669	(2,768)	218,1
Federal and state income tax	50,608	16,393	18,932	(21,024)	64,9
Net income	$ 79,490	$ 25,749	$ 29,737	$ 18,256	$ 153,2
Average assets	$ 12,920,566	$7,974,694	$2,505,168	$(1,790,609)	$21,609,8
Average invested capital	1,036,980	216,810	191,830	500,722	1,946,3
Performance measurements:					
Return on assets	0.62%	0.32%	1.19%	-	0.7
Return on invested capital	7.67	11.88	15.50	-	7.8
Efficiency ratio	51.14	73.08	74.39	-	59.2

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$513,701	$ 412,203	$620,549	$134,976	$23,400,427
Unallocated items:					
Tax-equivalent adjustment	8,228	-	-	8,228	-
Funds management and other (including eliminations),net	124,933	1,137	41,855	10,028	(1,790,608
BOK Financial consolidated	$646,862	$ 413,340	$662,404	$153,232	$21,609,819

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(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2007					
Net interest revenue/(expense)					

from external sources	$ 526,225	$ (7,807)	$ 8,562	$ 17,505	$ 544,4
Net interest revenue/(expense)					
from internal sources	(200,390)	163,028	37,627	(265)	
Total net interest revenue	325,835	155,221	46,189	17,240	544,4
Other operating revenue	131,081	144,585	130,681	(1,653)	404,6
Operating expense	201,876	193,599	131,205	43,265	569,9
Provision for credit losses	9,747	9,233	1,513	14,228	34,7
Cavanal Hill Funds settlement	-	-	2,232	-	2,2
Increase (decrease) in fair					
value of mortgage servicing rights	-	(2,893)	-	-	(2,8
Gains (losses) on financial					
instruments, net	1,075	(486)	13	(6,648)	(6,0
Gains (losses) on repossessed					
assets, net	10	107	-	(34)	
Income before taxes	246,378	93,702	41,933	(48,588)	333,4
Federal and state income tax	95,841	36,450	16,312	(32,842)	115,7
Net income	$ 150,537	$ 57,252	$ 25,621	$ (15,746)	$ 217,6
Average assets	$ 11,274,301	$7,514,732	$2,020,472	$(1,783,737)	$19,025,7
Average invested capital	1,059,730	194,130	182,370	376,233	1,812,4
Performance measurements:					
Return on assets	1.34%	0.76%	1.27%	-	1.1
Return on invested capital	14.21	29.49	14.05	-	12.0
Efficiency ratio	44.18	64.57	74.18	-	60.0

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$527,245	$ 406,347	$531,688	$233,410	$20,809,505
Unallocated items:					
Tax-equivalent adjustment	9,120	-	-	9,120	-
Funds management and other					
(including eliminations), net	8,120	(1,653)	43,299	(24,866)	(1,783,737
BOK Financial consolidated	$544,485	$ 404,694	$574,987	$217,664	$19,025,768

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(In Thousands)	Commercial Banking	Consumer Banking	Wealth Management	Funds Management and Other	Total
Year ended December 31, 2006					
Net interest revenue/(expense)					

from external sources	$ 456,497	$ (5,015)	$ 16,731	$ 18,475	$ 486,6
Net interest revenue/(expense) from internal sources	(162,537)	151,532	29,180	(18,175)	
Total net interest revenue	293,960	146,517	45,911	300	486,6
Other operating revenue	119,891	134,261	114,044	4,999	373,1
Operating expense	184,385	176,649	114,548	39,962	515,5
Provision for credit losses	2,988	5,075	242	10,097	18,4
Increase (decrease) in fair value of mortgage servicing rights	-	3,009	-	-	3,0
Gains (losses) on financial instruments, net	10	(1,102)	5	(485)	(1,5
Gains (losses) on repossessed assets, net	255	72	-	(99)	2
Income before taxes	226,743	101,033	45,170	(45,344)	327,6
Federal and state income tax	88,203	39,302	17,571	(30,451)	114,6
Net income	$ 138,540	$ 61,731	$ 27,599	$ (14,893)	$ 212,9
Average assets	$ 9,993,775	$6,966,156	$1,710,193	$(1,862,533)	$16,807,5
Average invested capital	997,210	192,310	163,340	256,499	1,609,3
Performance measurements:					
Return on assets	1.39%	0.89%	1.61%	-	1.2
Return on invested capital	13.89	32.10	16.90	-	13.2
Efficiency ratio	44.55	62.91	71.61	-	59.9

Reconciliation to Consolidated Financial Statements

	Net Interest Revenue	Other Operating Revenue	Other Operating Expense	Net Income	Average Assets
Total reportable segments	$486,388	$ 368,196	$472,246	$227,870	$18,670,124
Unallocated items:					
Tax-equivalent adjustment	6,963	-	-	6,963	-
Funds management and other (including eliminations), net	(6,663)	4,999	40,061	(21,856)	(1,862,533
BOK Financial consolidated	$486,688	$ 373,195	$512,307	$212,977	$16,807,591

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(19) Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of financial instruments as of December 31, 2008 and 2007 (dollars in thousands):

