

BOK FINANCIAL CORP ET AL
Form 10-Q
August 02, 2013

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2013

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

For the transition period from _____ to _____

Commission File No. 0-19341

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

Oklahoma
(State or other jurisdiction
of Incorporation or Organization)

73-1373454
(IRS Employer
Identification No.)

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

74192
(Zip Code)

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

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

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

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 68,739,208 shares of common stock (\$.00006 par value) as of June 30, 2013.

BOK Financial Corporation
Form 10-Q
Quarter Ended June 30, 2013

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

Performance Summary

BOK Financial Corporation ("the Company") reported net income of \$79.9 million or \$1.16 per diluted share for the second quarter of 2013, compared to \$97.6 million or \$1.43 per diluted share for the second quarter of 2012 and \$88.0 million or \$1.28 per diluted share for the first quarter of 2013.

Net income for the second quarter of 2012 included \$14.5 million or \$0.21 per diluted share from a gain on the sale of common stock received in settlement of a defaulted loan and a negative provision for credit losses. In addition, net income for the second quarter of 2012 included \$3.8 million or \$0.06 per diluted share related to a recovery of interest on a nonaccruing commercial loan and a recovery from the Lehman Brothers bankruptcy related to derivative contract losses incurred in 2008.

Net income for the six months ended June 30, 2013 totaled \$167.9 million or \$2.44 per diluted share compared with \$181.2 million or \$2.65 per diluted share for the six months ended June 30, 2012.

Highlights of the second quarter of 2013 included:

Net interest revenue totaled \$167.2 million for the second quarter of 2013, compared to \$181.4 million for the second quarter of 2012 and \$170.4 million for the first quarter of 2013. Net interest margin was 2.81% for the second quarter of 2013. Net interest margin was 3.30% for the second quarter of 2012 and 2.92% for the first quarter of 2013.

Fees and commissions revenue totaled \$160.9 million for the second quarter of 2013, compared to \$155.8 million for the second quarter of 2012 and \$158.1 million for the first quarter of 2013. Mortgage banking revenue decreased compared to the second quarter of 2012 and first quarter of 2013 primarily due to a narrowed gain on sale margin and a change in product mix, partially offset by increased loan production volume. Nearly all other fee-based revenue sources grew over the prior year and prior quarter.

Operating expenses, excluding changes in the fair value of mortgage servicing rights, totaled \$210.9 million for the second quarter of 2013, a decrease of \$640 thousand compared to the second quarter of 2012 and up \$6.9 million over the previous quarter. Personnel costs increased \$5.8 million over the second quarter of 2012 primarily due to growth in headcount and incentive compensation. Personnel costs increased \$2.5 million compared to the first quarter of 2013 due primarily to increased incentive compensation. Non-personnel expenses decreased \$6.5 million compared to the second quarter of 2012 due to lower repossessed asset impairment charges and mortgage banking expense and increased \$4.5 million over the prior quarter due to higher professional fees and data processing expense.

No provision for credit losses was recorded in the second quarter of 2013 compared to an \$8.0 million negative provision for credit losses in the second quarter of 2012 and an \$8.0 million negative provision for credit losses in the first quarter of 2013. Gross charge-offs were \$8.6 million in the second quarter of 2013, \$11.5 million in the second quarter of 2012 and \$8.9 million in the first quarter of 2013. Recoveries were \$6.2 million in the second quarter of 2013 compared to \$6.7 million in the second quarter of 2012 and \$6.6 million in the first quarter of 2013.

The combined allowance for credit losses totaled \$205 million or 1.65% of outstanding loans at June 30, 2013 compared to \$207 million or 1.71% of outstanding loans at March 31, 2013. Nonperforming assets that are not guaranteed by U.S. government agencies totaled \$200 million or 1.62% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at June 30, 2013 and \$207 million or 1.73% of outstanding loans and repossessed assets (excluding those guaranteed by U.S. government agencies) at March 31, 2013.

Outstanding loan balances were \$12.4 billion at June 30, 2013, an increase of \$347 million over March 31, 2013. Commercial loan balances grew by \$290 million, commercial real estate loans increased \$32 million and residential mortgage loans increased by \$27 million. Consumer loans were largely unchanged compared to the prior quarter. Period end deposits totaled \$19.5 billion at June 30, 2013 compared to \$19.9 billion at March 31, 2013. Demand deposit account balances increased \$244 million during the second quarter. Interest-bearing transaction accounts decreased \$476 million and time deposits decreased \$132 million.

The tangible common equity ratio was 9.38% at June 30, 2013 and 9.70% at March 31, 2013. The tangible common equity ratio is a non-GAAP measure of capital strength used by the Company and investors based on shareholders' equity as defined by generally accepted accounting principles in the United States of America ("GAAP") minus intangible assets and equity that does not benefit common shareholders.

The Company and its subsidiary bank continue to exceed the regulatory definition of well capitalized. The Company's Tier 1 capital ratios as defined by banking regulations were 13.37% at June 30, 2013 and 13.35% at March 31, 2013. The Company paid a regular quarterly cash dividend of \$26 million or \$0.38 per common share during the second quarter of 2013. On July 31, 2013, the board of directors approved a quarterly cash dividend of \$0.38 per common share payable on or about August 30, 2013 to shareholders of record as of August 16, 2013.

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Results of Operations

Net Interest Revenue and Net Interest Margin

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

Net interest revenue totaled \$167.2 million for the second quarter of 2013 compared to \$181.4 million for the second quarter of 2012 and \$170.4 million for the first quarter of 2013. Net interest margin was 2.81% for the second quarter of 2013, 2.92% for the first quarter of 2013 and 3.30% for the second quarter of 2012. Net interest revenue for the second quarter of 2012 included \$2.9 million from a full recovery of a nonaccruing commercial loan. Excluding this recovery, net interest margin was 3.25% for the second quarter of 2012.

Net interest revenue decreased \$14.2 million compared to the second quarter of 2012. Net interest revenue decreased \$18.4 million due to lower interest rates. Cash flows from the securities portfolio were reinvested at lower current market rates and loan yields decreased due to renewal of maturing fixed-rate loans at current lower rates and narrowing credit spreads. The decrease in yield on earning assets was partially offset by lower funding costs. Net interest revenue increased \$4.6 million primarily due to the growth in average loan and securities balances, partially offset by an increase in the average balance of other borrowings.

Net interest margin also declined compared to the second quarter of 2012. The tax-equivalent yield on earning assets was 3.11% for the second quarter of 2013, down 58 basis points from the second quarter of 2012. The available for sale securities portfolio yield decreased 61 basis points to 1.93%. Cash flows received from payments on residential mortgage-backed securities are currently being reinvested in short-duration securities that yield nearly 1.75%. Excluding the interest recovery in the prior year, the tax-equivalent yield on earning assets decreased 53 basis points and loan yields decreased 36 basis points. Credit spreads have narrowed due to market pricing pressure and improved credit quality in our loan portfolio. Funding costs were down 13 basis points from the second quarter of 2012. The cost of interest-bearing deposits decreased 10 basis points and the cost of other borrowed funds decreased 6 basis points. The average rate of interest paid on subordinated debentures decreased 141 basis points compared to the second quarter of 2012. The interest rate on \$233 million of these subordinated debentures converted from a fixed rate of interest to a floating rate as of May 15, 2012. Additionally, the benefit to net interest margin from earning assets funded by non-interest bearing liabilities was 13 basis points in the second quarter of 2013 compared to 17 basis points in the second quarter of 2012.

Average earning assets for the second quarter of 2013 increased \$1.9 billion or 8% over the second quarter of 2012. The average balance of available for sale securities increased \$1.0 billion over the prior year. Available for sale securities consists largely of U.S. government agency issued residential mortgage-backed securities and U.S. agency commercial mortgage-backed securities that are purchased to supplement earnings and to manage interest rate risk. Growth was primarily in U.S. government agency commercial mortgage-backed securities, partially offset by a decrease in U.S. agency mortgage-backed securities. Average loans, net of allowance for loan losses, increased \$699 million over the second quarter of 2012 due primarily to growth in average commercial loans.

Average deposits increased \$1.1 billion over the second quarter of 2012, including a \$611 million increase in average demand deposit balances and a \$724 million increase in average interest-bearing transaction accounts, partially offset by a \$314 million decrease in average time deposits. Average borrowed funds increased \$859 million over the second quarter of 2012 due primarily to increased borrowing from the Federal Home Loan Banks.

Net interest margin decreased 11 basis points from the first quarter of 2013. The yield on average earning assets decreased 13 basis points. The yield on the available for sale securities portfolio decreased 16 basis points to 1.93% primarily due to cash flows being reinvested at lower current market rates, partially offset by slower prepayment speeds compared to the prior quarter. The loan portfolio yield decreased to 4.12% from 4.20% in the previous quarter primarily due to market pricing pressure and improved credit quality in our loan portfolio. Funding costs decreased 3 basis points to 0.43%. Rates paid on time deposits decreased 5 basis points. Rates paid on interest-bearing transaction accounts and savings accounts each decreased a basis point. The benefit to net interest margin from earning assets funded by non-interest bearing liabilities decreased 1 basis point in the second quarter. The cost of other borrowed funds decreased 3 basis points.

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Average earning assets decreased \$49 million during the second quarter of 2013. The available for sale securities portfolio decreased \$231 million compared to the first quarter of 2013. Average outstanding loans increased \$52 million. Average commercial loan balances increased \$108 million. Average commercial real estate loan balances decreased \$23 million, and residential mortgage loan balances decreased \$21 million. The average balance of investment securities was up \$76 million and the average balance of residential mortgage loans held for sale grew by \$45 million.

Average deposits decreased \$522 million compared to the previous quarter. Interest-bearing transaction account balances decreased \$332 million. Demand deposit balances decreased \$113 million and time deposit account balances decreased \$95 million. The average balance of borrowed funds increased \$883 million over the first quarter of 2013.

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

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

Net interest margin may continue to decline. Our ability to further decrease funding costs is limited and our ability to provide near-term net interest revenue support through continued securities portfolio growth may be constrained by our conservative interest rate risk policies. Although we have sufficient capital and liquidity, further securities portfolio growth may result in unacceptable risk as interest rates rise. This interest rate risk policy constraint does not affect our ability to continue loan portfolio growth.

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

| | Three Months Ended June 30, 2013 / 2012 | | | Six Months Ended June 30, 2013 / 2012 | | |
|--|--|----------------------------|-----------------|--|----------------------------|----------------|
| | Change | Change Due To ¹ | | Change | Change Due To ¹ | |
| | | Volume | Yield / Rate | | Volume | Yield /Rate |
| Tax-equivalent interest revenue: | | | | | | |
| Funds sold and resell agreements | \$— | \$4 | \$(4) | \$— | \$5 | \$(5) |
| Trading securities | 281 | 160 | 121 | 542 | 452 | 90 |
| Investment securities: | | | | | | |
| Taxable securities | (678) | (661) | (17) | (1,314) | (1,333) | 19 |
| Tax-exempt securities | 107 | 1,807 | (1,700) | 41 | 3,250 | (3,209) |
| Total investment securities | (571) | 1,146 | (1,717) | (1,273) | 1,917 | (3,190) |
| Available for sale securities: | | | | | | |
| Taxable securities | (10,212) | 5,523 | (15,735) | (14,849) | 11,290 | (26,139) |
| Tax-exempt securities | 70 | 118 | (48) | 84 | 2,710 | (2,626) |
| Total available for sale securities | (10,142) | 5,641 | (15,783) | (14,765) | 14,000 | (28,765) |
| Fair value option securities | (1,298) | (798) | (500) | (3,620) | (2,420) | (1,200) |
| Residential mortgage loans held for sale | 510 | 642 | (132) | 534 | 944 | (410) |
| Loans | (6,399) | 7,369 | (13,768) | (7,721) | 15,299 | (23,020) |
| Total tax-equivalent interest revenue | (17,619) | 14,164 | (31,783) | (26,303) | 30,197 | (56,500) |
| Interest expense: | | | | | | |
| Transaction deposits | (810) | 258 | (1,068) | (1,490) | 431 | (1,921) |
| Savings deposits | (27) | 27 | (54) | (49) | 53 | (102) |
| Time deposits | (1,644) | (1,232) | (412) | (3,559) | (2,638) | (921) |
| Funds purchased | (469) | (307) | (162) | (417) | (349) | (68) |
| Repurchase agreements | (136) | (55) | (81) | (255) | (115) | (140) |
| Other borrowings | 589 | 10,986 | (10,397) | 621 | 17,978 | (17,357) |
| Subordinated debentures | (1,312) | (75) | (1,237) | (4,705) | (557) | (4,148) |
| Total interest expense | (3,809) | 9,602 | (13,411) | (9,854) | 14,803 | (24,657) |
| Tax-equivalent net interest revenue | (13,810) | 4,562 | (18,372) | (16,449) | 15,394 | (31,843) |
| Change in tax-equivalent adjustment | 395 | | | 920 | | |
| Net interest revenue | \$(14,205) | | | \$(17,369) | | |

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

Other Operating Revenue

Other operating revenue was \$150.8 million for the second quarter of 2013 compared to \$186.3 million for the second quarter of 2012 and \$159.1 million for the first quarter of 2013. Fees and commissions revenue increased \$5.2 million over the second quarter of 2012. Net gains (losses) on securities, derivatives and other assets decreased \$41.0 million compared to the second quarter of 2012.

Other operating revenue decreased \$8.3 million compared to the first quarter of 2013. Fees and commissions revenue was up \$2.8 million. Net gains on securities, derivatives and other assets decreased \$10.8 million.

Table 2 – Other Operating Revenue
(In thousands)

| | Three Months Ended June 30, | | | | Three Months Ended Mar. 31, 2013 | | | | |
|--|--------------------------------|----------|--------------------|-------------------------|--|--------------------|-------------------------|--------------------|-------------------------|
| | 2013 | 2012 | Increase(Decrease) | % Increase(Decrease) | Increase(Decrease) | Increase(Decrease) | % Increase(Decrease) | Increase(Decrease) | % Increase(Decrease) |
| Brokerage and trading revenue | \$32,874 | \$32,600 | \$ 274 | 1 | % | \$31,751 | \$ 1,123 | 4 | % |
| Transaction card revenue | 29,942 | 26,758 | 3,184 | 12 | % | 27,692 | 2,250 | 8 | % |
| Trust fees and commissions | 24,803 | 19,931 | 4,872 | 24 | % | 22,313 | 2,490 | 11 | % |
| Deposit service charges and fees | 23,962 | 25,216 | (1,254) | (5) | % | 22,966 | 996 | 4 | % |
| Mortgage banking revenue | 36,596 | 39,548 | (2,952) | (7) | % | 39,976 | (3,380) | (8) | % |
| Bank-owned life insurance | 2,236 | 2,838 | (602) | (21) | % | 3,226 | (990) | (31) | % |
| Other revenue | 10,496 | 8,860 | 1,636 | 18 | % | 10,187 | 309 | 3 | % |
| Total fees and commissions revenue | 160,909 | 155,751 | 5,158 | 3 | % | 158,111 | 2,798 | 2 | % |
| Gain (loss) on other assets, net | (1,666) |) 1,689 | (3,355) |) N/A | | 467 | (2,133) |) N/A | |
| Gain (loss) on derivatives, net | (2,527) |) 2,345 | (4,872) |) N/A | | (941) | (1,586) |) N/A | |
| Gain (loss) on fair value option securities, net | (9,156) |) 6,852 | (16,008) |) N/A | | (3,171) | (5,985) |) N/A | |
| Gain on available for sale securities | 3,753 | 20,481 | (16,728) |) N/A | | 4,855 | (1,102) |) N/A | |
| Total other-than-temporary impairment | (1,138) |) (135) |) (1,003) |) N/A | | — | (1,138) |) N/A | |
| Portion of loss recognized in (reclassified from) other comprehensive income | 586 | (723) |) 1,309 | N/A | | (247) |) 833 | N/A | |
| Net impairment losses recognized in earnings | (552) |) (858) |) 306 | N/A | | (247) | (305) |) N/A | |

Total other operating revenue \$150,761 \$186,260 \$ (35,499) (19)% \$159,074 \$ (8,313) (5)%

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

Fees and commissions revenue

Diversified sources of fees and commissions revenue are a significant part of our business strategy and represented 49% of total revenue for the second quarter of 2013, excluding provision for credit losses and 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. As an example of this strength, many of the economic factors that cause net interest revenue compression also drive growth in our mortgage banking revenue. We expect continued growth in other operating revenue through offering new products and services and by further development of our presence in markets outside of Oklahoma. However, current and future economic conditions, regulatory constraints, increased competition and saturation in our existing markets could affect the rate of future increases.

Brokerage and trading revenue, which includes revenues from securities trading, retail brokerage, customer hedging and investment banking increased \$274 thousand or 1% over the second quarter of 2012. The Company received a \$2.9 million recovery from the Lehman Brothers bankruptcy in the second quarter of 2012 related to derivative contract losses incurred in 2008.

Securities trading revenue totaled \$14.2 million for the second quarter of 2013, down \$1.9 million or 12% compared to the second quarter of 2012 due primarily to the mark-to-market of municipal and U.S. government agency securities at June 30, 2013. The fair value of these securities decreased due to an increase in interest rates. Securities trading revenue represents net realized and unrealized gains primarily related to sales of U.S. government securities, residential mortgage-backed securities guaranteed by U.S. government agencies and municipal securities to institutional customers. We believe these activities will be permitted under the Volcker Rule of the Dodd-Frank Act.

Customer hedging revenue is based primarily on realized and unrealized changes in the fair value of derivative contracts held for customer risk management programs. As more fully discussed under Customer Derivative Programs in Note 3 of the Consolidated Financial Statements, we offer commodity, interest rate, foreign exchange and equity derivatives to our customers. Excluding the impact of the Lehman Brother recovery in the second quarter of 2012, customer hedging revenue increased \$3.8 million over the prior year to \$5.2 million for the second quarter of 2013 primarily due to increased activity by our mortgage banking customers.

Revenue earned from retail brokerage transactions increased \$1.0 million or 13% over the second quarter of 2012 to \$9.1 million. Retail brokerage revenue is primarily based on fees and commissions earned on sales of fixed income securities, annuities and mutual funds to retail customers. Revenue is primarily based on the volume of customer transactions during the quarter. The number of transactions typically increases with market volatility and decreases with market stability.

Investment banking, which includes fees earned upon completion of underwriting and financial advisory services and loan syndication fees, totaled \$4.4 million for the second quarter of 2013, a \$196 thousand or 5% increase over the second quarter of 2012 related to the timing and volume of completed transactions. The increased volume of transactions is primarily the result of the Company's expansion of its municipal financial advisory service capacity, particularly in the Texas market.

Brokerage and trading revenue increased \$1.1 million over the first quarter of 2013. Customer hedging revenue was up \$2.3 million primarily from increased activity by our mortgage banking customers. Securities trading revenue decreased \$2.9 million primarily due to the impact of rising rates on the fair value of municipal securities and U.S. government agency securities held in our trading portfolio at quarter-end. Retail brokerage fees were up \$908 thousand and investment banking fees were up \$750 thousand.

The proposed Volcker Rule in Title VI of the Dodd-Frank Act prohibits banking entities from engaging in proprietary trading as defined by the Dodd-Frank Act and restricts sponsorship of, or investment in, private equity funds and hedge funds, subject to limited exceptions. Based on the proposed rules, we expect the Company's trading activity to be largely unaffected. The Company's private equity investment activity may be curtailed, but is not expected to result in a material impact to the Company's financial statements. A compliance program will be required for activities permitted under the proposed rules resulting in additional operating and compliance costs by the Company.

Title VII of the Dodd-Frank Act subjects nearly all derivative transactions to Commodity Futures Trading Commission ("CFTC") or Securities and Exchange Commission ("SEC") regulations. This includes registration, recordkeeping, reporting, capital, margin and business conduct requirements on major swap dealers and major swap participants. These regulations, which are now largely complete, are comprehensive and establish a wide range of compliance and reporting obligations. However, in the Company's view, do not appear to materially limit the Company's ability to effect derivative trades for its customers or materially increase compliance costs.

Transaction card revenue depends largely on the volume and amount of transactions processed, the number of TransFund automated teller machine ("ATM") locations and the number of merchants served. Transaction card revenue

for the second quarter of 2013 increased \$3.2 million or 12% over the second quarter of 2012. Revenues from the processing of transactions on behalf of the members of our TransFund electronic funds transfer ("EFT") network totaled \$15.2 million, up \$1.7 million or 13%, due to increased transaction volumes and increased dollar amount per transaction. Merchant services fees totaled \$10.0 million, up \$1.2 million or 13% on increased transaction activity. Revenue from interchange fees paid by merchants for transactions processed from debit cards issued by the Company totaled \$4.7 million, up from \$4.5 million for the second quarter of 2012.

Transaction card revenue increased \$2.3 million compared to the first quarter of 2013. Merchant services fees and revenues from processing transactions on behalf of members of our TransFund EFT network both increased due to increased transaction activity. Interchange fees from debit cards issued by the Company were also up over of the prior quarter.

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Trust fees and commissions increased \$4.9 million or 24% over the second quarter of 2012. The acquisition of the Milestone Group by BOK Financial in third quarter of 2012 added \$1.5 billion of fiduciary assets as of June 30, 2013 and resulted in a \$2.6 million increase in trust fees and commissions over the second quarter of 2012. The remaining increase was primarily due to the growth in the fair value of fiduciary assets administered by the Company. Fiduciary assets are assets for which the Company possesses investment discretion on behalf of another or any other similar capacity. The fair value of fiduciary assets administered by the Company totaled \$28.3 billion at June 30, 2013, \$23.1 billion at June 30, 2012 and \$27.6 billion at March 31, 2013. Trust fees and commissions were up \$2.5 million primarily due to the seasonal timing of tax service fees.

In addition to trust fees and commissions where we served as a fiduciary, we also earn fees as administrator to and investment adviser for the Cavanal Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940. The Bank is custodian and BOSCO, Inc. is distributor for the Cavanal Hill Funds. Products of the Cavanal Hill Funds are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. We have voluntarily waived administration fees on the Cavanal Hill money market funds in order to maintain positive yields on these funds in the current low short-term interest rate environment. Waived fees totaled \$1.9 million for the second quarter of 2013 compared to \$2.2 million for the second quarter of 2012 and \$1.8 million for the first quarter of 2013.

Deposit service charges and fees decreased \$1.3 million or 5% compared to the second quarter of 2012. Overdraft fees totaled \$12.4 million for the second quarter of 2013, a decrease of \$1.8 million or 13% compared to the second quarter of 2012. Consumers are generally maintaining higher average balances and better managing their accounts to reduce overdraft fees. Commercial account service charge revenue totaled \$9.5 million, up \$752 thousand or 9% over the prior year. Service charges on deposit accounts with a standard monthly fee were \$2.1 million, down \$163 thousand or 7% compared to the second quarter of 2012. Deposit service charges and fees increased \$996 thousand over the prior quarter on increased overdraft fee volumes and increased commercial service charge revenue.

Mortgage banking revenue decreased \$3.0 million compared to the second quarter of 2012. Revenue from originating and marketing mortgage loans totaled \$26.4 million, down \$3.3 million or 11% compared to the second quarter of 2012. Mortgage loans funded for sale totaled \$1.2 billion in the second quarter of 2013, up from \$841 million in the second quarter of 2012. Outstanding commitments to originate mortgage loans were up \$155 million or 40% over June 30, 2012. Revenue growth from increased loan production was offset by an overall narrowing of gain on sale margins and a shift in product mix toward loans with narrower margins. Approximately 26% of loans originated in the second quarter of 2013 were through correspondent channels, up from 11% for the second quarter of 2012 and refinanced mortgage loans decreased to 48% of loans originated in 2013 from 51% of loans originated in 2012. Additionally, an increase in interest rates near the end of June 2013 decreased the fair value of both mortgage loans held for sale and mortgage loan commitments. We mitigate the risk of changes in the fair value of mortgage loans and commitments with forward sale contracts. We generally economically hedge all loans held for sale and an estimate of commitments that will ultimately become closed loans. The rapid increase in interest rates in response to comments by the Federal Reserve Bank increased the percent of commitments we expect to result in closed loans which resulted in lower hedge coverage at quarter end. The net impact decreased the fair value of mortgage loan commitments by approximately \$3.5 million.

We expect that the recent increase in mortgage interest rates will decrease future mortgage loan production volume and continue to narrow gain on sale margins. Some of the cost structure of our mortgage banking division is variable related to changes in production volume.

Mortgage servicing revenue increased \$382 thousand or 4% over the second quarter of 2012. The outstanding principal balance of mortgage loans serviced for others totaled \$12.7 billion, an increase of \$1.2 billion over June 30, 2012.

Mortgage banking revenue decreased \$3.4 million compared to the first quarter of 2013 primarily due to narrowed gain on sale margins and the June 30, 2013 mark-to-market valuation adjustments. Residential mortgage loans funded for sale increased \$240 million over the previous quarter. Outstanding commitments to originate mortgage loans were up \$81 million or 17% over March 31, 2013.

Mortgage servicing revenue increased \$174 thousand over the prior quarter. The outstanding balance of mortgage loans serviced for others increased \$469 million over March 31, 2013.

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Table 3 – Mortgage Banking Revenue
(In thousands)

| | Three Months Ended June 30, | | % | | Three Months Ended Mar. 31, 2013 | | % | | |
|---|--------------------------------|---------------|------------------------|------------------------|--|------------------------|------------------------|------------------------|--|
| | 2013 | 2012 | Increase (Decrease) | Increase (Decrease) | Increase (Decrease) | Increase (Decrease) | Increase (Decrease) | Increase (Decrease) | |
| Originating and marketing revenue: | | | | | | | | | |
| Residential mortgages loan held for sale | \$ 17,763 | \$ 27,706 | \$ (9,943) | (36)% | \$ 30,235 | \$ (12,472) | (41)% | | |
| Residential mortgage loan commitments | (15,052) | 6,900 | (21,952) | (318)% | 610 | (15,662) | (2,568)% | | |
| Forward sales contracts | 23,645 | (4,917) | 28,562 | (581)% | (935) | 24,580 | (2,629)% | | |
| Total originating and marketing revenue | 26,356 | 29,689 | (3,333) | (11)% | 29,910 | (3,554) | (12)% | | |
| Servicing revenue | 10,240 | 9,859 | 381 | 4 % | 10,066 | 174 | 2 % | | |
| Total mortgage revenue | \$ 36,596 | \$ 39,548 | \$ (2,952) | (7)% | \$ 39,976 | \$ (3,380) | (8)% | | |
| Mortgage loans funded for sale | \$ 1,196,038 | \$ 840,765 | \$ 355,273 | 42 % | \$ 956,315 | \$ 239,723 | 25 % | | |
| Mortgage loan refinances to total funded | 48 | % 51 | % | | 62 | % | | | |
| | June 30, | | | | | | | | |
| | 2013 | 2012 | Increase | % Increase | March 31, 2013 | Increase | % Increase | | |
| Outstanding principal balance of mortgage loans serviced for others | \$ 12,741,651 | \$ 11,564,643 | \$ 1,177,008 | 10 % | \$ 12,272,691 | \$ 468,960 | 4 % | | |
| Net gains on securities, derivatives and other assets | | | | | | | | | |

In the second quarter of 2013, we recognized a \$3.8 million gain from sales of \$1.1 billion of available for sale securities. Securities were sold either because they had reached their expected maximum potential return or sold to reinvest those proceeds into shorter average life securities. In the second quarter of 2012, we recognized a \$14.2 million gain on the sale of \$26 million of common stock received in 2009 in partial satisfaction of a defaulted commercial loan. In addition, we recognized \$6.1 million of gains on sales of \$433 million of residential mortgage-backed securities guaranteed by U.S. government agencies. We recognized a \$4.9 million gain on sales of \$728 million of available for sale securities in the first quarter of 2013.

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

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

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

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

| | Three Months Ended | | | |
|---|--------------------|-------------------|------------------|---|
| | June 30, 2013 | March 31, 2013 | June 30, 2012 | |
| Loss on mortgage hedge derivative contracts, net | \$(2,526) | \$(1,654) | \$2,623 | |
| Loss on fair value option securities, net | (9,102) | (3,232) | 6,908 | |
| Loss on economic hedge of mortgage servicing rights | (11,628) | (4,886) | 9,531 | |
| Gain on change in fair value of mortgage servicing rights | 14,315 | 2,658 | (11,450) |) |
| Gain (loss) on changes in fair value of mortgage servicing rights, net of economic hedges | \$2,687 | \$(2,228) | \$(1,919) |) |
| Net interest revenue on fair value option securities | \$910 | \$828 | \$2,148 | |
| Average primary residential mortgage interest rate | 3.67 | % 3.50 | % 3.79 | % |
| Average secondary residential mortgage interest rate | 2.72 | % 2.54 | % 2.74 | % |

Primary rates disclosed in Table 4 above represent rates generally available to borrowers on 30 year conforming mortgage loans and affect the value of our mortgage servicing rights. Secondary rates represent rates generally paid on 30 year residential mortgage-backed securities guaranteed by U.S. government agencies and affect the value of securities and derivative contracts used as an economic hedge of our mortgage servicing rights. The difference between average primary and secondary rates for the second quarter of 2013 was 95 basis points compared to 96 basis points for the first quarter of 2013 and 105 basis points for the second quarter of 2012.

As more fully discussed in Note 2 to the Consolidated Financial Statements, we recognized \$552 thousand of other-than-temporary impairment losses in earnings during the second quarter of 2013 on certain private-label residential mortgage-backed securities we do not intend to sell. We recognized other-than-temporary impairment losses in earnings of \$858 thousand in the second quarter of 2012 and \$247 thousand in the first quarter of 2013.

Other Operating Expense

Other operating expense for the second quarter of 2013 totaled \$196.6 million, down \$26.4 million or 12% compared to the second quarter of 2012. Changes in the fair value of mortgage servicing rights decreased operating expense \$14.3 million in the second quarter of 2013 and increased operating expense \$11.5 million in the second quarter of 2012. Excluding changes in the fair value of mortgage servicing rights, operating expenses were largely unchanged compared to the second quarter of 2012. Personnel expenses increased \$5.8 million or 5%. Non-personnel expenses decreased \$6.5 million or 7%.

Excluding changes in the fair value of mortgage servicing rights, operating expenses were up \$6.9 million over the previous quarter. Personnel expenses increased \$2.5 million and non-personnel expenses increased \$4.5 million.

Table 5 -- Other Operating Expense
(In thousands)

| | Three Months Ended | | Increase | % | Three | Increase | % | |
|---|--------------------|-----------|------------|------------|--------------|------------|------------|----|
| | June 30, | June 30, | | | | | | |
| | 2013 | 2012 | (Decrease) | (Decrease) | Ended | (Decrease) | (Decrease) | |
| | | | | | Mar. 31, | | | |
| | | | | | 2013 | | | |
| Regular compensation | \$68,319 | \$65,218 | \$3,101 | 5 | % \$67,858 | \$461 | 1 | % |
| Incentive compensation: | | | | | | | | |
| Cash-based | 31,081 | 27,950 | 3,131 | 11 | % 27,045 | 4,036 | 15 | % |
| Stock-based | 9,500 | 11,349 | (1,849) | (16) | %) 10,700 | (1,200) | (11) |)% |
| Total incentive compensation | 40,581 | 39,299 | 1,282 | 3 | % 37,745 | 2,836 | 8 | % |
| Employee benefits | 19,210 | 17,780 | 1,430 | 8 | % 20,051 | (841) | (4) |)% |
| Total personnel expense | 128,110 | 122,297 | 5,813 | 5 | % 125,654 | 2,456 | 2 | % |
| Business promotion | 5,770 | 6,746 | (976) | (14) |)% 5,453 | 317 | 6 | % |
| Professional fees and services | 8,381 | 8,343 | 38 | — | % 6,985 | 1,396 | 20 | % |
| Net occupancy and equipment | 16,909 | 16,906 | 3 | — | % 16,481 | 428 | 3 | % |
| Insurance | 4,044 | 4,011 | 33 | 1 | % 3,745 | 299 | 8 | % |
| Data processing and communications | 26,734 | 25,264 | 1,470 | 6 | % 25,450 | 1,284 | 5 | % |
| Printing, postage and supplies | 3,580 | 3,903 | (323) | (8) |)% 3,674 | (94) | (3) |)% |
| Net losses and operating expenses of repossessed assets | 282 | 5,912 | (5,630) | (95) |)% 1,246 | (964) | (77) |)% |
| Amortization of intangible assets | 875 | 545 | 330 | 61 | % 876 | (1) | — | % |
| Mortgage banking costs | 7,910 | 12,315 | (4,405) | (36) |)% 7,354 | 556 | 8 | % |
| Change in fair value of mortgage servicing rights | (14,315) | 11,450 | (25,765) | (225) |)% (2,658) | (11,657) | 439 | % |
| Other expense | 8,326 | 5,319 | 3,007 | 57 | % 7,064 | 1,262 | 18 | % |
| Total other operating expense | \$196,606 | \$223,011 | \$(26,405) | (12) |)% \$201,324 | \$(4,718) | (2) |)% |

| | | | | | | | | | |
|---|-------|-------|-----|---|---|-------|----|---|---|
| Number of employees (full-time equivalent) | 4,712 | 4,585 | 127 | 3 | % | 4,697 | 15 | — | % |
|---|-------|-------|-----|---|---|-------|----|---|---|

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

Personnel expense

The increase in personnel expense was primarily due to standard annual merit increases in regular compensation which were effective for the majority of our staff March 1, increased incentive compensation and higher employee healthcare costs. Regular compensation, which consists of salaries and wages, overtime pay and temporary personnel costs increased \$3.1 million or 5% over the second quarter of 2012.

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Incentive compensation increased \$1.3 million or 3% over the second quarter of 2012. Cash-based incentive compensation plans are either intended to provide current rewards to employees who generate long-term business opportunities for the Company based on growth in loans, deposits, customer relationships and other measurable metrics or intended to compensate employees with commissions on completed transactions. Total cash-based incentive compensation increased \$3.1 million or 11% over the second quarter of 2012.

The Company also provides stock-based incentive compensation plans. Stock-based compensation plans include both equity and liability awards. Compensation expense for equity awards decreased \$670 thousand compared to the second quarter of 2012. Expense for equity awards is based on the grant-date fair value of the awards and is unaffected by subsequent changes in fair value. Stock-based compensation expense also includes deferred compensation that will ultimately be settled in cash indexed to the investment performance or changes in earnings per share. Certain executive officers are permitted 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. Compensation expense reflects changes in the market value of BOK Financial common stock and other investments. Expense based on changes in the fair value of BOK Financial common stock and other investments decreased \$100 thousand compared to the the second quarter of 2012. In addition, \$7.0 million was accrued in second quarter of 2013 and \$8.0 million was accrued in the second quarter of 2012 for the BOK Financial Corp. 2011 True-Up Plan. Approved by shareholders on April 26, 2011, the True-Up Plan is designed to adjust annual and long-term performance-based incentive compensation for certain senior executives either upward or downward based on the earnings per share performance and compensation of comparable senior executives at peer banks for 2006 through 2013. The accrual for the 2011 True-Up Plan totaled \$57 million at June 30, 2013. Based on currently available information, amounts estimated to be payable under the 2011 True-Up Plans are approximately \$72 million. The final amount due under the 2011 True-Up Plan will be determined as of December 31, 2013 and distributed in 2014. Performance measurement through 2013 may result in future upward or downward adjustments to compensation expense.

Employee benefit expense increased \$1.4 million or 8% over the second quarter of 2012 primarily due to increased employee medical insurance costs and payroll taxes. The Company self-insures a portion of its employee health care coverage and these costs may be volatile.

Personnel costs increased \$2.5 million over the first quarter of 2013 due largely to incentive compensation. Incentive compensation expense increased \$2.8 million. Cash-based incentive compensation, which rewards employees as they generate business opportunities for the Company by growing loans, deposits, customer relationships or other measurable metrics, increased \$4.0 million. Stock-based incentive compensation expense decreased \$1.2 million primarily due decreased accruals for executive compensation plans, partially offset by the impact of the reversal of costs in the first quarter related to performance shares that did not vest.

Non-personnel operating expenses

Non-personnel operating expenses, excluding changes in the fair value of mortgage servicing rights, decreased \$6.5 million compared over the second quarter of 2012. Net losses and operating expenses of repossessed assets were down \$5.6 million primarily due to decreased impairment charges based on regularly scheduled appraisal updates. Mortgage banking costs were down \$4.4 million primarily due to lower provision for potential losses on loans sold to U.S. government agencies under standard representations and warranties. Data processing and communications expense increased \$1.5 million primarily due to transaction card activity. All other expenses were up \$2.1 million over the second quarter of 2012.

Excluding changes in the fair value of mortgage servicing rights, non-personnel operating expenses increased \$4.5 million over the first quarter of 2013. Professional fees and services increased \$1.4 million and data processing and

communications expense increased \$1.3 million over the prior quarter, both due to higher transaction activity. All other non-personnel expenses increased \$1.8 million.

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Income Taxes

Income tax expense was \$41.4 million or 34% of book taxable income for the second quarter of 2013 compared to \$53.1 million or 35% of book taxable income for the second quarter of 2012 and \$47.1 million or 35% of book taxable income for the first quarter of 2013.

BOK Financial operates in numerous jurisdictions, which requires judgment regarding the allocation of income, expense and earnings under various laws and regulations of each of these taxing jurisdictions. Each jurisdiction may audit our tax returns and may take different positions with respect to these allocations. The reserve for uncertain tax positions was \$13 million at June 30, 2013, March 31, 2013 and June 30, 2012.

Lines of Business

We operate three principal lines of business: Commercial Banking, Consumer Banking and Wealth Management. Commercial Banking includes lending, treasury and cash management services and customer risk management products for small businesses, middle market and larger commercial customers. Commercial Banking also includes the TransFund EFT network. Consumer Banking includes retail lending and deposit services and all mortgage banking activities. Wealth Management provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets. Wealth Management also originates loans for high net worth clients.