	Carrying	Range of Contractual	Average Repricing	Disc

	Value	Yields	(in years)	Ra
2008:				
Cash and cash equivalents	$ 694,942			
Securities	7,132,607			
Residential mortgage - held for sale	129,246	-	-	-
Loans:				
Commercial	7,411,603	0.25 -18.00%	0.35	0.4
Commercial real estate	2,701,248	1.75 -18.00	1.49	1.0
Residential mortgage	1,752,574	5.00 -10.45	7.10	1.7
Consumer	1,010,581	1.50 -21.00	1.22	3.
Total loans	12,876,006			
Reserve for loan losses	(233,236)			
Net loans	12,642,770			
Derivative instruments with positive fair value	452,604			
Deposits with no stated maturity	9,799,364			
Time deposits	5,183,243	0.15 - 9.74	1.89	0.13 -
Other borrowings	4,547,453	1.85 - 4.52	0.54	0.09 -
Subordinated debentures	398,407	5.59	4.57	1.
Derivative instruments with negative fair value	667,034			
2007:				
Cash and cash equivalents	$ 890,413			
Securities	6,098,914			
Residential mortgage - held for sale	76,677	-	-	
Loans:				
Commercial	6,737,505	1.45 -18.00%	0.43	4.5
Commercial real estate	2,750,472	5.63 -18.00	1.42	7.
Residential mortgage	1,531,296	3.81 -12.75	7.00	3.
Consumer	921,297	4.50 -21.00	1.95	7.
Total loans	11,940,570			
Reserve for loan losses	(126,677)			
Net loans	11,813,893			
Derivative instruments with positive fair value	502,446			
Deposits with no stated maturity	9,128,653			
Time deposits	4,330,638	1.84 - 10.00	1.10	3.37 -
Other borrowings	4,252,695	2.45 - 6.15	0.81	3.41 -
Subordinated debentures	398,273	5.47	5.52	3.
Derivative instruments with negative fair value	513,840			

The preceding table presents the estimated fair values of financial instruments. Fair value is the estimated price that would be received to sell the financial assets or paid to transfer the financial liabilities in an orderly transaction between market participants. Because no market exists for certain of these financial instruments and management does not intend to sell these financial instruments, BOK Financial does not know whether the fair values shown above represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

Cash and Cash Equivalents

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

Securities

The fair values of securities are based on quoted market prices or dealer quotes, when available. If quotes are not available, fair values are based on quoted prices of comparable instruments.

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.

Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates currently being offered for loans with similar remaining terms to maturity and credit risk, adjusted for the impact of interest rate floors and ceilings. The fair values of loans were estimated to approximate their carrying values less loan loss reserves allocated to these loans of $210 million and $107 million at December 31, 2008 and 2007, respectively.

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 hedging transactions.

Deposits

The fair values of time deposits are based on discounted cash flow analyses using interest rates currently being offered on similar transactions. Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," ("FAS 107") defines the estimated fair value of deposits with no stated maturity, which includes demand deposits, transaction deposits, money market deposits and savings accounts, to equal the amount payable on demand. Although market premiums paid reflect an additional value for these low cost deposits, FAS 107 prohibits adjusting fair value for the expected benefit of these deposits. Accordingly, the positive effect of such deposits is not included in this table.

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.

Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at December 31, 2008 and 2007.

Fair Value of Financial Instruments

Fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2008 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Sign Unobs In
Assets:				
Trading securities	$99,601	$ 793	$ 98,808	
Available for sale securities	6,391,451	30,420	6,361,031	
Mortgage trading securities	399,211		399,211	
Residential mortgage loans held for sale	129,246		129,246	
Mortgage servicing rights	42,752			
Derivative contracts	452,604		452,604	
Liabilities:				
Certificates of deposit	632,754		632,754	
Derivative contracts	667,034		667,034	

(1) A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 8, Mortgage Banking Activities.

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

- o Quoted prices for similar, but not identical, assets or liabilities in active markets;
- o Quoted prices for identical or similar assets or liabilities in inactive markets;
- o 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;
- o Other inputs derived from or corroborated by observable market inputs.

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

Assets and liabilities measured at fair value on a nonrecurring basis generally include certain impaired loans, real estate and other repossessed assets and goodwill. The allowance for loan losses related to collateral dependent impaired loans within the scope of FAS 114 is based on the fair value of the collateral.

Real estate and other repossessed assets are carried at the lower of cost, which is determined by fair value at the date of foreclosure, or current fair value. The frequency of nonrecurring fair value measurements of impaired loans and real estate and other repossessed assets is governed by federal banking regulations. Fair value measurements are generally based on appraised values which require significant Level 2 other observable inputs.

Intangible assets, which consist primarily of goodwill, core deposit intangible assets and other acquired intangibles, for each business unit are evaluated for impairment annually as of October 1st or more frequently if conditions indicate that impairment may have occurred. The evaluation of possible impairment of intangible assets involves significant judgment based upon short-term and long-term projections of future performance.

The fair value of each of our business units is estimated by the discounted future earnings method. Income growth is projected over a seven-year period for each unit and a terminal value is computed. The projected income stream is converted to current fair value by using a discount rate that reflects a rate of return required by a willing buyer. Assumptions used to value our business units are based on growth rates, volatility, discount rate and market risk premium inherent in our current stock price. These assumptions are considered Level 3 inputs as defined by FAS 157 and represent our best estimate of assumptions that market participants would use to determine fair value of the respective business units. The most critical assumptions in our evaluation were a 7.00% expected long-term growth rate, a 0.66% volatility factor for BOK Financial common stock, a 9.36% discount rate, and an 11.04% market risk premium.

(20) Parent Company Only Financial Statements

Summarized financial information for BOK Financial - Parent Company Only follows:

Balance Sheets
(In Thousands)

	December 31,	
	2008	2007
Assets		
Cash and cash equivalents	$ 20,324	$ 24,257
Securities - available for sale	9,900	13,361
Investment in subsidiaries	1,865,514	1,949,099
Other assets	1,623	1,503
Total assets	$1,897,361	$1,988,220
Liabilities and Shareholders' Equity		
Other borrowings	$ 50,000	$ 50,000
Other liabilities	1,104	2,836
Total liabilities	51,104	52,836
Common stock	4	4
Capital surplus	743,411	722,088
Retained earnings	1,427,057	1,332,954
Treasury stock	(101,329)	(88,428)
Accumulated other comprehensive loss	(222,886)	(31,234)
Total shareholders' equity	1,846,257	1,935,384

Total liabilities and shareholders' equity	$1,897,361	$1,988,220

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Statements of Earnings
(In Thousands)

	2008	2007	2006
Dividends, interest and fees received from subsidiaries	$ 76,587	$254,256	$ 80,855
Other operating revenue	359	482	476
Total revenue	76,946	254,738	81,331
Interest expense	2,131	715	-
Professional fees and services	842	601	506
Other operating expense	290	220	191
Total expense	3,263	1,536	697
Income before taxes and equity in undistributed income of subsidiaries	73,683	253,202	80,634
Federal and state income tax expense (credit)	(1,505)	497	(28)
Income before equity in undistributed income of subsidiaries	75,188	252,705	80,662
Equity in undistributed income of subsidiaries	78,044	(35,041)	132,315
Net income	$153,232	$217,664	$212,977

Statements of Cash Flows
(In Thousands)

	2008	2007	2006
Cash flows from operating activities:			
Net income	$153,232	$217,664	$212,977
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(78,044)	35,041	(132,315)
Tax benefit on exercise of stock options	895	3,460	4,014
Change in other assets	(3,930)	(3,090)	(22,949)
Change in other liabilities	(402)	(585)	815
Net cash provided by operating activities	71,751	252,490	62,542
Cash flows from investing activities:			
Investment in subsidiaries	(16,244)	(240,718)	(20,865)
Net cash used by investing activities	(16,244)	(240,718)	(20,865)

Cash flows from financing activities:			
Increase in other borrowings	50,000	50,000	-
Pay down of other borrowings	(50,000)	-	-
Issuance of common and treasury stock, net	7,743	13,747	12,647
Cash dividends	(59,191)	(50,416)	(36,788)
Repurchase of common stock	(7,992)	(17,353)	(12,103)
Net cash used by financing activities	(59,440)	(4,022)	(36,244)
Net change in cash and cash equivalents	(3,933)	7,750	5,433
Cash and cash equivalents at beginning of period	24,257	16,507	11,074
Cash and cash equivalents at end of period	$ 20,324	$ 24,257	$ 16,507
Cash paid for interest	$ 2,282	$ 560	$ 10

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Annual Financial Summary - Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands)

	Average Balance
Assets	
Taxable securities(3)	$ 6,087,167
Tax-exempt securities(3)	258,552
Total securities(3)	6,345,719
Trading securities	73,563
Funds sold and resell agreements	70,287
Loans(2)	12,593,683
Less reserve for loan losses	168,042
Loans, net of reserve	12,425,641
Total earning assets(3)	18,915,210
Cash and other assets	2,694,609
Total assets	$21,609,819
Liabilities and Shareholders' Equity	
Transaction deposits	$ 6,342,421
Savings deposits	158,096
Time deposits	4,552,931

Total interest-bearing deposits	11,053,448
Funds purchased and repurchase agreements	3,087,012
Other borrowings	1,745,938
Subordinated debentures	398,333
Total interest-bearing liabilities	16,284,731
Demand deposits	2,632,719
Other liabilities	746,027
Shareholders' equity	1,946,342
Total liabilities and shareholders' equity	$21,609,819
Tax-equivalent Net Interest Revenue(3)	
Tax-equivalent Net Interest Revenue to Earning Assets(3)	
Less tax-equivalent adjustment(1)	
Net Interest Revenue	
Provision for credit losses	
Other operating revenue	
Other operating expense	
Income before taxes	
Federal and state income tax	
Net Income	

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

2007			2006		
Average Balance	Revenue/ Expense(1)	Yield/ Rate	Average Balance	Revenue/ Expense(1)	Yield/ Rate
$ 5,166,218	$248,972	4.85%	$ 4,770,959	$222,531	4.67
341,913	21,293	6.39	290,356	15,572	5.44
5,508,131	270,265	4.94	5,061,315	238,103	4.71
29,043	1,948	6.71	21,213	1,044	4.92
77,890	4,480	5.75	36,196	1,841	5.09
11,440,045	893,164	7.81	9,706,866	752,404	7.75
120,086	-	-	106,689	-	-

11,319,959	893,164	7.89	9,600,177	752,404	7.84
16,935,023	1,169,857	6.92	14,718,901	993,392	6.75
2,090,745			2,088,690		
$19,025,768			$16,807,591		
$ 5,508,831	$ 194,617	3.53%	$ 4,595,993	$148,986	3.24
165,729	1,499	0.90	148,656	1,408	0.95
4,568,738	216,630	4.74	4,279,610	186,514	4.36
10,243,298	412,746	4.03	9,024,259	336,908	3.73
2,758,306	134,347	4.87	2,145,648	105,483	4.92
838,708	44,258	5.28	725,329	37,070	5.11
395,050	24,901	6.30	294,962	20,280	6.88
14,235,362	616,252	4.33	12,190,198	499,741	4.10
2,368,897			2,355,538		
609,046			652,496		
1,812,463			1,609,359		
$19,025,768			$16,807,591		
	$ 553,605	2.59%		$ 493,651	2.65
		3.28			3.36
	9,120			6,963	
	544,485			486,688	
	34,721			18,402	
	398,648			371,623	
	574,987			512,307	
	333,425			327,602	
	115,761			114,625	
	$217,664			$212,977	