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

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

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

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

As shown in Table 6, net income attributable to our lines of business decreased \$2.5 million or 4% compared to the second quarter of 2012. Decreased net interest revenue was offset by lower net loans charged off compared to the prior year. Nearly all of our diversified revenue categories grew over the prior year, partially offset by increased personnel expenses. Non-personnel expense and net losses and operating expenses were both down compared to the prior year. The gain (loss) on mortgage servicing rights, net of economic hedges increased over the prior year. The second quarter of 2012 also included a \$14.2 million gain on the sale of stock received in partial satisfaction of a defaulted loan which was attributed to the Commercial Banking line of business.

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

| | Three Months Ended | | Six Months Ended | |
|----------------------------|--------------------|----------|------------------|-----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Commercial Banking | \$39,537 | \$43,317 | \$78,060 | \$76,300 |
| Consumer Banking | 20,327 | 15,411 | 40,746 | 35,552 |
| Wealth Management | 2,561 | 6,172 | 6,758 | 10,092 |
| Subtotal | 62,425 | 64,900 | 125,564 | 121,944 |
| Funds Management and other | 17,506 | 32,728 | 42,331 | 59,299 |
| Total | \$79,931 | \$97,628 | \$167,895 | \$181,243 |

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Commercial Banking

Commercial Banking contributed \$39.5 million to consolidated net income in the second quarter of 2013, down \$3.8 million or 9% over the second quarter of 2012. Excluding the gain on the sale of stock received in partial satisfaction of a defaulted loan from net income for the second quarter of 2012, Commercial Banking net income increased \$4.9 million or 14%.

Table 7 -- Commercial Banking
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) |
| Net interest revenue from external sources | \$90,505 | \$93,549 | \$(3,044) | \$181,349 | \$183,041 | \$(1,692) |
| Net interest expense from internal sources | (9,375) | (11,439) | 2,064 | (18,502) | (23,488) | 4,986 |
| Total net interest revenue | 81,130 | 82,110 | (980) | 162,847 | 159,553 | 3,294 |
| Net loans charged off | 86 | 748 | (662) | 1,107 | 7,140 | (6,033) |
| Net interest revenue after net loans charged off | 81,044 | 81,362 | (318) | 161,740 | 152,413 | 9,327 |
| Fees and commissions revenue | 43,330 | 37,795 | 5,535 | 84,762 | 76,543 | 8,219 |
| Gain on financial instruments and other assets, net | 81 | 14,363 | (14,282) | 81 | 14,407 | (14,326) |
| Other operating revenue | 43,411 | 52,158 | (8,747) | 84,843 | 90,950 | (6,107) |
| Personnel expense | 26,723 | 25,504 | 1,219 | 52,204 | 50,348 | 1,856 |
| Net losses (gains) and expenses of repossessed assets | (217) | 5,002 | (5,219) | 953 | 5,669 | (4,716) |
| Other non-personnel expense | 20,792 | 18,835 | 1,957 | 40,774 | 36,560 | 4,214 |
| Corporate allocations | 12,448 | 13,284 | (836) | 24,895 | 25,908 | (1,013) |
| Total other operating expense | 59,746 | 62,625 | (2,879) | 118,826 | 118,485 | 341 |
| Income before taxes | 64,709 | 70,895 | (6,186) | 127,757 | 124,878 | 2,879 |
| Federal and state income tax | 25,172 | 27,578 | (2,406) | 49,697 | 48,578 | 1,119 |
| Net income | \$39,537 | \$43,317 | \$(3,780) | \$78,060 | \$76,300 | \$1,760 |
| Average assets | \$10,359,660 | \$9,865,389 | \$494,271 | \$10,486,541 | \$9,939,627 | \$546,914 |
| Average loans | 9,623,460 | 9,024,475 | 598,985 | 9,599,529 | 8,942,733 | 656,796 |

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| | | | | | | | |
|---|-----------|-----------|------------|-----------|-----------|------------|--|
| Average deposits | 9,027,907 | 8,211,478 | 816,429 | 9,136,184 | 8,283,114 | 853,070 | |
| Average invested capital | 899,088 | 862,816 | 36,272 | 895,749 | 883,408 | 12,341 | |
| Return on average assets | 1.53 | % 1.77 | % (24)bp | 1.50 | % 1.54 | % (4)bp | |
| Return on invested capital | 17.64 | % 20.19 | % (255)bp | 17.57 | % 17.37 | % 20 bp | |
| Efficiency ratio | 48.00 | % 52.23 | % (423)bp | 47.99 | % 50.19 | % (220)bp | |
| Net charge-offs (annualized) to average loans | — | % 0.03 | % (3)bp | 0.02 | % 0.16 | % (14)bp | |

Net interest revenue was largely unchanged compared to the prior year. The second quarter of 2012 included \$2.9 million from the recovery of foregone interest and fees on a nonaccruing loan. Excluding this recovery, growth in net interest revenue was due to a \$599 million increase in average loan balances and a \$816 million increase in average deposits over the second quarter of 2012, partially offset by reduced yields on loans and deposits sold to our Funds Management unit.

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Fees and commissions revenue increased \$5.5 million or 15% over the second quarter of 2012 primarily due to a \$3.0 million increase in transaction card revenues. Brokerage and trading revenue was up \$1.2 million primarily due to an increase in customer hedging activity. Commercial deposit service charges and fees increased \$571 thousand compared to the prior year.

Operating expenses decreased \$2.9 million or 5% compared to the second quarter of 2012. Personnel costs increased \$1.2 million or 5% primarily due to standard annual merit increases and headcount. Net losses and operating expenses on repossessed assets decreased \$5.2 million compared to the second quarter of 2012, primarily due to a decrease in impairment charges based on regularly scheduled appraisal updates. Other non-personnel expenses increased \$2.0 million over the second quarter of 2012 primarily due to increased data processing expenses related to increased transaction card volumes. Corporate expense allocations were down \$836 thousand compared to the prior year.

The average outstanding balance of loans attributed to Commercial Banking increased \$599 million to \$9.6 billion for the second quarter of 2013. See the Loans section of Management's Discussion and Analysis of Financial Condition following for additional discussion of changes in commercial and commercial real estate loans which are primarily attributed to the Commercial Banking segment.

Average deposits attributed to Commercial Banking were \$9.0 billion for the second quarter of 2013, up \$816 million or 10% over the second quarter of 2012. Average balances attributed to our energy customers increased \$384 million or 31%, commercial & industrial loan customers increased \$177 million or 6% and small business customers increased \$90 million or 5%. Average balances held by treasury services customers were down \$10 million compared to the second quarter of 2012. Commercial customers continue to maintain high account balances due to continued economic uncertainty and persistently low yields available on high quality investments.

Consumer Banking

Consumer Banking services are provided through five primary distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center, Internet banking and mobile banking. Consumer Banking also conducts mortgage banking activities through offices located outside of our consumer banking markets and through correspondent loan originators.

Consumer Banking contributed \$20.3 million to consolidated net income for the second quarter of 2013, up \$4.9 million over the second quarter of 2012 primarily due to a decrease in net loans charged off and an increase related to changes in the fair value of our mortgage servicing rights, net of economic hedge. Changes in fair value of our mortgage servicing rights, net of economic hedge, increased net income attributed to consumer banking by \$1.6 million in the second quarter of 2013 compared to decreasing net income attributed to Consumer Banking by \$1.2 million in the second quarter of 2012.

Table 8 -- Consumer Banking

(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|--|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) | |
| Net interest revenue from external sources | \$24,830 | \$25,723 | \$(893) | \$48,925 | \$52,310 | \$(3,385) | |
| Net interest revenue from internal sources | 5,167 | 4,803 | 364 | 10,650 | 9,683 | 967 | |
| Total net interest revenue | 29,997 | 30,526 | (529) | 59,575 | 61,993 | (2,418) | |
| Net loans charged off | 1,402 | 4,221 | (2,819) | 2,332 | 5,653 | (3,321) | |
| Net interest revenue after net loans charged off | 28,595 | 26,305 | 2,290 | 57,243 | 56,340 | 903 | |
| Fees and commissions revenue | 61,337 | 64,286 | (2,949) | 124,541 | 120,221 | 4,320 | |
| Gain (loss) on financial instruments and other assets, net | (13,344) | 10,234 | (23,578) | (19,406) | 4,539 | (23,945) | |
| Other operating revenue | 47,993 | 74,520 | (26,527) | 105,135 | 124,760 | (19,625) | |
| Personnel expense | 23,563 | 23,088 | 475 | 46,088 | 44,211 | 1,877 | |
| Net losses (gains) and expenses of repossessed assets | 206 | 179 | 27 | (44) | 394 | (438) | |
| Change in fair value of mortgage servicing rights | (14,315) | 11,450 | (25,765) | (16,973) | 4,323 | (21,296) | |
| Other non-personnel expense | 23,382 | 29,406 | (6,024) | 46,114 | 51,771 | (5,657) | |
| Corporate allocations | 10,484 | 11,479 | (995) | 20,505 | 22,214 | (1,709) | |
| Total other operating expense | 43,320 | 75,602 | (32,282) | 95,690 | 122,913 | (27,223) | |
| Income before taxes | 33,268 | 25,223 | 8,045 | 66,688 | 58,187 | 8,501 | |
| Federal and state income tax | 12,941 | 9,812 | 3,129 | 25,942 | 22,635 | 3,307 | |
| Net income | \$20,327 | \$15,411 | \$4,916 | \$40,746 | \$35,552 | \$5,194 | |
| Average assets | \$5,695,098 | \$5,660,601 | \$34,497 | \$5,709,448 | \$5,722,627 | \$(13,179) | |
| Average loans | 2,363,129 | 2,386,797 | (23,668) | 2,358,828 | 2,394,368 | (35,540) | |
| Average deposits | 5,645,595 | 5,577,262 | 68,333 | 5,644,103 | 5,596,158 | 47,945 | |
| Average invested capital | 297,675 | 289,443 | 8,232 | 297,376 | 286,420 | 10,956 | |
| Return on average assets | 1.43 | % 1.09 | % 34 | bp 1.44 | % 1.25 | % 19 | bp |
| Return on invested capital | 27.39 | % 21.41 | % 598 | bp 27.63 | % 24.96 | % 267 | bp |
| Efficiency ratio | 63.10 | % 67.66 | % (456) | bp 61.19 | % 65.08 | % (389) | bp |
| Net charge-offs (annualized) to average loans | 0.24 | % 0.71 | % (47) | bp 0.20 | % 0.47 | % (27) | bp |

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| | | | | | | |
|---|-------------|-----------|-----------|------------------|------------------|------------------------|
| Residential mortgage loans funded for sale | \$1,196,038 | \$840,765 | \$355,273 | \$2,152,353 | \$1,588,201 | \$564,152 |
| | | | | June 30, 2013 | June 30, 2012 | Increase (Decrease) |
| Banking locations | | | | 225 | 213 | 12 |
| Residential mortgage loans servicing portfolio ¹ | | | | \$13,846,184 | \$12,635,324 | \$1,210,860 |

¹ Includes outstanding principal for loans serviced for affiliates

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Net interest revenue from Consumer Banking activities decreased \$529 thousand compared to the second quarter of 2012. Interest earned on residential mortgage-backed securities held as an economic hedge of mortgage servicing rights declined by \$1.1 million due to a \$104 million reduction in the average balance of this portfolio. Average loan balances were largely unchanged compared to the second quarter of 2012. Decreased balances of indirect automobile loans were offset by growth in other consumer loans. Net interest earned on deposits sold to our Funds Management unit decreased \$693 thousand. Increased net interest earned due to growth in average deposits was offset by lower yields on funds invested.

Net loans charged off by the Consumer Banking unit decreased \$2.8 million compared to the second quarter of 2012. Net consumer banking charge-offs also includes indirect automobile loans, overdrawn deposit accounts and other direct consumer loans.

Fees and commissions revenue decreased \$2.9 million or 5% over the second quarter of 2012. Mortgage banking revenue was down \$3.0 million or 7% over the prior year as previously discussed. Deposit service charges and fees decreased \$1.8 million compared to the prior year primarily due to lower overdraft fees, offset by a \$1.7 million increase in other revenues.

Excluding the change in the fair value of mortgage servicing rights, operating expenses decreased \$6.5 million compared to the second quarter of 2012. Personnel expenses were up \$475 thousand or 2% primarily due to increased incentive compensation expense. Non-personnel expense decreased \$6.0 million or 20% primarily due to decreased mortgage banking expenses. Accruals for potential credit losses on loans sold to U.S. government agencies under standard representations and warranties were higher in the prior year. Corporate expense allocations were down \$995 thousand compared to the second quarter of 2012.

Average consumer deposits grew by \$68 million or 1% over the second quarter of 2012. Average interest-bearing transaction accounts increased \$116 million or 4% and average demand deposits increased \$64 million or 10%. Average time deposit balances were down \$159 million or 9% compared to the prior year.

Our Consumer Banking division originates, markets and services conventional and government-sponsored residential mortgage loans for all of our geographical markets. We funded \$1.3 billion of residential mortgage loans in the second quarter of 2013 and \$921 million in the second quarter of 2012. Mortgage loan fundings included \$1.2 billion of mortgage loans funded for sale in the secondary market and \$74 million funded for retention within the consolidated group. Approximately 25% of our mortgage loans funded were in the Oklahoma market, 16% in the Texas market, 13% in the New Mexico market and 11% in the Colorado market. In addition, 24% of our mortgage loan fundings came from correspondent lenders.

At June 30, 2013, the Consumer Banking division serviced \$12.7 billion of mortgage loans for others and \$1.1 billion of loans retained within the consolidated group. Approximately 96% of the mortgage loans serviced by the Consumer Banking division were to borrowers in our primary geographical market areas. Loans past due 90 days or more totaled \$68 million or 0.54% of loans serviced for others at June 30, 2013 compared to \$72 million or 0.58% of loans serviced for others at March 31, 2013. Mortgage servicing revenue, including revenue on loans serviced for the consolidated group, totaled \$10.8 million, up \$360 thousand or 3% over the second quarter of 2012.

Wealth Management

Wealth Management contributed \$2.6 million to consolidated net income in second quarter of 2013, down \$3.6 million or 59% compared to the second quarter of 2012.

Table 9 -- Wealth Management
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) |
| Net interest revenue from external sources | \$6,557 | \$7,137 | \$(580) | \$13,073 | \$14,277 | \$(1,204) |
| Net interest revenue from internal sources | 5,093 | 5,194 | (101) | 10,371 | 10,051 | 320 |
| Total net interest revenue | 11,650 | 12,331 | (681) | 23,444 | 24,328 | (884) |
| Net loans charged off | 931 | 521 | 410 | 1,449 | 1,171 | 278 |
| Net interest revenue after net loans charged off | 10,719 | 11,810 | (1,091) | 21,995 | 23,157 | (1,162) |
| Fees and commissions revenue | 55,095 | 51,229 | 3,866 | 107,190 | 97,674 | 9,516 |
| Gain on financial instruments and other assets, net | 69 | 327 | (258) | 577 | 275 | 302 |
| Other operating revenue | 55,164 | 51,556 | 3,608 | 107,767 | 97,949 | 9,818 |
| Personnel expense | 42,127 | 36,603 | 5,524 | 80,592 | 71,768 | 8,824 |
| Net losses and expenses of repossessed assets | 17 | 15 | 2 | 49 | 20 | 29 |
| Other non-personnel expense | 9,339 | 7,338 | 2,001 | 17,992 | 14,251 | 3,741 |
| Corporate allocations | 10,209 | 9,308 | 901 | 20,068 | 18,550 | 1,518 |
| Other operating expense | 61,692 | 53,264 | 8,428 | 118,701 | 104,589 | 14,112 |
| Income before taxes | 4,191 | 10,102 | (5,911) | 11,061 | 16,517 | (5,456) |
| Federal and state income tax | 1,630 | 3,930 | (2,300) | 4,303 | 6,425 | (2,122) |
| Net income | \$2,561 | \$6,172 | \$(3,611) | \$6,758 | \$10,092 | \$(3,334) |
| Average assets | \$4,543,947 | \$4,166,137 | \$377,810 | \$4,615,054 | \$4,167,268 | \$447,786 |
| Average loans | 939,329 | 927,321 | 12,008 | 935,581 | 927,429 | 8,152 |
| Average deposits | 4,336,039 | 4,086,874 | 249,165 | 4,473,782 | 4,096,555 | 377,227 |
| | 206,216 | 176,703 | 29,513 | 204,158 | 175,376 | 28,782 |

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|---|-------|---------|--------|----------|---------|--------|-----|--|
| Average invested capital | | | | | | | | |
| Return on average assets | 0.23 | % 0.59 | % (36 |)bp 0.29 | % 0.49 | % (20 |)bp | |
| Return on invested capital | 4.99 | % 14.01 | % (902 |)bp 6.66 | % 11.60 | % (494 |)bp | |
| Efficiency ratio | 92.43 | % 83.80 | % 863 | bp 90.87 | % 85.73 | % 514 | bp | |
| Net charge-offs (annualized) to average loans | 0.40 | % 0.23 | % 17 | bp 0.31 | % 0.25 | % 6 | bp | |

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| | June 30, 2013 | June 30, 2012 | Increase (Decrease) |
|--|------------------|------------------|------------------------|
| Fiduciary assets in custody for which BOKF has sole or joint discretionary authority | \$11,580,842 | \$10,225,038 | \$1,355,804 |
| Fiduciary assets not in custody for which BOKF has sole or joint discretionary authority | 1,947,821 | 231,167 | 1,716,654 |
| Non-managed trust assets in custody | 14,751,551 | 12,680,420 | 2,071,131 |
| Total fiduciary assets | 28,280,214 | 23,136,625 | 5,143,589 |
| Assets held in safekeeping | 21,824,166 | 20,937,817 | 886,349 |
| Brokerage accounts under BOKF administration | 4,586,789 | 4,109,662 | 477,127 |
| Assets under management or in custody | \$54,691,169 | \$48,184,104 | \$6,507,065 |

Net interest revenue for the second quarter of 2013 was down \$681 thousand or 6% compared to the second quarter of 2012. Growth in average assets was largely due to funds sold to the Funds Management unit and was offset by lower yields. Average deposit balances were up \$249 million or 6% over the prior year. Interest-bearing transaction account balances grew by \$250 million and non-interest bearing demand deposits were up \$29 million. Higher-costing time deposit balances decreased \$31 million. Average loan balances were largely unchanged compared to the prior year. Residential mortgage loans previously originated by our Wealth Management division decreased, offset by growth in lower yielding consumer loan balances. Net loans charged off increased \$410 thousand over the second quarter of 2012 to \$931 thousand or 0.40% of average loans on an annualized basis.

Fees and commissions revenue was up \$3.9 million or 8% over the second quarter of 2012. Trust fees and commissions were up \$4.9 million or 24%. The acquisition of The Milestone Group, a Denver based investment adviser to high net worth clients, in the third quarter of 2012 added \$1.5 billion of fiduciary assets as of June 30, 2013 and \$2.6 million of revenue in the second quarter of 2013. The remaining increase was primarily due to the growth in the fair value of fiduciary assets administered by the Company. Brokerage and trading revenue decreased \$788 thousand or 3%. Increased hedging activity by mortgage banking customers and growth in retail brokerage revenue was partially offset by a decrease in the fair value of trading securities held at quarter end due to higher interest rates.

Other operating revenue includes fees earned from state and municipal bond underwriting and financial advisory services, primarily in the Oklahoma and Texas markets. In the second quarter of 2013, the Wealth Management division participated in 159 underwritings that totaled \$2.2 billion. As a participant, the Wealth Management division was responsible for facilitating the sale of approximately \$1.1 billion of these underwritings. In the second quarter of 2012, the Wealth Management division participated in 137 underwritings that totaled approximately \$1.7 billion. Our interest in these underwritings totaled approximately \$719 million.

Operating expenses increased \$8.4 million or 16% over the second quarter of 2012. Operating expenses were up \$2.5 million related to The Milestone Group acquisition, including a \$1.6 million increase in personnel expenses and a \$818 thousand increase in non-personnel expenses. Excluding the impact of the Milestone acquisition, personnel expenses increased \$3.9 million including a \$1.8 million increase in regular compensation and \$1.5 million increase in incentive compensation. Non-personnel expenses increased \$1.2 million and corporate expense allocations increased \$901 thousand.

Geographical Market Distribution

The Company secondarily evaluates performance by primary geographical market. Loans are generally attributed to geographical 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 geographical market. Funds Management and other also includes insignificant results of operations in locations outside our primary geographic regions. Mortgage origination and marketing revenue is attributed to the geography where the mortgage was originated. Mortgage origination and marketing revenue related to correspondent banking is attributed to the Bank of Oklahoma. All interest revenue on mortgage loans retained by BOKF and servicing revenue for mortgage loans sold in the secondary market and serviced for others is also attributed to the Bank of Oklahoma.

Table 10 -- Net Income (Loss) by Geographic Region
(In thousands)

| | Three Months Ended | | Six Months Ended | |
|-----------------------------|--------------------|----------|------------------|-----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Bank of Oklahoma | \$29,623 | \$37,658 | \$59,733 | \$71,392 |
| Bank of Texas | 13,921 | 11,499 | 26,250 | 24,352 |
| Bank of Albuquerque | 3,919 | 4,884 | 10,235 | 9,364 |
| Bank of Arkansas | 2,760 | 5,453 | 5,113 | 7,622 |
| Colorado State Bank & Trust | 6,430 | 3,414 | 12,053 | 5,760 |
| Bank of Arizona | 2,180 | (942) | 3,159 | (2,778) |
| Bank of Kansas City | 1,929 | 2,219 | 4,286 | 4,579 |
| Subtotal | 60,762 | 64,185 | 120,829 | 120,291 |
| Funds Management and other | 19,169 | 33,443 | 47,066 | 60,952 |
| Total | \$79,931 | \$97,628 | \$167,895 | \$181,243 |

Bank of Oklahoma

Our Oklahoma offices are located primarily in the Tulsa and Oklahoma City metropolitan areas. Oklahoma is a significant market to the Company, representing 45% of our average loans, 54% of our average deposits and 37% of our consolidated net income in the second quarter of 2013. In addition, all of our mortgage servicing activity, TransFund EFT network and 63% of our fiduciary assets are attributed to the Oklahoma market.

Net income generated by the Bank of Oklahoma in the second quarter of 2013 decreased \$8.0 million or 21% compared to the second quarter of 2012. A gain on the sale of common stock received in settlement of a defaulted loan added \$8.7 million to net income for the second quarter of 2012. Changes in fair value of our mortgage servicing rights, net of economic hedge, increased net income attributed to the Bank of Oklahoma by \$1.6 million in the second quarter of 2013 compared to decreasing net income attributed to the Bank of Oklahoma by \$1.2 million in the second quarter of 2012.

Table 11 -- Bank of Oklahoma
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|--|--------------------|--------------|------------------------|------------------|--------------|------------------------|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) |
| Net interest revenue | \$55,989 | \$59,812 | \$(3,823) | \$112,929 | \$119,465 | \$(6,536) |
| Net loans charged off | 132 | 3,426 | (3,294) | (126) | 5,080 | (5,206) |
| Net interest revenue after net loans charged off | 55,857 | 56,386 | (529) | 113,055 | 114,385 | (1,330) |
| Fees and commissions revenue | 74,870 | 83,130 | (8,260) | 153,303 | 160,489 | (7,186) |
| Gain (loss) on financial instruments and other assets, net | (13,275) | 24,780 | (38,055) | (19,140) | 19,890 | (39,030) |
| Other operating revenue | 61,595 | 107,910 | (46,315) | 134,163 | 180,379 | (46,216) |
| Personnel expense | 39,553 | 38,619 | 934 | 77,272 | 75,074 | 2,198 |
| Net losses and expenses of repossessed assets | 232 | 1,578 | (1,346) | 157 | 1,994 | (1,837) |
| Change in fair value of mortgage servicing rights | (14,315) | 11,450 | (25,765) | (16,973) | 4,323 | (21,296) |
| Other non-personnel expense | 38,236 | 42,344 | (4,108) | 77,512 | 77,694 | (182) |
| Corporate allocations | 5,263 | 8,671 | (3,408) | 11,488 | 18,834 | (7,346) |
| Total other operating expense | 68,969 | 102,662 | (33,693) | 149,456 | 177,919 | (28,463) |
| Income before taxes | 48,483 | 61,634 | (13,151) | 97,762 | 116,845 | (19,083) |
| Federal and state income tax | 18,860 | 23,976 | (5,116) | 38,029 | 45,453 | (7,424) |
| Net income | \$29,623 | \$37,658 | \$(8,035) | \$59,733 | \$71,392 | \$(11,659) |
| Average assets | \$11,365,259 | \$11,373,035 | \$(7,776) | \$11,499,814 | \$11,462,200 | \$37,614 |
| Average loans | 5,572,803 | 5,816,241 | (243,438) | 5,596,518 | 5,726,207 | (129,689) |
| Average deposits | 10,537,284 | 10,186,285 | 350,999 | 10,632,891 | 10,264,402 | 368,489 |
| Average invested capital | 553,803 | 546,064 | 7,739 | 553,519 | 549,377 | 4,142 |
| Return on average assets | 1.05 | % 1.33 | % (28)bp | 1.05 | % 1.25 | % (20)bp |
| | 21.45 | % 27.74 | % (629)bp | 21.76 | % 26.13 | % (437)bp |

Return on invested
capital

| | | | | | | | |
|---|-----------|-----------|-----------|-------------|-----------|-----------|-----|
| Efficiency ratio | 63.64 | % 63.81 | % (17 |)bp 62.51 | % 62.01 | % 50 | bp |
| Net charge-offs (annualized) to average loans | 0.01 | % 0.24 | % (23 |)bp — | % 0.18 | % (18 |)bp |
| Residential mortgage loans funded for sale | \$602,848 | \$383,589 | \$219,259 | \$1,057,767 | \$729,854 | \$327,913 | |

Net interest revenue decreased \$3.8 million or 6% compared to the second quarter of 2012. Average loan balances were down \$243 million and loan yields decreased. Net interest earned on residential mortgage-backed securities held as an economic hedge of mortgage servicing rights declined by \$1.1 million due to a \$104 million reduction in the average balance of this portfolio. The favorable net interest impact of the \$351 million increase in average deposit balances was offset by lower yields on funds sold to the Funds Management unit.

Fees and commission revenue was down \$8.3 million compared to the second quarter of 2012 largely due to a decrease in mortgage banking revenue. Revenue growth from increased loan production was offset by an overall narrowing of gain on sale margins and a shift in product mix toward loans with narrower margins. Additionally, the increase in interest rates near the end of June decreased the fair value of both our mortgage loans held for sale and outstanding mortgage loan commitments.

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Transaction card revenue was up \$2.3 million on increased transaction volumes. Brokerage and trading revenue was down \$3.2 million primarily due to a decrease in the fair value of trading securities held at quarter end as a result of higher interest rates partially offset by growth in retail brokerage revenue.

Excluding the change in the fair value of mortgage servicing rights, other operating expenses were down \$7.9 million compared to the prior year. Personnel expenses were up \$934 thousand or 2%. Increased regular compensation expense due to annual merit increases was partially offset by decreased incentive compensation expense. Non-personnel expenses were down \$4.1 million or 10% due primarily to decreased mortgage banking costs partially offset by higher data processing expenses related to increased transaction card activity. Accruals for potential credit losses on loans sold to U.S. government agencies under standard representations and warranties were higher in the prior year. Net losses and operating expenses of repossessed assets were down \$1.3 million compared to the second quarter of 2012. Corporate expense allocations were down \$3.4 million compared to the prior year.

Net loans charged off were \$132 thousand or 0.01% of average loans on an annualized basis for second quarter of 2013 compared to \$3.4 million or 0.24% of average loans on an annualized basis for the second quarter of 2012.

Average deposits attributed to the Bank of Oklahoma for the second quarter of 2013 increased \$351 million over the prior year. Commercial Banking deposit balances increased \$284 million or 6% over the prior year. Increased deposits related to energy, treasury services and commercial real estate customers were partially offset by decreased average balances from commercial & industrial and healthcare customers. Consumer deposits also increased \$90 million over the second quarter of 2012. Wealth Management deposits decreased \$22 million compared to the second quarter of 2012 primarily due to decreased trust deposits.

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Bank of Texas

Our Texas offices are located primarily in the Dallas, Fort Worth and Houston metropolitan areas. Texas is our second largest market with 34% of our average loans, 24% of our average deposits and 17% of our consolidated net income in the second quarter of 2013.

Table 12 -- Bank of Texas
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) | |
| Net interest revenue | \$37,285 | \$36,037 | \$1,248 | \$74,737 | \$70,983 | \$3,754 | |
| Net loans charged off | 354 | 2,847 | (2,493) | 3,028 | 3,131 | (103) | |
| Net interest revenue after net loans charged off | 36,931 | 33,190 | 3,741 | 71,709 | 67,852 | 3,857 | |
| Fees and commissions revenue | 26,235 | 22,003 | 4,232 | 49,175 | 41,270 | 7,905 | |
| Gain on financial instruments and other assets, net | 81 | 143 | (62) | 81 | 188 | (107) | |
| Other operating revenue | 26,316 | 22,146 | 4,170 | 49,256 | 41,458 | 7,798 | |
| Personnel expense | 22,532 | 20,402 | 2,130 | 43,154 | 40,058 | 3,096 | |
| Net losses and expenses of repossessed assets | 178 | 994 | (816) | 429 | 417 | 12 | |
| Other non-personnel expense | 6,646 | 6,290 | 356 | 13,018 | 12,114 | 904 | |
| Corporate allocations | 12,139 | 9,683 | 2,456 | 23,348 | 18,671 | 4,677 | |
| Total other operating expense | 41,495 | 37,369 | 4,126 | 79,949 | 71,260 | 8,689 | |
| Income before taxes | 21,752 | 17,967 | 3,785 | 41,016 | 38,050 | 2,966 | |
| Federal and state income tax | 7,831 | 6,468 | 1,363 | 14,766 | 13,698 | 1,068 | |
| Net income | \$13,921 | \$11,499 | \$2,422 | \$26,250 | \$24,352 | \$1,898 | |
| Average assets | \$5,226,144 | \$4,963,531 | \$262,613 | \$5,329,249 | \$4,993,750 | \$335,499 | |
| Average loans | 4,218,439 | 3,749,737 | 468,702 | 4,186,485 | 3,766,266 | 420,219 | |
| Average deposits | 4,736,878 | 4,481,221 | 255,657 | 4,835,086 | 4,482,053 | 353,033 | |
| Average invested capital | 497,671 | 475,484 | 22,187 | 494,415 | 481,821 | 12,594 | |
| Return on average assets | 1.07 | % 0.93 | % 14 | bp 0.99 | % 0.98 | % 1 | bp |
| Return on invested capital | 11.22 | % 9.73 | % 149 | bp 10.71 | % 10.16 | % 55 | bp |
| Efficiency ratio | 65.33 | % 64.38 | % 95 | bp 64.52 | % 63.48 | % 104 | bp |
| Net charge-offs (annualized) to average loans | 0.03 | % 0.31 | % (28) | bp 0.15 | % 0.17 | % (2) | bp |

| | | | | | | |
|--|-----------|-----------|----------|-----------|-----------|----------|
| Residential mortgage loans funded for sale | \$168,978 | \$114,972 | \$54,006 | \$290,320 | \$212,506 | \$77,814 |
|--|-----------|-----------|----------|-----------|-----------|----------|

Net income for the Bank of Texas increased \$2.4 million or 21% compared to the second quarter of 2012. Net interest revenue was up and net loans charged off declined from the prior year. Growth in fees and commissions was largely offset by increased operating expenses.

Net interest revenue increased \$1.2 million or 3% over the second quarter of 2012 primarily due to decreased deposit costs and growth of the loan portfolio and average deposit balances. Average outstanding loans grew by \$469 million or 12% over the second quarter of 2012 and average deposits increased by \$256 million or 6%.

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Fees and commissions revenue increased \$4.2 million or 19% over the second quarter of 2012. Mortgage banking revenue was up \$1.7 million or 33% over the prior year on increased mortgage loan originations. Brokerage and trading revenue grew by \$1.5 million or 31% primarily due to increased securities trading and customer hedging revenues. Trust fees and commission and transaction card revenue all increased over the prior year.

Operating expenses increased \$4.1 million or 11% over the second quarter of 2012. Personnel costs were up \$2.1 million or 10% primarily due to increased incentive compensation in addition to growth in head count and annual merit increases. Net losses and operating expense of repossessed assets decreased \$816 thousand over the second quarter of 2012 due primarily to lower impairment charges based on regularly scheduled appraisal updates. Non-personnel expenses increased \$356 thousand and corporate expense allocations were up \$2.5 million on increased customer transaction activity.

Net loans charged off totaled \$354 thousand or 0.03% of average loans for the second quarter of 2013 on an annualized basis, compared to \$2.8 million or 0.31% of average loans for the second quarter of 2012 on an annualized basis.

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Bank of Albuquerque

Net income attributable to the Bank of Albuquerque totaled \$3.9 million or 5% of consolidated net income, down \$1.0 million or 20% from the second quarter of 2012 primarily due to increased net loans charged off, partially offset by growth in fees and commission revenue. Net interest revenue was up \$394 thousand over the second quarter of 2012. Average loan balances grew by \$45 million over the prior year, primarily due to commercial loan growth. Average deposit balances were up \$59 million or 5% over the prior year. Net loans charged off totaled \$4.0 million or 2.13% of average loans on annualized basis in the second quarter of 2013 compared to net loans charged off of \$230 thousand or 0.13% of average loans on an annualized basis in the second quarter of 2012. Charge-offs in the second quarter were primarily composed of a charge-off of a single wholesale/retail sector loan.

Fees and commission revenue increased \$2.6 million or 25% over the prior year primarily due to a \$2.5 million increase in mortgage banking revenue. Other operating expense increased \$393 thousand or 3%. Personnel expenses were up \$717 thousand primarily due to increased incentive compensation, annual merit increases and growth in headcount. Net losses and operating expenses of repossessed assets and non-personnel expenses were largely unchanged compared to the prior year. Corporate allocations expenses were down \$481 thousand.

Table 13 -- Bank of Albuquerque
(Dollars in thousands)

| | Three Months Ended | | | Increase (Decrease) | Six Months Ended | | |
|--|--------------------|-------------|----------|------------------------|------------------|-------------|------------------------|
| | June 30, 2013 | 2012 | | | June 30, 2013 | 2012 | Increase (Decrease) |
| Net interest revenue | \$8,828 | \$8,434 | | \$394 | \$17,736 | \$16,865 | \$871 |
| Net loans charged off (recovered) | 3,993 | (230) |) | 4,223 | 4,388 | 656 | 3,732 |
| Net interest revenue after net loans charged off (recovered) | 4,835 | 8,664 | (3,829) |) | 13,348 | 16,209 | (2,861) |
| Other operating revenue – fees and commission | 13,336 | 10,694 | 2,642 | | 26,470 | 21,108 | 5,362 |
| Personnel expense | 5,552 | 4,835 | 717 | | 10,907 | 9,745 | 1,162 |
| Net losses (gains) and expenses of repossessed assets | 108 | 57 | 51 | | 144 | (134) |) 278 |
| Other non-personnel expense | 2,203 | 2,097 | 106 | | 4,218 | 4,078 | 140 |
| Corporate allocations | 3,894 | 4,375 | (481) |) | 7,798 | 8,302 | (504) |
| Total other operating expense | 11,757 | 11,364 | 393 | | 23,067 | 21,991 | 1,076 |
| Income before taxes | 6,414 | 7,994 | (1,580) |) | 16,751 | 15,326 | 1,425 |
| Federal and state income tax | 2,495 | 3,110 | (615) |) | 6,516 | 5,962 | 554 |
| Net income | \$3,919 | \$4,884 | \$(965) |) | \$10,235 | \$9,364 | \$871 |
| Average assets | \$1,408,615 | \$1,355,330 | \$53,285 | | \$1,405,726 | \$1,357,959 | \$47,767 |

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| | | | | | | | |
|---|-----------|-----------|----------|-----------|-----------|----------|-----|
| Average loans | 750,450 | 705,853 | 44,597 | 756,283 | 707,328 | 48,955 | |
| Average deposits | 1,291,364 | 1,232,354 | 59,010 | 1,289,333 | 1,229,809 | 59,524 | |
| Average invested capital | 80,634 | 77,793 | 2,841 | 80,351 | 79,732 | 619 | |
| Return on average assets | 1.12 | % 1.45 | % (33 |)bp 1.47 | % 1.39 | % 8 | bp |
| Return on invested capital | 19.49 | % 25.25 | % (576 |)bp 25.69 | % 23.62 | % 207 | bp |
| Efficiency ratio | 53.05 | % 59.41 | % (636 |)bp 52.18 | % 57.91 | % (573 |)bp |
| Net charge-offs (recovered) to average loans (annualized) | 2.13 | % (0.13 |)% 226 | bp 1.17 | % 0.19 | % 98 | bp |
| Residential mortgage loans funded for sale | \$159,488 | \$121,018 | \$38,470 | \$308,663 | \$241,241 | \$67,422 | |

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Bank of Arkansas

Net income attributable to the Bank of Arkansas decreased \$2.7 million compared to the second quarter of 2012. Net interest revenue decreased \$3.1 million. The second quarter of 2012 included a \$2.9 million full recovery of a nonaccruing commercial loan. Average loans balances were down \$58 million or 26% primarily due to a decrease in multifamily residential sector loans and the continued runoff of indirect automobile loans. Average deposits grew \$9.9 million or 5% over the prior year.

Fees and commissions revenue was up \$1.9 million over the prior year primarily due to increased securities trading revenue at our Little Rock office and increased mortgage banking revenue. Other operating expenses were up \$1.2 million primarily due to increased incentive compensation costs related to trading activity and increased corporate expense allocations.