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Quarterly Financial Summary - Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months End			
	December 31, 2008			
	Average	Revenue/	Yield/	Aver

	Balance	Expense(1)	Rate	Bala
Assets				
Taxable securities(3)	$ 6,634,035	$87,317	5.12%	$ 6,0
Tax-exempt securities(3)	255,693	4,133	6.43	2
Total securities(3)	6,889,728	91,450	5.17	6,3
Trading securities	78,840	1,298	6.55	
Funds sold and resell agreements	48,246	92	0.76	
Loans(2)	12,947,880	171,383	5.27	12,7
Less reserve for loan losses	209,319	-	-	1
Loans, net of reserve	12,738,561	171,383	5.35	12,5
Total earning assets(3)	19,755,375	264,223	5.28	18,9
Cash and other assets	2,516,276			2,8
Total assets	$22,271,651			$21,8
Liabilities and Shareholders' Equity				
Transaction deposits	$ 6,116,465	$23,161	1.51%	$ 6,5
Savings deposits	155,784	143	0.37	1
Time deposits	5,109,303	42,090	3.28	4,7
Total interest-bearing deposits	11,381,552	65,394	2.29	11,5
Funds purchased and repurchase agreements	3,095,054	7,289	0.94	3,0
Other borrowings	1,986,857	7,541	1.51	1,3
Subordinated debentures	398,392	5,489	5.48	3
Total interest-bearing liabilities	16,861,855	85,713	2.02	16,3
Demand deposits	2,712,384			2,7
Other liabilities	807,740			7
Shareholders' equity	1,889,672			1,9
Total liabilities and shareholders' equity	$22,271,651			$ 21,8
Tax-equivalent Net Interest Revenue(3)		$178,510	3.26%	
Tax-equivalent Net Interest Revenue to Earning Assets(3)			3.57	
Less tax-equivalent adjustment(1)		2,063		
Net Interest Revenue		176,447		
Provision for credit losses		73,001		
Other operating revenue		127,802		
Other operating expense		185,442		
Income before taxes		45,806		
Federal and state income tax		10,363		
Net Income		$35,443		
Earnings Per Average Common Share Equivalent:				
Net income:				

Basic	$0.53
Diluted	$0.53

(1) Tax equivalent at the statutory federal and state rates for the periods presented. The taxable equivalent adjustments shown are for comparative purposes.

(2) The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income. See Note 1 of Notes to the Consolidated Financial Statements for a description of income recognition policy.

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

Three Months Ended							
June 30, 2008			March 31, 2008			December 31,	
Average Balance	Revenue/ Expense(1)	Yield/ Rate	Average Balance	Revenue/ Expense(1)	Yield/ Rate	Average Balance	Revenue Expense(
$ 6,026,769	$ 75,959	5.08%	$ 5,624,430	$ 72,055	5.11%	$ 5,633,173	$68,67
259,410	4,165	6.46	264,398	4,189	6.38	328,900	5,99
6,286,179	80,124	5.14	5,888,828	76,244	5.17	5,962,073	74,66
74,058	1,267	6.88	74,957	1,433	7.69	29,303	48
72,444	355	1.97	80,735	840	4.18	86,948	1,30
12,527,011	180,424	5.79	12,181,279	199,678	6.59	11,806,242	223,14
145,524	-	-	131,709	-	-	125,996	
12,381,487	180,424	5.86	12,049,570	199,678	6.66	11,680,246	223,14
18,814,168	262,170	5.61	18,094,090	278,195	6.17	17,758,570	299,59
2,794,132			2,402,963			2,224,045	
$21,608,300			$ 20,497,053			$19,982,615	
$ 6,420,291	$ 27,755	1.74%	$ 6,267,021	$ 42,175	2.71%	$ 5,861,544	$49,35
159,798	148	0.37	156,953	238	0.61	160,170	34
4,076,167	38,211	3.77	4,225,141	45,734	4.35	4,544,802	53,61
10,656,256	66,114	2.50	10,649,115	88,147	3.33	10,566,516	103,31
3,126,110	15,180	1.95	3,061,783	23,649	3.11	3,158,153	35,16
2,267,076	14,032	2.49	1,340,846	11,718	3.51	936,353	11,61
398,336	5,821	5.88	398,241	5,399	5.45	398,109	5,70

16,447,778	101,147	2.47	15,449,985	128,913	3.36	15,059,131	155,80	
2,634,038			2,443,201			2,448,011		
541,693			618,721			580,574		
1,984,791			1,985,146			1,894,899		
$ 21,608,300			$ 20,497,053			$19,982,615		
	$161,023	3.14%		$149,282	2.81%		$143,79	
		3.44			3.31			
	2,084			2,154			2,50	
	158,939			147,128			141,28	
	59,310			17,571			13,20	
	55,616			120,562			107,31	
	159,268			153,404			157,72	
	(4,023)			96,715			77,67	
	(2,862)			34,450			26,51	
	$ (1,161)			$ 62,265			$51,16	
	$(0.02)			$0.93			$0.	
	$(0.02)			$0.92			$0.	

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Company, within the time periods specified in the Securities and Exchange Commission's rules and forms.

In addition and as of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f), as amended, of the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

The Report of Management on Financial Statements and Management's Report on Internal Control over Financial Reporting appear within Item 8, "Financial

Statements and Supplementary Data." The independent registered public accounting firm, Ernst & Young LLP, has audited the financial statements included in Item 8 and has issued an audit report on the Company's internal control over financial reporting, which appears therein.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth under the headings "Election of Directors," "Executive Officers, "Insider Reporting," "Director Nominations," and "Risk Oversight and Audit Committee" in BOK Financial's 2009 Annual Proxy Statement is incorporated herein by reference.