Table 14 -- Bank of Arkansas
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | |
|--|--------------------|-----------|------------------------|------------------|-----------|------------------------|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) |
| Net interest revenue | \$1,468 | \$4,541 | \$(3,073) | \$2,937 | \$6,508 | \$(3,571) |
| Net loans recovered | (68) | (2,165) | 2,097 | (139) | (2,102) | 1,963 |
| Net interest revenue after net loans recovered | 1,536 | 6,706 | (5,170) | 3,076 | 8,610 | (5,534) |
| Other operating revenue – fees and commissions | 14,442 | 12,502 | 1,940 | 26,670 | 23,751 | 2,919 |
| Personnel expense | 6,831 | 6,146 | 685 | 12,697 | 11,631 | 1,066 |
| Net losses and expenses of repossessed assets | 210 | 69 | 141 | 232 | 75 | 157 |
| Other non-personnel expense | 1,227 | 1,227 | — | 2,302 | 2,584 | (282) |
| Corporate allocations | 3,193 | 2,842 | 351 | 6,146 | 5,596 | 550 |
| Total other operating expense | 11,461 | 10,284 | 1,177 | 21,377 | 19,886 | 1,491 |
| Income before taxes | 4,517 | 8,924 | (4,407) | 8,369 | 12,475 | (4,106) |
| Federal and state income tax | 1,757 | 3,471 | (1,714) | 3,256 | 4,853 | (1,597) |
| Net income | \$2,760 | \$5,453 | \$(2,693) | \$5,113 | \$7,622 | \$(2,509) |
| Average assets | \$294,551 | \$245,053 | \$49,498 | \$246,563 | \$260,348 | \$(13,785) |
| Average loans | 166,295 | 224,074 | (57,779) | 169,533 | 241,830 | (72,297) |
| Average deposits | 210,991 | 201,116 | 9,875 | 216,466 | 211,185 | 5,281 |
| Average invested capital | 17,914 | 19,387 | (1,473) | 17,793 | 20,901 | (3,108) |

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| | | | | | | | |
|--|----------|----------|----------|-----------|----------|----------|-----|
| Return on average assets | 3.76 | % 8.95 | % (519 |)bp 4.18 | % 5.89 | % (171 |)bp |
| Return on invested capital | 61.80 | % 113.13 | % (5,133 |)bp 57.95 | % 73.34 | % (1,539 |)bp |
| Efficiency ratio | 72.04 | % 60.34 | % 1,170 | bp 72.20 | % 65.72 | % 648 | bp |
| Net recoveries to average loans (annualized) | (0.16 |)% (3.89 |)% 373 | bp (0.17 |)% (1.75 |)% 158 | bp |
| Residential mortgage loans funded for sale | \$32,099 | \$26,235 | \$5,864 | \$58,179 | \$50,754 | \$7,425 | |

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Colorado State Bank & Trust

Net income attributed to Colorado State Bank & Trust grew by \$3.0 million or 88% over the second quarter of 2012 to \$6.4 million. Colorado State Bank & Trust experienced a net recovery of \$1.5 million compared to net loans charged off of \$409 thousand or 0.19% of average loans on an annualized basis in second quarter of 2012. Net interest revenue increased \$1.1 million due primarily to a \$186 million or 21% increase in average loans outstanding and lower deposit costs, partially offset by decreased yield on funds sold to the Funds Management unit. Average deposits grew \$23 million or 2% over the second quarter of 2012. Interest-bearing transaction deposits grew by \$39 million and demand deposits were up \$18 million, partially offset by a \$37 million decrease in time deposits.

Fees and commissions revenue was up \$4.4 million over the second quarter of 2012. Trust fees and commissions increased \$3.0 million due primarily to the acquisition of the Milestone Group during the third quarter of 2012. The Milestone Group is a Denver-based registered investment adviser which provides wealth management services to high net worth clients in Colorado and Nebraska. In addition, mortgage banking revenue increased \$1.0 million. Operating expenses were up \$2.6 million over the prior year primarily due to the Milestone Group acquisition. Personnel expenses were up \$2.0 million, and non-personnel expenses were up \$801 thousand. Net gains on repossessed assets exceeded expenses by \$156 thousand in the second quarter of 2013 compared to net losses and operating expense of repossessed assets of \$90 thousand in the second quarter of 2012.

Table 15 -- Colorado State Bank & Trust
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-------------|------------------------|------------------|-------------|------------------------|----|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) | |
| Net interest revenue | \$10,072 | \$8,956 | \$1,116 | \$19,905 | \$17,500 | \$2,405 | |
| Net loans charged off (recovered) | (1,545) | 409 | (1,954) | (2,011) | 2,297 | (4,308) | |
| Net interest revenue after net loans charged off (recovered) | 11,617 | 8,547 | 3,070 | 21,916 | 15,203 | 6,713 | |
| Other operating revenue – fees and commissions revenue | 13,293 | 8,845 | 4,448 | 25,411 | 16,569 | 8,842 | |
| Personnel expense | 8,301 | 6,262 | 2,039 | 15,605 | 12,038 | 3,567 | |
| Net losses (gains) and expenses of repossessed assets | (156) | 90 | (246) | (168) | 72 | (240) | |
| Other non-personnel expense | 2,238 | 1,437 | 801 | 4,456 | 2,777 | 1,679 | |
| Corporate allocations | 4,003 | 4,016 | (13) | 7,708 | 7,458 | 250 | |
| Total other operating expense | 14,386 | 11,805 | 2,581 | 27,601 | 22,345 | 5,256 | |
| Income before taxes | 10,524 | 5,587 | 4,937 | 19,726 | 9,427 | 10,299 | |
| Federal and state income tax | 4,094 | 2,173 | 1,921 | 7,673 | 3,667 | 4,006 | |
| Net income | \$6,430 | \$3,414 | \$3,016 | \$12,053 | \$5,760 | \$6,293 | |
| Average assets | \$1,334,101 | \$1,282,221 | \$51,880 | \$1,382,641 | \$1,303,534 | \$79,107 | |
| Average loans | 1,070,106 | 884,198 | 185,908 | 1,064,840 | 855,233 | 209,607 | |
| Average deposits | 1,295,355 | 1,272,015 | 23,340 | 1,347,286 | 1,294,047 | 53,239 | |
| Average invested capital | 147,888 | 117,673 | 30,215 | 148,081 | 119,210 | 28,871 | |
| Return on average assets | 1.93 | % 1.07 | % 86 | bp 1.76 | % 0.89 | % 87 | bp |
| Return on invested capital | 17.44 | % 11.67 | % 577 | bp 16.41 | % 9.72 | % 669 | bp |
| Efficiency ratio | 61.57 | % 66.32 | % (475) | bp 60.91 | % 65.59 | % (468) | bp |
| Net charge-offs (recoveries) to average loans (annualized) | (0.58) | % 0.19 | % (77) | bp (0.38) | % 0.54 | % (92) | bp |
| Residential mortgage loans funded for sale | \$133,068 | \$102,549 | \$30,519 | \$237,835 | \$192,815 | \$45,020 | |

Bank of Arizona

Bank of Arizona had net income of \$2.2 million for the second quarter of 2013 compared to a net loss of \$942 thousand for the second quarter of 2012. Bank of Arizona experienced a net recovery of \$544 thousand for the second quarter of 2013 compared to net loans charged off of \$797 thousand or 0.60% of average loans on an annualized basis for the second quarter of 2012.

Net interest revenue increased \$1.4 million or 35% over the second quarter of 2012. Average loan balances were up \$119 million or 22% over the second quarter of 2012. Average deposits were up \$314 million or 119% over the second quarter of 2012. Interest-bearing transaction account balances increased \$281 million and demand deposit balances increased \$30 million both primarily due to growth in commercial and wealth management deposits.

Fees and commissions revenue was up \$527 thousand primarily due to increased mortgage banking revenue and trust fees and commissions. Brokerage and trading revenue and transaction card revenues also both increased over the prior year. Other operating expense decreased \$1.9 million or 26% compared to the second quarter of 2012. Personnel expenses increased due to increased headcount and annual merit increases. Net gains in excess of operating expenses of repossessed assets totaled \$593 thousand in the second quarter of 2013 compared to net losses and operating expenses of \$2.4 million in the second quarter of 2012. Impairment charges against repossessed assets based on regularly scheduled appraisal updates were less than the prior year. Non-personnel expenses and corporate allocations increased due to increased customer transaction activity.

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Table 16 -- Bank of Arizona
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|--|--------------------|-----------|------------------------|------------------|------------|------------------------|----|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) | |
| Net interest revenue | \$5,342 | \$3,959 | \$1,383 | \$9,969 | \$8,227 | \$1,742 | |
| Net loans charged off (recovered) | (544) | 797 | (1,341) | (594) | 4,420 | (5,014) | |
| Net interest revenue after net loans charged off (recovered) | 5,886 | 3,162 | 2,724 | 10,563 | 3,807 | 6,756 | |
| Fees and commissions revenue | 3,035 | 2,508 | 527 | 6,119 | 4,353 | 1,766 | |
| Gain on financial instruments and other assets, net | — | — | — | 310 | — | 310 | |
| Other operating revenue | 3,035 | 2,508 | 527 | 6,429 | 4,353 | 2,076 | |
| Personnel expense | 3,040 | 2,640 | 400 | 6,191 | 4,995 | 1,196 | |
| Net losses and expenses of repossessed assets | (593) | 2,437 | (3,030) | 131 | 3,668 | (3,537) | |
| Other non-personnel expense | 1,023 | 862 | 161 | 1,938 | 1,623 | 315 | |
| Corporate allocations | 1,883 | 1,272 | 611 | 3,561 | 2,420 | 1,141 | |
| Total other operating expense | 5,353 | 7,211 | (1,858) | 11,821 | 12,706 | (885) | |
| Income (loss) before taxes | 3,568 | (1,541) | 5,109 | 5,171 | (4,546) | 9,717 | |
| Federal and state income tax | 1,388 | (599) | 1,987 | 2,012 | (1,768) | 3,780 | |
| Net income (loss) | \$2,180 | \$(942) | \$3,122 | \$3,159 | \$(2,778) | \$5,937 | |
| Average assets | \$702,200 | \$594,492 | \$107,708 | \$668,795 | \$602,001 | \$66,794 | |
| Average loans | 656,309 | 537,763 | 118,546 | 619,806 | 546,214 | 73,592 | |
| Average deposits | 576,404 | 262,692 | 313,712 | 567,762 | 255,002 | 312,760 | |
| Average invested capital | 65,024 | 59,061 | 5,963 | 63,747 | 60,870 | 2,877 | |
| Return on average assets | 1.25 | % (0.64) | % 189 | bp 0.95 | % (0.93) | % 188 | bp |
| Return on invested capital | 13.45 | % (6.41) | % 1,986 | bp 9.99 | % (9.18) | % 1,917 | bp |
| Efficiency ratio | 63.90 | % 111.50 | % (4,760) | bp 73.48 | % 101.00 | % (2,752) | bp |
| Net charge-offs (recoveries) to average | (0.33) | % 0.60 | % (93) | bp (0.19) | % 1.63 | % (182) | bp |

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| | | | | | | |
|-----------------------|----------|----------|----------|----------|----------|----------|
| loans (annualized) | | | | | | |
| Residential mortgage | | | | | | |
| loans funded for sale | \$38,647 | \$25,749 | \$12,898 | \$73,848 | \$40,921 | \$32,927 |

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Bank of Kansas City

Net income attributed to the Bank of Kansas City was \$1.9 million for the second quarter of 2013 compared to \$2.2 million for the second quarter of 2012. Net interest revenue increased \$539 thousand or 17%. Average loan balances increased \$71 million or 17% and average deposits balances were up \$121 million or 51%. Demand deposit balances grew \$142 million due primarily to commercial account balances. Interest-bearing transaction account balances were down \$14 million and higher costing time deposit balances decreased by \$7.6 million. Net loans charged off totaled \$20 thousand or 0.02% on an annualized basis for the second quarter of 2013 compared to a net recovery of \$243 thousand for the second quarter of 2012.

Fees and commissions revenue decreased \$436 thousand or 5% over the prior year primarily due to decreased mortgage banking revenue and brokerage and trading revenue. Deposit service charges and fees grew by \$122 thousand or 34%. Personnel costs were up \$355 thousand primarily due to the annual merit increase and growth in headcount. Non-personnel expense increased \$421 thousand and corporate expense allocations decreased by \$517 thousand.

Table 17 -- Bank of Kansas City
(Dollars in thousands)

| | Three Months Ended | | | Six Months Ended | | | |
|---|--------------------|-----------|------------------------|------------------|-----------|------------------------|----|
| | June 30, 2013 | 2012 | Increase (Decrease) | June 30, 2013 | 2012 | Increase (Decrease) | |
| Net interest revenue | \$3,780 | \$3,241 | \$539 | \$7,631 | \$6,353 | \$1,278 | |
| Net loans charged off (recovered) | 20 | (243) | 263 | 148 | (156) | 304 | |
| Net interest revenue after net loans charged off (recovered) | 3,760 | 3,484 | 276 | 7,483 | 6,509 | 974 | |
| Other operating revenue – fees and commission | 8,703 | 9,139 | (436) | 17,867 | 17,931 | (64) | |
| Personnel expense | 5,111 | 4,756 | 355 | 10,123 | 9,556 | 567 | |
| Net losses and expenses of repossessed assets | 28 | (27) | 55 | 33 | (8) | 41 | |
| Other non-personnel expense | 1,514 | 1,093 | 421 | 2,971 | 2,084 | 887 | |
| Corporate allocations | 2,653 | 3,170 | (517) | 5,208 | 5,313 | (105) | |
| Total other operating expense | 9,306 | 8,992 | 314 | 18,335 | 16,945 | 1,390 | |
| Income before taxes | 3,157 | 3,631 | (474) | 7,015 | 7,495 | (480) | |
| Federal and state income tax | 1,228 | 1,412 | (184) | 2,729 | 2,916 | (187) | |
| Net income | \$1,929 | \$2,219 | \$(290) | \$4,286 | \$4,579 | \$(293) | |
| Average assets | \$511,411 | \$440,109 | \$71,302 | \$520,170 | \$439,706 | \$80,464 | |
| Average loans | 491,516 | 420,727 | 70,789 | 500,474 | 421,451 | 79,023 | |
| Average deposits | 361,264 | 239,931 | 121,333 | 365,244 | 239,329 | 125,915 | |
| Average invested capital | 38,840 | 32,729 | 6,111 | 38,286 | 32,600 | 5,686 | |
| Return on average assets | 1.51 | % 2.03 | % (52) | bp 1.66 | % 2.09 | % (43) | bp |
| Return on invested capital | 19.92 | % 27.27 | % (735) | bp 22.57 | % 28.25 | % (568) | bp |

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| | | | | | | | | | | | | |
|--|----------|---|----------|----|------------|----|-----------|---|-----------|----|---------|----|
| Efficiency ratio | 74.55 | % | 72.63 | % | 192 | bp | 71.91 | % | 69.78 | % | 213 | bp |
| Net charge-offs (annualized) to average loans | 0.02 | % | (0.23 |)% | 25 | bp | 0.06 | % | (0.07 |)% | 13 | bp |
| Residential mortgage loans funded for sale | \$60,910 | | \$66,653 | | \$(5,743) | | \$125,741 | | \$120,110 | | \$5,631 | |

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Financial Condition Securities

We maintain a securities portfolio to enhance profitability, support customer transactions, manage interest rate risk, provide liquidity and comply with regulatory requirements. Securities are classified as trading, held for investment, or available for sale. See Note 2 to the consolidated financial statements for the composition of the securities portfolio as of June 30, 2013, December 31, 2012 and June 30, 2012.

At June 30, 2013, the carrying value of investment (held-to-maturity) securities was \$616 million and the fair value was \$626 million. Investment securities consist primarily of long-term, fixed rate Oklahoma municipal bonds, taxable Texas school construction bonds and residential mortgage-backed securities issued by U.S. government agencies. The investment security portfolio is diversified among issuers. The largest obligation of any single issuer is \$30 million. Substantially all of these bonds are general obligations of the issuers. Approximately \$83 million of the Texas school construction bonds are also guaranteed by the Texas Permanent School Fund Guarantee Program supervised by the State Board of Education for the State of Texas.

Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, net of deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. The amortized cost of available for sale securities totaled \$10.7 billion at June 30, 2013, a decrease of \$175 million from March 31, 2013. The decrease was primarily in U.S. government agency residential mortgage-backed securities partially offset by an increase in U.S. government agency backed commercial mortgage-backed securities. Commercial mortgage-backed securities have prepayment penalties similar to commercial loans. At June 30, 2013, residential mortgage-backed securities represented 81% of total available for sale securities.

A primary risk of holding residential mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. Our best estimate of the duration of the residential mortgage-backed securities portfolio at June 30, 2013 is 3.3 years. Management estimates the duration extends to 3.8 years assuming an immediate 200 basis point upward shock. The estimated duration contracts to 3.0 years assuming a 50 basis point decline in the current rate environment. Net unamortized premiums are less than 1% of the available for sale securities portfolio amortized cost.

Residential mortgage-backed securities also have credit risk from delinquency or default of the underlying loans. We mitigate this risk by primarily investing in securities issued by U.S. government agencies. Principal and interest payments on the underlying loans are fully guaranteed. At June 30, 2013, approximately \$8.3 billion of the amortized cost of the Company's residential mortgage-backed securities were issued by U.S. government agencies. The fair value of these residential mortgage-backed securities totaled \$8.4 billion at June 30, 2013.

We also hold amortized cost of \$292 million in residential mortgage-backed securities privately issued by publicly-owned financial institutions, a decrease of \$15 million from March 31, 2013 primarily due to cash received. Other-than-temporary impairment losses charged against earnings related to privately issued mortgage-backed securities totaled \$552 thousand during the second quarter of 2013. The fair value of our portfolio of privately issued residential mortgage-backed securities totaled \$297 million at June 30, 2013.

The amortized cost of our portfolio of privately issued residential mortgage-backed securities included \$179 million of Jumbo-A residential mortgage loans and \$114 million of Alt-A residential mortgage loans. Jumbo-A residential mortgage loans generally meet government underwriting standards, but have loan balances that exceed agency maximums. Alt-A mortgage loans generally do not have sufficient documentation to meet government agency underwriting standards. Credit risk on residential mortgage-backed securities originated by private issuers is mitigated

by investment in senior tranches with additional collateral support. All of our Alt-A residential mortgage-backed securities were issued with credit support from additional layers of loss-absorbing subordinated tranches, including all Alt-A residential mortgage-backed securities held that were originated in 2007 and 2006. The weighted average original credit enhancement of the Alt-A residential mortgage-backed securities was 10.2% and has been fully absorbed as of June 30, 2013. The Jumbo-A residential mortgage-backed securities had original credit enhancement of 9.4% and the current level is 3.5%. Approximately 80% of our Alt-A mortgage-backed securities represent pools of fixed rate residential mortgage loans. None of the adjustable rate mortgages are payment option adjustable rate mortgages ("ARMs"). Approximately 23% of our Jumbo-A residential mortgage-backed securities represent pools of fixed rate residential mortgage loans and none of the adjustable rate mortgages are payment option ARMs.

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The aggregate gross amount of unrealized losses on available for sale securities totaled \$99 million at June 30, 2013, compared to \$8.7 million at March 31, 2013. On a quarterly basis, we perform separate evaluations on debt and equity securities to determine if the unrealized losses are temporary as more fully described in Note 2 of the Consolidated Financial Statements. Other-than-temporary impairment charges of \$552 thousand were recognized in earnings in the second quarter of 2013 related to certain privately issued residential mortgage-backed securities that we do not intend to sell.

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

Bank-Owned Life Insurance

We have approximately \$280 million of bank-owned life insurance at June 30, 2013. This investment is expected to provide a long-term source of earnings to support existing employee benefit programs. Approximately \$248 million is held in separate accounts. Our separate account holdings are invested in diversified portfolios of investment-grade fixed income securities and cash equivalents, including U.S. Treasury and Agency securities, residential mortgage-backed securities, corporate debt, asset-backed and commercial mortgage-backed securities. The portfolios are managed by unaffiliated professional managers within parameters established in the portfolio's investment guidelines. The cash surrender value of certain life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. At June 30, 2013, the cash surrender value represented by the underlying fair value of investments held in separate accounts was approximately \$260 million. As the underlying fair value of the investments held in a separate account at June 30, 2013 exceeded the net book value of the investments, no cash surrender value was supported by the stable value wrap. The stable value wrap is provided by a domestic financial institution. The remaining cash surrender value of \$32 million primarily represents the cash surrender value of policies held in general accounts and other amounts due from various insurance companies.

Loans

The aggregate loan portfolio before allowance for loan losses totaled \$12.4 billion at June 30, 2013, an increase of \$347 million over March 31, 2013.

Table 18 -- Loans
(In thousands)

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|--|---------------------|---------------------|----------------------|-----------------------|---------------------|
| Commercial: | | | | | |
| Energy | \$2,384,746 | \$2,349,432 | \$2,460,659 | \$2,416,877 | \$2,268,852 |
| Services | 2,204,253 | 2,114,799 | 2,164,186 | 1,967,568 | 1,988,330 |
| Wholesale/retail | 1,175,543 | 1,085,000 | 1,106,439 | 1,060,061 | 946,684 |
| Manufacturing | 386,133 | 399,818 | 348,484 | 343,360 | 347,086 |
| Healthcare | 1,118,810 | 1,081,636 | 1,081,406 | 1,022,851 | 984,340 |
| Integrated food services | 163,551 | 173,800 | 191,106 | 200,453 | 206,269 |
| Other commercial and industrial | 275,084 | 213,820 | 289,632 | 255,737 | 293,974 |
| Total commercial | 7,708,120 | 7,418,305 | 7,641,912 | 7,266,907 | 7,035,535 |
| Commercial real estate: | | | | | |
| Construction and land development | 225,654 | 237,829 | 253,093 | 293,733 | 292,097 |
| Retail | 553,412 | 584,279 | 522,786 | 535,456 | 506,146 |
| Office | 459,558 | 420,644 | 427,872 | 414,246 | 395,339 |
| Multifamily | 500,452 | 460,474 | 402,896 | 393,129 | 358,416 |
| Industrial | 253,990 | 237,049 | 245,994 | 183,846 | 228,725 |
| Other real estate | 324,030 | 344,885 | 376,358 | 356,862 | 369,007 |
| Total commercial real estate | 2,317,096 | 2,285,160 | 2,228,999 | 2,177,272 | 2,149,730 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,095,871 | 1,091,575 | 1,123,965 | 1,138,960 | 1,144,839 |
| Permanent mortgages guaranteed by U.S. government agencies | 156,887 | 162,419 | 160,444 | 162,271 | 162,240 |
| Home equity | 787,027 | 758,456 | 760,631 | 715,072 | 695,806 |
| Total residential mortgage | 2,039,785 | 2,012,450 | 2,045,040 | 2,016,303 | 2,002,885 |
| Consumer: | | | | | |
| Indirect automobile | 16,555 | 24,368 | 34,735 | 47,281 | 62,938 |
| Other consumer | 359,226 | 353,281 | 360,770 | 324,604 | 325,343 |
| Total consumer | 375,781 | 377,649 | 395,505 | 371,885 | 388,281 |
| Total | \$12,440,782 | \$12,093,564 | \$12,311,456 | \$11,832,367 | \$11,576,431 |

Outstanding commercial loan balances increased \$290 million over March 31, 2013 due primarily to a \$140 million increase in commercial loan balances attributed to the Oklahoma market and a \$132 million increase in commercial loan balances attributed to the Texas market. Commercial real estate loans grew by \$32 million during the second quarter of 2013 primarily in the Kansas City and Arizona markets, partially offset by a decrease in loan balances attributed to the Colorado market. Residential mortgage loans were up \$27 million over March 31, 2013 due primarily to an increase in first lien, fully amortizing home equity loans. Consumer loans were largely unchanged compared to March 31, 2013.

A breakdown by geographical market follows on Table 19 with discussion of changes in the balance by portfolio and geography. This breakdown may not always represent the location of the borrower or the collateral.

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

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|---|------------------|-------------------|----------------------|-----------------------|------------------|
| Bank of Oklahoma: | | | | | |
| Commercial | \$2,993,247 | \$2,853,608 | \$3,089,686 | \$3,015,621 | \$3,012,458 |
| Commercial real estate | 569,780 | 568,500 | 580,694 | 598,667 | 614,541 |
| Residential mortgage | 1,503,457 | 1,468,434 | 1,488,486 | 1,466,590 | 1,452,269 |
| Consumer | 211,744 | 207,662 | 220,096 | 197,457 | 201,926 |
| Total Bank of Oklahoma | 5,278,228 | 5,098,204 | 5,378,962 | 5,278,335 | 5,281,194 |
| Bank of Texas: | | | | | |
| Commercial | 2,849,888 | 2,718,050 | 2,726,925 | 2,572,928 | 2,443,946 |
| Commercial real estate | 813,659 | 800,577 | 771,796 | 712,899 | 678,882 |
| Residential mortgage | 263,916 | 272,406 | 275,408 | 268,250 | 269,704 |
| Consumer | 105,390 | 110,060 | 116,252 | 108,854 | 115,203 |
| Total Bank of Texas | 4,032,853 | 3,901,093 | 3,890,381 | 3,662,931 | 3,507,735 |
| Bank of Albuquerque: | | | | | |
| Commercial | 296,036 | 271,075 | 265,830 | 267,467 | 262,493 |
| Commercial real estate | 314,871 | 332,928 | 326,135 | 316,040 | 308,060 |
| Residential mortgage | 133,058 | 129,727 | 130,337 | 120,606 | 115,599 |
| Consumer | 14,364 | 14,403 | 15,456 | 15,883 | 15,534 |
| Total Bank of Albuquerque | 758,329 | 748,133 | 737,758 | 719,996 | 701,686 |
| Bank of Arkansas: | | | | | |
| Commercial | 61,414 | 54,191 | 62,049 | 48,097 | 49,344 |
| Commercial real estate | 85,546 | 88,264 | 90,821 | 119,306 | 119,919 |
| Residential mortgage | 10,691 | 11,285 | 13,046 | 12,939 | 13,083 |
| Consumer | 11,819 | 13,943 | 15,421 | 19,720 | 24,246 |
| Total Bank of Arkansas | 169,470 | 167,683 | 181,337 | 200,062 | 206,592 |
| Colorado State Bank & Trust: | | | | | |
| Commercial | 786,262 | 822,942 | 776,610 | 708,223 | 662,583 |
| Commercial real estate | 146,137 | 171,251 | 173,327 | 158,387 | 163,175 |
| Residential mortgage | 62,490 | 56,052 | 59,363 | 59,395 | 62,313 |
| Consumer | 23,148 | 20,990 | 19,333 | 19,029 | 20,570 |
| Total Colorado State Bank & Trust | 1,018,037 | 1,071,235 | 1,028,633 | 945,034 | 908,641 |
| Bank of Arizona: | | | | | |
| Commercial | 355,698 | 326,266 | 313,296 | 300,544 | 278,184 |
| Commercial real estate | 258,938 | 229,020 | 201,760 | 204,164 | 199,252 |
| Residential mortgage | 51,774 | 54,285 | 57,803 | 65,513 | 67,767 |
| Consumer | 4,947 | 5,664 | 4,686 | 6,150 | 6,220 |
| Total Bank of Arizona | 671,357 | 615,235 | 577,545 | 576,371 | 551,423 |
| Bank of Kansas City: | | | | | |
| Commercial | 365,575 | 372,173 | 407,516 | 354,027 | 326,527 |
| Commercial real estate | 128,165 | 94,620 | 84,466 | 67,809 | 65,901 |

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| | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Residential mortgage | 14,399 | 20,261 | 20,597 | 23,010 | 22,150 |
| Consumer | 4,369 | 4,927 | 4,261 | 4,792 | 4,582 |
| Total Bank of Kansas City | 512,508 | 491,981 | 516,840 | 449,638 | 419,160 |
| Total BOK Financial loans | \$12,440,782 | \$12,093,564 | \$12,311,456 | \$11,832,367 | \$11,576,431 |

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Commercial

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

The commercial loan portfolio grew \$290 million during the second quarter of 2013. Wholesale/retail sector loans increased \$91 million primarily in the Texas, Oklahoma and Arizona markets. Service sector loans increased \$89 million, growing primarily in the Oklahoma and New Mexico markets. Other commercial and industrial sector loans increased \$61 million primarily in the Oklahoma market. Healthcare sector loans were up \$37 million primarily in the Arizona market. Energy sector loans increased \$35 million, primarily in the Oklahoma market.

The commercial sector of our loan portfolio is distributed as follows in Table 20.

Table 20 -- Commercial Loans by Principal Market
(In thousands)

| | Bank of Oklahoma | Bank of Texas | Bank of Albuquerque | Bank of Arkansas | Colorado State Bank & Trust | Bank of Arizona | Bank of Kansas City | Total |
|---------------------------------------|---------------------|------------------|------------------------|---------------------|-----------------------------------|--------------------|---------------------------|-------------|
| Energy | \$938,944 | \$986,578 | \$6,935 | \$203 | \$452,086 | \$— | \$— | \$2,384,746 |
| Services | 728,792 | 765,968 | 203,691 | 10,909 | 220,685 | 166,873 | 107,335 | 2,204,253 |
| Wholesale/retail | 403,214 | 543,635 | 26,783 | 42,349 | 13,333 | 94,138 | 52,091 | 1,175,543 |
| Healthcare | 599,066 | 306,642 | 42,908 | 3,721 | 77,610 | 65,617 | 23,246 | 1,118,810 |
| Manufacturing | 188,710 | 137,514 | 4,985 | 3,640 | 8,299 | 27,768 | 15,217 | 386,133 |
| Integrated food services | 2,908 | 5,357 | — | — | 11,657 | — | 143,629 | 163,551 |
| Other commercial and industrial | 131,613 | 104,194 | 10,734 | 592 | 2,592 | 1,302 | 24,057 | 275,084 |
| Total commercial loans | \$2,993,247 | \$2,849,888 | \$296,036 | \$61,414 | \$786,262 | \$355,698 | \$365,575 | \$7,708,120 |

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

Outstanding energy loans totaled \$2.4 billion or 19% of total loans at June 30, 2013. Unfunded energy loan commitments increased by \$137 million to \$2.5 billion at June 30, 2013. Approximately \$2.1 billion of energy loans were to oil and gas producers, down \$62 million compared to March 31, 2013. Approximately 59% of the committed production loans are secured by properties primarily producing oil and 41% of the committed production loans are secured by properties primarily producing natural gas. Loans to borrowers engaged in wholesale or retail energy sales increased \$120 million to \$239 million. At June 30, 2013, loans to borrowers that provide services to the energy industry were \$63 million and loans to borrowers that manufacture equipment primarily for the energy industry were \$24 million, largely unchanged from compared to the prior quarter.

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The services sector of the loan portfolio totaled \$2.2 billion or 18% of total loans and consists of a large number of loans to a variety of businesses, including community foundations, gaming, public finance, insurance and educational. Service sector loans increased \$89 million from March 31, 2013. Approximately \$1.1 billion of the services category is made up of loans with individual balances of less than \$10 million. Service sector loans are generally secured by the assets of the borrower with repayment coming from the cash flows of ongoing operations of the customer's business.

We participate in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than \$20 million and with three or more non-affiliated banks as participants. At June 30, 2013, the outstanding principal balance of these loans totaled \$2.4 billion. Substantially all of these loans are to borrowers with local market relationships. We serve as the agent lender in approximately 14% of our shared national credits, based on dollars committed. We hold shared credits to the same standard of analysis and perform the same level of review as internally originated credits. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer. In addition to management's quarterly assessment of credit risk, grading of shared national credits is provided annually by banking regulators.

Commercial Real Estate

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

Commercial real estate loans totaled \$2.3 billion or 19% of the loan portfolio at June 30, 2013. The outstanding balance of commercial real estate loans increased \$32 million over the first quarter of 2013. Loans secured by multifamily residential properties grew by \$40 million, growing in almost all of our geographical markets, partially offset by decreases in loans attributed to the Colorado and Arkansas markets. Loans secured by office buildings grew by \$39 million primarily in the Arizona and Kansas City markets. Industrial sector loans were up \$17 million primarily related to growth in the Kansas City market. Retail sector loans decreased \$31 million, primarily in the Oklahoma, Arizona and New Mexico markets. Other real estate loans decreased \$21 million primarily in the New Mexico market. The commercial real estate loan balance as a percentage of our total loan portfolio has ranged from 18% to 22% over the past five years. The commercial real estate sector of our loan portfolio is distributed as follows in Table 21.

Table 21 -- Commercial Real Estate Loans by Principal Market
(In thousands)

| | Bank of Oklahoma | Bank of Texas | Bank of Albuquerque | Bank of Arkansas | Colorado State Bank & Trust | Bank of Arizona | Bank of Kansas City | Total |
|--------------------------------------|---------------------|------------------|------------------------|---------------------|-----------------------------------|--------------------|---------------------------|-----------|
| Construction and land development | \$73,940 | \$39,400 | \$48,162 | \$15,833 | \$32,720 | \$7,557 | \$8,042 | \$225,654 |
| Retail | 129,005 | 232,256 | 64,365 | 12,273 | 23,482 | 76,044 | 15,987 | 553,412 |
| Office | 76,259 | 188,606 | 95,218 | 8,631 | 21,153 | 56,894 | 12,797 | 459,558 |
| Multifamily | 143,205 | 159,491 | 42,970 | 19,479 | 11,811 | 68,594 | 54,902 | 500,452 |

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| | | | | | | | | |
|------------------------------------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-------------|
| Industrial | 51,281 | 113,561 | 36,908 | 427 | 6,527 | 23,055 | 22,231 | 253,990 |
| Other real estate | 96,090 | 80,345 | 27,248 | 28,903 | 50,444 | 26,794 | 14,206 | 324,030 |
| Total commercial real estate loans | \$569,780 | \$813,659 | \$314,871 | \$85,546 | \$146,137 | \$258,938 | \$128,165 | \$2,317,096 |

Construction and land development loans, which consist primarily of residential construction properties and developed building lots, decreased \$12 million from March 31, 2013 to \$226 million at June 30, 2013 primarily due to payments. We had \$604 thousand of foreclosures related to constructions and land development loans in the second quarter of 2013.

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Residential Mortgage and Consumer

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

Residential mortgage loans totaled \$2.0 billion, an increase of \$27 million over March 31, 2013. In general, we sell the majority of our conforming fixed rate loan originations in the secondary market and retain the majority of our non-conforming and adjustable-rate mortgage loans. We have no concentration in sub-prime residential mortgage loans. Our mortgage loan portfolio does not include payment option adjustable rate mortgage loans or adjustable rate mortgage loans with initial rates that are below market.

The majority of our permanent mortgage loan portfolio is primarily composed of various non-conforming mortgage programs to support customer relationships including jumbo mortgage loans, non-builder construction loans and special loan programs for high net worth individuals or certain professionals. The aggregate outstanding balance of loans in these programs is \$1.0 billion. Jumbo loans may be fixed or variable rate and are fully amortizing. The size of jumbo loans exceed maximums set under government sponsored entity standards, but otherwise generally conform to those standards. These loans generally require a minimum FICO score of 720 and a maximum debt-to-income ratio ("DTI") of 38%. Loan-to-value ratios ("LTV") are tiered from 60% to 100%, depending on the market. Special mortgage programs include fixed and variable rate fully amortizing loans tailored to the needs of certain healthcare professionals. Variable rate loans are fully indexed at origination and may have fixed rates for three to ten years, then adjust annually thereafter.

Approximately \$64 million or 6% of the non-guaranteed portion of the permanent mortgage loans consist of first lien, fixed-rate residential mortgage loans originated under various community development programs. The outstanding balance of these loans is down from \$67 million at March 31, 2013. These loans were underwritten to standards approved by various U.S. government agencies under these programs and include full documentation. However, these loans do have a higher risk of delinquency and losses in the event of default than traditional residential mortgage loans. The initial maximum LTV of loans in these programs was 103%.

At June 30, 2013, \$157 million of permanent residential mortgage loans are guaranteed by U.S. government agencies. We have minimal credit exposure on loans guaranteed by the agencies. This amount includes residential mortgage loans previously sold into GNMA mortgage pools that the Company may repurchase when certain defined delinquency criteria are met. Because of this repurchase right, the Company is deemed to have regained effective control over these loans and must include them on the Consolidated Balance Sheet. Permanent residential mortgage loans guaranteed by U.S. government agencies decreased \$5.5 million over March 31, 2013.

Home equity loans totaled \$787 million at June 30, 2013, a \$29 million increase over March 31, 2013. Our home equity loan portfolio is primarily composed of first-lien, fully amortizing home equity loans. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by 15 year term of amortizing repayment. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term subject to an update of certain credit information. A summary of our home equity loan portfolio at June 30, 2013 by lien position and amortizing status follows in Table 22.

Table 22 -- Home Equity Loans
(In thousands)

| | Revolving | Amortizing | Total |
|-------------------|-----------|------------|-----------|
| First lien | \$38,247 | \$513,492 | \$551,739 |
| Junior lien | 56,153 | 179,135 | 235,288 |
| Total home equity | \$94,400 | \$692,627 | \$787,027 |

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Indirect automobile loans decreased \$7.8 million from March 31, 2013, primarily due to the previously-disclosed decision by the Company to exit the business in the first quarter of 2009. Approximately \$17 million of indirect automobile loans remain outstanding at June 30, 2013. Other consumer loans increased \$5.9 million during the second quarter of 2013.

The composition of residential mortgage and consumer loans at June 30, 2013 is as follows in Table 23. All permanent residential mortgage loans originated and serviced by our mortgage banking unit are attributed to the Oklahoma market. Other permanent residential mortgage loans originated by the Bank are attributed to their respective principal market.