The Company has a Code of Ethics which is applicable to all Directors, officers and employees of the Company, including the Chief Executive Officer and the Chief Financial Officer, the principal executive officer and principal financial and accounting officer, respectively. A copy of the Code of Ethics will be provided without charge to any person who requests it by writing to the Company's headquarters at Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Oklahoma 74192 or telephoning the Chief Auditor at (918) 588-6000. The Company will also make available amendments to or waivers from its Code of Ethics applicable to Directors or executive officers, including the Chief Executive Officer and the Chief Financial Officer, in accordance with all applicable laws and regulations.

There are no material changes to the procedures by which security holders may recommend nominees to the Company's board of directors since the Company's 2008 Annual Proxy Statement to Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the heading "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," Compensation Committee Report," "Executive Compensation Tables," and "Director Compensation" in BOK Financial's 2009 Annual Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Election of Directors" in BOK Financial's 2009 Annual Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related parties is set forth in Note 14 of the Company's Notes to Consolidated Financial Statements, which appears elsewhere herein. Additionally, the information set forth under the heading "Certain Transactions," "Director Independence" and "Related Party Transaction Review and Approval Process" in BOK Financial's 2009 Annual Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the heading "Principal Accountant Fees and Services" in BOK Financial's 2009 Annual Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements of BOK Financial Corporation are filed as part of this Form 10-K in Item 8:

Consolidated Statements of Earnings for the years ended December 31, 2008, 2007 and 2006

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2008, 2007, and 2006

Notes to Consolidated Financial Statements

Annual Financial Summary - Unaudited

Quarterly Financial Summary - Unaudited

Reports of Independent Registered Public Accounting Firm

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(a) (2) Financial Statement Schedules

The schedules to the consolidated financial statements required by Regulation S-X are not required under the related instructions or are inapplicable and are therefore omitted.

(a) (3) Exhibits

Exhibit Number	Description of Exhibit
3.0	The Articles of Incorporation of BOK Financial, incorporated by reference to (i) Amended and Restated Certificate of Incorporation of BOK Financial filed with the Oklahoma Secretary of State on May 28, 1991, filed as Exhibit 3.0 to S-1 Registration Statement No. 33-90450, and (ii) Amendment attached as Exhibit A to Information Statement and Prospectus Supplement filed November 20, 1991.
3.1	Bylaws of BOK Financial, incorporated by reference to Exhibit 3.1 of S-1 Registration Statement No. 33-90450.
3.1(a)	Bylaws of BOK Financial, as amended and restated as of October 30, 2007, incorporated by reference to Exhibit 3.1 of Form 8-K filed on November 5, 2007.
4.0	The rights of the holders of the Common Stock and Preferred Stock of BOK Financial are set forth in its Certificate of Incorporation.
10.0	Purchase and Sale Agreement dated October 25, 1990, among BOK Financial,

Kaiser, and the FDIC, incorporated by reference to Exhibit 2.0 of S-1 Registration Statement No. 33-90450.

10.1 Amendment to Purchase and Sale Agreement effective March 29, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.2 of S-1 Registration Statement No. 33-90450

10.2 Letter agreement dated April 12, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.3 of S-1 Registration Statement No. 33-90450.

10.3 Second Amendment to Purchase and Sale Agreement effective April 15, 1991, among BOK Financial, Kaiser, and the FDIC, incorporated by reference to Exhibit 2.4 of S-1 Registration Statement No. 33-90450.

10.4 Employment and Compensation Agreements.

10.4(a) Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(a) of Form 10-K for the fiscal year ended December 31, 1991.

10.4(b) Amendment to 1991 Employment Agreement between BOK Financial and Stanley A. Lybarger, incorporated by reference to Exhibit 10.4(b) of Form 10-K for the fiscal year ended December 31, 2001.

10.4(c) Amended and Restated Deferred Compensation Agreement (Amended as of September 1, 2003) between Stanley A. Lybarger and BOK Financial Corporation, incorporated by reference to Exhibit 10.4 (c) of Form 10-Q for the quarter ended September 30, 2003.

10.4 (d) 409A Deferred Compensation Agreement between Stanley A. Lybarger and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4 (d) of Form 8-K filed on January 5, 2005.

10.4 (e) Guaranty by George B. Kaiser in favor of Stanley A. Lybarger dated March 7, 2005, incorporated by reference to Exhibit 10.4 (e) of Form 10-K for the fiscal year ended December 31, 2004.

10.4 (f) Third Amendment to 1991 Employment Agreement between Stanley A. Lybarger and Bank of Oklahoma, National Association, incorporated by reference to Exhibit 10.4 (f) of Form 10-K for the fiscal year ended December 31, 2007.

10.4 (g) Amended and Restated Employment Agreement dated December 26, 2008 between BOK Financial Corporation and Stanley A. Lybarger, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on December 26, 2008.

10.4.1(a) Employee Agreement between BOK Financial and V. Burns Hargis, incorporated by reference to Exhibit 10.4.1(a) of Form 10-K for the fiscal year ended December 31, 2002.

10.4.1(b) Amendment to Employee Agreement between BOK Financial and V. Burns Hargis, incorporated by reference to Exhibit 10.4.1(b) of Form 10-K for the fiscal year ended December 31, 2002.

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10.4.2 Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven G. Bradshaw and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.2 of Form 10-K for the fiscal year ended December 31, 2003.

10.4.2 (a) 409A Deferred Compensation Agreement between Steven G. Bradshaw and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.2 (a) of Form 8-K filed on January 5, 2005.