Table 23 -- Residential Mortgage and Consumer Loans by Principal Market
(In thousands)

| | Bank of Oklahoma | Bank of Texas | Bank of Albuquerque | Bank of Arkansas | Colorado State Bank & Trust | Bank of Arizona | Bank of Kansas City | Total |
|--|---------------------|------------------|------------------------|---------------------|--------------------------------------|--------------------|---------------------------|-------------|
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | \$879,144 | \$124,417 | \$7,503 | \$5,506 | \$32,284 | \$41,123 | \$5,894 | \$1,095,871 |
| Permanent mortgages guaranteed by U.S. government agencies | 156,887 | — | — | — | — | — | — | 156,887 |
| Home equity | 467,426 | 139,499 | 125,555 | 5,185 | 30,206 | 10,651 | 8,505 | 787,027 |
| Total residential mortgage | \$1,503,457 | \$263,916 | \$133,058 | \$10,691 | \$62,490 | \$51,774 | \$14,399 | \$2,039,785 |
| Consumer: | | | | | | | | |
| Indirect automobile | \$7,850 | \$3,365 | \$— | \$5,340 | \$— | \$— | \$— | \$16,555 |
| Other consumer | 203,894 | 102,025 | 14,364 | 6,479 | 23,148 | 4,947 | 4,369 | 359,226 |
| Total consumer | \$211,744 | \$105,390 | \$14,364 | \$11,819 | \$23,148 | \$4,947 | \$4,369 | \$375,781 |
| Loan Commitments | | | | | | | | |

We enter into certain off-balance sheet arrangements in the normal course of business. These arrangements included unfunded loan commitments which totaled \$7.0 billion and standby letters of credit which totaled \$454 million at June 30, 2013. Loan commitments may be unconditional obligations to provide financing or conditional obligations that depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approximately \$629 thousand of the outstanding standby letters of credit were issued on behalf of customers whose loans are nonperforming at June 30, 2013.

As more fully described in Note 5 to the Consolidated Financial Statements, we have off-balance sheet commitments related to certain residential mortgage loans originated under community development loan programs that were sold to a U.S. government agency with full recourse. These mortgage loans were underwritten to standards approved by the agencies, including full documentation and originated under programs available only for owner-occupied properties. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representations and warranties. We are obligated to repurchase these loans for the life of these loans in the event of foreclosure for the unpaid principal and interest at the time of foreclosure. At June 30, 2013, the principal balance of residential mortgage loans sold subject to recourse obligations totaled \$212 million, down from \$220

million at March 31, 2013. Substantially all of these loans are to borrowers in our primary markets including \$148 million to borrowers in Oklahoma, \$22 million to borrowers in Arkansas, \$14 million to borrowers in New Mexico and \$11 million to borrowers in the Kansas/Missouri.

We also have an off-balance sheet obligation to repurchase residential mortgage loans sold to government sponsored entities through our mortgage banking activities due to standard representations and warranties made under contractual agreements as described further in Note 5 to the Consolidated Financial Statements. For the period from 2010 through the second quarter of 2013 combined, approximately 12% of repurchase requests have currently resulted in actual repurchases or indemnification by the Company. The accrual for credit losses related to potential loan repurchases under representations and warranties totaled \$6.2 million at June 30, 2013 and \$5.9 million at March 31, 2013.

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Customer Derivative Programs

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

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

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

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

Derivative contracts are carried at fair value. At June 30, 2013, the net fair values of derivative contracts, before consideration of cash margin, reported as assets under these programs totaled \$551 million compared to \$322 million at March 31, 2013. Derivative contracts carried as assets included to-be-announced residential mortgage-backed securities sold to our mortgage banking customers considered interest rate derivative contracts with fair values of \$277 million, interest rate swaps sold to loan customers with fair values of \$52 million, energy contracts with fair values of \$30 million and foreign exchange contracts with fair values of \$178 million. The aggregate net fair values of derivative contracts, before consideration of cash margin, held under these programs reported as liabilities totaled \$545 million at June 30, 2013 and \$319 million at March 31, 2013.

At June 30, 2013, total derivative assets were reduced by \$5.1 million of cash collateral received from counterparties and total derivative liabilities were reduced by \$25 million of cash collateral paid to counterparties related to instruments executed with the same counterparty under a master netting agreement.

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

The fair value of derivative contracts reported as assets under these programs, net of cash margin held by the Company, by category of debtor at June 30, 2013 follows in Table 24.

Table 24 -- Fair Value of Derivative Contracts
(In thousands)

| | |
|--|-----------|
| Exchanges and clearing organizations | \$284,571 |
| Customers | 163,859 |
| Banks and other financial institutions | 95,787 |
| Energy companies | 1,989 |
| Fair value of customer risk management program asset derivative contracts, net | \$546,206 |

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At June 30, 2013, our largest exposure to a single exchange and clearing organization was \$267 million. Our largest exposure to an individual counterparty was to a loan customer for an interest rate swap which totaled \$8.9 million at June 30, 2013. We have no direct exposure to European sovereign debt and our aggregate gross exposure to European financial institutions totaled \$6.0 million at June 30, 2013. In addition, we have an aggregate gross exposure to internationally active domestic financial institutions of approximately \$210 million at June 30, 2013.

Our customer derivative program also introduces liquidity and capital risk. We are required to provide cash margin to certain counterparties when the net negative fair value of the contracts exceeds established limits. Also, changes in commodity prices affect the amount of regulatory capital we are required to hold as support for the fair value of our derivative assets. These risks are modeled as part of the management of these programs. Based on current prices, a decrease in market prices equivalent to \$28.20 per barrel of oil would increase the fair value of derivative assets by \$24 million. An increase in prices equivalent to \$155.37 per barrel of oil would increase the fair value of derivative assets by \$425 million as current prices move away from the fixed prices embedded in our existing contracts. Liquidity requirements of this program are also affected by our credit rating. A decrease in credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$29 million. The fair value of our to-be-announced residential mortgage-backed securities and interest rate swap derivative contracts is affected by changes in interest rates. Based on our assessment as of June 30, 2013, changes in interest rate would not materially impact regulatory capital or liquidity needed to support this portion of our customer derivative program.

Summary of Loan Loss Experience

We maintain an allowance for loan losses and an accrual for off-balance sheet credit risk. The combined allowance for loan losses and off-balance sheet credit losses totaled \$205 million or 1.65% of outstanding loans and 168% of nonaccruing loans at June 30, 2013. The allowance for loan losses was \$203 million and the accrual for off-balance sheet credit losses was \$1.6 million. At March 31, 2013, the combined allowance for credit losses was \$207 million or 1.71% of outstanding loans and 156% of nonaccruing loans at March 31, 2013. The allowance for loan losses was \$206 million and the accrual for off-balance sheet credit losses was \$1.1 million.

The provision for credit losses is the amount necessary to maintain the allowance for loan losses and an accrual for off-balance sheet credit risk at an amount determined by management to be appropriate based on its evaluation. The provision includes the combined charge to expense for both the allowance for loan losses and the accrual for off-balance sheet credit risk. All losses incurred from lending activities will ultimately be reflected in charge-offs against the allowance for loan losses following funds advanced against outstanding commitments. After evaluating all credit factors, the Company determined that no provision for credit losses was necessary during the second quarter of 2013. Additional allowance required by growth in outstanding loan balances during the quarter was offset by a decrease in inherent risks for certain loan classes. An \$8.0 million negative provision for credit losses was recorded in both the first quarter of 2013 and the second quarter of 2012.

Table 25 -- Summary of Loan Loss Experience
(In thousands)

| | Three Months Ended | | | | | |
|---|--------------------|-------------------|----------------------|-----------------------|------------------|---|
| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$205,965 | \$215,507 | \$233,756 | \$231,669 | \$244,209 | |
| Loans charged off: | | | | | | |
| Commercial | (4,538) | (298) | (1,501) | (812) | (4,094) | |
| Commercial real estate | (450) | (4,800) | (1,094) | (2,607) | (1,216) | |
| Residential mortgage | (2,057) | (1,779) | (2,600) | (1,600) | (4,061) | |
| Consumer | (1,507) | (2,032) | (2,805) | (3,902) | (2,172) | |
| Total | (8,552) | (8,909) | (8,000) | (8,921) | (11,543) | |
| Recoveries of loans previously charged off: | | | | | | |
| Commercial | 1,940 | 3,393 | 947 | ¹ (890) | 4,125 | |
| Commercial real estate | 2,727 | 1,124 | 1,166 | 2,684 | 544 | |
| Residential mortgage | 444 | 572 | 469 | 298 | 750 | |
| Consumer | 1,099 | 1,468 | 1,141 | 1,112 | 1,283 | |
| Total | 6,210 | 6,557 | 3,723 | 3,204 | 6,702 | |
| Net loans charged off | (2,342) | (2,352) | (4,277) | (5,717) | (4,841) | |
| Provision for loan losses | (499) | (7,190) | (13,972) | 7,804 | (7,699) | |
| Ending balance | \$203,124 | \$205,965 | \$215,507 | \$233,756 | \$231,669 | |
| Accrual for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$1,105 | \$1,915 | \$1,943 | \$9,747 | \$10,048 | |
| Provision for off-balance sheet credit losses | 499 | (810) | (28) | (7,804) | (301) | |
| Ending balance | \$1,604 | \$1,105 | \$1,915 | \$1,943 | \$9,747 | |
| Total combined provision for credit losses | \$— | \$(8,000) | \$(14,000) | \$— | \$(8,000) | |
| Allowance for loan losses to loans outstanding at period-end | 1.63 | % 1.70 | % 1.75 | % 1.98 | % 2.00 | % |
| Net charge-offs (annualized) to average loans | 0.08 | % 0.08 | % 0.14 | % ¹ 0.19 | % 0.17 | % |
| Total provision for credit losses (annualized) to average loans | — | % (0.26) | % (0.47) | % — | % (0.28) | % |
| Recoveries to gross charge-offs | 72.61 | % 73.60 | % 46.54 | % 35.92 | % 58.06 | % |
| Accrual for off-balance sheet credit losses to off-balance sheet credit commitments | 0.02 | % 0.02 | % 0.03 | % 0.03 | % 0.15 | % |
| Combined allowance for credit losses to loans outstanding at period-end | 1.65 | % 1.71 | % 1.77 | % 1.99 | % 2.09 | % |

Includes \$7.1 million of negative recovery related to a refund of a settlement between BOK Financial and the City of Tulsa invalidated by the Oklahoma Supreme Court. Excluding this refund, BOK Financial had net charge-offs (recoveries) to average loans of (0.05%) on an annualized basis.

Allowance for Loan Losses

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

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Loans are considered to be impaired when it is probable that we will not collect all amounts due according to the contractual terms of the loan agreement. This includes all nonaccruing loans, all loans modified in troubled debt restructurings and all government guaranteed loans repurchased from GNMA pools. At June 30, 2013, impaired loans totaled \$279 million, including \$5.7 million with specific allowances of \$2.0 million and \$273 million with no specific allowances because the loans balances represent the amounts we expect to recover. At March 31, 2013, impaired loans totaled \$295 million, including \$3.1 million of impaired loans with specific allowances of \$1.0 million and \$292 million with no specific allowances.

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

The aggregate amount of general allowances for all unimpaired loans totaled \$159 million at June 30, 2013 compared to \$162 million at March 31, 2013. The decrease in the general allowance was due primarily to a \$2.6 million decrease in general allowance related to commercial loans. Inherent risks related to certain commercial loan groups have moderated. In addition, risk grading has improved related to service sector loans, partially offset by growth in commercial loan balances.

Nonspecific allowances are maintained for risks beyond factors specific to a particular portfolio segment or loan class. These factors include trends in the economy in our primary lending areas, concentrations in loans with large balances and other relevant factors. Nonspecific allowances totaled \$42 million at June 30, 2013, largely unchanged from March 31, 2013. The nonspecific allowance at both June 30, 2013 and March 31, 2013 includes consideration of the bankruptcy filing by a major employer in the Tulsa, Dallas/Ft. Worth and Kansas City markets. Although we have no direct exposure, the secondary effect on employees, retirees, vendors, suppliers and other business partners could be significant. The nonspecific allowance also considers the possible impact of the European debt crisis and similar economic factors on our loan portfolio. Based on on-going monitoring of the impact of this crises on our loan portfolio, this risk has lessened. Additionally, domestic economic risks have also improved, offset by a newly identified risk related to the rapid rise in interest rates during the quarter. As interest rates increase and variable rate loans re-price, borrowers are impacted as their debt service increases.

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

Our loan monitoring process also identified loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loans agreements, and no loss of principal or interest is anticipated, these loans were not included in nonperforming assets. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. The potential problem loans totaled \$91 million at June 30, 2013, primarily composed of \$26 million of service sector loans, \$20 million of construction and land development loans and \$12 million of other commercial real estate loans. Potential problem loans totaled \$141 million at March 31, 2013.

Net Loans Charged Off

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

value within 60 days of being notified of a borrower's bankruptcy filing, regardless of payment status.

Net loans charged off during the second quarter of 2013 totaled \$2.3 million compared to \$2.4 million in the first quarter of 2013 and \$4.8 million in the second quarter of 2012. The ratio of net loans charged off to average loans on an annualized basis was 0.08% for the second quarter of 2013 compared with 0.08% for the first quarter of 2013 and 0.17% for the second quarter of 2012. Net loans charged off in the second quarter of 2013 were largely unchanged compared to the previous quarter.

Net loans charged off (recovered) by portfolio segment category and principal market area during the second quarter of 2013 follow in Table 26.

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Table 26 -- Net Loans Charged Off (Recovered)
(In thousands)

| | Oklahoma | Texas | Colorado | Arkansas | New Mexico | Arizona | Kansas/ Missouri | Total |
|---|----------|----------|------------|----------|------------|----------|---------------------|----------|
| Commercial | \$(580) | \$(431) | \$20 | \$(22) | \$3,975 | \$(363) | \$(1) | \$2,598 |
| Commercial real estate | (419) | (62) | (1,609) | (6) | (4) | (177) | — | (2,277) |
| Residential mortgage | 966 | 642 | 26 | 35 | (62) | (10) | 16 | 1,613 |
| Consumer | 165 | 205 | 18 | (75) | 84 | 6 | 5 | 408 |
| Total net loans charged off (recovered) | \$132 | \$354 | \$(1,545) | \$(68) | \$3,993 | \$(544) | \$20 | \$2,342 |

Net commercial loans charged off during the second quarter of 2013 increased \$5.7 million and were comprised primarily of a \$4.0 million charge-off related to a single wholesale/retail sector customer in the New Mexico market.

Net charge-offs of commercial real estate loans decreased \$6.0 million compared to the first quarter of 2013 and were primarily comprised of a \$1.8 million recovery from a single construction and land development relationship attributed to the Colorado market.

Residential mortgage net charge-offs were up \$406 thousand over the previous quarter and consumer loan net charge-offs, which include indirect auto loan and deposit account overdraft losses, decreased \$156 thousand. Net charge-offs related to residential mortgage loans serviced by the our mortgage banking division that were originated across the geographical footprint and retained by the Company are attributed to the Oklahoma market.

Nonperforming Assets

Table 27 -- Nonperforming Assets
(In thousands)

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|---|------------------|-------------------|----------------------|-----------------------|------------------|
| Nonaccruing loans: | | | | | |
| Commercial | \$20,869 | \$19,861 | \$24,467 | \$21,762 | \$34,529 |
| Commercial real estate | 58,693 | 65,175 | 60,626 | 75,761 | 80,214 |
| Residential mortgage | 40,534 | 45,426 | 46,608 | 29,267 | 22,727 |
| Consumer | 2,037 | 2,171 | 2,709 | 5,109 | 7,012 |
| Total nonaccruing loans | 122,133 | 132,633 | 134,410 | 131,899 | 144,482 |
| Accruing renegotiated loans: | | | | | |
| Guaranteed by U.S. government agencies | 48,733 | 47,942 | 38,515 | 24,590 | 24,760 |
| Other | — | — | — | 3,402 | 3,655 |
| Total accruing renegotiated loans | 48,733 | 47,942 | 38,515 | 27,992 | 28,415 |
| Total nonperforming loans | 170,866 | 180,575 | 172,925 | 159,891 | 172,897 |
| Real estate and other repossessed assets: | | | | | |
| Guaranteed by U.S. government agencies | 32,155 | 27,864 | 22,365 | 22,819 | 21,405 |
| Other | 77,957 | 74,837 | 81,426 | 81,309 | 84,303 |
| Real estate and other repossessed assets | 110,112 | 102,701 | 103,791 | 104,128 | 105,708 |
| Total nonperforming assets | \$280,978 | \$283,276 | \$276,716 | \$264,019 | \$278,605 |
| Total nonperforming assets excluding those guaranteed by U.S. government agencies | \$200,007 | \$207,256 | \$215,347 | \$216,610 | \$232,440 |
| Nonaccruing loans by principal market: | | | | | |
| Bank of Oklahoma | \$52,541 | \$54,392 | \$56,424 | \$41,599 | \$49,931 |
| Bank of Texas | 21,620 | 37,571 | 31,623 | 28,046 | 24,553 |
| Bank of Albuquerque | 24,134 | 12,479 | 13,401 | 13,233 | 13,535 |
| Bank of Arkansas | 998 | 1,008 | 1,132 | 5,958 | 6,865 |
| Colorado State Bank & Trust | 9,510 | 11,771 | 14,364 | 22,878 | 28,239 |
| Bank of Arizona | 13,323 | 15,392 | 17,407 | 20,145 | 21,326 |
| Bank of Kansas City | 7 | 20 | 59 | 40 | 33 |
| Total nonaccruing loans | \$122,133 | \$132,633 | \$134,410 | \$131,899 | \$144,482 |
| Nonaccruing loans by loan portfolio segment and class: | | | | | |
| Commercial: | | | | | |
| Energy | \$2,277 | \$2,377 | \$2,460 | \$3,063 | \$3,087 |
| Manufacturing | 876 | 1,848 | 2,007 | 2,283 | 12,230 |
| Wholesale / retail | 6,700 | 2,239 | 3,077 | 2,007 | 4,175 |
| Integrated food services | — | — | 684 | — | — |
| Services | 7,448 | 9,474 | 12,090 | 10,099 | 10,123 |
| Healthcare | 2,670 | 2,962 | 3,166 | 3,305 | 3,310 |
| Other | 898 | 961 | 983 | 1,005 | 1,604 |
| Total commercial | 20,869 | 19,861 | 24,467 | 21,762 | 34,529 |

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| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | |
|---|------------------|-------------------|----------------------|-----------------------|------------------|---|
| Commercial real estate: | | | | | | |
| Land development and construction | 21,135 | 23,462 | 26,131 | 38,143 | 46,050 | |
| Retail | 8,406 | 8,921 | 8,117 | 6,692 | 7,908 | |
| Office | 7,828 | 12,851 | 6,829 | 9,833 | 10,589 | |
| Multifamily | 6,447 | 4,501 | 2,706 | 3,145 | 3,219 | |
| Industrial | — | 2,198 | 3,968 | 4,064 | — | |
| Other commercial real estate | 14,877 | 13,242 | 12,875 | 13,884 | 12,448 | |
| Total commercial real estate | 58,693 | 65,175 | 60,626 | 75,761 | 80,214 | |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 32,747 | 38,153 | 39,863 | 23,717 | 18,136 | |
| Permanent mortgage guaranteed by U.S. government agencies | 83 | 214 | 489 | — | — | |
| Home equity | 7,704 | 7,059 | 6,256 | 5,550 | 4,591 | |
| Total residential mortgage | 40,534 | 45,426 | 46,608 | 29,267 | 22,727 | |
| Consumer | 2,037 | 2,171 | 2,709 | 5,109 | 7,012 | |
| Total nonaccrual loans | \$122,133 | \$132,633 | \$134,410 | \$131,899 | \$144,482 | |
| Ratios: | | | | | | |
| Allowance for loan losses to nonaccruing loans | 166.31 | % 155.29 | % 160.34 | % 177.22 | % 160.34 | % |
| Nonaccruing loans to period-end loans | 0.98 | % 1.10 | % 1.09 | % 1.11 | % 1.25 | % |
| Accruing loans 90 days or more past due ¹ | \$2,460 | \$4,229 | \$3,925 | \$1,181 | \$691 | |

¹ Excludes residential mortgage guaranteed by agencies of the U.S. Government

Nonperforming assets totaled \$281 million or 2.24% of outstanding loans and repossessed assets at June 30, 2013. Nonaccruing loans totaled \$122 million, accruing renegotiated residential mortgage loans totaled \$49 million and real estate and other repossessed assets totaled \$110 million. All accruing renegotiated residential mortgage loans, \$83 thousand of nonaccruing loans and \$32 million of real estate and other repossessed assets are guaranteed by U.S. government agencies. Nonperforming assets decreased \$7 million during the first quarter, excluding assets guaranteed by U.S. government agencies. The Company generally retains nonperforming assets to maximize potential recovery which may cause future nonperforming assets to decrease more slowly.

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

At June 30, 2013, renegotiated loans consist solely of accruing residential mortgage loans guaranteed by U.S. government agencies that have been modified in troubled debt restructurings. See Note 4 to the Consolidated Financial Statements for additional discussion of troubled debt restructurings. Generally, we modify residential mortgage loans primarily by reducing interest rates and extending the number of payments in accordance with U.S. government agency guidelines. No unpaid principal or interest is forgiven. Interest continues to accrue based on the modified terms of the loan. Modified loans guaranteed by U.S. government agencies under residential mortgage loan programs may be sold once they become eligible according to U.S. government agency guidelines.

A rollforward of nonperforming assets for the second quarter of 2013 follows in Table 28.

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Table 28 -- Rollforward of Nonperforming Assets
(In thousands)

| | Three Months Ended June 30, 2013 | | | Total Nonperforming Assets |
|---|-------------------------------------|-----------------------|--|----------------------------------|
| | Nonaccruing Loans | Renegotiated Loans | Real Estate and Other Reposessed Assets | |
| Balance, Mar. 31, 2013 | \$132,633 | \$47,942 | \$102,701 | \$283,276 |
| Additions | 39,429 | 14,746 | — | 54,175 |
| Transfers from premises and equipment | — | — | 668 | 668 |
| Payments | (11,980) | (299) | — | (12,279) |
| Charge-offs | (8,552) | — | — | (8,552) |
| Net gains and write-downs | — | — | 1,113 | 1,113 |
| Foreclosure of nonperforming loans | (14,336) | — | 14,336 | — |
| Foreclosure of loans guaranteed by U.S. government agencies | (15,664) | — | 15,664 | — |
| Proceeds from sales | — | (13,726) | (12,882) | (26,608) |
| Conveyance to U.S. government agencies | — | — | (11,372) | (11,372) |
| Net transfers to nonaccruing loans | — | — | — | — |
| Return to accrual status | — | — | — | — |
| Other, net | 603 | 70 | (116) | 557 |
| Balance, June 30, 2013 | \$122,133 | \$48,733 | \$110,112 | \$280,978 |
| | Six Months Ended June 30, 2013 | | | |
| | Nonaccruing Loans | Renegotiated Loans | Real Estate and Other Reposessed Assets | Total Nonperforming Assets |
| Balance, Dec. 31, 2012 | \$134,410 | \$38,515 | \$103,791 | \$276,716 |
| Additions | 81,572 | 29,046 | — | 110,618 |
| Transfers from premises and equipment | — | — | 668 | 668 |
| Payments | (25,745) | (881) | — | (26,626) |
| Charge-offs | (17,461) | — | — | (17,461) |
| Net gains and write-downs | — | — | 1,386 | 1,386 |
| Foreclosure of nonperforming loans | (19,981) | — | 19,981 | — |
| Foreclosure of loans guaranteed by U.S. government agencies | (32,318) | — | 32,318 | — |
| Proceeds from sales | — | (18,659) | (25,380) | (44,039) |
| Conveyance to U.S. government agencies | — | — | (22,527) | (22,527) |
| Net transfers to nonaccruing loans | 348 | (348) | — | — |
| Return to accrual status | (129) | — | — | (129) |
| Other, net | 1,437 | 1,060 | (125) | 2,372 |
| Balance, June 30, 2013 | \$122,133 | \$48,733 | \$110,112 | \$280,978 |

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

be conveyed to the agencies once applicable criteria have been met. During the second quarter of 2013, \$16 million of properties guaranteed by U.S. government agencies were foreclosed on and \$11 million of properties were conveyed to the applicable U.S. government agencies.

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Nonaccruing loans totaled \$122 million or 0.98% of outstanding loans at June 30, 2013 and \$133 million or 1.10% of outstanding loans at March 31, 2013. Nonaccruing loans decreased \$11 million from March 31, 2013 due primarily to \$12 million of payments, \$8.6 million of charge-offs and \$30 million of foreclosures. Newly identified nonaccruing loans totaled \$39 million for the second quarter of 2013.

The distribution of nonaccruing loans among our various markets follows in Table 29.

Table 29 -- Nonaccruing Loans by Principal Market
(Dollars in thousands)

| | June 30, 2013 | | March 31, 2013 | | Change | |
|-----------------------------|---------------|------------------------------|----------------|------------------------------|---------------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Bank of Oklahoma | \$52,541 | 1.00 | % \$54,392 | 1.07 | % \$(1,851) | (7) bp |
| Bank of Texas | 21,620 | 0.54 | % 37,571 | 0.96 | % (15,951) | (42) |
| Bank of Albuquerque | 24,134 | 3.18 | % 12,479 | 1.67 | % 11,655 | 151 |
| Bank of Arkansas | 998 | 0.59 | % 1,008 | 0.60 | % (10) | (1) |
| Colorado State Bank & Trust | 9,510 | 0.93 | % 11,771 | 1.10 | % (2,261) | (17) |
| Bank of Arizona | 13,323 | 1.98 | % 15,392 | 2.50 | % (2,069) | (52) |
| Bank of Kansas City | 7 | — | % 20 | — | % (13) | — |
| Total | \$122,133 | 0.98 | % \$132,633 | 1.10 | % \$(10,500) | (12) bp |

Nonaccruing loans attributed to the Bank of Oklahoma are primarily composed of \$32 million of residential mortgage loans and \$14 million of commercial real estate loans. All residential mortgage loans retained by the Company that were originated across our geographical footprint and serviced by our mortgage company are attributed to the Bank of Oklahoma. Nonaccruing loans attributed to the Bank of Texas included \$12 million of commercial real estate loans and \$4.5 million of residential mortgage loans. Nonaccruing loans attributed to the Bank of Albuquerque included \$16 million of commercial real estate loans and \$4.9 million of commercial loans. Nonaccruing loans attributed to the Bank of Arizona and Colorado State Bank & Trust both consisted primarily of commercial real estate loans.

Commercial

Nonaccruing commercial loans totaled \$21 million or 0.27% of total commercial loans at June 30, 2013, compared to \$20 million or 0.27% of total commercial loans at March 31, 2013. Nonaccruing commercial loans at June 30, 2013 were primarily composed of \$7.4 million or 0.34% of total services sector loans primarily attributed to the Bank of Arizona and Bank of Texas. Nonaccruing commercial loans attributed to the Bank of Albuquerque were primarily composed of a single wholesale/retail sector loan. Nonaccruing commercial loans increased \$1.0 million in the second quarter of 2013. Newly identified nonaccruing commercial loans of \$9.5 million were partially offset by \$4.5 million of charge-offs and \$4.0 million in payments during the second quarter.

The distribution of nonaccruing commercial loans among our various markets was as follows in Table 30.

Table 30 -- Nonaccruing Commercial Loans by Principal Market
(Dollars in thousands)

| | June 30, 2013 | | March 31, 2013 | | Change | |
|-----------------------------|---------------|------------------------------|----------------|------------------------------|--------------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Bank of Oklahoma | \$5,166 | 0.17 | % \$6,816 | 0.24 | % \$(1,650) | (7) bp |
| Bank of Texas | 4,475 | 0.16 | % 5,880 | 0.22 | % (1,405) | (6) |
| Bank of Albuquerque | 6,106 | 2.06 | % 1,367 | 0.50 | % 4,739 | 156 |
| Bank of Arkansas | 298 | 0.49 | % 313 | 0.58 | % (15) | (9) |
| Colorado State Bank & Trust | 632 | 0.08 | % 674 | 0.08 | % (42) | — |
| Bank of Arizona | 4,192 | 1.18 | % 4,811 | 1.47 | % (619) | (29) |
| Bank of Kansas City | — | — | % — | — | % — | — |
| Total commercial | \$20,869 | 0.27 | % \$19,861 | 0.27 | % \$1,008 | — bp |
| Commercial Real Estate | | | | | | |

Nonaccruing commercial real estate loans decreased to \$59 million or 2.53% of outstanding commercial real estate loans at June 30, 2013 from \$65 million or 2.85% of outstanding commercial real estate loans at March 31, 2013. Nonaccruing commercial real estate loans continue to be largely concentrated in land development and residential construction loans. Newly identified nonaccruing commercial real estate loans totaled \$10 million, were offset by \$10 million of foreclosures, \$5.7 million of cash payments received and \$450 thousand of charge-offs. The distribution of our nonaccruing commercial real estate loans among our geographic markets follows in Table 31.

Table 31 -- Nonaccruing Commercial Real Estate Loans by Principal Market
(Dollars in thousands)

| | June 30, 2013 | | March 31, 2013 | | Change | |
|------------------------------|---------------|------------------------------|----------------|------------------------------|--------------|------------------------------|
| | Amount | % of outstanding loans | Amount | % of outstanding loans | Amount | % of outstanding loans |
| Bank of Oklahoma | \$14,404 | 2.53 | % \$13,563 | 2.39 | % \$841 | 14 bp |
| Bank of Texas | 12,213 | 1.50 | % 22,726 | 2.84 | % (10,513) | (134) |
| Bank of Albuquerque | 15,590 | 4.95 | % 9,198 | 2.76 | % 6,392 | 219 |
| Bank of Arkansas | — | — | % — | — | % — | — |
| Colorado State Bank & Trust | 8,697 | 5.95 | % 10,501 | 6.13 | % (1,804) | (18) |
| Bank of Arizona | 7,789 | 3.01 | % 9,187 | 4.01 | % (1,398) | (100) |
| Bank of Kansas City | — | — | % — | — | % — | — |
| Total commercial real estate | \$58,693 | 2.53 | % \$65,175 | 2.85 | % \$(6,482) | (32) bp |

Nonaccruing land development and residential construction loans totaled \$21 million at June 30, 2013, primarily concentrated in the New Mexico, Texas and Colorado markets. Other nonaccruing commercial real estate loans totaled \$15 million primarily concentrated in the Arizona and Colorado markets.

Residential Mortgage and Consumer

Nonaccruing residential mortgage loans totaled \$41 million or 1.99% of outstanding residential mortgage loans at June 30, 2013 compared to \$45 million or 2.26% of outstanding residential mortgage loans at March 31, 2013. Newly identified nonaccruing residential mortgage loans totaled \$19 million, partially offset by \$19 million of foreclosures,

\$2.2 million of payments and \$2.1 million of loans charged off during the quarter. Nonaccruing residential mortgage loans primarily consist of non-guaranteed permanent residential mortgage loans which totaled \$33 million or 2.99% of outstanding non-guaranteed permanent residential mortgage loans at June 30, 2013. Nonaccruing home equity loans totaled \$7.7 million or 0.98% of total home equity loans.

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Payments of accruing residential mortgage loans and consumer loans may be delinquent. The composition of residential mortgage loans and consumer loans past due but still accruing is included in the following Table 32. Substantially all non-guaranteed residential loans past due 90 days or more are nonaccruing. Residential mortgage loans 30 to 89 days past due increased \$2.7 million in the second quarter to \$11 million at June 30, 2013. Consumer loans past due 30 to 89 days decreased \$288 thousand from March 31, 2013.

Table 32 -- Residential Mortgage and Consumer Loans Past Due
(In thousands)

| | June 30, 2013 | | March 31, 2013 | |
|---------------------------------|--------------------|------------------|--------------------|------------------|
| | 90 Days or More | 30 to 89 Days | 90 Days or More | 30 to 89 Days |
| Residential mortgage: | | | | |
| Permanent mortgage ¹ | \$— | \$8,689 | \$— | \$5,774 |
| Home equity | — | 2,451 | — | 2,638 |
| Total residential mortgage | \$— | \$11,140 | — | \$8,412 |
| Consumer: | | | | |
| Indirect automobile | \$— | \$540 | \$— | \$685 |
| Other consumer | 19 | 1,942 | 314 | 1,509 |
| Total consumer | \$19 | \$2,482 | \$314 | \$2,194 |

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

Real Estate and Other Repossessed Assets

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

Real estate and other repossessed assets totaled \$110 million at June 30, 2013, a \$7.4 million increase from March 31, 2013. The distribution of real estate and other repossessed assets attributed by geographical market is included in Table 33 following.

Table 33 -- Real Estate and Other Repossessed Assets by Principal Market
(In thousands)

| | Oklahoma | Texas | Colorado | Arkansas | New Mexico | Arizona | Kansas/ Missouri | Other | Total |
|--|----------|---------|----------|----------|---------------|---------|---------------------|---------|----------|
| Developed commercial real estate properties | \$2,214 | \$2,879 | \$2,172 | \$1,050 | \$8,720 | \$1,428 | \$905 | \$7,048 | \$26,416 |
| 1-4 family residential properties guaranteed by U.S. government agencies | 6,570 | 1,063 | 1,181 | 1,074 | 18,597 | 681 | 2,138 | 851 | 32,155 |
| 1-4 family residential properties | 6,109 | 3,071 | 998 | 1,176 | 2,155 | 6,783 | 625 | 327 | 21,244 |
| Undeveloped land | 999 | 4,344 | 4,046 | 68 | 132 | 5,692 | 1,294 | 599 | 17,174 |
| | 375 | 1,139 | 1,827 | 2,312 | 1,359 | 5,380 | 146 | — | 12,538 |

| | | | | | | | | | |
|--|----------|----------|----------|---------|----------|----------|---------|---------|-----------|
| Residential land development properties | | | | | | | | | |
| Oil and gas properties | — | 213 | — | — | — | — | — | — | 213 |
| Vehicles | 6 | 17 | — | 19 | — | — | — | — | 42 |
| Other | — | — | — | — | — | 324 | — | 6 | 330 |
| Total real estate and other repossessed assets | \$16,273 | \$12,726 | \$10,224 | \$5,699 | \$30,963 | \$20,288 | \$5,108 | \$8,831 | \$110,112 |

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

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Liquidity and Capital
Subsidiary Bank

Deposits and borrowed funds are the primary sources of liquidity for the subsidiary bank. Based on the average balances for the second quarter of 2013, approximately 71% of our funding was provided by deposit accounts, 14% from borrowed funds, 1% from long-term subordinated debt and 11% from equity. Our funding sources, which primarily include deposits and borrowings from the Federal Home Loan Banks and other banks, provide adequate liquidity to meet our operating needs.

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

Average deposits for the second quarter of 2013 totaled \$19.5 billion and represented approximately 71% of total liabilities and capital compared with \$20.0 billion and 73% of total liabilities and capital for the first quarter of 2013. Average deposits decreased \$522 million from the first quarter of 2013. Interest-bearing transaction deposit accounts decreased \$332 million, demand deposits decreased \$113 million and average time deposits decreased \$95 million.

Average Commercial Banking deposit balances decreased \$218 million compared to the first quarter of 2013. Average commercial deposits were down primarily due to the full quarter impact of the redeployment of deposits in the first quarter 2013 generated from the sale of businesses and assets by customers in the fourth quarter of 2012. Balances related to our energy customers decreased \$150 million, commercial real estate balances were down \$140 million and balances related to commercial & industrial customers were down \$52 million. Balances related to our healthcare customers were up \$116 million over the first quarter of 2013. Commercial customers continue to retain large cash reserves primarily due to low yields available on other high quality investment alternatives and to minimize deposit service charges through the earnings credit. The earnings credit is a non-cash method that enables commercial customers to offset deposits service charges based on account balances. Average Consumer Banking deposit balances were largely unchanged compared to the prior quarter. Demand deposit balances grew by \$18 million and savings account deposits grew by \$16 million, offset by a \$37 million decrease in time deposits. Average Wealth Management deposits decreased \$277 million compared to the first quarter of 2013 primarily due to tax payments in the second quarter. Interest-bearing transaction deposit account balances decreased \$249 million and time deposits decreased \$22 million.

Brokered deposits included in time deposits averaged \$145 million for the second quarter of 2013, down \$31 million compared to the first quarter of 2013. Average interest-bearing transaction accounts for the second quarter include \$265 million of brokered deposits, a decrease of \$23 million from the first quarter of 2013.

The distribution of our period end deposit account balances among principal markets follows in Table 34.