10.4.2 (b) Employment Agreement between BOK Financial and Steven G. Bradshaw dated September 29, 2003, incorporated by reference to Exhibit 10.4.2 (b) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.3 Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between William Jeffrey Pickryl and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.3 of Form 10-K for the fiscal year ended December 31, 2003.

10.4.3 (a) 409A Deferred Compensation Agreement between William Jeffrey Pickryl and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.3 (a) of Form 8-K filed on January 5, 2005.

10.4.3 (b) Employment Agreement between BOK Financial and W. Jeffrey Pickryl dated September 29, 2003, incorporated by reference to Exhibit 10.4.3 (b) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.3 (c) Amendment to Employment Agreement between BOK Financial and W. Jeffrey Pickryl dated August 30, 2004, incorporated by reference to Exhibit 10.4.3 (c) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.3 (d) Supplemental Executive Income Agreement dated December 20, 2005 between W. Jeffrey Pickryl and BOK Financial Corporation, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on December 22, 2005.

10.4.3 (e) Amendment to Employment Agreement dated November 27, 2007 between BOK Financial Corporation and W. Jeffrey Pickryl, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on November 30, 2007.

10.4.4 Amended and Restated Employment Agreement (Amended as of June 14, 2002) among First National Bank of Park Cities, BOK Financial Corporation and C. Fred Ball, Jr., incorporated by reference to Exhibit 10.4.4 of Form 10-K for the fiscal year ended December 31, 2003.

10.4.5 409A Deferred Compensation Agreement between Daniel H. Ellinor and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.5 of Form 8-K filed on January 5, 2005.

10.4.5 (a) Employment Agreement between BOK Financial and Dan H. Ellinor dated August 29, 2003, incorporated by reference to Exhibit 10.4.5 (a) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.5 (b) Deferred Compensation Agreement dated November 28, 2003 between Daniel H. Ellinor and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.5 (b) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.6 409A Deferred Compensation Agreement between Mark W. Funke and BOK Financial Corporation dated December 31, 2004, incorporated by reference to Exhibit 10.4.6 of Form 8-K filed on January 5, 2005.

10.4.6 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Mark W. Funke and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.6 (a) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.7 409A Deferred Compensation Agreement between Steven E. Nell and BOK Financial Corporation dated December 31, 2004, incorporated by reference to

Exhibit 10.4.7 of Form 8-K filed on January 5, 2005.

10.4.7 (a) Amended and Restated Deferred Compensation Agreement (Amended as of December 1, 2003) between Steven E. Nell and BOK Financial Corporation, incorporated by reference to Exhibit 10.4.7 (a) of Form 10-K for the fiscal year ended December 31, 2004.

10.4.8 Employment Agreement dated August 1, 2005 between BOK Financial Corporation and Donald T. Parker, incorporated by reference to Exhibit 99 (a) of Form 8-K filed on February 1, 2006.

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10.5 Director indemnification agreement dated June 30, 1987, between BOk and Kaiser, incorporated by reference to Exhibit 10.5 of S-1 Registration Statement No. 33-90450. Substantially similar director indemnification agreements were executed between BOk and the following:

	Date of Agreement
James E. Barnes	June 30, 1987
William H. Bell	June 30, 1987
James S. Boese	June 30, 1987
Dennis L. Brand	June 30, 1987
Chester E. Cadieux	June 30, 1987
William B. Cleary	June 30, 1987
Glenn A. Cox	June 30, 1987
William E. Durrett	June 30, 1987
Leonard J. Eaton, Jr.	June 30, 1987
William B. Fader	December 5, 1990
Gregory J. Flanagan	June 30, 1987
Jerry L. Goodman	June 30, 1987
David A. Hentschel	July 7, 1987
Philip N. Hughes	July 8, 1987
Thomas J. Hughes, III	June 30, 1987
William G. Kerr	June 30, 1987
Philip C. Lauinger, Jr.	June 30, 1987
Stanley A. Lybarger	December 5, 1990
Patricia McGee Maino	June 30, 1987
Robert L. Parker, Sr.	June 30, 1987
James A. Robinson	June 30, 1987
William P. Sweich	June 30, 1987

10.6 Capitalization and Stock Purchase Agreement dated May 20, 1991, between BOK Financial and Kaiser, incorporated by reference to Exhibit 10.6 of S-1 Registration Statement No. 33-90450.

10.7.3 BOK Financial Corporation 1994 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79834.

10.7.4 BOK Financial Corporation 1994 Stock Option Plan (Typographical Error Corrected January 16, 1995), incorporated by reference to Exhibit 10.7.4 of Form 10-K for the fiscal year ended December 31, 1994.

10.7.5 BOK Financial Corporation 1997 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-32649.

10.7.6 BOK Financial Corporation 2000 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-93957.

10.7.7 BOK Financial Corporation 2001 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-62578.

10.7.8 BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 33-79836.

10.7.9 Bank of Oklahoma Thrift Plan (Amended and Restated Effective as of January 1, 1995), incorporated by reference to Exhibit 10.7.6 of Form 10-K for the year ended December 31, 1994.

10.7.10 Trust Agreement for the Bank of Oklahoma Thrift Plan (December 30, 1994), incorporated by reference to Exhibit 10.7.7 of Form 10-K for the year ended December 31, 1994.

10.7.11 BOK Financial Corporation 2003 Stock Option Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106531.

10.7.12 BOK Financial Corporation 2003 Executive Incentive Plan, incorporated by reference to Exhibit 4.0 of S-8 Registration Statement No. 333-106530.

10.7.13 10b5-1 Repurchase Plan between BOK Financial Corporation and BOSC, Inc. dated May 27, 2008, incorporated by reference to Exhibit 10.1 of Form 8-K filed May 27, 2008.

10.8 Lease Agreement between One Williams Center Co. and National Bank of Tulsa (predecessor to BOk) dated June 18, 1974, incorporated by reference to Exhibit 10.9 of S-1 Registration Statement No. 33-90450.

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10.9 Lease Agreement between Security Capital Real Estate Fund and BOk dated January 1, 1988, incorporated by reference to Exhibit 10.10 of S-1 Registration Statement No. 33-90450.

10.10 Asset Purchase Agreement (OREO and other assets) between BOk and Phi-Lea-Em Corporation dated April 30, 1991, incorporated by reference to Exhibit 10.11 of S-1 Registration Statement No. 33-90450.

10.11 Asset Purchase Agreement (Tanker Assets) between BOk and Green River Exploration Company dated April 30, 1991, incorporated by reference to Exhibit 10.12 of S-1 Registration Statement No. 33-90450.

10.12 Asset Purchase Agreement (Recovery Rights) between BOk and Kaiser dated April 30, 1991, incorporated by reference to Exhibit 10.13 of S-1 Registration Statement No. 33-90450.

10.13 Purchase and Assumption Agreement dated August 7, 1992 among First Gibraltar Bank, FSB, Fourth Financial Corporation and BOk, as amended, incorporated by reference to Exhibit 10.14 of Form 10-K for the fiscal year ended December 31, 1992.

10.13.1 Allocation Agreement dated August 7, 1992 between BOk and Fourth Financial Corporation, incorporated by reference to Exhibit 10.14.1 of Form 10-K for the fiscal year ended December 31, 1992.

10.14 Merger Agreement among BOK Financial, BOKF Merger Corporation Number Two, Brookside Bancshares, Inc., The Shareholders of Brookside Bancshares, Inc. and Brookside State Bank dated December 22, 1992, as amended, incorporated by reference to Exhibit 10.15 of Form 10-K for the fiscal year ended December 31, 1992.

10.14.1 Agreement to Merge between BOk and Brookside State Bank dated January 27, 1993, incorporated by reference to Exhibit 10.15.1 of Form 10-K for the fiscal year ended December 31, 1992.

10.15 Merger Agreement among BOK Financial, BOKF Merger Corporation Number Three, Sand Springs Bancshares, Inc., The Shareholders of Sand Springs Bancshares, Inc. and Sand Springs State Bank dated December 22, 1992, as amended, incorporated by reference to Exhibit 10.16 of Form 10-K for the fiscal year ended December 31, 1992.

10.15.1 Agreement to Merge between BOk and Sand Springs State Bank dated January 27, 1993, incorporated by reference to Exhibit 10.16.1 of Form 10-K for the fiscal year ended December 31, 1992.

10.16 Partnership Agreement between Kaiser-Francis Oil Company and BOK Financial dated December 1, 1992, incorporated by reference to Exhibit 10.16 of Form 10-K for the fiscal year ended December 31, 1993.

10.16.1 Amendment to Partnership Agreement between Kaiser-Francis Oil Company and BOK Financial dated May 17, 1993, incorporated by reference to Exhibit 10.16.1 of Form 10-K for the fiscal year ended December 31, 1993.

10.17 Purchase and Assumption Agreement between BOk and FDIC, Receiver of Heartland Federal Savings and Loan Association dated October 9, 1993, incorporated by reference to Exhibit 10.17 of Form 10-K for the fiscal year ended December 31, 1993.

10.18 Merger Agreement among BOk, Plaza National Bank and The Shareholders of Plaza National Bank dated December 20, 1993, incorporated by reference to Exhibit 10.18 of Form 10-K for the fiscal year ended December 31, 1993.

10.18.1 Amendment to Merger Agreement among BOk, Plaza National Bank and The Shareholders of Plaza National Bank dated January 14, 1994, incorporated by reference to Exhibit 10.18.1 of Form 10-K for the fiscal year ended December 31, 1993.

10.19 Stock Purchase Agreement between Texas Commerce Bank, National Association and BOk dated March 11, 1994, incorporated by reference to Exhibit 10.19 of Form 10-K for the fiscal year ended December 31, 1993.

10.20 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Four, Citizens Holding Company and others dated May 11, 1994, incorporated by reference to Exhibit 10.20 of Form 10-K for the fiscal year ended December 31, 1994.

10.21 Stock Purchase and Merger Agreement among Northwest Bank of Enid, BOk and The Shareholders of Northwest Bank of Enid effective as of May 16, 1994, incorporated by reference to Exhibit 10.21 of Form 10-K for the fiscal year ended December 31, 1994.

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10.22 Agreement and Plan of Merger among BOK Financial Corporation, BOKF Merger Corporation Number Five and Park Cities Bancshares, Inc. dated October 3, 1996, incorporated by reference to Exhibit C of S-4 Registration Statement No. 333-16337.

10.23 Agreement and Plan of Merger among BOK Financial Corporation and First TexCorp., Inc. dated December 18, 1996, incorporated by reference to Exhibit 10.24 of S-4 Registration Statement No. 333-16337.

10.24 Purchase and Assumption Agreement between Bank of America National Trust and Savings Association and BOK Financial Corporation dated July 27, 1998.

10.25 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation No. Seven, First Bancshares of Muskogee, Inc., First National Bank and Trust Company of Muskogee, and Certain Shareholders of First Bancshares of Muskogee, Inc. dated December 30, 1998.

10.26 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Nine, and Chaparral Bancshares, Inc. dated February 19, 1999.

10.27 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc., Mid-Cities Bancshares, Inc. and Mid-Cities National Bank dated February 24, 1999.