Table 34 -- Period End Deposits by Principal Market Area
(In thousands)

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|---|------------------|-------------------|----------------------|-----------------------|------------------|
| Bank of Oklahoma: | | | | | |
| Demand | \$3,561,255 | \$3,602,581 | \$4,223,923 | \$3,734,901 | \$3,499,834 |
| Interest-bearing: | | | | | |
| Transaction | 5,653,062 | 6,140,899 | 6,031,541 | 5,496,724 | 5,412,002 |
| Savings | 185,345 | 185,363 | 163,512 | 155,276 | 150,353 |
| Time | 1,180,265 | 1,264,415 | 1,267,904 | 1,274,336 | 1,354,148 |
| Total interest-bearing | 7,018,672 | 7,590,677 | 7,462,957 | 6,926,336 | 6,916,503 |
| Total Bank of Oklahoma | 10,579,927 | 11,193,258 | 11,686,880 | 10,661,237 | 10,416,337 |
| Bank of Texas: | | | | | |
| Demand | 2,299,631 | 2,098,891 | 2,606,176 | 1,983,678 | 1,966,465 |
| Interest-bearing: | | | | | |
| Transaction | 1,931,758 | 1,979,318 | 2,129,084 | 1,782,296 | 1,813,209 |
| Savings | 63,745 | 63,218 | 58,429 | 52,561 | 51,114 |
| Time | 692,888 | 717,974 | 762,233 | 789,725 | 772,809 |
| Total interest-bearing | 2,688,391 | 2,760,510 | 2,949,746 | 2,624,582 | 2,637,132 |
| Total Bank of Texas | 4,988,022 | 4,859,401 | 5,555,922 | 4,608,260 | 4,603,597 |
| Bank of Albuquerque: | | | | | |
| Demand | 455,580 | 446,841 | 427,510 | 416,796 | 357,367 |
| Interest-bearing: | | | | | |
| Transaction | 525,481 | 513,611 | 511,593 | 526,029 | 506,165 |
| Savings | 34,096 | 35,560 | 31,926 | 31,940 | 31,215 |
| Time | 346,506 | 354,303 | 364,928 | 375,611 | 383,350 |
| Total interest-bearing | 906,083 | 903,474 | 908,447 | 933,580 | 920,730 |
| Total Bank of Albuquerque | 1,361,663 | 1,350,315 | 1,335,957 | 1,350,376 | 1,278,097 |
| Bank of Arkansas: | | | | | |
| Demand | 31,108 | 31,957 | 38,935 | 29,254 | 16,921 |
| Interest-bearing: | | | | | |
| Transaction | 186,689 | 155,571 | 101,366 | 168,827 | 172,829 |
| Savings | 1,974 | 2,642 | 2,239 | 2,246 | 2,220 |
| Time | 37,272 | 41,613 | 42,573 | 45,719 | 48,517 |
| Total interest-bearing | 225,935 | 199,826 | 146,178 | 216,792 | 223,566 |
| Total Bank of Arkansas | 257,043 | 231,783 | 185,113 | 246,046 | 240,487 |
| Colorado State Bank & Trust: | | | | | |
| Demand | 365,161 | 295,067 | 331,157 | 330,641 | 301,646 |
| Interest-bearing: | | | | | |
| Transaction | 519,580 | 528,056 | 676,140 | 627,015 | 465,276 |
| Savings | 27,948 | 27,187 | 25,889 | 24,689 | 24,202 |
| Time | 451,168 | 461,496 | 472,305 | 476,564 | 491,280 |
| Total interest-bearing | 998,696 | 1,016,739 | 1,174,334 | 1,128,268 | 980,758 |
| Total Colorado State Bank & Trust | 1,363,857 | 1,311,806 | 1,505,491 | 1,458,909 | 1,282,404 |

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| Bank of Arizona: | | | | | |
| Demand | 186,381 | 157,754 | 161,094 | 151,738 | 137,313 |
| Interest-bearing: | | | | | |
| Transaction | 376,305 | 378,421 | 360,275 | 298,048 | 113,310 |
| Savings | 2,238 | 2,122 | 1,978 | 2,201 | 2,313 |
| Time | 35,490 | 34,690 | 31,371 | 33,169 | 31,539 |
| Total interest-bearing | 414,033 | 415,233 | 393,624 | 333,418 | 147,162 |
| Total Bank of Arizona | 600,414 | 572,987 | 554,718 | 485,156 | 284,475 |
| Bank of Kansas City: | | | | | |
| Demand | 246,207 | 267,769 | 249,491 | 201,393 | 160,829 |
| Interest-bearing: | | | | | |
| Transaction | 73,685 | 46,426 | 78,039 | 103,628 | 69,083 |
| Savings | 1,029 | 983 | 771 | 660 | 581 |
| Time | 24,383 | 25,563 | 26,678 | 27,202 | 26,307 |
| Total interest-bearing | 99,097 | 72,972 | 105,488 | 131,490 | 95,971 |
| Total Bank of Kansas City | 345,304 | 340,741 | 354,979 | 332,883 | 256,800 |
| Total BOK Financial deposits | \$19,496,230 | \$19,860,291 | \$21,179,060 | \$19,142,867 | \$18,362,197 |

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 \$311 million at June 30, 2013. Securities repurchase agreements generally mature within 90 days and are secured by certain available for sale securities. Federal Home Loan Bank borrowings are generally short term and are secured by a blanket pledge of eligible collateral (generally unencumbered U.S. Treasury and mortgage-backed securities, 1-4 family residential mortgage loans, multifamily and other qualifying commercial real estate loans). Amounts borrowed from the Federal Home Loan Bank of Topeka averaged \$2.1 billion during the quarter, up from \$827 million for the first quarter of 2013.

At June 30, 2013, the estimated unused credit available to the subsidiary bank from collateralized sources was approximately \$8.0 billion.

A summary of other borrowing by the subsidiary bank follows in Table 35.

Table 35 -- Borrowed Funds
(In thousands)

| | Three Months Ended June 30, 2013 | | | | Three Months Ended March 31, 2013 | | | |
|---|-------------------------------------|---|--------|---|--------------------------------------|---|--------|---|
| | June 30, 2013 | Average Balance During the Quarter | Rate | Maximum Outstanding At Any Month End During the Quarter | March 31, 2013 | Average Balance During the Quarter | Rate | Maximum Outstanding At Any Month End During the Quarter |
| Parent Company and Other Non-Bank Subsidiaries: | | | | | | | | |
| Other borrowings - Other | \$— | \$— | — % | \$— | \$— | \$1,321 | 1.34 % | \$— |
| Subsidiary Bank: | | | | | | | | |
| Funds purchased | 747,165 | 789,302 | 0.10 % | 747,165 | 853,843 | 1,155,983 | 0.13 % | 853,843 |
| Repurchase agreements | 845,106 | 819,373 | 0.06 % | 845,106 | 806,526 | 878,679 | 0.07 % | 881,033 |
| Other borrowings: | | | | | | | | |
| Federal Home Loan Bank advances | 2,451,197 | 2,144,513 | 0.19 % | 2,451,197 | 1,705,297 | 826,743 | 0.24 % | 1,705,297 |
| GNMA repurchase liability | 13,973 | 11,464 | 5.50 % | 13,973 | 11,347 | 18,928 | 5.41 % | 21,055 |
| Other | 16,474 | 16,440 | 2.93 % | 16,475 | 16,403 | 16,368 | 3.01 % | 16,404 |
| Total other borrowings | 2,481,644 | 2,172,417 | 0.24 % | | 1,733,047 | 862,039 | 0.41 % | |
| Subordinated debentures | 347,716 | 347,695 | 2.54 % | 347,716 | 347,674 | 347,654 | 2.52 % | 347,674 |
| Total Subsidiary Bank | 4,421,631 | 4,128,787 | 0.38 % | | 3,741,090 | 3,244,355 | 0.45 % | |
| Total Borrowed Funds | \$4,421,631 | \$4,128,787 | 0.38 % | | \$3,741,090 | \$3,245,676 | 0.45 % | |

In 2007, the Company issued \$250 million of subordinated debt due May 15, 2017 to fund the Worth National Bank and First United Bank acquisitions and fund continued asset growth. Interest on this debt was based on a fixed rate of 5.75% through May 14, 2012 which then converted to a floating rate of three-month LIBOR plus 0.69%. At June 30, 2013, \$226 million of this subordinated debt remains outstanding.

In 2005, the Bank issued \$150 million of 10-year, fixed rate subordinated debt. The cost of this subordinated debt, including issuance discounts and hedge loss is 5.56%. The proceeds of this debt were used to repay \$95 million of BOK Financial's unsecured revolving line of credit and to provide additional capital to support assets growth. At June 30, 2013, \$122 million of this subordinated debt remains outstanding.

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

Parent Company

The primary sources of liquidity for BOK Financial are cash on hand and dividends from the subsidiary bank. Dividends from the subsidiary bank are limited by various banking regulations to net profits, as defined, for the year plus retained profits for the two preceding years. Dividends are further restricted by minimum capital requirements. At June 30, 2013, based on the most restrictive limitations as well as management's internal capital policy, the subsidiary bank could declare up to \$240 million of dividends without regulatory approval. Future losses or increases in required regulatory capital at the subsidiary bank could affect its ability to pay dividends to the parent company.

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The Company has a \$100 million senior unsecured 364 day revolving credit facility with Wells Fargo Bank, National Association, administrative agent and other commercial banks (“the Credit Facility”). Interest on amounts outstanding under the Credit Facility is to be paid at a defined base rate minus 1.25% or LIBOR plus 1.00% based upon the Company’s option. Interest on amounts borrowed for certain acquisitions converted to a term loan at the Company’s option is to be paid at a defined base rate minus 1.25% or LIBOR plus 1.25%. A commitment fee equal to 0.20% shall be paid quarterly on the unused portion of the credit commitment under the Credit Facility and there are no prepayment penalties. Any amounts outstanding at the end of the Credit Facility term shall be converted into a term loan which, except for amounts borrowed for certain acquisitions, shall be payable June 5, 2014. The Credit Agreement contains customary representations and warranties, as well as affirmative and negative covenants including limits on the Company’s ability to borrow additional funds, make investments and sell assets. These covenants also require BOKF to maintain minimum capital levels. No amounts were outstanding under the Credit Facility at June 30, 2013 and the Company met all of the covenants.

Our equity capital at June 30, 2013 was \$3.0 billion, a decrease of \$55 million over March 31, 2013. Net income less cash dividends paid increased equity \$54 million during the second quarter of 2013. This was offset by a \$114 million decrease in accumulated other comprehensive income primarily related to the change in unrealized gains on available for sale securities. Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

On April 24, 2012, the Board of Directors authorized the Company to purchase up to two million shares of our common stock. The specific timing and amount of shares repurchased will vary based on market conditions, regulatory limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase program may be suspended or discontinued at any time without prior notice. As of June 30, 2013, the Company has repurchased 39,496 shares for \$2.1 million under this program. No shares were repurchased in the second quarter of 2013.

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

For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. The Company’s banking subsidiary exceeded the regulatory definitions of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 36.

Table 36 -- Capital Ratios

| | Well Capitalized Minimums | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | |
|--|---------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|---|
| Average total equity to average assets | — | 10.95 | % 10.90 | % 10.81 | % 11.08 | % 11.23 | % |
| Tangible common equity ratio | — | 9.38 | % 9.70 | % 9.25 | % 9.67 | % 10.07 | % |
| Tier 1 common equity ratio | — | 13.19 | % 13.16 | % 12.59 | % 13.01 | % 13.41 | % |
| Risk-based capital: | | | | | | | |
| Tier 1 capital | 6.00 | % 13.37 | % 13.35 | % 12.78 | % 13.21 | % 13.62 | % |

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| | | | | | | | |
|---------------|-------|---------|---------|---------|---------|---------|---|
| Total capital | 10.00 | % 15.28 | % 15.68 | % 15.13 | % 15.71 | % 16.19 | % |
| Leverage | 5.00 | % 9.43 | % 9.28 | % 9.01 | % 9.34 | % 9.64 | % |

In July 2013, banking regulators issued the final rule revising regulatory capital rules for substantially all U.S. banking organizations. The new capital rule will be effective for BOK Financial on January 1, 2015 and components of the rule will phase in through January 1, 2019. The new capital rule establishes a 7% threshold for the Tier 1 common equity ratio consisting of a minimum level plus capital conservation buffer. The Company expects to exclude unrealized gains and losses from available for sale securities from its calculation of Tier 1 capital, consistent with the treatment under current capital rules. BOK Financial's Tier 1 common equity ratio based on the existing Basel I standards was 13.19% as of June 30, 2013. Based on our interpretation of the new capital rule, our estimated Tier 1 common equity ratio is approximately 12.20%, nearly 520 basis points above the 7% regulatory threshold.

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The rule also changes both the Tier 1 risk based capital requirements and the total risk based requirements to a minimum of 6% and 8%, respectively, plus a capital conservation buffer of 2.5% totaling 8.5% and 10.5%, respectively. The leverage ratio requirements under the rule is 5%. A bank which falls below these levels, including the capital conservation buffer, would be subject to regulatory restrictions on capital distributions (including but not limited to dividends and share repurchases) and executive bonus payments.

Capital resources of financial institutions are also regularly measured by the tangible common shareholders' equity ratio. Tangible common shareholders' equity is shareholders' equity as defined by generally accepted accounting principles in the United States of America ("GAAP") less intangible assets and equity which does not benefit common shareholders. Equity that does not benefit common shareholders includes preferred equity. Tier 1 common equity is tier 1 equity as defined by banking regulations, adjusted for other comprehensive income (loss) and equity which does not benefit common shareholders. These non-GAAP measures are valuable indicators of a financial institution's capital strength since it eliminates intangible assets from shareholders' equity and retains the effect of unrealized losses on securities and other components of accumulated other comprehensive income in shareholders' equity.

In accordance with the Dodd-Frank Act, the Federal Reserve must publish regulations that require bank holding companies with \$10 billion to \$50 billion in assets to perform annual capital stress tests. The requirements for annual capital stress tests will become effective for the Company in the fourth quarter of 2013 with public disclosure of specified results to occur in June of 2014. The resulting capital stress test process may place constraints on capital distributions or increases in required regulatory capital under certain circumstances.

Table 37 following provides a reconciliation of the non-GAAP measures with financial measures defined by GAAP.

Table 37 -- Non-GAAP Measures
(Dollars in thousands)

| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|---|------------------|-------------------|----------------------|-----------------------|------------------|
| Tangible common equity ratio: | | | | | |
| Total shareholders' equity | \$2,957,637 | \$3,011,958 | \$2,957,860 | \$2,975,657 | \$2,885,934 |
| Less: Goodwill and intangible assets, net | 386,001 | 386,876 | 390,171 | 392,158 | 344,699 |
| Tangible common equity | 2,571,636 | 2,625,082 | 2,567,689 | 2,583,499 | 2,541,235 |
| Total assets | 27,808,200 | 27,447,158 | 28,148,631 | 27,117,641 | 25,576,046 |
| Less: Goodwill and intangible assets, net | 386,001 | 386,876 | 390,171 | 392,158 | 344,699 |
| Tangible assets | \$27,422,199 | \$27,060,282 | \$27,758,460 | \$26,725,483 | \$25,231,347 |
| Tangible common equity ratio | 9.38 | % 9.70 | % 9.25 | % 9.67 | % 10.07 |
| Tier 1 common equity ratio: | | | | | |
| Tier 1 capital | \$2,561,399 | \$2,503,892 | \$2,430,671 | \$2,436,791 | \$2,418,985 |
| Less: Non-controlling interest | 35,245 | 35,934 | 35,821 | 36,818 | 36,787 |
| Tier 1 common equity | 2,526,154 | 2,467,958 | 2,394,850 | 2,399,973 | 2,382,198 |
| Risk weighted assets | \$19,157,978 | \$18,756,648 | \$19,016,673 | \$18,448,854 | \$17,758,118 |
| Tier 1 common equity ratio | 13.19 | % 13.16 | % 12.59 | % 13.01 | % 13.41 |

Off-Balance Sheet Arrangements

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

Market Risk

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

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

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

Interest Rate Risk – Other than Trading

As previously noted in the Net Interest Revenue section of this report, management has implemented strategies to manage the Company's balance sheet to have relatively limited exposure to changes in interest rates over a twelve-month period. The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 months and longer time periods based on multiple interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 50 basis point decrease in interest rates. Management historically evaluated interest rate sensitivity for a sustained 200 basis point decrease in interest rates. However, the results of a 200 basis point decrease in interest rates in the current low-rate environment are not meaningful.

The Company's primary interest rate exposures include the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable rate loan pricing. Additionally, residential mortgage rates directly affect the prepayment speeds for residential mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. 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 38 due to the extreme volatility over such a large rate range and our active risk management approach for that asset. The effects of interest rate changes on the value of mortgage servicing rights and financial instruments identified as economic hedges are presented in Note 5 to the Consolidated Financial Statements.

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

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Table 38 -- Interest Rate Sensitivity
(Dollars in thousands)

| | 200 bp Increase | | 50 bp Decrease | |
|--|-----------------|----------|----------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Anticipated impact over the next twelve months on net interest revenue | \$16,219 | \$27,360 | \$(13,330) | \$(16,658) |
| | (2.27)% | 4.11 | % (1.87)% | (2.50)% |
| Trading Activities | | | | |

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

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

Management uses a Value at Risk (“VAR”) methodology to measure the market risk due to changes in interest rates inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes, a 10 business day holding period and a 99% confidence interval. It represents an amount of market loss that is likely to be exceeded in only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to \$7.3 million. There were no instances of VAR being exceeded during the three months ended June 30, 2013 and 2012. At June 30, 2013, there were no trading positions for the purposes of enhancing returns on the Company's securities portfolio.

The average, high and low VAR amounts for the three and six months ended June 30, 2013 and 2012 are as follows in Table 39.

Table 39 -- Value at Risk (VAR)
(In thousands)

| | Three Months Ended | | Six Months Ended | |
|---------|--------------------|---------------|------------------|---------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Average | \$3,378 | \$2,906 | \$3,471 | \$2,624 |
| High | 5,826 | 6,672 | 5,826 | 6,672 |
| Low | 1,893 | 2,010 | 1,893 | 1,075 |

Controls and Procedures

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

Financial's management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

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Forward-Looking Statements

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

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Interest revenue | | | | |
| Loans | \$124,297 | \$131,175 | \$249,410 | \$258,158 |
| Residential mortgage loans held for sale | 2,294 | 1,784 | 4,086 | 3,552 |
| Trading securities | 621 | 364 | 1,099 | 664 |
| Taxable securities | 3,604 | 4,282 | 7,402 | 8,716 |
| Tax-exempt securities | 1,150 | 921 | 2,178 | 1,898 |
| Total investment securities | 4,754 | 5,203 | 9,580 | 10,614 |
| Taxable securities | 51,371 | 61,583 | 106,390 | 121,239 |
| Tax-exempt securities | 687 | 631 | 1,291 | 1,232 |
| Total available for sale securities | 52,058 | 62,214 | 107,681 | 122,471 |
| Fair value option securities | 1,013 | 2,311 | 2,178 | 5,798 |
| Funds sold and resell agreements | 4 | 4 | 6 | 6 |
| Total interest revenue | 185,041 | 203,055 | 374,040 | 401,263 |
| Interest expense | | | | |
| Deposits | 13,909 | 16,390 | 28,790 | 33,888 |
| Borrowed funds | 1,776 | 1,792 | 3,330 | 3,381 |
| Subordinated debentures | 2,200 | 3,512 | 4,359 | 9,064 |
| Total interest expense | 17,885 | 21,694 | 36,479 | 46,333 |
| Net interest revenue | 167,156 | 181,361 | 337,561 | 354,930 |
| Provision for credit losses | — | (8,000) | (8,000) | (8,000) |
| Net interest revenue after provision for credit losses | 167,156 | 189,361 | 345,561 | 362,930 |
| Other operating revenue | | | | |
| Brokerage and trading revenue | 32,874 | 32,600 | 64,625 | 63,711 |
| Transaction card revenue | 29,942 | 26,758 | 57,634 | 52,188 |
| Trust fees and commissions | 24,803 | 19,931 | 47,116 | 38,369 |
| Deposit service charges and fees | 23,962 | 25,216 | 46,928 | 49,595 |
| Mortgage banking revenue | 36,596 | 39,548 | 76,572 | 72,626 |
| Bank-owned life insurance | 2,236 | 2,838 | 5,462 | 5,709 |
| Other revenue | 10,496 | 8,860 | 20,683 | 18,124 |
| Total fees and commissions | 160,909 | 155,751 | 319,020 | 300,322 |
| Gain (loss) on assets, net | (1,666) |) 1,689 | (1,199) |) (2,004) |
| Gain (loss) on derivatives, net | (2,527) |) 2,345 | (3,468) |) (128) |
| Gain (loss) on fair value option securities, net | (9,156) |) 6,852 | (12,327) |) 5,119 |
| Gain on available for sale securities, net | 3,753 | 20,481 | 8,608 | 24,812 |
| Total other-than-temporary impairment losses | (1,138) |) (135) | (1,138) |) (640) |
| Portion of loss recognized in (reclassified from) other comprehensive income | 586 | (723) |) 339 | (3,940) |
| Net impairment losses recognized in earnings | (552) |) (858) | (799) |) (4,580) |
| Total other operating revenue | 150,761 | 186,260 | 309,835 | 323,541 |
| Other operating expense | | | | |
| Personnel | 128,110 | 122,297 | 253,764 | 237,066 |
| Business promotion | 5,770 | 6,746 | 11,223 | 11,134 |
| Professional fees and services | 8,381 | 8,343 | 15,366 | 15,942 |
| Net occupancy and equipment | 16,909 | 16,906 | 33,390 | 32,929 |
| Insurance | 4,044 | 4,011 | 7,789 | 7,877 |

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| | | | | |
|---|------------|------------|------------|------------|
| Data processing and communications | 26,734 | 25,264 | 52,184 | 47,408 |
| Printing, postage and supplies | 3,580 | 3,903 | 7,254 | 7,214 |
| Net losses and operating expenses of repossessed assets | 282 | 5,912 | 1,528 | 8,157 |
| Amortization of intangible assets | 875 | 545 | 1,751 | 1,120 |
| Mortgage banking costs | 7,910 | 12,315 | 15,264 | 20,754 |
| Change in fair value of mortgage servicing rights | (14,315) | 11,450 | (16,973) | 4,323 |
| Other expense | 8,326 | 5,319 | 15,390 | 11,224 |
| Total other operating expense | 196,606 | 223,011 | 397,930 | 405,148 |
| Net income before taxes | 121,311 | 152,610 | 257,466 | 281,323 |
| Federal and state income taxes | 41,423 | 53,149 | 88,519 | 98,669 |
| Net income | 79,888 | 99,461 | 168,947 | 182,654 |
| Net income (loss) attributable to non-controlling interest | (43) | 1,833 | 1,052 | 1,411 |
| Net income attributable to BOK Financial Corporation shareholders | \$79,931 | \$97,628 | \$167,895 | \$181,243 |
| Earnings per share: | | | | |
| Basic | \$1.16 | \$1.43 | \$2.45 | \$2.66 |
| Diluted | \$1.16 | \$1.43 | \$2.44 | \$2.65 |
| Average shares used in computation: | | | | |
| Basic | 67,993,822 | 67,472,665 | 67,904,599 | 67,573,280 |
| Diluted | 68,212,497 | 67,744,828 | 68,126,751 | 67,847,659 |
| Dividends declared per share | \$0.38 | \$0.38 | \$0.76 | \$0.71 |
| See accompanying notes to consolidated financial statements. | | | | |

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Net income | \$79,888 | \$99,461 | \$168,947 | \$182,654 |
| Other comprehensive income before income taxes: | | | | |
| Net change in unrealized gain (loss) | (183,186) | (15,401) | (204,545) | 40,034 |
| Reclassification adjustments included in earnings: | | | | |
| Interest revenue, Investments securities, Taxable securities | (873) | (1,633) | (2,021) | (3,421) |
| Interest expense, Subordinated debentures | 72 | 279 | 124 | 331 |
| Net impairment losses recognized in earnings | 552 | 858 | 799 | 4,580 |
| Gain on available for sale securities, net | (3,753) | (20,481) | (8,608) | (24,812) |
| Other comprehensive income (loss) before income taxes | (187,188) | (36,378) | (214,251) | 16,712 |
| Income tax benefit (expense) | 72,819 | 14,150 | 83,345 | (6,501) |
| Other comprehensive income (loss), net of income taxes | (114,369) | (22,228) | (130,906) | 10,211 |
| Comprehensive income (loss) | (34,481) | 77,233 | 38,041 | 192,865 |
| Comprehensive income (loss) attributable to non-controlling interests | (43) | 1,833 | 1,052 | 1,411 |
| Comprehensive income (loss) attributed to BOK Financial Corp. shareholders | \$(34,438) | \$75,400 | \$36,989 | \$191,454 |

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

(In thousands, except share data)

| | June 30, 2013 (Unaudited) | December 31, 2012 (Footnote 1) | June 30, 2012 (Unaudited) |
|---|------------------------------|--------------------------------------|------------------------------|
| Assets | | | |
| Cash and due from banks | \$1,026,497 | \$1,266,834 | \$628,092 |
| Funds sold and resell agreements | 51,888 | 19,405 | 11,171 |
| Trading securities | 190,591 | 214,102 | 149,317 |
| Investment securities (fair value: June 30, 2013 – \$625,705; December 31, 2012 – \$528,458; June 30, 2012 – \$440,638) | 615,790 | 499,534 | 412,479 |
| Available for sale securities | 10,698,074 | 11,287,221 | 10,395,415 |
| Fair value option securities | 205,756 | 284,296 | 325,177 |
| Residential mortgage loans held for sale | 301,057 | 293,762 | 259,174 |
| Loans | 12,440,782 | 12,311,456 | 11,576,431 |
| Allowance for loan losses | (203,124) | (215,507) | (231,669) |
| Loans, net of allowance | 12,237,658 | 12,095,949 | 11,344,762 |
| Premises and equipment, net | 271,191 | 265,920 | 261,508 |
| Receivables | 136,605 | 114,185 | 121,944 |
| Goodwill | 359,759 | 361,979 | 335,601 |
| Intangible assets, net | 26,242 | 28,192 | 9,098 |
| Mortgage servicing rights, net | 132,889 | 100,812 | 91,783 |
| Real estate and other repossessed assets, net of allowance (June 30, 2013 – \$26,837; December 31, 2012 – \$36,873; June 30, 2012 – \$32,730) | 110,112 | 103,791 | 105,708 |
| Bankers' acceptances | 198 | 605 | 2,873 |
| Derivative contracts | 546,206 | 338,106 | 366,204 |
| Cash surrender value of bank-owned life insurance | 280,047 | 274,531 | 269,093 |
| Receivable on unsettled securities sales | 182,147 | 211,052 | 32,876 |
| Other assets | 435,493 | 388,355 | 453,771 |
| Total assets | \$27,808,200 | \$28,148,631 | \$25,576,046 |
| Liabilities and Shareholders' Equity | | | |
| Noninterest-bearing demand deposits | \$7,145,323 | \$8,038,286 | \$6,440,375 |
| Interest-bearing deposits: | | | |
| Transaction | 9,266,560 | 9,888,038 | 8,551,874 |
| Savings | 316,375 | 284,744 | 261,998 |
| Time | 2,767,972 | 2,967,992 | 3,107,950 |
| Total deposits | 19,496,230 | 21,179,060 | 18,362,197 |
| Funds purchased | 747,165 | 1,167,416 | 1,453,750 |
| Repurchase agreements | 845,106 | 887,030 | 1,136,948 |
| Other borrowings | 2,481,644 | 651,775 | 58,056 |
| Subordinated debentures | 347,716 | 347,633 | 353,378 |
| Accrued interest, taxes and expense | 175,677 | 176,678 | 140,434 |
| Bankers' acceptances | 198 | 605 | 2,873 |
| Derivative contracts | 521,991 | 283,589 | 370,053 |
| Due on unsettled securities purchases | 49,369 | 297,453 | 603,800 |
| Other liabilities | 150,222 | 163,711 | 171,836 |
| Total liabilities | 24,815,318 | 25,154,950 | 22,653,325 |
| Shareholders' equity: | 4 | 4 | 4 |

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Common stock (\$.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: June 30, 2013 – 73,029,101; December 31, 2012 – 72,415,346; June 30, 2012 – 72,006,628)

| | | | |
|--|--------------|--------------|--------------|
| Capital surplus | 884,238 | 859,278 | 836,065 |
| Retained earnings | 2,253,810 | 2,137,541 | 2,086,565 |
| Treasury stock (shares at cost: June 30, 2013 – 4,289,893; December 31, 2012 – 4,087,995; June 30, 2012 – 3,862,469) | (199,429) | (188,883) | (175,890) |
| Accumulated other comprehensive income | 19,014 | 149,920 | 139,190 |
| Total shareholders' equity | 2,957,637 | 2,957,860 | 2,885,934 |
| Non-controlling interest | 35,245 | 35,821 | 36,787 |
| Total equity | 2,992,882 | 2,993,681 | 2,922,721 |
| Total liabilities and equity | \$27,808,200 | \$28,148,631 | \$25,576,046 |

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Changes in Equity (Unaudited)

(In thousands)

| | Common Stock Shares | Accumulated Other Comprehensive Income Amount | Capital Surplus | Retained Earnings | Treasury Stock Shares | Treasury Stock Amount | Total Shareholders' Equity | Non- Controlling Interest | Total Equity | |
|--|---------------------------|---|--------------------|----------------------|--------------------------|--------------------------|----------------------------------|---------------------------------|-----------------|-------------|
| Balance, December 31, 2011 | 71,533 | \$4 | \$128,979 | \$818,817 | \$1,953,332 | 3,380 | \$(150,664) | \$2,750,468 | \$36,184 | \$2,786,652 |
| Net income | — | — | — | 181,243 | — | — | 181,243 | 1,411 | 182,654 | |
| Other comprehensive income | — | — | 10,211 | — | — | — | 10,211 | — | 10,211 | |
| Treasury stock purchases | — | — | — | — | 384 | (20,558) | (20,558) | — | (20,558) | |
| Exercise of stock options | 473 | — | — | 13,122 | — | (4,668) | 8,454 | — | 8,454 | |
| Tax benefit on exercise of stock options | — | — | — | (677) | — | — | (677) | — | (677) | |
| Stock-based compensation | — | — | — | 4,803 | — | — | 4,803 | — | 4,803 | |
| Cash dividends on common stock | — | — | — | — | (48,010) | — | (48,010) | — | (48,010) | |
| Capital calls and distributions, net | — | — | — | — | — | — | — | (808) | (808) | |
| Balance, June 30, 2012 | 72,006 | \$4 | \$139,190 | \$836,065 | \$2,086,565 | 3,862 | \$(175,890) | \$2,885,934 | \$36,787 | \$2,922,721 |
| Balances at December 31, 2012 | 72,415 | \$4 | \$149,920 | \$859,278 | \$2,137,541 | 4,088 | \$(188,883) | \$2,957,860 | \$35,821 | \$2,993,681 |
| Net income | — | — | — | 167,895 | — | — | 167,895 | 1,052 | 168,947 | |
| Other comprehensive loss | — | — | (130,906) | — | — | — | (130,906) | — | (130,906) | |
| Treasury stock purchases | — | — | — | — | — | — | — | — | — | |
| Exercise of stock options | 614 | — | — | 23,425 | — | (10,546) | 12,879 | — | 12,879 | |
| Tax benefit on exercise of stock options | — | — | — | 178 | — | — | 178 | — | 178 | |
| | — | — | — | 1,357 | — | — | 1,357 | — | 1,357 | |

| | | | | | | | | | | |
|--------------------------------------|--------|-----|----------|-----------|-------------|-------|-------------|-------------|----------|-------------|
| Stock-based compensation | | | | | | | | | | |
| Cash dividends on common stock | — | — | — | — | (51,626) | — | — | (51,626) | — | (51,626) |
| Capital calls and distributions, net | — | — | — | — | — | — | — | — | (1,628) | (1,628) |
| Balance, June 30, 2013 | 73,029 | \$4 | \$19,014 | \$884,238 | \$2,253,810 | 4,290 | \$(199,429) | \$2,957,637 | \$35,245 | \$2,992,882 |

See accompanying notes to consolidated financial statements.

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

| | Six Months Ended | |
|---|------------------|--------------|
| | June 30, | |
| | 2013 | 2012 |
| Cash Flows From Operating Activities: | | |
| Net income | \$168,947 | \$182,654 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | (8,000) | (8,000) |
| Change in fair value of mortgage servicing rights | (16,973) | 4,323 |
| Unrealized (gains) losses from derivatives | 6,137 | (7,626) |
| Tax benefit on exercise of stock options | (178) | 677 |
| Change in bank-owned life insurance | (5,462) | (5,709) |
| Stock-based compensation | 1,357 | 4,803 |
| Depreciation and amortization | 27,634 | 24,636 |
| Net amortization of securities discounts and premiums | 32,867 | 47,789 |
| Net realized gains on financial instruments and other assets | (57,782) | (60,122) |
| Mortgage loans originated for resale | (2,152,353) | (1,588,200) |
| Proceeds from sale of mortgage loans held for resale | 2,201,324 | 1,569,921 |
| Capitalized mortgage servicing rights | (25,932) | (17,647) |
| Change in trading and fair value option securities | 100,889 | 251,682 |
| Change in receivables | (23,890) | (9,667) |
| Change in other assets | 38,646 | 2,838 |
| Change in accrued interest, taxes and expense | (1,001) | (9,074) |
| Change in other liabilities | (13,407) | 7,888 |
| Net cash provided by operating activities | 272,823 | 391,166 |
| Cash Flows From Investing Activities: | | |
| Proceeds from maturities or redemptions of investment securities | 99,020 | 43,678 |
| Proceeds from maturities or redemptions of available for sale securities | 1,689,165 | 2,486,198 |
| Purchases of investment securities | (217,160) | (16,971) |
| Purchases of available for sale securities | (3,173,504) | (4,162,486) |
| Proceeds from sales of available for sale securities | 1,837,970 | 1,451,551 |
| Change in amount receivable on unsettled securities transactions | 28,905 | 42,275 |
| Loans originated net of principal collected | (130,381) | (327,349) |
| Net payments on derivative asset contracts | (229,888) | (119,495) |
| Proceeds from disposition of assets | 53,191 | 101,550 |
| Purchases of assets | (115,250) | (40,991) |
| Net cash used in investing activities | (157,932) | (542,040) |
| Cash Flows From Financing Activities: | | |
| Net change in demand deposits, transaction deposits and savings accounts | (1,482,810) | (126,351) |
| Net change in time deposits | (200,020) | (274,032) |
| Net change in other borrowed funds | 1,311,756 | 229,401 |
| Repayment of subordinated debt | — | (46,882) |
| Net proceeds on derivative liability contracts | 220,024 | 110,249 |
| Net change in derivative margin accounts | 114,958 | 21,749 |
| Change in amount due on unsettled security transactions | (248,084) | (49,571) |
| Issuance of common and treasury stock, net | 12,879 | 8,454 |
| Tax benefit on exercise of stock options | 178 | (677) |
| Repurchase of common stock | — | (20,558) |
| Dividends paid | (51,626) | (48,010) |

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| | | |
|---|-------------|------------|
| Net cash used in financing activities | (322,745) | (196,228) |
| Net decrease in cash and cash equivalents | (207,854) | (347,102) |
| Cash and cash equivalents at beginning of period | 1,286,239 | 986,365 |
| Cash and cash equivalents at end of period | \$1,078,385 | \$639,263 |
| | | |
| Cash paid for interest | \$36,615 | \$48,536 |
| Cash paid for taxes | \$73,527 | \$81,738 |
| Net loans and bank premises transferred to repossessed real estate and other assets | \$52,967 | \$55,821 |
| Residential mortgage loans guaranteed by U.S. government agencies that became eligible for repurchase during the period | \$55,938 | \$48,486 |
| Conveyance of other real estate owned guaranteed by U.S. government agencies | \$22,527 | \$34,247 |

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)

(1) Significant Accounting Policies

Basis of Presentation

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

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

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

The financial information should be read in conjunction with BOK Financial’s 2012 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2012 have been derived from the audited financial statements included in BOK Financial’s 2012 Form 10-K but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the three-month period ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

Newly Adopted and Pending Accounting Policies

Financial Accounting Standards Board (“FASB”)

FASB Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”)

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

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

On January 31, 2013, FASB issued ASU 2013-01 which clarified the scope of ASU 2011-11 applied for derivative contracts accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an

enforceable master netting arrangement or similar agreement. ASU 2013-01 was effective for the Company on January 1, 2013.

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

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

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(2) Securities

Trading Securities

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

| | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | |
|--|---------------|----------------------------|-------------------|----------------------------|---------------|----------------------------|
| | Fair Value | Net Unrealized Gain (Loss) | Fair Value | Net Unrealized Gain (Loss) | Fair Value | Net Unrealized Gain (Loss) |
| U.S. Government agency debentures | \$60,713 | \$(552) | \$16,545 | \$(57) | \$53,514 | \$23 |
| U.S. agency residential mortgage-backed securities | 43,858 | 38 | 86,361 | 447 | 46,502 | 222 |
| Municipal and other tax-exempt securities | 53,819 | (1,271) | 90,326 | (226) | 44,632 | 9 |
| Other trading securities | 32,201 | (717) | 20,870 | (13) | 4,669 | (14) |
| Total | \$190,591 | \$(2,502) | \$214,102 | \$151 | \$149,317 | \$240 |

Investment Securities

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

| | June 30, 2013 | | | | |
|--|----------------|-----------------------------|------------|-----------------------|-----------------------|
| | Amortized Cost | Carrying Value ¹ | Fair Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Municipal and other tax-exempt | \$375,317 | \$375,317 | \$371,690 | \$2,189 | \$(5,816) |
| U.S. agency residential mortgage-backed securities – Other | 61,152 | 64,172 | 66,796 | 2,624 | — |
| Other debt securities | 176,301 | 176,301 | 187,219 | 10,978 | (60) |
| Total | \$612,770 | \$615,790 | \$625,705 | \$15,791 | \$(5,876) |

Carrying value includes \$3.0 million of net unrealized gain which remains in Accumulated other comprehensive income (“AOCI”) related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio as discussed in greater detail following.

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

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

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

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

| | June 30, 2012 | | | | |
|--|----------------|-----------------------------|------------|------------------------------------|---------|
| | Amortized Cost | Carrying Value ¹ | Fair Value | Gross Unrealized ² Gain | Loss |
| Municipal and other tax-exempt | \$126,168 | \$126,168 | \$130,308 | \$4,165 | \$(25) |
| U.S. agency residential mortgage-backed securities – Other | 94,126 | 102,347 | 105,535 | 3,188 | — |
| Other debt securities | 183,964 | 183,964 | 204,795 | 20,831 | — |
| Total | \$404,258 | \$412,479 | \$440,638 | \$28,184 | \$(25) |

Carrying value includes \$8.2 million of net unrealized gain which remains in Accumulated other comprehensive income (“AOCI”) in the Consolidated Balance Sheets related to certain securities transferred from the Available for Sale securities portfolio to the Investment securities portfolio as discussed in greater detail following.

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

During the three months ended September 30, 2011, the Company transferred certain U.S. government agency residential mortgage-backed securities from the available for sale portfolio to the investment securities (held-to-maturity) portfolio as the Company has the positive intent and ability to hold these securities to maturity. No gains or losses were recognized in the Consolidated Statement of Earnings at the time of the transfer. Transfers of debt securities into the investment securities portfolio (held-to-maturity) are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the investment securities portfolio. Such amounts are amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of the premium or accretion of the discount on the transferred securities. At the time of transfer, the fair value totaled \$131 million, amortized cost totaled \$118 million and the pretax unrealized gain totaled \$13 million.

The amortized cost and fair values of investment securities at June 30, 2013, by contractual maturity, are as shown in the following table (dollars in thousands):

| | Less than One Year | One to Five Years | Six to Ten Years | Over Ten Years | Total | Weighted Average Maturity ² |
|---|--------------------|-------------------|------------------|----------------|-----------|--|
| Municipal and other tax-exempt: | | | | | | |
| Carrying value | \$24,239 | \$239,869 | \$101,753 | \$9,456 | \$375,317 | 4.15 |
| Fair value | 24,504 | 238,125 | 99,465 | 9,596 | 371,690 | |
| Nominal yield ¹ | 4.22 | 1.68 | 2.21 | 2.73 | 2.01 | |
| Other debt securities: | | | | | | |
| Carrying value | 9,681 | 30,987 | 35,164 | 100,469 | 176,301 | 9.06 |
| Fair value | 9,713 | 31,420 | 36,257 | 109,829 | 187,219 | |
| Nominal yield | 4.24 | 5.30 | 5.57 | 6.29 | 5.86 | |
| Total fixed maturity securities: | | | | | | |
| Carrying value | \$33,920 | \$270,856 | \$136,917 | \$109,925 | \$551,618 | 5.72 |
| Fair value | 34,217 | 269,545 | 135,722 | 119,425 | 558,909 | |
| Nominal yield | 4.22 | 2.09 | 3.07 | 5.99 | 3.24 | |
| Residential mortgage-backed securities: | | | | | | |
| Carrying value | | | | | \$64,172 | ³ |
| Fair value | | | | | 66,796 | |
| Nominal yield ⁴ | | | | | 2.72 | |
| Total investment securities: | | | | | | |
| Carrying value | | | | | \$615,790 | |
| Fair value | | | | | 625,705 | |

Nominal yield

3.19

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.

³ The average expected lives of residential mortgage-backed securities were 4.1 years based upon current prepayment assumptions.

⁴ The nominal yield on residential mortgage-backed securities is based upon prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments. See Quarterly Financial Summary - Unaudited for current yields on the investment securities portfolio.

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Available for Sale Securities

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

| | June 30, 2013 | | | | |
|---|-------------------|---------------|-------------------------------|-----------|-------------------|
| | Amortized Cost | Fair Value | Gross Unrealized ¹ | | OTTI ² |
| | | | Gain | Loss | |
| U.S. Treasury | \$1,061 | \$1,060 | \$— | \$(1 |) \$— |
| Municipal and other tax-exempt | 95,974 | 95,103 | 1,653 | (1,870 |) (654) |
| Residential mortgage-backed securities: | | | | | |
| U. S. government agencies: | | | | | |
| FNMA | 4,648,337 | 4,687,141 | 78,285 | (39,481 |) — |
| FHLMC | 2,695,506 | 2,715,896 | 32,994 | (12,604 |) — |
| GNMA | 916,646 | 925,081 | 11,163 | (2,728 |) — |
| Other | 42,563 | 44,677 | 2,114 | — | — |
| Total U.S. government agencies | 8,303,052 | 8,372,795 | 124,556 | (54,813 |) — |
| Private issue: | | | | | |
| Alt-A loans | 113,804 | 115,036 | 2,905 | — | (1,673) |
| Jumbo-A loans | 178,581 | 182,139 | 4,129 | (274 |) (297) |
| Total private issue | 292,385 | 297,175 | 7,034 | (274 |) (1,970) |
| Total residential mortgage-backed securities | 8,595,437 | 8,669,970 | 131,590 | (55,087 |) (1,970) |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 1,885,585 | 1,846,943 | 343 | (38,985 |) — |
| Other debt securities | 35,622 | 35,894 | 479 | (207 |) — |
| Perpetual preferred stock | 22,172 | 25,583 | 3,439 | (28 |) — |
| Equity securities and mutual funds | 19,990 | 23,521 | 3,736 | (205 |) — |
| Total | \$10,655,841 | \$10,698,074 | \$141,240 | \$(96,383 |) \$(2,624) |

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

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

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| | December 31, 2012 | | | | |
|---|-------------------|---------------|-------------------------------|-----------|-------------------|
| | Amortized Cost | Fair Value | Gross Unrealized ¹ | | OTTI ² |
| | | | Gain | Loss | |
| U.S. Treasury | \$1,000 | \$1,002 | \$2 | \$— | \$— |
| Municipal and other tax-exempt | 84,892 | 87,142 | 2,414 | (164) |) — |
| Residential mortgage-backed securities: | | | | | |
| U. S. government agencies: | | | | | |
| FNMA | 5,308,463 | 5,453,549 | 146,247 | (1,161) |) — |
| FHLMC | 2,978,608 | 3,045,564 | 66,956 | — | — |
| GNMA | 1,215,554 | 1,237,041 | 21,487 | — | — |
| Other | 148,025 | 153,667 | 5,642 | — | — |
| Total U.S. government agencies | 9,650,650 | 9,889,821 | 240,332 | (1,161) |) — |
| Private issue: | | | | | |
| Alt-A loans | 124,314 | 123,174 | 1,440 | — | (2,580) |
| Jumbo-A loans | 198,588 | 201,989 | 5,138 | (134) |) (1,603) |
| Total private issue | 322,902 | 325,163 | 6,578 | (134) |) (4,183) |
| Total residential mortgage-backed securities | 9,973,552 | 10,214,984 | 246,910 | (1,295) |) (4,183) |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 890,746 | 895,075 | 5,006 | (677) |) — |
| Other debt securities | 35,680 | 36,389 | 709 | — | — |
| Perpetual preferred stock | 22,171 | 25,072 | 2,901 | — | — |
| Equity securities and mutual funds | 24,593 | 27,557 | 3,242 | (278) |) — |
| Total | \$11,032,634 | \$11,287,221 | \$261,184 | \$(2,414) |) \$(4,183) |

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

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

| | June 30, 2012 | | | | |
|--|-------------------|---------------|-------------------------------|-----------|-------------------|
| | Amortized Cost | Fair Value | Gross Unrealized ¹ | | OTTI ² |
| | | | Gain | Loss | |
| U.S. Treasury | \$1,001 | \$1,003 | \$2 | \$— | \$— |
| Municipal and other tax-exempt | 86,808 | 88,458 | 2,430 | (187) |) (593) |
| Residential mortgage-backed securities: | | | | | |
| U. S. government agencies: | | | | | |
| FNMA | 5,270,918 | 5,426,832 | 156,699 | (785) |) — |
| FHLMC | 3,527,123 | 3,607,060 | 81,679 | (1,742) |) — |
| GNMA | 645,103 | 674,006 | 28,973 | (70) |) — |
| Other | 188,831 | 195,634 | 6,803 | — | — |
| Total U.S. government agencies | 9,631,975 | 9,903,532 | 274,154 | (2,597) |) — |
| Private issue: | | | | | |
| Alt-A loans | 134,266 | 118,414 | — | — | (15,852) |
| Jumbo-A loans | 219,917 | 199,347 | 618 | (943) |) (20,245) |
| Total private issue | 354,183 | 317,761 | 618 | (943) |) (36,097) |
| Total residential mortgage-backed securities | 9,986,158 | 10,221,293 | 274,772 | (3,540) |) (36,097) |
| Other debt securities | 35,739 | 36,286 | 559 | (12) |) — |
| Perpetual preferred stock | 22,171 | 23,431 | 1,812 | (552) |) — |
| Equity securities and mutual funds | 21,285 | 24,944 | 3,989 | (330) |) — |
| Total | \$10,153,162 | \$10,395,415 | \$283,564 | \$(4,621) |) \$(36,690) |

¹ Gross unrealized gain/loss recognized in AOCI in the consolidated balance sheet

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

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The amortized cost and fair values of available for sale securities at June 30, 2013, by contractual maturity, are as shown in the following table (dollars in thousands):

| | Less than One Year | One to Five Years | Six to Ten Years | Over Ten Years | Total | Weighted Average Maturity ⁵ |
|--|-----------------------|----------------------|---------------------|-------------------|-------------------|--|
| U.S. Treasuries: | | | | | | |
| Amortized cost | \$ 1,061 | \$— | \$— | \$— | \$ 1,061 | 1.68 |
| Fair value | 1,060 | — | — | — | 1,060 | |
| Nominal yield | 0.24 | — | — | — | 0.24 | |
| Municipal and other tax-exempt: | | | | | | |
| Amortized cost | 1,684 | 33,591 | 6,382 | 54,317 | 95,974 | 14.84 |
| Fair value | 1,705 | 34,777 | 6,621 | 52,000 | 95,103 | |
| Nominal yield ¹ | — | 0.95 | 0.69 | 2.55 | ⁶ 1.82 | |
| Commercial mortgage-backed securities: | | | | | | |
| Amortized cost | — | 414,587 | 1,150,171 | 320,827 | 1,885,585 | 10.74 |
| Fair value | — | 409,069 | 1,121,016 | 316,858 | 1,846,943 | |
| Nominal yield | — | 1.08 | 1.34 | 1.35 | 1.28 | |
| Other debt securities: | | | | | | |
| Amortized cost | — | 30,222 | — | 5,400 | 35,622 | 5.98 |
| Fair value | — | 30,701 | — | 5,193 | 35,894 | |
| Nominal yield | — | 1.80 | — | 1.41 | ⁶ 1.74 | |
| Total fixed maturity securities: | | | | | | |
| Amortized cost | \$ 2,745 | \$ 478,400 | \$ 1,156,553 | \$ 380,544 | \$ 2,018,242 | 10.84 |
| Fair value | 2,765 | 474,547 | 1,127,637 | 374,051 | 1,979,000 | |
| Nominal yield | 0.09 | 1.12 | 1.33 | 1.52 | 1.32 | |
| Residential mortgage-backed securities: | | | | | | |
| Amortized cost | | | | | 8,595,437 | ² |
| Fair value | | | | | 8,669,970 | |
| Nominal yield ⁴ | | | | | 1.97 | |
| Equity securities and mutual funds: | | | | | | |
| Amortized cost | | | | | 42,162 | ³ |
| Fair value | | | | | 49,104 | |
| Nominal yield | | | | | 1.30 | |
| Total available-for-sale securities: | | | | | | |
| Amortized cost | | | | | \$ 10,655,841 | |
| Fair value | | | | | 10,698,074 | |
| Nominal yield | | | | | 1.85 | |

¹ Calculated on a taxable equivalent basis using a 39% effective tax rate.

² The average expected lives of mortgage-backed securities were 3.5 based upon current prepayment assumptions.

³ Primarily common stock 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. See Quarterly Financial Summary — Unaudited following for current yields on available for sale securities portfolio.

- 5 Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.
- 6 Nominal yield on municipal and other tax-exempt securities and other debt securities with contractual maturity dates over ten years are based on variable rates which generally are reset within 35 days.

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-------------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Proceeds | \$1,083,001 | \$459,610 | \$1,837,970 | \$1,451,551 |
| Gross realized gains | 9,992 | 20,481 | 15,784 | 32,166 |
| Gross realized losses | (6,239 |) — | (7,176 |) (7,354 |
| Related federal and state income tax expense | 1,460 | 7,967 | 3,349 | 9,652 |

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

| | June 30, 2013 | December 31, 2012 | June 30, 2012 |
|---------------------|---------------|-------------------|---------------|
| Investment: | | | |
| Carrying value | \$97,286 | \$117,346 | \$156,852 |
| Fair value | 100,644 | 121,647 | 162,391 |
| Available for sale: | | | |
| Amortized cost | 5,078,098 | 4,070,250 | 3,552,776 |
| Fair value | 5,103,507 | 4,186,390 | 3,686,838 |

The secured parties do not have the right to sell or re-pledge these securities. At December 31, 2012, municipal trading securities with a fair value of \$13 million were pledged as collateral on a line of credit for the trading activities of BOSCO, Inc. Under the terms of the credit agreement, the creditor has the right to sell or repledge the collateral. There were no securities pledged under this line of credit at June 30, 2013 or June 30, 2012.

Temporarily Impaired Securities as of June 30, 2013

(in thousands):

| | Number of Securities | Less Than 12 Months Fair Value | 12 Months Unrealized Loss | 12 Months or Longer Fair Value | Unrealized Loss | Total Fair Value | Unrealized Loss |
|--|----------------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------|------------------------|--------------------|
| Investment: | | | | | | | |
| Municipal and other tax-exempt | 149 | \$271,897 | \$5,816 | \$— | \$— | \$271,897 | \$5,816 |
| U.S. Agency residential mortgage-backed securities – Other | — | — | — | — | — | — | — |
| Other debt securities | 14 | 841 | 60 | — | — | 841 | 60 |
| Total investment | 163 | \$272,738 | \$5,876 | \$— | \$— | \$272,738 | \$5,876 |
| Available for sale: | | | | | | | |
| U.S. Treasury | 1 | \$1,060 | \$1 | \$— | \$— | \$1,060 | \$1 |
| Municipal and other tax-exempt ¹ | 86 | \$66,168 | \$2,524 | \$— | \$— | \$66,168 | \$2,524 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 72 | 2,196,603 | 39,481 | — | — | 2,196,603 | 39,481 |
| FHLMC | 38 | 1,202,545 | 12,604 | — | — | 1,202,545 | 12,604 |
| GNMA | 13 | 197,149 | 2,728 | — | — | 197,149 | 2,728 |
| Total U.S. agencies | 123 | 3,596,297 | 54,813 | — | — | 3,596,297 | 54,813 |
| Private issue¹: | | | | | | | |
| Alt-A loans | 10 | 51,681 | 1,236 | 3,379 | 437 | 55,060 | 1,673 |
| Jumbo-A loans | 2 | 17,615 | 296 | 12,298 | 275 | 29,913 | 571 |
| Total private issue | 12 | 69,296 | 1,532 | 15,677 | 712 | 84,973 | 2,244 |
| Total residential mortgage-backed securities | 135 | 3,665,593 | 56,345 | 15,677 | 712 | 3,681,270 | 57,057 |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | | | | | | | |
| Other debt securities | 4 | 5,193 | 207 | — | — | 5,193 | 207 |
| Perpetual preferred stocks | 1 | 4,973 | 28 | — | — | 4,973 | 28 |
| Equity securities and mutual funds | 7 | 3,558 | 205 | — | — | 3,558 | 205 |
| Total available for sale | 347 | \$5,476,851 | \$-98,295 | \$-15,677 | \$-712 | \$-5,492,528 | \$-99,007 |
| ¹ Includes the following securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income: | | | | | | | |
| Municipal and other tax-exempt | 21 | \$11,731 | \$654 | \$— | \$— | \$11,731 | \$654 |
| Alt-A loans | 10 | 51,681 | 1,236 | 3,379 | 437 | 55,060 | 1,673 |
| Jumbo-A loans | 2 | 17,615 | 296 | — | — | 17,615 | 296 |

Temporarily Impaired Securities as of December 31, 2012
(In thousands)

| | Number of Securities | Less Than 12 Months Fair Value | 12 Months Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
|--|----------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------------|------------------|-----------------|
| Investment: | | | | | | | |
| Municipal and other tax-exempt | 53 | \$92,768 | \$483 | \$— | \$— | \$92,768 | \$483 |
| U.S. Agency residential mortgage-backed securities – Other | — | — | — | — | — | — | — |
| Other debt securities | 14 | 881 | 20 | — | — | 881 | 20 |
| Total investment | 67 | \$93,649 | \$503 | \$— | \$— | \$93,649 | \$503 |
| Available for sale: | | | | | | | |
| Municipal and other tax-exempt | 38 | \$6,150 | \$11 | \$26,108 | \$153 | \$32,258 | \$164 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 12 | 161,828 | 1,161 | — | — | 161,828 | 1,161 |
| FHLMC | — | — | — | — | — | — | — |
| GNMA | — | — | — | — | — | — | — |
| Total U.S. agencies | 12 | 161,828 | 1,161 | — | — | 161,828 | 1,161 |
| Private issue¹: | | | | | | | |
| Alt-A loans | 12 | — | — | 87,907 | 2,580 | 87,907 | 2,580 |
| Jumbo-A loans | 11 | — | — | 43,252 | 1,737 | 43,252 | 1,737 |
| Total private issue | 23 | — | — | 131,159 | 4,317 | 131,159 | 4,317 |
| Total residential mortgage-backed securities | 35 | 161,828 | 1,161 | 131,159 | 4,317 | 292,987 | 5,478 |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 8 | 275,065 | 677 | — | — | 275,065 | 677 |
| Other debt securities | 3 | 4,899 | — | — | — | 4,899 | — |
| Perpetual preferred stocks | — | — | — | — | — | — | — |
| Equity securities and mutual funds | 22 | 202 | 1 | 2,161 | 277 | 2,363 | 278 |
| Total available for sale | 106 | \$448,144 | \$1,850 | \$159,428 | \$4,747 | \$607,572 | \$6,597 |
| ¹ Includes the following securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income: | | | | | | | |
| Alt-A loans | 12 | \$— | \$— | \$87,907 | \$2,580 | \$87,907 | \$2,580 |
| Jumbo-A loans | 10 | — | — | 29,128 | 1,602 | 29,128 | 1,602 |

Temporarily Impaired Securities as of June 30, 2012
(In thousands)

| | Number of Securities | Less Than 12 Months Fair Value | 12 Months Unrealized Loss | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Loss | Total Fair Value | Unrealized Loss |
|--|----------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------------|------------------|-----------------|
| Investment: | | | | | | | |
| Municipal and other tax-exempt | 6 | \$9,321 | \$25 | \$— | \$— | \$9,321 | \$25 |
| U.S. Agency residential mortgage-backed securities – Other | — | — | — | — | — | — | — |
| Other debt securities | — | — | — | — | — | — | — |
| Total investment | 6 | \$9,321 | \$25 | \$— | \$— | \$9,321 | \$25 |
| Available for sale: | | | | | | | |
| Municipal and other tax-exempt ¹ | 66 | \$21,950 | \$640 | \$27,864 | \$140 | \$49,814 | \$780 |
| Residential mortgage-backed securities: | | | | | | | |
| U. S. agencies: | | | | | | | |
| FNMA | 13 | 528,649 | 785 | — | — | 528,649 | 785 |
| FHLMC | 10 | 438,190 | 1,742 | — | — | 438,190 | 1,742 |
| GNMA | 2 | 74,789 | 70 | — | — | 74,789 | 70 |
| Total U.S. agencies | 25 | 1,041,628 | 2,597 | — | — | 1,041,628 | 2,597 |
| Private issue¹: | | | | | | | |
| Alt-A loans | 16 | — | — | 118,414 | 15,852 | 118,414 | 15,852 |
| Jumbo-A loans | 27 | — | — | 174,234 | 21,188 | 174,234 | 21,188 |
| Total private issue | 43 | — | — | 292,648 | 37,040 | 292,648 | 37,040 |
| Total residential mortgage-backed securities | 68 | 1,041,628 | 2,597 | 292,648 | 37,040 | 1,334,276 | 39,637 |
| Other debt securities | 2 | — | — | 988 | 12 | 988 | 12 |
| Perpetual preferred stocks | 5 | 10,717 | 552 | — | — | 10,717 | 552 |
| Equity securities and mutual funds | 12 | 2,579 | 330 | — | — | 2,579 | 330 |
| Total available for sale | 153 | \$1,076,874 | \$4,119 | \$321,500 | \$37,192 | \$1,398,374 | \$41,311 |
| ¹ Includes the following securities for which an unrealized loss remains in AOCI after an other-than-temporary credit loss has been recognized in income: | | | | | | | |
| Municipal and other tax-exempt | 21 | 12,804 | 593 | — | — | 12,804 | 593 |
| Alt-A loans | 16 | — | — | 118,414 | 15,852 | 118,414 | 15,852 |
| Jumbo-A loans | 27 | — | — | 162,754 | 20,245 | 162,754 | 20,245 |

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

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Based on this evaluation as of June 30, 2013, we do not intend to sell any impaired available for sale securities before fair value recovers to our current amortized cost and it is more-likely-than-not that we will not be required to sell impaired securities before fair value recovers, which may be maturity.

Impairment of debt securities rated investment grade by all nationally-recognized rating agencies are considered temporary unless specific contrary information is identified. None of the debt securities rated investment grade were considered to be other-than-temporarily impaired at June 30, 2013.

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At June 30, 2013, the composition of the Company's investment and available for sale securities portfolios by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

| | U.S. Govt / GSE ¹ | | AAA - AA | | A - BBB | | Below Investment Grade | | Not Rated | |
|---|------------------------------|------------------|------------------|------------------|-----------------|-----------------|------------------------|----------------|-----------------|-----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Investment: | | | | | | | | | | |
| Municipal and other tax-exempt | \$— | \$— | \$271,541 | \$266,827 | \$24,565 | \$24,834 | \$— | \$— | \$79,211 | \$80,029 |
| Mortgage-backed securities -- other | 64,172 | 66,796 | — | — | — | — | — | — | — | — |
| Other debt securities | — | — | 167,463 | 178,378 | 600 | 600 | — | — | 8,238 | 8,241 |
| Total investment securities | \$64,172 | \$66,796 | \$439,004 | \$445,205 | \$25,165 | \$25,434 | \$— | \$— | \$87,449 | \$88,270 |
| | | | | | | | | | | |
| | U.S. Govt / GSE ¹ | | AAA - AA | | A - BBB | | Below Investment Grade | | Not Rated | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Available for Sale: | | | | | | | | | | |
| U.S. Treasury | \$1,061 | \$1,060 | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Municipal and other tax-exempt | — | — | 60,895 | 61,295 | 22,695 | 22,077 | 12,384 | 11,731 | — | — |
| Residential mortgage-backed securities: | | | | | | | | | | |
| U. S. government agencies: | | | | | | | | | | |
| FNMA | 4,648,337 | 4,687,141 | — | — | — | — | — | — | — | — |
| FHLMC | 2,695,506 | 2,715,896 | — | — | — | — | — | — | — | — |
| GNMA | 916,646 | 925,081 | — | — | — | — | — | — | — | — |
| Other | 42,563 | 44,677 | — | — | — | — | — | — | — | — |
| Total U.S. government agencies | 8,303,052 | 8,372,795 | — | — | — | — | — | — | — | — |
| Private issue: | | | | | | | | | | |
| Alt-A loans | — | — | — | — | — | — | 113,804 | 115,036 | — | — |
| Jumbo-A loans | — | — | — | — | — | — | 178,581 | 182,139 | — | — |
| Total private issue | — | — | — | — | — | — | 292,385 | 297,175 | — | — |
| Total residential mortgage-backed securities | 8,303,052 | 8,372,795 | — | — | — | — | 292,385 | 297,175 | — | — |
| Commercial mortgage-backed | 1,885,585 | 1,846,943 | — | — | — | — | — | — | — | — |

| | | | | | | | | | | |
|--|--------------|--------------|----------|----------|----------|----------|-----------|-----------|----------|----------|
| securities guaranteed by U.S. government agencies | | | | | | | | | | |
| Other debt securities | — | — | 5,400 | 5,193 | 30,222 | 30,701 | — | — | — | — |
| Perpetual preferred stock | — | — | — | — | 22,172 | 25,583 | — | — | — | — |
| Equity securities and mutual funds | — | — | — | — | — | — | — | — | 19,990 | 23,521 |
| Total available for sale securities | \$10,189,698 | \$10,220,798 | \$66,295 | \$66,488 | \$75,089 | \$78,361 | \$304,769 | \$308,906 | \$19,990 | \$23,521 |

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

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At June 30, 2013, the entire portfolio of privately issued residential mortgage-backed securities was rated below investment grade. The gross unrealized loss on these securities totaled \$2.2 million. Ratings by the nationally-recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below investment grade was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure.

The primary assumptions used in this evaluation were:

| | June 30, 2013 | December 31, 2012 | 6/30/2012 |
|---|--|--|---|
| Unemployment rate | Increasing to 8% over the next 12 months and remain at 8% thereafter | Increasing to 8.5% over the next 12 months, dropping to 8% over the following 21 months and holding at 8% thereafter. | Increasing to 9.5% over the next 12 months, dropping to 8% over the following 21 months and holding at 8% thereafter. |
| Housing price appreciation/depreciation | Starting with current depreciated housing prices based on information derived from the FHFA ¹ , appreciating 5% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. | Starting with current depreciated housing prices based on information derived from the FHFA ¹ , depreciating 2% over the next 12 months, then flat for the following 12 months and then appreciating at 2% per year thereafter. | Starting with current depreciated housing prices based on information derived from the FHFA ¹ , depreciating 6% over the next 12 months and then appreciating at 2% per year thereafter. |
| Estimated liquidation costs | Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. | Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. | Reflect actual historical liquidations costs observed on Jumbo and Alt-A residential mortgage loans in securities owned by the Company. |
| Discount rates | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields. | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields. | Estimated cash flows were discounted at rates that range from 2.00% to 6.25% based on our current expected yields. |

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

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

ratio for the security as a whole.

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

Credit loss impairment is recorded as a charge to earnings. Additional impairment based on the difference between the total unrealized loss and the estimated credit loss on these securities is charged against other comprehensive income, net of deferred taxes.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities, the Company recognized \$552 thousand of additional credit loss impairments in earnings during the three months ended June 30, 2013.

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

| | Number of Securities | Amortized Cost | Fair Value | Credit Losses Recognized | | | |
|---------|----------------------|----------------|------------|----------------------------------|--------|----------------------|----------|
| | | | | Three months ended June 30, 2013 | | Life-to-date | |
| | | | | Number of Securities | Amount | Number of Securities | Amount |
| Alt-A | 16 | \$113,804 | \$115,036 | 1 | \$552 | 16 | \$48,986 |
| Jumbo-A | 33 | 178,581 | 182,139 | — | — | 31 | 23,452 |
| Total | 49 | \$292,385 | \$297,175 | 1 | \$552 | 47 | \$72,438 |

Impaired equity securities, including perpetual preferred stocks, are evaluated based on management's ability and intent to hold the securities until fair value recovers over periods not to exceed three years. The assessment of the ability and intent to hold these securities focuses on the liquidity needs, asset/liability management objectives and securities portfolio objectives. Factors considered when assessing recovery include forecasts of general economic conditions and specific performance of the issuer, analyst ratings and credit spreads for preferred stocks which have debt-like characteristics. The Company has evaluated the near-term prospects of the investments in relation to the severity and duration of the impairment and based on that evaluation has the ability and intent to hold these investments until a recovery in fair value. Accordingly, all impairment of equity securities was considered temporary at June 30, 2013.

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Balance of credit-related OTTI recognized on available for sale debt, beginning of period | \$75,475 | \$72,057 | \$75,228 | \$76,131 |
| Additions for credit-related OTTI not previously recognized | 552 | 135 | 552 | 248 |
| Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost | — | 723 | 247 | 4,332 |
| Sales | — | — | — | (7,796) |
| Balance of credit-related OTTI recognized on available for sale debt securities, end of period | \$76,027 | \$72,915 | \$76,027 | \$72,915 |

Fair Value Option Securities

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

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

| | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | |
|--|---------------|---------------------|-------------------|---------------------|---------------|---------------------|
| | Fair Value | Net Unrealized Gain | Fair Value | Net Unrealized Gain | Fair Value | Net Unrealized Gain |
| U.S. agency residential mortgage-backed securities | \$203,816 | \$(8,048) |) \$257,040 | \$3,314 | \$299,467 | \$8,373 |
| Corporate debt securities | — | — | 26,486 | 1,409 | 25,710 | 621 |
| Other securities | 1,940 | (8 |) 770 | 47 | — | — |
| Total | \$205,756 | \$(8,056) |) \$284,296 | \$4,770 | \$325,177 | \$8,994 |

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(3) Derivatives

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

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

Derivative contracts may require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. In addition, derivative contracts executed with customers under Customer Risk Management Programs may be secured by non-cash collateral in conjunction with a credit agreement with that customer. Access to collateral, in the event of default is reasonably assured. As of June 30, 2013, a decrease in BOK Financial's credit rating to below investment grade would increase our obligation to post cash margin on existing contracts by approximately \$29 million.

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

Customer Risk Management Programs

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

Interest Rate Risk Management Programs

BOK Financial may use derivative contracts in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed-rate liabilities to floating-rate based on LIBOR. As of June 30, 2013, BOK Financial had interest rate swaps with a notional value of \$47 million used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

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

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at June 30, 2013 (in thousands):

| Assets | | | | | | |
|--|-----------------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
| | Notional ¹ | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$ 16,351,395 | \$ 545,290 | \$(268,087) | \$ 277,203 | \$— | \$ 277,203 |
| Interest rate swaps | 1,381,836 | 51,745 | — | 51,745 | — | 51,745 |
| Energy contracts | 1,501,959 | 65,414 | (35,376) | 30,038 | (2,537) | 27,501 |
| Agricultural contracts | 207,439 | 5,871 | (4,658) | 1,213 | — | 1,213 |
| Foreign exchange contracts | 177,643 | 177,643 | — | 177,643 | — | 177,643 |
| Equity option contracts | 211,595 | 13,469 | — | 13,469 | (2,568) | 10,901 |
| Total customer risk management programs | 19,831,867 | 859,432 | (308,121) | 551,311 | (5,105) | 546,206 |
| Interest rate risk management programs | — | — | — | — | — | — |
| Total derivative contracts | \$ 19,831,867 | \$ 859,432 | \$(308,121) | \$ 551,311 | \$(5,105) | \$ 546,206 |
| Liabilities | | | | | | |
| | Notional ¹ | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$ 16,439,531 | \$ 540,540 | \$(268,087) | \$ 272,453 | \$— | \$ 272,453 |
| Interest rate swaps | 1,381,836 | 52,095 | — | 52,095 | (19,381) | 32,714 |
| Energy contracts | 1,441,957 | 63,515 | (35,376) | 28,139 | (5,865) | 22,274 |
| Agricultural contracts | 207,329 | 5,824 | (4,658) | 1,166 | — | 1,166 |
| Foreign exchange contracts | 177,187 | 177,187 | — | 177,187 | — | 177,187 |
| Equity option contracts | 211,595 | 13,469 | — | 13,469 | — | 13,469 |
| Total customer risk management programs | 19,859,435 | 852,630 | (308,121) | 544,509 | (25,246) | 519,263 |
| Interest rate risk management programs | 47,000 | 2,728 | — | 2,728 | — | 2,728 |
| Total derivative contracts | \$ 19,906,435 | \$ 855,358 | \$(308,121) | \$ 547,237 | \$(25,246) | \$ 521,991 |

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

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2012 (in thousands):

| Assets | | | | | | |
|--|--------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
| | Notional | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$12,850,805 | \$46,113 | \$(15,656) | \$30,457 | \$— | \$30,457 |
| Interest rate swaps | 1,319,827 | 72,201 | — | 72,201 | — | 72,201 |
| Energy contracts | 1,346,780 | 82,349 | (44,485) | 37,864 | (3,464) | 34,400 |
| Agricultural contracts | 212,434 | 3,638 | (3,164) | 474 | — | 474 |
| Foreign exchange contracts | 180,318 | 180,318 | — | 180,318 | — | 180,318 |
| Equity option contracts | 211,941 | 12,593 | — | 12,593 | — | 12,593 |
| Total customer risk management programs | 16,122,105 | 397,212 | (63,305) | 333,907 | (3,464) | 330,443 |
| Interest rate risk management programs | 66,000 | 7,663 | — | 7,663 | — | 7,663 |
| Total derivative contracts | \$16,188,105 | \$404,875 | \$(63,305) | \$341,570 | \$(3,464) | \$338,106 |
| Liabilities | | | | | | |
| | Notional | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$13,239,078 | \$43,064 | \$(15,656) | \$27,408 | \$(15,467) | \$11,941 |
| Interest rate swaps | 1,319,827 | 72,724 | — | 72,724 | (31,945) | 40,779 |
| Energy contracts | 1,334,349 | 83,654 | (44,485) | 39,169 | (1,769) | 37,400 |
| Agricultural contracts | 212,135 | 3,571 | (3,164) | 407 | (188) | 219 |
| Foreign exchange contracts | 179,852 | 179,852 | — | 179,852 | — | 179,852 |
| Equity option contracts | 211,941 | 12,593 | — | 12,593 | — | 12,593 |
| Total customer risk management programs | 16,497,182 | 395,458 | (63,305) | 332,153 | (49,369) | 282,784 |
| Interest rate risk management programs | 50,000 | 805 | — | 805 | — | 805 |
| Total derivative contracts | \$16,547,182 | \$396,263 | \$(63,305) | \$332,958 | \$(49,369) | \$283,589 |

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

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at June 30, 2012 (in thousands):

| Assets | | | | | | |
|--|-----------------------|------------------|---------------------|---------------------------------------|-----------------|-----------------------------------|
| | Notional ¹ | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$ 13,724,514 | \$ 144,158 | \$(39,377) | \$ 104,781 | \$— | \$ 104,781 |
| Interest rate swaps | 1,271,138 | 77,121 | — | 77,121 | — | 77,121 |
| Energy contracts | 1,667,819 | 150,754 | (75,129) | 75,625 | (50,622) | 25,003 |
| Agricultural contracts | 140,722 | 4,655 | (3,530) | 1,125 | — | 1,125 |
| Foreign exchange contracts | 136,815 | 136,815 | — | 136,815 | — | 136,815 |
| Equity option contracts | 218,149 | 13,726 | — | 13,726 | — | 13,726 |
| Total customer risk management programs | 17,159,157 | 527,229 | (118,036) | 409,193 | (50,622) | 358,571 |
| Interest rate risk management programs | 66,000 | 7,633 | — | 7,633 | — | 7,633 |
| Total derivative contracts | \$ 17,225,157 | \$ 534,862 | \$(118,036) | \$ 416,826 | \$(50,622) | \$ 366,204 |
| Liabilities | | | | | | |
| | Notional ¹ | Gross Fair Value | Netting Adjustments | Net Fair Value Before Cash Collateral | Cash Collateral | Fair Value Net of Cash Collateral |
| Customer risk management programs: | | | | | | |
| Interest rate contracts | | | | | | |
| To-be-announced residential mortgage-backed securities | \$ 13,579,184 | \$ 140,873 | \$(39,377) | \$ 101,496 | \$— | \$ 101,496 |
| Interest rate swaps | 1,271,138 | 77,671 | — | 77,671 | (29,090) | 48,581 |
| Energy contracts | 1,653,592 | 156,690 | (75,129) | 81,561 | (13,246) | 68,315 |
| Agricultural contracts | 140,255 | 4,604 | (3,530) | 1,074 | (223) | 851 |
| Foreign exchange contracts | 136,483 | 136,483 | — | 136,483 | — | 136,483 |
| Equity option contracts | 218,149 | 13,726 | — | 13,726 | — | 13,726 |
| Total customer risk management programs | 16,998,801 | 530,047 | (118,036) | 412,011 | (42,559) | 369,452 |
| Interest rate risk management programs | 25,000 | 601 | — | 601 | — | 601 |
| Total derivative contracts | \$ 17,023,801 | \$ 530,648 | \$(118,036) | \$ 412,612 | \$(42,559) | \$ 370,053 |

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

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

| | Three Months Ended June 30, 2013 | | June 30, 2012 | |
|--|-------------------------------------|--|-------------------------------------|--|
| | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net |
| Customer Risk Management Programs: | | | | |
| Interest rate contracts | | | | |
| To-be-announced residential mortgage-backed securities | \$1,716 | \$— | \$186 | \$— |
| Interest rate swaps | 768 | — | 1,231 | — |
| Energy contracts | 2,436 | — | 2,588 | — |
| Agricultural contracts | 77 | — | 92 | — |
| Foreign exchange contracts | 172 | — | 125 | — |
| Equity option contracts | — | — | — | — |
| Total customer risk management programs | 5,169 | — | 4,222 | — |
| Interest Rate Risk Management Programs | — | (2,527) | — | 2,345 |
| Total Derivative Contracts | \$5,169 | \$(2,527) | \$4,222 | \$2,345 |
| | | | | |
| | Six Months Ended June 30, 2013 | | June 30, 2012 | |
| | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net | Brokerage and Trading Revenue | Gain (Loss) on Derivatives, Net |
| Customer Risk Management Programs: | | | | |
| Interest rate contracts | | | | |
| To-be-announced residential mortgage-backed securities | \$1,701 | \$— | \$1,307 | \$— |
| Interest rate swaps | 1,535 | — | 2,144 | — |
| Energy contracts | 4,219 | — | 4,898 | — |
| Agricultural contracts | 185 | — | 183 | — |
| Foreign exchange contracts | 360 | — | 331 | — |
| Equity option contracts | — | — | — | — |
| Total customer risk management programs | 8,000 | — | 8,863 | — |
| Interest Rate Risk Management Programs | — | (3,468) | — | (128) |
| Total Derivative Contracts | \$8,000 | \$(3,468) | \$8,863 | \$(128) |

Net interest revenue was not significantly impacted by the settlement of amounts receivable or payable on interest rate swaps for the six months ended June 30, 2013 and 2012, respectively.