10.28 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc., PC Interim State Bank, Swiss Avenue State Bank and Certain Shareholders of Swiss Avenue State Bank dated March 4, 1999.

10.29 Merger Agreement among BOK Financial Corporation, Park Cities Bancshares, Inc. and CNBT Bancshares, Inc. dated August 18, 2000, incorporated by reference to Exhibit 10.29 of Form 10-K for the fiscal year ended December 31, 2000.

10.30 Merger Agreement among BOK Financial Corporation, Bank of Tanglewood, N.A. and TW Interim Bank dated October 25, 2002, incorporated by reference to Exhibit 2.0 of S-4 Registration Statement No. 333-98685.

10.31 Remote Outsourcing Services Agreement between Bank of Oklahoma, N.A. and Alltel Information Services, Inc., dated September 1, 2002, incorporated by reference to Exhibit 10.30 of the September 30, 2002 10-Q filed on November 13, 2002.

10.32 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Eleven, Colorado Funding Company, Colorado State Bank and Trust and Certain Shareholders of Colorado Funding Company dated July 8, 2003, incorporated by reference to Exhibit 10.32 of Form 10-K for the fiscal year ended December 31, 2003.

10.33 Merger Agreement between BOK Financial Corporation, BOKF Merger Corporation Number Eight, Valley Commerce Bank, and Valley Commerce Bancorp, Ltd. dated December 20, 2004, incorporated by reference to Exhibit 10.1 of the Form 8-K filed on December 22, 2004.

10.34 Merger Agreement among BOK Financial Corporation, BOKF Merger Corporation Number Twelve, Worth Bancorporation, Inc., and Worth National Bank dated March 9, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on March 12, 2007.

10.35 Stock Purchase Agreement among BOK Financial Corporation, BOKF Stock Corporation Number Thirteen, United Banks of Colorado, Inc., First United Bank, NA and Baltz Family Partners, Ltd. dated May 23, 2007, incorporated by reference to Exhibit 99.2 of the Form 8-K filed on May 24, 2007.

21.0 Subsidiaries of BOK Financial, filed herewith.

23.0 Consent of independent registered public accounting firm - Ernst & Young LLP, filed herewith.

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

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

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

99.0 Additional Exhibits.

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99 (a) Credit Agreement dated December 2, 2005 between BOK Financial Corporation and participating lenders, incorporated by reference to Exhibit 99 (a) of Form 8-K filed December 6, 2005.

99 (b) Credit Agreement between BOK Financial Corporation and George B. Kaiser dated July 21, 2008, incorporated by reference to Exhibit 99 (b) of Form 8-K filed July 21, 2008.

99.1 Undertakings incorporated by reference into S-8 Registration Statement No. 33-44121 for Bank of Oklahoma Master Thrift Plan and Trust, incorporated by reference to Exhibit 99.1 of Form 10-K for the fiscal year ended December 31, 1993.

99.5 Undertakings incorporated by reference into S-8 Registration Statement No. 33-79834 for BOK Financial Corporation 1994 Stock Option Plan, incorporated by reference to Exhibit 99.5 of Form 10-K for the fiscal year ended December 31, 1994.

99.6 Undertakings incorporated by reference into S-8 Registration Statement No. 33-79836 for BOK Financial Corporation Directors' Stock Compensation Plan, incorporated by reference to Exhibit 99.6 of Form 10-K for the fiscal year ended December 31, 1994.

99.7 Undertakings incorporated by reference into S-8 Registration Statement No. 333-32649 for BOK Financial Corporation 1997 Stock Option Plan, Incorporated by reference to Exhibit 99.7 of Form 10-K for the fiscal year ended December 31, 1997.

99.8 Undertakings incorporated by reference into S-8 Registration Statement No. 333-93957 for BOK Financial Corporation 2000 Stock Option Plan, Incorporated by reference to Exhibit 99.8 of Form 10-K for the fiscal year ended December 31, 1999.

99.9 Undertakings incorporated by reference into S-8 Registration Statement No. 333-40280 for BOK Financial Corporation Thrift Plan for Hourly Employees, Incorporated by reference to Exhibit 99.9 of Form 10-K for the fiscal year ended December 31, 2000.

(b) Exhibits

See Item 15 (a) (3) above.

(c) Financial Statement Schedules

See Item 15 (a) (2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOK FINANCIAL CORPORATION

DATE: February 27, 2009

BY: /s/ George B. Kaiser

George B. Kaiser
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 27, 2009, by the following persons on behalf of the registrant and in the capacities indicated.

OFFICERS

/s/ George B. Kaiser	/s/ Stanley A. Lybarger
George B. Kaiser Chairman of the Board of Directors	Stanley A. Lybarger Director, President and Chief Executive Officer
/s/ Steven E. Nell	/s/ John C. Morrow
Steven E. Nell Executive Vice President and Chief Financial Officer	John C. Morrow Senior Vice President and Chief Accounting Officer

DIRECTORS

/s/ Gregory S. Allen	/s/ David F. Griffin
Gregory S. Allen	David F. Griffin
C. Fred Ball, Jr.	V. Burns Hargis
/s/ Sharon J. Bell	/s/ E. Carey Joullian, IV
Sharon J. Bell	E. Carey Joullian, IV
	/s/ Robert J. LaFortune
Peter C. Boylan, III	Robert J. LaFortune
/s/ Chester Cadieux, III	/s/ Steven J. Malcolm
Chester Cadieux, III	Steven J. Malcolm
/s/ Joseph W. Craft, III	

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Joseph W. Craft, III	Paula Marshall
	/s/ E.C. Richards
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William E. Durrett	E.C. Richards
/s/ John W. Gibson	

John W. Gibson	