(4) Loans and Allowances for Credit Losses

Loans

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

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

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

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

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

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

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

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

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

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

| | June 30, 2013 | | | | December 31, 2012 | | | |
|--|---------------|---------------|-------------|--------------|-------------------|---------------|-------------|--------------|
| | Fixed Rate | Variable Rate | Non-accrual | Total | Fixed Rate | Variable Rate | Non-accrual | Total |
| Commercial | \$4,265,136 | \$3,422,115 | \$ 20,869 | \$7,708,120 | \$4,158,548 | \$3,458,897 | \$ 24,467 | \$7,641,912 |
| Commercial real estate | 855,806 | 1,402,597 | 58,693 | 2,317,096 | 845,023 | 1,323,350 | 60,626 | 2,228,999 |
| Residential mortgage | 1,768,607 | 230,644 | 40,534 | 2,039,785 | 1,747,038 | 251,394 | 46,608 | 2,045,040 |
| Consumer | 142,737 | 231,007 | 2,037 | 375,781 | 175,412 | 217,384 | 2,709 | 395,505 |
| Total | \$7,032,286 | \$5,286,363 | \$ 122,133 | \$12,440,782 | \$6,926,021 | \$5,251,025 | \$ 134,410 | \$12,311,456 |
| Accruing loans past due (90 days) ¹ | | | | \$2,460 | | | | \$3,925 |

| | June 30, 2012 | | | |
|--|---------------|---------------|-------------|--------------|
| | Fixed Rate | Variable Rate | Non-accrual | Total |
| Commercial | \$3,571,513 | \$3,429,493 | \$ 34,529 | \$7,035,535 |
| Commercial real estate | 882,100 | 1,187,416 | 80,214 | 2,149,730 |
| Residential mortgage | 1,708,164 | 271,994 | 22,727 | 2,002,885 |
| Consumer | 198,305 | 182,964 | 7,012 | 388,281 |
| Total | \$6,360,082 | \$5,071,867 | \$ 144,482 | \$11,576,431 |
| Accruing loans past due (90 days) ¹ | | | | \$691 |

¹ Excludes residential mortgage loans guaranteed by agencies of the U.S. government

At June 30, 2013, \$5.3 billion or 42% of the total loan portfolio is to businesses and individuals attributed to the Oklahoma market and \$4.0 billion or 32% of our total loan portfolio is to businesses and individuals attributed to the Texas market. These geographic concentrations subject the loan portfolio to the general economic conditions within these areas.

Commercial

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

At June 30, 2013, commercial loans attributed to the Oklahoma market totaled \$3.0 billion or 39% of the commercial loan portfolio segment and commercial loans attributed to the Texas market totaled \$2.8 billion or 37% of the commercial loan portfolio segment.

The commercial loan portfolio segment is further divided into loan classes. The energy loan class totaled \$2.4 billion or 19% of total loans at June 30, 2013, including \$2.1 billion of outstanding loans to energy producers. Approximately 59% of committed production loans are secured by properties primarily producing oil and 41% are secured by properties producing natural gas. The services loan class totaled \$2.2 billion at June 30, 2013. Approximately \$1.1 billion of loans in the services category consist of loans with individual balances of less than \$10 million. Businesses included in the services class include community foundations, gaming, public finance, insurance and educational.

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Commercial Real Estate

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

At June 30, 2013, 35% of commercial real estate loans are secured by properties primarily located in the Dallas and Houston areas of Texas. An additional 25% of commercial real estate loans are secured by properties located primarily in the Tulsa and Oklahoma City metropolitan areas of Oklahoma.

Residential Mortgage and Consumer

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

At June 30, 2013, residential mortgage loans included \$157 million of loans guaranteed by U.S. government agencies previously sold into GNMA mortgage pools. These loans either have been repurchased or are eligible to be repurchased by the Company when certain defined delinquency criteria are met. Although payments on these loans generally are past due more than 90 days, interest continues to accrue based on the government guarantee.

Home equity loans totaled \$787 million at June 30, 2013. Approximately, 70% of the home equity loan portfolio is comprised of first lien loans and 30% of the home equity portfolio is comprised of junior lien loans. Junior lien loans are distributed 76% to amortizing term loans and 24% to revolving lines of credit. Home equity loans generally require a minimum FICO score of 700 and a maximum DTI of 40%. The maximum loan amount available for our home equity loan products is generally \$400 thousand. Revolving loans have a 5 year revolving period followed by a 15 year term of amortizing repayments. Interest-only home equity loans may not be extended for any additional revolving time. All other home equity loans may be extended at management's discretion for an additional 5 year revolving term, subject to an update of certain credit information.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At June 30, 2013, outstanding commitments totaled \$7.0 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.

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Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Because the credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan commitments, BOK Financial uses the same credit policies in evaluating the creditworthiness of the customer. Additionally, BOK Financial uses the same evaluation process in obtaining collateral on standby letters of credit as it does for loan commitments. The term of these standby letters of credit is defined in each commitment and typically corresponds with the underlying loan commitment. At June 30, 2013, outstanding standby letters of credit totaled \$454 million. Commercial letters of credit are used to facilitate customer trade transactions with the drafts being drawn when the underlying transaction is consummated. At June 30, 2013, outstanding commercial letters of credit totaled \$11 million.

Allowances for Credit Losses

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

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

The allowance for loan losses consists of specific allowances attributed to impaired loans that have not yet been charged down to amounts we expect to recover, general allowances for unimpaired loans based on estimated loss rates by loan class and nonspecific allowances based on general economic conditions, risk concentration and related factors. There have been no material changes in the approach or techniques utilized in developing the allowance for loan losses and the accrual for off-balance sheet credit losses for the three and six months ended June 30, 2013.

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

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

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

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

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

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

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended June 30, 2013 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|---|------------|---------------------------|-------------------------|----------|--------------------------|-----------|
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$66,419 | \$48,528 | \$40,222 | \$7,984 | \$42,812 | \$205,965 |
| Provision for loan losses | 223 | (1,118) | 597 | 162 | (363) | (499) |
| Loans charged off | (4,538) | (450) | (2,057) | (1,507) | — | (8,552) |
| Recoveries | 1,940 | 2,727 | 444 | 1,099 | — | 6,210 |
| Ending balance | \$64,044 | \$49,687 | \$39,206 | \$7,738 | \$42,449 | \$203,124 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$405 | \$618 | \$72 | \$10 | \$— | \$1,105 |
| Provision for off-balance sheet credit losses | (3) | 560 | (66) | 8 | — | 499 |
| Ending balance | \$402 | \$1,178 | \$6 | \$18 | \$— | \$1,604 |
| Total provision for credit losses | \$220 | \$(558) | \$531 | \$170 | \$(363) | \$— |

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the six months ended June 30, 2013 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|---|------------|---------------------------|-------------------------|----------|--------------------------|------------|
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$65,280 | \$54,884 | \$41,703 | \$9,453 | \$44,187 | \$215,507 |
| Provision for loan losses | (1,733) | (3,798) | 323 | (743) | (1,738) | (7,689) |
| Loans charged off | (4,836) | (5,250) | (3,836) | (3,539) | — | (17,461) |
| Recoveries | 5,333 | 3,851 | 1,016 | 2,567 | — | 12,767 |
| Ending balance | \$64,044 | \$49,687 | \$39,206 | \$7,738 | \$42,449 | \$203,124 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$475 | \$1,353 | \$78 | \$9 | \$— | \$1,915 |
| Provision for off-balance sheet credit losses | (73) | (175) | (72) | 9 | — | (311) |
| Ending balance | \$402 | \$1,178 | \$6 | \$18 | \$— | \$1,604 |
| Total provision for credit losses | \$(1,806) | \$(3,973) | \$251 | \$(734) | \$(1,738) | \$(8,000) |

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the three months ended June 30, 2012 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|---|------------|---------------------------|-------------------------|----------|--------------------------|------------|
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$85,972 | \$62,742 | \$41,628 | \$9,517 | \$44,350 | \$244,209 |
| Provision for loan losses | (2,526) | (6,264) | 4,371 | 212 | (3,492) | (7,699) |
| Loans charged off | (4,094) | (1,216) | (4,061) | (2,172) | — | (11,543) |
| Recoveries | 4,125 | 544 | 750 | 1,283 | — | 6,702 |
| Ending balance | \$83,477 | \$55,806 | \$42,688 | \$8,840 | \$40,858 | \$231,669 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$8,362 | \$1,575 | \$82 | \$29 | \$— | \$10,048 |
| Provision for off-balance sheet credit losses | (138) | (150) | (2) | (11) | — | (301) |
| Ending balance | \$8,224 | \$1,425 | \$80 | \$18 | \$— | \$9,747 |
| Total provision for credit losses | \$(2,664) | \$(6,414) | \$4,369 | \$201 | \$(3,492) | \$(8,000) |

The activity in the allowance for loan losses and the allowance for off-balance sheet credit losses related to loan commitments and standby letters of credit for the six months ended June 30, 2012 is summarized as follows (in thousands):

| | Commercial | Commercial Real Estate | Residential Mortgage | Consumer | Nonspecific allowance | Total |
|---|------------|---------------------------|-------------------------|----------|--------------------------|------------|
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$83,443 | \$67,034 | \$46,476 | \$10,178 | \$46,350 | \$253,481 |
| Provision for loan losses | 991 | (5,143) | 898 | 260 | (5,492) | (8,486) |
| Loans charged off | (7,028) | (7,941) | (5,847) | (4,401) | — | (25,217) |
| Recoveries | 6,071 | 1,856 | 1,161 | 2,803 | — | 11,891 |
| Ending balance | \$83,477 | \$55,806 | \$42,688 | \$8,840 | \$40,858 | \$231,669 |
| Allowance for off-balance sheet credit losses: | | | | | | |
| Beginning balance | \$7,906 | \$1,250 | \$91 | \$14 | \$— | \$9,261 |
| Provision for off-balance sheet credit losses | 318 | 175 | (11) | 4 | — | 486 |
| Ending balance | \$8,224 | \$1,425 | \$80 | \$18 | \$— | \$9,747 |
| Total provision for credit losses | \$1,309 | \$(4,968) | \$887 | \$264 | \$(5,492) | \$(8,000) |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at June 30, 2013 is as follows (in thousands):

| | Collectively Measured for Impairment | | Individually Measured for Impairment | | Total | |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$7,687,251 | \$63,492 | \$20,869 | \$552 | \$7,708,120 | \$64,044 |
| Commercial real estate | 2,258,403 | 48,493 | 58,693 | 1,194 | 2,317,096 | 49,687 |
| Residential mortgage | 1,999,334 | 39,028 | 40,451 | 178 | 2,039,785 | 39,206 |
| Consumer | 373,744 | 7,618 | 2,037 | 120 | 375,781 | 7,738 |
| Total | 12,318,732 | 158,631 | 122,050 | 2,044 | 12,440,782 | 160,675 |
| Nonspecific allowance | — | — | — | — | — | 42,449 |
| Total | \$12,318,732 | \$158,631 | \$122,050 | \$2,044 | \$12,440,782 | \$203,124 |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at December 31, 2012 is as follows (in thousands):

| | Collectively Measured for Impairment | | Individually Measured for Impairment | | Total | |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$7,617,445 | \$65,050 | \$24,467 | \$230 | \$7,641,912 | \$65,280 |
| Commercial real estate | 2,168,373 | 51,775 | 60,626 | 3,109 | 2,228,999 | 54,884 |
| Residential mortgage | 1,998,432 | 40,934 | 46,608 | 769 | 2,045,040 | 41,703 |
| Consumer | 392,796 | 9,328 | 2,709 | 125 | 395,505 | 9,453 |
| Total | 12,177,046 | 167,087 | 134,410 | 4,233 | 12,311,456 | 171,320 |
| Nonspecific allowance | — | — | — | — | — | 44,187 |
| Total | \$12,177,046 | \$167,087 | \$134,410 | \$4,233 | \$12,311,456 | \$215,507 |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for each impairment measurement method at June 30, 2012 is as follows (in thousands):

| | Collectively Measured for Impairment | | Individually Measured for Impairment | | Total | |
|------------------------|---|----------------------|---|----------------------|------------------------|----------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$7,001,006 | \$83,199 | \$34,529 | \$278 | \$7,035,535 | \$83,477 |
| Commercial real estate | 2,069,516 | 54,526 | 80,214 | 1,280 | 2,149,730 | 55,806 |
| Residential mortgage | 1,980,158 | 42,453 | 22,727 | 235 | 2,002,885 | 42,688 |
| Consumer | 381,268 | 8,798 | 7,013 | 42 | 388,281 | 8,840 |
| Total | 11,431,948 | 188,976 | 144,483 | 1,835 | 11,576,431 | 190,811 |
| Nonspecific allowance | — | — | — | — | — | 40,858 |
| Total | \$11,431,948 | \$188,976 | \$144,483 | \$1,835 | \$11,576,431 | \$231,669 |

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Credit Quality Indicators

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

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at June 30, 2013 is as follows (in thousands):

| | Internally Risk Graded | | Non-Graded | | Total | |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$7,689,954 | \$62,830 | \$18,166 | \$1,214 | \$7,708,120 | \$64,044 |
| Commercial real estate | 2,317,096 | 49,687 | — | — | 2,317,096 | 49,687 |
| Residential mortgage | 230,359 | 3,753 | 1,809,426 | 35,453 | 2,039,785 | 39,206 |
| Consumer | 243,384 | 2,316 | 132,397 | 5,422 | 375,781 | 7,738 |
| Total | 10,480,793 | 118,586 | 1,959,989 | 42,089 | 12,440,782 | 160,675 |
| Nonspecific allowance | — | — | — | — | — | 42,449 |
| Total | \$10,480,793 | \$118,586 | \$1,959,989 | \$42,089 | \$12,440,782 | \$203,124 |

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at December 31, 2012 is as follows (in thousands):

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

The allowance for loan losses and recorded investment of the related loans by portfolio segment for risk graded and non-risk graded loans at June 30, 2012 is as follows (in thousands):

| | Internally Risk Graded | | Non-Graded | | Total | |
|------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance | Recorded Investment | Related Allowance |
| Commercial | \$7,017,925 | \$82,357 | \$17,610 | \$1,120 | \$7,035,535 | \$83,477 |
| Commercial real estate | 2,149,724 | 55,806 | 6 | — | 2,149,730 | 55,806 |
| Residential mortgage | 286,499 | 6,987 | 1,716,386 | 35,701 | 2,002,885 | 42,688 |
| Consumer | 196,735 | 1,895 | 191,546 | 6,945 | 388,281 | 8,840 |
| Total | 9,650,883 | 147,045 | 1,925,548 | 43,766 | 11,576,431 | 190,811 |
| Nonspecific allowance | — | — | — | — | — | 40,858 |
| Total | \$9,650,883 | \$147,045 | \$1,925,548 | \$43,766 | \$11,576,431 | \$231,669 |

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

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

The following table summarizes the Company's loan portfolio at June 30, 2013 by the risk grade categories (in thousands):

| | Internally Risk Graded | | Nonaccrual | Non-Graded | | Total |
|--|------------------------|-------------------|-----------------|--------------------|-----------------|---------------------|
| | Performing | Potential Problem | | Performing | Nonaccrual | |
| Commercial: | | | | | | |
| Energy | \$2,378,187 | \$4,282 | \$2,277 | \$— | \$— | \$2,384,746 |
| Services | 2,170,695 | 26,110 | 7,448 | — | — | 2,204,253 |
| Wholesale/retail | 1,167,215 | 1,628 | 6,700 | — | — | 1,175,543 |
| Manufacturing | 381,729 | 3,528 | 876 | — | — | 386,133 |
| Healthcare | 1,116,089 | 51 | 2,670 | — | — | 1,118,810 |
| Integrated food services | 158,674 | 4,877 | — | — | — | 163,551 |
| Other commercial and industrial | 251,563 | 4,518 | 837 | 18,105 | 61 | 275,084 |
| Total commercial | 7,624,152 | 44,994 | 20,808 | 18,105 | 61 | 7,708,120 |
| Commercial real estate: | | | | | | |
| Construction and land development | 184,216 | 20,303 | 21,135 | — | — | 225,654 |
| Retail | 540,872 | 4,134 | 8,406 | — | — | 553,412 |
| Office | 450,790 | 940 | 7,828 | — | — | 459,558 |
| Multifamily | 491,864 | 2,141 | 6,447 | — | — | 500,452 |
| Industrial | 253,732 | 258 | — | — | — | 253,990 |
| Other commercial real estate | 296,864 | 12,289 | 14,877 | — | — | 324,030 |
| Total commercial real estate | 2,218,338 | 40,065 | 58,693 | — | — | 2,317,096 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 219,222 | 4,789 | 6,348 | 839,113 | 26,399 | 1,095,871 |
| Permanent mortgages guaranteed by U.S. government agencies | — | — | — | 156,804 | 83 | 156,887 |
| Home equity | — | — | — | 779,323 | 7,704 | 787,027 |
| Total residential mortgage | 219,222 | 4,789 | 6,348 | 1,775,240 | 34,186 | 2,039,785 |
| Consumer: | | | | | | |
| Indirect automobile | — | — | — | 15,367 | 1,188 | 16,555 |
| Other consumer | 242,059 | 930 | 395 | 115,388 | 454 | 359,226 |
| Total consumer | 242,059 | 930 | 395 | 130,755 | 1,642 | 375,781 |
| Total | \$10,303,771 | \$90,778 | \$86,244 | \$1,924,100 | \$35,889 | \$12,440,782 |

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

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

The following table summarizes the Company's loan portfolio at June 30, 2012 by the risk grade categories (in thousands):

| | Internally Risk Graded | | Nonaccrual | Non-Graded | | Total |
|--|------------------------|-------------------|------------------|--------------------|-----------------|---------------------|
| | Performing | Potential Problem | | Performing | Nonaccrual | |
| Commercial: | | | | | | |
| Energy | \$2,254,806 | \$10,959 | \$3,087 | \$— | \$— | \$2,268,852 |
| Services | 1,937,953 | 40,254 | 10,123 | — | — | 1,988,330 |
| Wholesale/retail | 930,912 | 11,597 | 4,175 | — | — | 946,684 |
| Manufacturing | 325,024 | 9,832 | 12,230 | — | — | 347,086 |
| Healthcare | 979,985 | 1,045 | 3,310 | — | — | 984,340 |
| Integrated food services | 205,573 | 696 | — | — | — | 206,269 |
| Other commercial and industrial | 274,535 | 325 | 1,504 | 17,510 | 100 | 293,974 |
| Total commercial | 6,908,788 | 74,708 | 34,429 | 17,510 | 100 | 7,035,535 |
| Commercial real estate: | | | | | | |
| Construction and land development | 219,301 | 26,746 | 46,050 | — | — | 292,097 |
| Retail | 489,948 | 8,290 | 7,908 | — | — | 506,146 |
| Office | 372,398 | 12,352 | 10,589 | — | — | 395,339 |
| Multifamily | 348,520 | 6,677 | 3,219 | — | — | 358,416 |
| Industrial | 228,452 | 273 | — | — | — | 228,725 |
| Other commercial real estate | 342,634 | 13,925 | 12,442 | — | 6 | 369,007 |
| Total commercial real estate | 2,001,253 | 68,263 | 80,208 | — | 6 | 2,149,730 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 265,891 | 13,398 | 7,210 | 847,414 | 10,926 | 1,144,839 |
| Permanent mortgages guaranteed by U.S. government agencies | — | — | — | 162,240 | — | 162,240 |
| Home equity | — | — | — | 691,215 | 4,591 | 695,806 |
| Total residential mortgage | 265,891 | 13,398 | 7,210 | 1,700,869 | 15,517 | 2,002,885 |
| Consumer: | | | | | | |
| Indirect automobile | — | — | — | 60,681 | 2,257 | 62,938 |
| Other consumer | 189,212 | 3,053 | 4,470 | 128,323 | 285 | 325,343 |
| Total consumer | 189,212 | 3,053 | 4,470 | 189,004 | 2,542 | 388,281 |
| Total | \$9,365,144 | \$159,422 | \$126,317 | \$1,907,383 | \$18,165 | \$11,576,431 |

Impaired Loans

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

A summary of impaired loans follows (in thousands):

| | As of June 30, 2013 | | | | | For the Three Months Ended June 30, 2013 | | For the Six Months Ended June 30, 2013 | |
|---|--------------------------------|------------------------------|----------------------|-------------------|----------------------|--|----------------------------------|--|----------------------------------|
| | Unpaid Principal Balance | Recorded Investment Total | With No Allowance | With Allowance | Related Allowance | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial: | | | | | | | | | |
| Energy | \$2,277 | \$2,277 | \$2,277 | \$ — | \$ — | \$2,327 | \$ — | \$2,369 | \$ — |
| Services | 9,631 | 7,448 | 6,283 | 1,165 | 493 | 8,461 | — | 9,769 | — |
| Wholesale/retail | 10,916 | 6,700 | 6,656 | 44 | 11 | 4,470 | — | 4,889 | — |
| Manufacturing | 1,168 | 876 | 876 | — | — | 1,362 | — | 1,442 | — |
| Healthcare | 3,357 | 2,670 | 2,622 | 48 | 48 | 2,816 | — | 2,918 | — |
| Integrated food services | — | — | — | — | — | — | — | 342 | — |
| Other commercial and industrial | 8,398 | 898 | 898 | — | — | 930 | — | 941 | — |
| Total commercial | 35,747 | 20,869 | 19,612 | 1,257 | 552 | 20,366 | — | 22,670 | — |
| Commercial real estate: | | | | | | | | | |
| Construction and land development | 24,752 | 21,135 | 20,841 | 294 | 102 | 22,299 | — | 23,633 | — |
| Retail | 9,827 | 8,406 | 8,406 | — | — | 8,664 | — | 8,262 | — |
| Office | 9,245 | 7,828 | 7,820 | 8 | 8 | 10,340 | — | 7,329 | — |
| Multifamily | 6,447 | 6,447 | 4,415 | 2,032 | 196 | 5,474 | — | 4,577 | — |
| Industrial | — | — | — | — | — | 1,099 | — | 1,984 | — |
| Other real estate loans | 17,196 | 14,877 | 13,113 | 1,764 | 888 | 14,060 | — | 13,876 | — |
| Total commercial real estate | 67,467 | 58,693 | 54,595 | 4,098 | 1,194 | 61,936 | — | 59,661 | — |
| Residential mortgage: | | | | | | | | | |
| Permanent mortgage | 42,983 | 32,747 | 32,495 | 252 | 178 | 35,450 | 285 | 36,304 | 603 |
| Permanent mortgage guaranteed by | 165,431 | 156,887 | 156,887 | — | — | 158,038 | 1,628 | 162,256 | 3,408 |

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| | | | | | | | | | |
|---------------------------------------|-----------|-----------|-----------|----------|---------|-----------|----------|-----------|----------|
| U.S. government agencies ¹ | | | | | | | | | |
| Home equity | 7,704 | 7,704 | 7,704 | — | — | 7,382 | — | 6,980 | — |
| Total residential mortgage | 216,118 | 197,338 | 197,086 | 252 | 178 | 200,870 | 1,913 | 205,540 | 4,011 |
| Consumer: | | | | | | | | | |
| Indirect automobile | 1,188 | 1,188 | 1,188 | — | — | 1,254 | — | 1,383 | — |
| Other consumer | 915 | 849 | 729 | 120 | 120 | 851 | — | 990 | — |
| Total consumer | 2,103 | 2,037 | 1,917 | 120 | 120 | 2,105 | — | 2,373 | — |
| Total | \$321,435 | \$278,937 | \$273,210 | \$ 5,727 | \$2,044 | \$285,277 | \$ 1,913 | \$290,244 | \$ 4,011 |

All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not expect full collection of contractual principal and interest. At June 30, 2013, \$83 thousand of these loans were nonaccruing and \$157 million were accruing based on the guarantee by U.S. government agencies.

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

A summary of impaired loans at December 31, 2012 follows (in thousands):

| | Unpaid Principal Balance | Recorded Investment | | | |
|---|--------------------------------|---------------------|----------------------|-------------------|----------------------|
| | | Total | With No Allowance | With Allowance | Related Allowance |
| Commercial: | | | | | |
| Energy | \$2,460 | \$2,460 | \$2,460 | \$— | \$— |
| Services | 15,715 | 12,090 | 11,940 | 150 | 149 |
| Wholesale/retail | 9,186 | 3,077 | 3,016 | 61 | 15 |
| Manufacturing | 2,447 | 2,007 | 2,007 | — | — |
| Healthcare | 4,256 | 3,166 | 2,050 | 1,116 | 66 |
| Integrated food services | 684 | 684 | 684 | — | — |
| Other commercial and industrial | 8,482 | 983 | 983 | — | — |
| Total commercial | 43,230 | 24,467 | 23,140 | 1,327 | 230 |
| Commercial real estate: | | | | | |
| Construction and land development | 44,721 | 26,131 | 25,575 | 556 | 155 |
| Retail | 9,797 | 8,117 | 8,117 | — | — |
| Office | 8,949 | 6,829 | 6,604 | 225 | 21 |
| Multifamily | 3,189 | 2,706 | 2,706 | — | — |
| Industrial | 3,968 | 3,968 | — | 3,968 | 2,290 |
| Other real estate loans | 15,377 | 12,875 | 10,049 | 2,826 | 643 |
| Total commercial real estate | 86,001 | 60,626 | 53,051 | 7,575 | 3,109 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 51,153 | 39,863 | 37,564 | 2,299 | 769 |
| Permanent mortgage guaranteed by U.S. government agencies ¹ | 170,740 | 160,444 | 160,444 | — | — |
| Home equity | 6,256 | 6,256 | 6,256 | — | — |
| Total residential mortgage | 228,149 | 206,563 | 204,264 | 2,299 | 769 |
| Consumer: | | | | | |
| Indirect automobile | 1,578 | 1,578 | 1,578 | — | — |
| Other consumer | 1,300 | 1,131 | 1,006 | 125 | 125 |
| Total consumer | 2,878 | 2,709 | 2,584 | 125 | 125 |
| Total | \$360,258 | \$294,365 | \$283,039 | \$11,326 | \$4,233 |

All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not expect full collection of contractual principal and interest. At December 31, 2012, \$489 thousand of these loans were nonaccruing and \$160 million were accruing based on the guarantee by U.S. government agencies.

A summary of impaired loans at June 30, 2012 follows (in thousands):

| | As of As of June 30, 2012 | | | | | For the Three Months Ended June 30, 2012 | | For the Six Months Ended June 30, 2012 | |
|--|--------------------------------|------------------------------|----------------------|-------------------|----------------------|--|----------------------------------|--|----------------------------------|
| | Unpaid Principal Balance | Total Recorded Investment | With No Allowance | With Allowance | Related Allowance | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial: | | | | | | | | | |
| Energy | \$3,297 | \$3,087 | \$3,087 | \$ — | \$ — | \$1,712 | \$ — | \$1,712 | \$ — |
| Services | 18,858 | 10,123 | 9,996 | 127 | 127 | 11,507 | — | 13,546 | — |
| Wholesale/retail | 5,763 | 4,175 | 4,096 | 79 | 20 | 9,782 | — | 12,678 | — |
| Manufacturing | 15,864 | 12,230 | 12,230 | — | — | 17,816 | — | 17,641 | — |
| Healthcare | 4,400 | 3,310 | 2,069 | 1,241 | 131 | 5,628 | — | 4,398 | — |
| Integrated food services | — | — | — | — | — | — | — | — | — |
| Other commercial and industrial | 9,103 | 1,604 | 1,604 | — | — | 1,696 | — | 1,697 | — |
| Total commercial | 57,285 | 34,529 | 33,082 | 1,447 | 278 | 48,141 | — | 51,672 | — |
| Commercial real estate: | | | | | | | | | |
| Construction and land development | 78,447 | 46,050 | 45,477 | 573 | 155 | 49,233 | — | 53,962 | — |
| Retail | 9,395 | 7,908 | 5,541 | 2,367 | 905 | 7,051 | — | 7,386 | — |
| Office | 13,744 | 10,589 | 10,364 | 225 | 21 | 10,661 | — | 11,023 | — |
| Multifamily | 3,333 | 3,219 | 3,219 | — | — | 3,317 | — | 3,366 | — |
| Industrial | — | — | — | — | — | — | — | — | — |
| Other real estate loans | 14,750 | 12,448 | 11,524 | 924 | 199 | 13,084 | — | 13,967 | — |
| Total commercial real estate | 119,669 | 80,214 | 76,125 | 4,089 | 1,280 | 83,346 | — | 89,704 | — |
| Residential mortgage: | | | | | | | | | |
| Permanent mortgage | 26,504 | 18,136 | 17,519 | 617 | 235 | 20,479 | 398 | 21,751 | 795 |
| Permanent mortgage guaranteed by U.S. government agencies ¹ | 166,824 | 162,240 | 162,240 | — | — | 177,537 | 1,680 | 185,961 | 3,359 |
| Home equity | 4,591 | 4,591 | 4,591 | — | — | 4,616 | — | 4,496 | — |
| Total residential mortgage | 197,919 | 184,967 | 184,350 | 617 | 235 | 202,632 | 2,078 | 212,208 | 4,154 |

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Consumer:

| | | | | | | | | | |
|---------------------|-------|-------|-------|----|----|-------|---|-------|---|
| Indirect automobile | 2,257 | 2,257 | 2,257 | — | — | 2,433 | — | 2,226 | — |
| Other consumer | 5,342 | 4,756 | 4,714 | 42 | 42 | 4,910 | — | 3,039 | — |
| Total consumer | 7,599 | 7,013 | 6,971 | 42 | 42 | 7,343 | — | 5,265 | — |

Total \$382,472 \$306,723 \$300,528 \$ 6,195 \$ 1,835 \$341,462 \$ 2,078 \$358,849 \$ 4,154

¹ All permanent mortgage loans guaranteed by U.S. government agencies are considered impaired as we do not expect full collection of contractual principal and interest. At June 30, 2012, all of these loans were accruing based on the guarantee by U.S. government agencies.

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Troubled Debt Restructurings

A summary of troubled debt restructurings ("TDRs") by accruing status as of June 30, 2013 were as follows (in thousands):

| | As of June 30, 2013 | | | | Amounts Charged Off During | |
|-----------------------------------|---------------------|--|--|--------------------|----------------------------------|--------------------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2013 |
| Nonaccruing TDRs: | | | | | | |
| Commercial: | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | 3,065 | 710 | 2,355 | 228 | — | — |
| Wholesale/retail | 1,107 | 968 | 139 | 12 | — | — |
| Manufacturing | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — |
| Other commercial and industrial | 821 | 189 | 632 | — | — | — |
| Total commercial | 4,993 | 1,867 | 3,126 | 240 | — | — |
| Commercial real estate: | | | | | | |
| Construction and land development | 11,734 | 1,934 | 9,800 | 23 | 54 | 54 |
| Retail | 5,681 | 1,604 | 4,077 | — | — | 627 |
| Office | 5,488 | 1,313 | 4,175 | — | 77 | 77 |
| Multifamily | 990 | 208 | 782 | — | — | — |
| Industrial | — | — | — | — | — | — |
| Other real estate loans | 8,746 | 3,739 | 5,007 | — | — | — |
| Total commercial real estate | 32,639 | 8,798 | 23,841 | 23 | 131 | 758 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 17,639 | 10,917 | 6,722 | 54 | 8 | 348 |
| Home equity | 3,504 | 3,264 | 240 | — | 69 | 69 |
| Total residential mortgage | 21,143 | 14,181 | 6,962 | 54 | 77 | 417 |
| Consumer: | | | | | | |
| Indirect automobile | 986 | 926 | 60 | — | — | 1 |
| Other consumer | 556 | 398 | 158 | 78 | — | — |
| Total consumer | 1,542 | 1,324 | 218 | 78 | — | 1 |
| Total nonaccruing TDRs | \$60,317 | \$26,170 | \$34,147 | \$395 | \$208 | \$1,176 |

| | As of June 30, 2013 | | | Amounts Charged Off During | | |
|--|---------------------|--|--|----------------------------|----------------------------------|--------------------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2013 |
| Accruing TDRs: | | | | | | |
| Residential mortgage: | | | | | | |
| Permanent mortgage | — | — | — | — | — | — |
| Permanent mortgages guaranteed by U.S. government agencies | 48,733 | 12,598 | 36,135 | — | — | — |
| Total residential mortgage | 48,733 | 12,598 | 36,135 | — | — | — |
| Total accruing TDRs | 48,733 | 12,598 | 36,135 | — | — | — |
| Total TDRs | \$109,050 | \$38,768 | \$70,282 | \$395 | \$208 | \$1,176 |

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

| | As of December 31, 2012 | | Not Performing in Accordance With Modified Terms | Specific Allowance |
|-----------------------------------|----------------------------|---|--|-----------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | | |
| Nonaccruing TDRs: | | | | |
| Commercial: | | | | |
| Energy | \$— | \$— | \$— | \$— |
| Services | 2,492 | 2,099 | 393 | 45 |
| Wholesale/retail | 2,290 | 1,362 | 928 | 15 |
| Manufacturing | — | — | — | — |
| Healthcare | 64 | 64 | — | — |
| Integrated food services | — | — | — | — |
| Other commercial and industrial | 675 | — | 675 | — |
| Total commercial | 5,521 | 3,525 | 1,996 | 60 |
| Commercial real estate: | | | | |
| Construction and land development | 14,898 | 9,989 | 4,909 | 76 |
| Retail | 6,785 | 5,735 | 1,050 | — |
| Office | 3,899 | 1,920 | 1,979 | — |
| Multifamily | — | — | — | — |
| Industrial | — | — | — | — |
| Other real estate loans | 5,017 | 3,399 | 1,618 | — |
| Total commercial real estate | 30,599 | 21,043 | 9,556 | 76 |
| Residential mortgage: | | | | |
| Permanent mortgage | 20,490 | 12,214 | 8,276 | 54 |
| Home equity | — | — | — | — |
| Total residential mortgage | 20,490 | 12,214 | 8,276 | 54 |
| Consumer: | | | | |
| Indirect automobile | 532 | 492 | 40 | — |
| Other consumer | 2,328 | 2,097 | 231 | 83 |
| Total consumer | 2,860 | 2,589 | 271 | 83 |
| Total nonaccruing TDRs | \$59,470 | \$39,371 | \$ 20,099 | \$ 273 |

| | As of December 31, 2012 | | | |
|--|----------------------------|---|--|-----------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance |
| Accruing TDRs: | | | | |
| Residential mortgage: | | | | |
| Permanent mortgage | — | — | — | — |
| Permanent mortgages guaranteed by U.S. government agencies | 38,515 | 8,755 | 29,760 | — |
| Total residential mortgage | 38,515 | 8,755 | 29,760 | — |
| Total accruing TDRs | 38,515 | 8,755 | 29,760 | — |
| Total TDRs | \$97,985 | \$48,126 | \$ 49,859 | \$273 |

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A summary of troubled debt restructurings by accruing status as of June 30, 2012 were as follows (in thousands):

| | As of June 30, 2012 | | | Amounts Charged Off During | | |
|-----------------------------------|---------------------|--|--|----------------------------|----------------------------------|--------------------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance | Three Months Ended June 30, 2012 | Six Months Ended June 30, 2012 |
| Nonaccruing TDRs: | | | | | | |
| Commercial: | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | 2,700 | 1,381 | 1,319 | — | — | — |
| Wholesale/retail | 1,612 | 1,428 | 184 | 20 | — | — |
| Manufacturing | — | — | — | — | — | — |
| Healthcare | 77 | 77 | — | — | — | — |
| Integrated food services | — | — | — | — | — | — |
| Other commercial and industrial | 779 | — | 779 | — | — | — |
| Total commercial | 5,168 | 2,886 | 2,282 | 20 | — | — |
| Commercial real estate: | | | | | | |
| Construction and land development | 18,217 | 4,238 | 13,979 | 76 | 769 | 2,579 |
| Retail | 3,618 | 3,618 | — | — | — | — |
| Office | 3,387 | 2,489 | 898 | — | — | 269 |
| Multifamily | — | — | — | — | — | — |
| Industrial | — | — | — | — | — | — |
| Other real estate loans | 5,730 | 1,933 | 3,797 | 103 | — | 2,182 |
| Total commercial real estate | 30,952 | 12,278 | 18,674 | 179 | 769 | 5,030 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 6,892 | 4,327 | 2,565 | 54 | 115 | 115 |
| Home equity | — | — | — | — | — | — |
| Total residential mortgage | 6,892 | 4,327 | 2,565 | 54 | 115 | 115 |
| Consumer: | | | | | | |
| Indirect automobile | — | — | — | — | — | — |
| Other consumer | 3,502 | 3,502 | — | — | — | — |
| Total consumer | 3,502 | 3,502 | — | — | — | — |
| Total nonaccruing TDRs | \$46,514 | \$22,993 | \$23,521 | \$253 | \$884 | \$5,145 |

| | As of June 30, 2012 | | | Amounts Charged Off During | | |
|--|---------------------|--|--|----------------------------|----------------------------------|--------------------------------|
| | Recorded Investment | Performing in Accordance With Modified Terms | Not Performing in Accordance With Modified Terms | Specific Allowance | Three Months Ended June 30, 2012 | Six Months Ended June 30, 2012 |
| Nonaccruing TDRs: | | | | | | |
| Accruing TDRs: | | | | | | |
| Residential mortgage: | | | | | | |
| Permanent mortgage | 3,655 | 2,466 | 1,189 | — | 32 | 112 |
| Permanent mortgages guaranteed by U.S. government agencies | 24,760 | 8,881 | 15,879 | — | — | — |
| Total residential mortgage | 28,415 | 11,347 | 17,068 | — | 32 | 112 |
| Total accruing TDRs | 28,415 | 11,347 | 17,068 | — | 32 | 112 |
| Total TDRs | \$74,929 | \$34,340 | \$40,589 | \$253 | \$916 | \$5,257 |

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Troubled debt restructurings generally consist of interest rates concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans at June 30, 2013 by class that were restructured during the three and six months ended June 30, 2013 by primary type of concession (in thousands):

| | Three Months Ended June 30, 2013 | | | Nonaccrual Interest Rate | Three Months Ended June 30, 2013 | | | Total |
|---|-------------------------------------|------------------------|----------------|--------------------------------|-------------------------------------|------------------------|-----------------|-----------------|
| | Accruing Payment Stream | Combination & Other | Total | | Accruing Payment Stream | Combination & Other | Total | |
| Commercial: | | | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | — | — | — | 1,140 | — | 1,140 | 1,140 |
| Wholesale/retail | — | — | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | — | — | — | — | — |
| Total commercial | — | — | — | — | 1,140 | — | 1,140 | 1,140 |
| Commercial real estate: | | | | | | | | |
| Construction and land development | — | — | — | — | — | — | — | — |
| Retail | — | — | — | — | 612 | — | 612 | 612 |
| Office | — | — | — | — | 3,181 | — | 3,181 | 3,181 |
| Multifamily | — | — | — | — | 990 | — | 990 | 990 |
| Industrial | — | — | — | — | — | — | — | — |
| Other real estate loans | — | — | — | — | 3,931 | — | 3,931 | 3,931 |
| Total commercial real estate | — | — | — | — | 8,714 | — | 8,714 | 8,714 |
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | — | — | — | — | — | 1,132 | 1,132 | 1,132 |
| Permanent mortgage guaranteed by U.S. government agencies | 3,087 | 5,809 | 8,896 | — | — | — | — | 8,896 |
| Home equity | — | — | — | — | — | 1,798 | 1,798 | 1,798 |
| Total residential mortgage | 3,087 | 5,809 | 8,896 | — | — | 2,930 | 2,930 | 11,826 |
| Consumer: | | | | | | | | |
| Indirect automobile | — | — | — | — | — | 719 | 719 | 719 |
| Other consumer | — | — | — | — | — | 58 | 58 | 58 |
| Total consumer | — | — | — | — | — | 777 | 777 | 777 |
| Total | \$3,087 | \$5,809 | \$8,896 | \$— | \$9,854 | \$3,707 | \$13,561 | \$22,457 |

| | Six Months Ended June 30, 2013 | | | Nonaccrual Interest Rate | Accruing | | | Total |
|---|-----------------------------------|------------------------|----------|--------------------------------|-------------------|------------------------|----------|----------|
| | Payment Stream | Combination & Other | Total | | Payment Stream | Combination & Other | Total | |
| Commercial: | | | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | — | — | — | 1,173 | — | 1,173 | 1,173 |
| Wholesale/retail | — | — | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | 147 | — | — | 147 | 147 |
| Total commercial | — | — | — | 147 | 1,173 | — | 1,320 | 1,320 |
| Commercial real estate: | | | | | | | | |
| Construction and land development | — | — | — | — | — | — | — | — |
| Retail | — | — | — | — | 612 | — | 612 | 612 |
| Office | — | — | — | — | 3,181 | — | 3,181 | 3,181 |
| Multifamily | — | — | — | — | 990 | — | 990 | 990 |
| Industrial | — | — | — | — | — | — | — | — |
| Other real estate loans | — | — | — | — | 3,931 | — | 3,931 | 3,931 |
| Total commercial real estate | — | — | — | — | 8,714 | — | 8,714 | 8,714 |
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | — | — | — | — | 27 | 1,377 | 1,404 | 1,404 |
| Permanent mortgage guaranteed by U.S. government agencies | 8,694 | 8,949 | 17,643 | — | — | — | — | 17,643 |
| Home equity | — | — | — | — | — | 2,108 | 2,108 | 2,108 |
| Total residential mortgage | 8,694 | 8,949 | 17,643 | — | 27 | 3,485 | 3,512 | 21,155 |
| Consumer: | | | | | | | | |
| Indirect automobile | — | — | — | — | — | 725 | 725 | 725 |
| Other consumer | — | — | — | 87 | — | 98 | 185 | 185 |
| Total consumer | — | — | — | 87 | — | 823 | 910 | 910 |
| Total | \$8,694 | \$8,949 | \$17,643 | \$234 | \$9,914 | \$4,308 | \$14,456 | \$32,099 |

Troubled debt restructurings generally consist of interest rates concessions, payment stream concessions or a combination of concessions to distressed borrowers. The following tables detail the recorded balance of loans by class that were restructured during the three and six months ended June 30, 2012 by primary type of concession (in thousands):

| | Three Months Ended June 30, 2012 | | | Nonaccrual | | | Total | Total |
|---|-------------------------------------|------------------------|----------------|------------------|-------------------|------------------------|----------------|----------------|
| | Accruing Payment Stream | Combination & Other | Total | Interest Rate | Payment Stream | Combination & Other | | |
| Commercial: | | | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | — | — | 72 | — | — | 72 | 72 |
| Wholesale/retail | — | — | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | — | — | — | — | — |
| Total commercial | — | — | — | 72 | — | — | 72 | 72 |
| Commercial real estate: | | | | | | | | |
| Construction and land development | — | — | — | 1,203 | — | — | 1,203 | 1,203 |
| Retail | — | — | — | — | — | — | — | — |
| Office | — | — | — | — | — | — | — | — |
| Multifamily | — | — | — | — | — | — | — | — |
| Industrial | — | — | — | — | — | — | — | — |
| Other real estate loans | — | — | — | — | — | — | — | — |
| Total commercial real estate | — | — | — | 1,203 | — | — | 1,203 | 1,203 |
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | — | — | — | — | — | 23 | 23 | 23 |
| Permanent mortgage guaranteed by U.S. government agencies | — | 1,350 | 1,350 | — | — | — | — | 1,350 |
| Home equity | — | — | — | — | — | — | — | — |
| Total residential mortgage | — | 1,350 | 1,350 | — | — | 23 | 23 | 1,373 |
| Consumer: | | | | | | | | |
| Indirect automobile | — | — | — | — | — | — | — | — |
| Other consumer | — | — | — | — | — | — | — | — |
| Total consumer | — | — | — | — | — | — | — | — |
| Total | \$— | \$1,350 | \$1,350 | \$1,275 | \$— | \$23 | \$1,298 | \$2,648 |

| | Six Months Ended June 30, 2012 | | | | | | | |
|---|-----------------------------------|------------------------|---------|--------------------------------|-------------------|------------------------|----------|----------|
| | Accruing Payment Stream | Combination & Other | Total | Nonaccrual Interest Rate | Payment Stream | Combination & Other | Total | Total |
| Commercial: | | | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | — | — | 72 | — | — | 72 | 72 |
| Wholesale/retail | — | — | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | 77 | 77 | 77 |
| Integrated food services | — | — | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | — | — | — | — | — |
| Total commercial | — | — | — | 72 | — | 77 | 149 | 149 |
| Commercial real estate: | | | | | | | | |
| Construction and land development | — | — | — | 1,302 | — | — | 1,302 | 1,302 |
| Retail | — | — | — | 2,418 | — | — | 2,418 | 2,418 |
| Office | — | — | — | 1,387 | — | — | 1,387 | 1,387 |
| Multifamily | — | — | — | — | — | — | — | — |
| Industrial | — | — | — | — | — | — | — | — |
| Other real estate loans | — | — | — | — | 1,636 | — | 1,636 | 1,636 |
| Total commercial real estate | — | — | — | 5,107 | 1,636 | — | 6,743 | 6,743 |
| Residential mortgage: | | | | | | | | |
| Permanent mortgage | — | 4,136 | 4,136 | — | — | 810 | 810 | 4,946 |
| Permanent mortgage guaranteed by U.S. government agencies | — | 151 | 151 | — | — | — | — | 151 |
| Home equity | — | — | — | — | — | — | — | — |
| Total residential mortgage | — | 4,287 | 4,287 | — | — | 810 | 810 | 5,097 |
| Consumer: | | | | | | | | |
| Indirect automobile | — | — | — | — | — | — | — | — |
| Other consumer | — | — | — | 373 | — | 2,995 | 3,368 | 3,368 |
| Total consumer | — | — | — | 373 | — | 2,995 | 3,368 | 3,368 |
| Total | \$— | \$4,287 | \$4,287 | \$5,552 | \$1,636 | \$3,882 | \$11,070 | \$15,357 |

The following table summarizes, by loan class, the recorded investment at June 30, 2013 of loans modified as TDRs within the previous 12 months and for which there was a payment default during the three and six months ended June 30, 2013 (in thousands):

| | Three Months Ended June 30, 2013 | | | Six Months Ended June 30, 2013 | | |
|---|-------------------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|
| | Accruing | Nonaccrual | Total | Accruing | Nonaccrual | Total |
| Commercial: | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | 2,007 | 2,007 | — | 2,007 | 2,007 |
| Wholesale/retail | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | — | 33 | 33 |
| Total commercial | — | 2,007 | 2,007 | — | 2,040 | 2,040 |
| Commercial real estate: | | | | | | |
| Construction and land development | — | 6,889 | 6,889 | — | 6,889 | 6,889 |
| Retail | — | 612 | 612 | — | 612 | 612 |
| Office | — | 3,181 | 3,181 | — | 3,181 | 3,181 |
| Multifamily | — | 782 | 782 | — | 990 | 990 |
| Industrial | — | — | — | — | — | — |
| Other real estate loans | — | 3,398 | 3,398 | — | 3,931 | 3,931 |
| Total commercial real estate | — | 14,862 | 14,862 | — | 15,603 | 15,603 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | — | 1,949 | 1,949 | — | 1,969 | 1,969 |
| Permanent mortgage guaranteed by U.S. government agencies | 22,784 | — | 22,784 | 26,767 | — | 26,767 |
| Home equity | — | 240 | 240 | — | 371 | 371 |
| Total residential mortgage | 22,784 | 2,189 | 24,973 | 26,767 | 2,340 | 29,107 |
| Consumer: | | | | | | |
| Indirect automobile | — | 61 | 61 | — | 98 | 98 |
| Other consumer | — | 24 | 24 | — | 24 | 24 |
| Total consumer | — | 85 | 85 | — | 122 | 122 |
| Total | \$22,784 | \$19,143 | \$41,927 | \$26,767 | \$20,105 | \$46,872 |

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

The following table summarizes, by loan class, the recorded investment at June 30, 2012 of loans modified as TDRs within the previous 12 months and for which there was a payment default during the three and six months ended June 30, 2012 (in thousands):

| | Three Months Ended June 30, 2012 | | | Six Months Ended June 30, 2012 | | |
|--|-------------------------------------|------------|---------|-----------------------------------|------------|---------|
| | Accruing | Nonaccrual | Total | Accruing | Nonaccrual | Total |
| Commercial: | | | | | | |
| Energy | \$— | \$— | \$— | \$— | \$— | \$— |
| Services | — | — | — | — | — | — |
| Wholesale/retail | — | — | — | — | — | — |
| Manufacturing | — | — | — | — | — | — |
| Healthcare | — | — | — | — | — | — |
| Integrated food services | — | — | — | — | — | — |
| Other commercial and industrial | — | — | — | — | — | — |
| Total commercial | — | — | — | — | — | — |
| Commercial real estate: | | | | | | |
| Construction and land development | — | 1,203 | 1,203 | — | 1,203 | 1,203 |
| Retail | — | — | — | — | 2,418 | 2,418 |
| Office | — | — | — | — | 1,387 | 1,387 |
| Multifamily | — | — | — | — | — | — |
| Industrial | — | — | — | — | — | — |
| Other real estate loans | — | — | — | — | — | — |
| Total commercial real estate | — | 1,203 | 1,203 | — | 5,008 | 5,008 |
| Residential mortgage: | | | | | | |
| Permanent mortgage | — | 23 | 23 | — | 23 | 23 |
| Permanent mortgage guaranteed by U.S. government agencies | 492 | — | 492 | 2,096 | — | 2,096 |
| Home equity | — | — | — | — | — | — |
| Total residential mortgage | 492 | 23 | 515 | 2,096 | 23 | 2,119 |
| Consumer: | | | | | | |
| Indirect automobile | — | — | — | — | — | — |
| Other consumer | — | — | — | — | — | — |
| Total consumer | — | — | — | — | — | — |
| Total | \$492 | \$1,226 | \$1,718 | \$2,096 | \$5,031 | \$7,127 |

Nonaccrual & Past Due Loans

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

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of June 30, 2013 is as follows (in thousands):

| | Current | Past Due 30 to 89 Days | 90 Days or More | Nonaccrual | Total |
|---|--------------|------------------------------|--------------------|------------|--------------|
| Commercial: | | | | | |
| Energy | \$2,382,377 | \$92 | \$— | \$2,277 | \$2,384,746 |
| Services | 2,192,771 | 1,769 | 2,265 | 7,448 | 2,204,253 |
| Wholesale/retail | 1,168,686 | — | 157 | 6,700 | 1,175,543 |
| Manufacturing | 385,257 | — | — | 876 | 386,133 |
| Healthcare | 1,115,187 | 953 | — | 2,670 | 1,118,810 |
| Integrated food services | 163,551 | — | — | — | 163,551 |
| Other commercial and industrial | 274,007 | 160 | 19 | 898 | 275,084 |
| Total commercial | 7,681,836 | 2,974 | 2,441 | 20,869 | 7,708,120 |
| Commercial real estate: | | | | | |
| Construction and land development | 204,519 | — | — | 21,135 | 225,654 |
| Retail | 542,946 | 2,060 | — | 8,406 | 553,412 |
| Office | 451,730 | — | — | 7,828 | 459,558 |
| Multifamily | 492,306 | 1,699 | — | 6,447 | 500,452 |
| Industrial | 253,990 | — | — | — | 253,990 |
| Other real estate loans | 308,373 | 780 | — | 14,877 | 324,030 |
| Total commercial real estate | 2,253,864 | 4,539 | — | 58,693 | 2,317,096 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,054,435 | 8,689 | — | 32,747 | 1,095,871 |
| Permanent mortgages guaranteed by U.S. government agencies | 22,328 | 17,670 | 116,806 | 83 | 156,887 |
| Home equity | 776,872 | 2,451 | — | 7,704 | 787,027 |
| Total residential mortgage | 1,853,635 | 28,810 | 116,806 | 40,534 | 2,039,785 |
| Consumer: | | | | | |
| Indirect automobile | 14,827 | 540 | — | 1,188 | 16,555 |
| Other consumer | 356,416 | 1,942 | 19 | 849 | 359,226 |
| Total consumer | 371,243 | 2,482 | 19 | 2,037 | 375,781 |
| Total | \$12,160,578 | \$38,805 | \$119,266 | \$122,133 | \$12,440,782 |

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

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

A summary of loans currently performing, loans past due and accruing and nonaccrual loans as of June 30, 2012 is as follows (in thousands):

| | Current | Past Due 30 to 89 Days | 90 Days or More | Nonaccrual | Total |
|---|--------------|------------------------------|--------------------|------------|--------------|
| Commercial: | | | | | |
| Energy | \$2,263,505 | \$2,260 | \$— | \$3,087 | \$2,268,852 |
| Services | 1,974,465 | 3,705 | 37 | 10,123 | 1,988,330 |
| Wholesale/retail | 940,975 | 1,534 | — | 4,175 | 946,684 |
| Manufacturing | 334,856 | — | — | 12,230 | 347,086 |
| Healthcare | 980,750 | 180 | 100 | 3,310 | 984,340 |
| Integrated food services | 201,366 | 4,903 | — | — | 206,269 |
| Other commercial and industrial | 291,781 | 589 | — | 1,604 | 293,974 |
| Total commercial | 6,987,698 | 13,171 | 137 | 34,529 | 7,035,535 |
| Commercial real estate: | | | | | |
| Construction and land development | 245,246 | 801 | — | 46,050 | 292,097 |
| Retail | 492,612 | 5,626 | — | 7,908 | 506,146 |
| Office | 384,225 | 525 | — | 10,589 | 395,339 |
| Multifamily | 354,455 | 742 | — | 3,219 | 358,416 |
| Industrial | 228,333 | 392 | — | — | 228,725 |
| Other real estate loans | 353,231 | 3,328 | — | 12,448 | 369,007 |
| Total commercial real estate | 2,058,102 | 11,414 | — | 80,214 | 2,149,730 |
| Residential mortgage: | | | | | |
| Permanent mortgage | 1,111,078 | 15,130 | 495 | 18,136 | 1,144,839 |
| Permanent mortgages guaranteed by U.S. government agencies | 20,641 | 14,473 | 127,126 | — | 162,240 |
| Home equity | 688,960 | 2,211 | 44 | 4,591 | 695,806 |
| Total residential mortgage | 1,820,679 | 31,814 | 127,665 | 22,727 | 2,002,885 |
| Consumer: | | | | | |
| Indirect automobile | 58,909 | 1,771 | 1 | 2,257 | 62,938 |
| Other consumer | 319,856 | 718 | 14 | 4,755 | 325,343 |
| Total consumer | 378,765 | 2,489 | 15 | 7,012 | 388,281 |
| Total | \$11,245,244 | \$58,888 | \$127,817 | \$144,482 | \$11,576,431 |

(5) Mortgage Banking Activities

Residential Mortgage Loan Production

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

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

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

| | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | |
|--|-----------------------------------|------------|-----------------------------------|------------|-----------------------------------|------------|
| | Unpaid Principal Balance/Notional | Fair Value | Unpaid Principal Balance/Notional | Fair Value | Unpaid Principal Balance/Notional | Fair Value |
| Residential mortgage loans held for sale | \$284,454 | \$280,962 | \$269,718 | \$281,935 | \$236,160 | \$247,893 |
| Residential mortgage loan commitments | 547,508 | (1,709) | 356,634 | 12,733 | 392,247 | 15,807 |
| Forward sales contracts | 740,752 | 21,804 | 598,442 | (906) | 605,856 | (4,526) |
| | | \$301,057 | | \$293,762 | | \$259,174 |

No residential mortgage loans held for sale were 90 days or more past due or considered impaired as of June 30, 2013, December 31, 2012 or June 30, 2012. No credit losses were recognized on residential mortgage loans held for sale for the six month periods ended June 30, 2013 and 2012.

Mortgage banking revenue was as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|---------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Originating and marketing revenue: | | | | |
| Residential mortgages loan held for sale | \$17,763 | \$27,706 | \$47,998 | \$44,798 |
| Residential mortgage loan commitments | (15,052) | 6,900 | (14,442) | 9,210 |
| Forward sales contracts | 23,645 | (4,917) | 22,710 | (1,238) |

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| | | | | |
|---|----------|----------|----------|----------|
| Total originating and marketing revenue | 26,356 | 29,689 | 56,266 | 52,770 |
| Servicing revenue | 10,240 | 9,859 | 20,306 | 19,856 |
| Total mortgage banking revenue | \$36,596 | \$39,548 | \$76,572 | \$72,626 |

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

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Residential Mortgage Servicing

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

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

| | June 30, 2013 | December 31, 2012 | June 30, 2012 |
|---|---------------|-------------------|---------------|
| Number of residential mortgage loans serviced for others | 101,498 | 98,246 | 96,772 |
| Outstanding principal balance of residential mortgage loans serviced for others | \$12,741,651 | \$11,981,624 | \$11,564,643 |
| Weighted average interest rate | 4.47 | % 4.71 | % 4.99 |
| Remaining term (in months) | 291 | 289 | 289 |

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2013 was as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|-----------|
| Balance, Mar. 31, 2013 | \$13,203 | \$96,637 | \$109,840 |
| Additions, net | — | 14,499 | 14,499 |
| Change in fair value due to loan runoff | (940) | (4,825) | (5,765) |
| Change in fair value due to market changes | 3,319 | 10,996 | 14,315 |
| Balance, June 30, 2013 | \$15,582 | \$117,307 | \$132,889 |

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2013 was as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|-----------|
| Balance, December 31, 2012 | \$12,976 | \$87,836 | \$100,812 |
| Additions, net | — | 25,932 | 25,932 |
| Change in fair value due to loan runoff | (1,811) | (9,017) | (10,828) |
| Change in fair value due to market changes | 4,417 | 12,556 | 16,973 |
| Balance, June 30, 2013 | \$15,582 | \$117,307 | \$132,889 |

Activity in capitalized mortgage servicing rights during the three months ended June 30, 2012 was as follows (in thousands):

| | Purchased | Originated | Total |
|--|-----------|------------|----------|
| Balance, Mar. 31, 2012 | \$21,204 | \$76,934 | \$98,138 |
| Additions, net | — | 9,275 | 9,275 |
| Change in fair value due to loan runoff | (950) | (3,230) | (4,180) |
| Change in fair value due to market changes | (3,893) | (7,557) | (11,450) |
| Balance, June 30, 2012 | \$16,361 | \$75,422 | \$91,783 |

Activity in capitalized mortgage servicing rights during the six months ended June 30, 2012 was as follows (in thousands):

| | Purchased | Originated | Total |
|----------------------------|-----------|------------|----------|
| Balance, December 31, 2011 | \$18,903 | \$67,880 | \$86,783 |
| Additions, net | — | 17,647 | 17,647 |

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| | | | | |
|--|----------|----------|----------|---|
| Change in fair value due to loan runoff | (1,960 |) (6,364 |) (8,324 |) |
| Change in fair value due to market changes | (582 |) (3,741 |) (4,323 |) |
| Balance, June 30, 2012 | \$16,361 | \$75,422 | \$91,783 | |

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

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

| | June 30, 2013 | December 31, 2012 | June 30, 2012 |
|---|-----------------|-------------------|-----------------|
| Discount rate – risk-free rate plus a market premium | 10.25% | 10.29% | 10.33% |
| Prepayment rate – based upon loan interest rate, original term and loan type | 7.00% - 32.30% | 8.38% - 43.94% | 11.44% - 53.10% |
| Loan servicing costs – annually per loan based upon loan type: | | | |
| Performing loans | \$58 - \$105 | \$55 - \$105 | \$55 - \$105 |
| Delinquent loans | \$135 - \$500 | \$135 - \$500 | \$135 - \$500 |
| Loans in foreclosure | \$875 - \$4,250 | \$875 - \$4,250 | \$875 - \$3,750 |
| Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life | 1.56% | 0.87% | 1.28% |

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

Stratification of the residential mortgage loan servicing portfolio and outstanding principal of loans serviced for others by interest rate at June 30, 2013 follows (in thousands):

| | < 4.00% | 4.00% - 4.99% | 5.00% - 5.99% | > 5.99% | Total |
|--|-------------|---------------|---------------|-------------|--------------|
| Fair value | \$57,807 | \$41,673 | \$26,815 | \$6,594 | \$132,889 |
| Outstanding principal of loans serviced for others | \$5,075,651 | \$3,739,420 | \$2,551,306 | \$1,375,274 | \$12,741,651 |
| Weighted average prepayment rate ¹ | 7.00 | % 8.51 | % 12.70 | % 32.30 | % 11.31 |

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

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At June 30, 2013, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedge by \$207 thousand. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedge by \$586 thousand. In the model, changes in the value of servicing rights due to changes in interest rates assume stable relationships between residential mortgage rates and prepayment speeds. Changes in market conditions can cause variations from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

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The aging status of our mortgage loans serviced for others by investor at June 30, 2013 follows (in thousands):

| | Current | Past Due 30 to 59 Days | 60 to 89 Days | 90 Days or More | Total |
|-------|--------------|------------------------------|------------------|--------------------|--------------|
| FHLMC | \$4,496,062 | \$41,399 | \$9,992 | \$36,381 | \$4,583,834 |
| FNMA | 3,409,245 | 24,891 | 5,136 | 16,941 | 3,456,213 |
| GNMA | 4,245,789 | 143,568 | 31,781 | 13,973 | 4,435,111 |
| Other | 258,397 | 2,103 | 620 | 5,373 | 266,493 |
| Total | \$12,409,493 | \$211,961 | \$47,529 | \$72,668 | \$12,741,651 |

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The Company has off-balance sheet credit risk related to residential mortgage loans sold to U.S. government agencies with recourse prior to 2008 under various community development programs. These loans consist of first lien, fixed-rate residential mortgage loans underwritten to standards approved by the agencies including full documentation and originated under programs available only for owner-occupied properties. However, these loans have a higher risk of delinquency and loss given default than traditional residential mortgage loans. The Company no longer sells residential mortgage loans with recourse other than obligations under standard representations and warranties. The recourse obligation relates to loan performance for the life of the loan and the Company is obligated to repurchase the loan at the time of foreclosure for the unpaid principal balance plus unpaid interest. The principal balance of residential mortgage loans sold subject to recourse obligations totaled \$212 million at June 30, 2013, \$227 million at December 31, 2012 and \$241 million at June 30, 2012. A separate accrual for these off-balance sheet commitments is included in Other liabilities in the Consolidated Balance Sheets totaling \$10 million at June 30, 2013, \$11 million at December 31, 2012 and \$18 million at June 30, 2012. At June 30, 2013, approximately 6% of the loans sold with recourse with an outstanding principal balance of \$12 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 6% with an outstanding balance of \$13 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in Mortgage banking costs in the Consolidated Statements of Earnings.

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

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|-----------|------------------|-----------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Beginning balance | \$10,075 | \$18,651 | \$11,359 | \$18,683 |
| Provision for recourse losses | 430 | 768 | (331) |) 2,440 |
| Loans charged off, net | (840) |) (1,587) |) (1,363) |) (3,291) |
| Ending balance | \$9,665 | \$17,832 | \$9,665 | \$17,832 |

The Company also has an off-balance sheet obligation to repurchase or provide indemnification for residential mortgage loans sold to government sponsored entities due to standard representations and warranties made under contractual agreements. The Company has established an accrual for credit losses related to potential loan repurchases under representations and warranties that is included in Other liabilities in the Consolidated Balance Sheets and in Mortgage banking costs in the Consolidated Statements of Earnings. The level of repurchases and indemnifications related to standard representations and warranties has remained low. The Company repurchased 4 loans from the agencies for \$575 thousand during the second quarter of 2013 and recognized \$68 thousand of related losses. There were no indemnification on loans paid during second quarter of 2013.

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

| | June 30, 2013 | December 31, 2012 |
|--|---------------|----------------------|
| Number of unresolved deficiency requests | 464 | 389 |
| Aggregate outstanding principal balance subject to unresolved deficiency requests | \$55,517 | \$44,831 |
| Unpaid principal balance subject to indemnification by the Company | 1,774 | 1,233 |
| Accrual for credit losses related to potential loan repurchases under representations and warranties | 6,181 | 5,291 |
| (6) Employee Benefits | | |

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. The Company recognized periodic pension expense of \$500 thousand and \$965 thousand for the three months ended June 30, 2013 and 2012, respectively and \$1.0 million and \$1.9 million for the six months ended June 30, 2013 and 2012, respectively. The Company made no Pension Plan contributions during the three and six months ended June 30, 2013 and 2012.

Management has been advised that the maximum allowable contribution for 2013 is \$23 million. No minimum contribution is required for 2013.

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(7) Commitments and Contingent Liabilities

Litigation Contingencies

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

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

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

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

Alternative Investment Commitments

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

BOKF Equity, LLC, an indirect wholly-owned subsidiary, is the general partner of two consolidated private equity funds ("the Funds"). The Funds provide alternative investment opportunities to certain customers, some of which are related parties, through unaffiliated limited partnerships. These unaffiliated limited partnerships generally invest in distressed assets, asset buy-outs or venture capital companies. As general partner, BOKF Equity, LLC has the power to direct activities that most significantly affect the Funds' performance and contingent obligations to make additional investments totaling \$7.0 million at June 30, 2013. Substantially all of the obligations are offset by limited partner commitments. The Company does not accrue its contingent liability to fund investments. The Volcker Rule in Title VI of the Dodd-Frank Act limits both the amount and structure of these types of investments. As a result, the Company's private equity activity might be curtailed.

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

to absorb losses of the variable interest that could be significant to the variable interest.

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

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A summary of consolidated and unconsolidated alternative investments as of June 30, 2013, December 31, 2012 and June 30, 2012 is as follows (in thousands):

| | June 30, 2013 | | | | |
|----------------------|-------------------|--------------|-------------------|------------------|--------------------------|
| | Loans | Other assets | Other liabilities | Other borrowings | Non-controlling interest |
| Consolidated: | | | | | |
| Private equity funds | \$— | \$28,379 | \$— | \$— | \$23,418 |
| Tax credit entities | 10,000 | 13,706 | — | 10,964 | 10,000 |
| Other | — | 8,483 | — | — | 1,827 |
| Total consolidated | \$10,000 | \$50,568 | \$— | \$10,964 | \$35,245 |
| Unconsolidated: | | | | | |
| Tax credit entities | \$26,851 | \$86,327 | \$37,864 | \$— | \$— |
| Other | — | 9,371 | 1,775 | — | — |
| Total unconsolidated | \$26,851 | \$95,698 | \$39,639 | \$— | \$— |
| | December 31, 2012 | | | | |
| | Loans | Other assets | Other liabilities | Other borrowings | Non-controlling interest |
| Consolidated: | | | | | |
| Private equity funds | \$— | \$28,169 | \$— | \$— | \$23,691 |
| Tax credit entities | 10,000 | 13,965 | — | 10,964 | 10,000 |
| Other | — | 8,952 | — | — | 2,130 |
| Total consolidated | \$10,000 | \$51,086 | \$— | \$10,964 | \$35,821 |
| Unconsolidated: | | | | | |
| Tax credit entities | \$22,354 | \$78,109 | \$43,052 | \$— | \$— |
| Other | — | 9,113 | 1,802 | — | — |
| Total unconsolidated | \$22,354 | \$87,222 | \$44,854 | \$— | \$— |
| | June 30, 2012 | | | | |
| | Loans | Other assets | Other liabilities | Other borrowings | Non-controlling interest |
| Consolidated: | | | | | |
| Private equity funds | \$— | \$31,492 | \$— | \$— | \$26,648 |
| Tax credit entities | 10,000 | 14,224 | — | 10,964 | 10,000 |
| Other | — | 7,031 | — | — | 139 |
| Total consolidated | \$10,000 | \$52,747 | \$— | \$10,964 | \$36,787 |
| Unconsolidated: | | | | | |
| Tax credit entities | \$13,626 | \$71,298 | \$39,510 | \$— | \$— |
| Other | — | 9,298 | 1,943 | — | — |
| Total unconsolidated | \$13,626 | \$80,596 | \$41,453 | \$— | \$— |

Other Commitments and Contingencies

At June 30, 2013, Cavanal Hill Funds' assets included \$860 million of U.S. Treasury, \$1.0 billion of cash management and \$300 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 June 30, 2013. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at \$1.00. No assets were purchased from the funds in 2013 or 2012.

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

The Company agreed to guarantee rents totaling \$28.7 million through September of 2017 to the City of Tulsa as owner of a building immediately adjacent to the Bank's main office for space currently rented by third-party tenants in the building. All rent payments are current. Remaining guaranteed rents totaled \$12.8 million at June 30, 2013. Current leases expire or are subject to lessee termination options at various dates in 2013 and 2014. Our obligation under the agreement would be affected by lessee decisions to exercise these options. In return for this guarantee, the Company will receive 80% of net cash flow as defined in an agreement with the City of Tulsa through September 2017 from rental of space that was vacant at the inception of the agreement. The maximum amount that the Company may receive under this agreement is \$4.5 million.

The Company has agreed to purchase approximately \$13 million of Oklahoma income tax credits from certain operators of zero emission power facilities from 2013 to 2014. Tax credits are generated based on power sold to unrelated third parties and are transferable for a period of ten years following the year of creation. Tax credits will be sold to qualifying taxpayers as BOK Financial is limited by statute on the amount of credits that may be utilized. Oklahoma statutes were amended in May 2013, so that beginning in the year 2014, transferable credits will no longer be generated by zero emission power facilities. Prior to the amended statute, the Company anticipated credits would be purchased through 2022 under long term contracts with the producers. The agreements contained provisions that they may be terminated in the event of changes in federal law or Oklahoma statutes invalidating the tax credits or their transferability.

(8) Shareholders' Equity

The Company will pay a quarterly cash dividend of \$0.38 per common share on or about August 30, 2013 to shareholders of record as of August 16, 2013.

Dividends declared during the three and six months ended June 30, 2013 were \$0.38 and \$0.76 per share, respectively. Dividends declared during the three and six months ended June 30, 2012 were \$0.38 and \$0.71 per share, respectively.

Accumulated Other Comprehensive Income (Loss)

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

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

| | Unrealized Gain (Loss) on | | | | | Total |
|---|-------------------------------------|---|------------------------------|---|------------|-------|
| | Available for Sale Securities | Investment Securities Transferred from AFS | Employee Benefit Plans | Loss on Effective Cash Flow Hedges | | |
| Balance, December 31, 2011 | \$ 135,740 | \$ 6,673 | \$(12,742) | \$(692) | \$ 128,979 | |
| Net change in unrealized gain (loss) | 40,325 | — | (291) | — | 40,034 | |
| Reclassification adjustments included in earnings: | | | | | | |
| Interest revenue, Investment securities, Taxable securities | — | (3,421) | — | — | (3,421) | |
| Interest expense, Subordinated debentures | — | — | — | 331 | 331 | |
| Net impairment losses recognized in earnings | 4,580 | — | — | — | 4,580 | |
| Gain on available for sale securities, net | (24,812) | — | — | — | (24,812) | |
| Other comprehensive income (loss), before income taxes | 20,093 | (3,421) | (291) | 331 | 16,712 | |
| Income tax benefit (expense) ¹ | (7,816) | 1,331 | 113 | (129) | (6,501) | |
| Other comprehensive income (loss), net of income taxes | 12,277 | (2,090) | (178) | 202 | 10,211 | |
| Balance, June 30, 2012 | \$ 148,017 | \$ 4,583 | \$(12,920) | \$(490) | \$ 139,190 | |
| Balance, December 31, 2012 | \$ 155,553 | \$ 3,078 | \$(8,296) | \$(415) | \$ 149,920 | |
| Net change in unrealized gains (losses) | (204,545) | — | — | — | (204,545) | |
| Reclassification adjustments included in earnings: | | | | | | |
| Interest revenue, Investment securities, Taxable securities | — | (2,021) | — | — | (2,021) | |
| Interest expense, Subordinated debentures | — | — | — | 124 | 124 | |
| Net impairment losses recognized in earnings | 799 | — | — | — | 799 | |
| Gain on available for sale securities, net | (8,608) | — | — | — | (8,608) | |

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| | | | | | |
|--|------------|----------|------------|---------|------------|
| Other comprehensive income (loss), before income taxes | (212,354) | (2,021) | — | 124 | (214,251) |
| Income tax benefit (expense) ¹ | 82,605 | 788 | — | (48) | 83,345 |
| Other comprehensive income (loss), net of income taxes | (129,749) | (1,233) | — | 76 | (130,906) |
| Balance, June 30, 2013 | \$25,804 | \$1,845 | \$(8,296) | \$(339) | \$19,014 |

¹ Calculated using a 39% effective tax rate.

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(9) Earnings Per Share

| (In thousands, except share and per share amounts) | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------|------------------|------------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Numerator: | | | | |
| Net income attributable to BOK Financial Corp. shareholders | \$79,931 | \$97,628 | \$167,895 | \$181,243 |
| Less: Earnings allocated to participating securities | 854 | 977 | 1,825 | 1,716 |
| Numerator for basic earnings per share – income available to common shareholders | 79,077 | 96,651 | 166,070 | 179,527 |
| Effect of reallocating undistributed earnings of participating securities | 2 | 3 | 4 | 5 |
| Numerator for diluted earnings per share – income available to common shareholders | \$79,079 | \$96,654 | \$166,074 | \$179,532 |
| Denominator: | | | | |
| Weighted average shares outstanding | 68,719,694 | 68,152,242 | 68,645,247 | 68,214,648 |
| Less: Participating securities included in weighted average shares outstanding | 725,872 | 679,577 | 740,648 | 641,368 |
| Denominator for basic earnings per common share | 67,993,822 | 67,472,665 | 67,904,599 | 67,573,280 |
| Dilutive effect of employee stock compensation plans ¹ | 218,675 | 272,163 | 222,152 | 274,379 |
| Denominator for diluted earnings per common share | 68,212,497 | 67,744,828 | 68,126,751 | 67,847,659 |
| Basic earnings per share | \$1.16 | \$1.43 | \$2.45 | \$2.66 |
| Diluted earnings per share | \$1.16 | \$1.43 | \$2.44 | \$2.65 |
| ¹ Excludes employee stock options with exercise prices greater than current market price. | — | 366,407 | — | 361,558 |

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(10) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2013 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Funds Management and Other | BOK Financial Consolidated | |
|---|--------------|-------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources | \$90,505 | \$24,830 | \$6,557 | \$45,264 | \$167,156 | |
| Net interest revenue (expense) from internal sources | (9,375 |) 5,167 | \$5,093 | (885 |) — | |
| Net interest revenue | 81,130 | 29,997 | 11,650 | 44,379 | 167,156 | |
| Provision for credit losses | 86 | 1,402 | 931 | (2,419 |) — | |
| Net interest revenue after provision for credit losses | 81,044 | 28,595 | 10,719 | 46,798 | 167,156 | |
| Other operating revenue | 43,411 | 47,993 | 55,164 | 4,193 | 150,761 | |
| Other operating expense | 59,746 | 43,320 | 61,692 | 31,848 | 196,606 | |
| Net income before taxes | 64,709 | 33,268 | 4,191 | 19,143 | 121,311 | |
| Federal and state income taxes | 25,172 | 12,941 | 1,630 | 1,680 | 41,423 | |
| Net income | 39,537 | 20,327 | 2,561 | 17,463 | 79,888 | |
| Net loss attributable to non-controlling interest | — | — | — | (43 |) (43 |) |
| Net income attributable to BOK Financial Corp. shareholders | \$39,537 | \$20,327 | \$2,561 | \$17,506 | \$79,931 | |
| Average assets | \$10,359,660 | \$5,695,098 | \$4,543,947 | \$7,060,619 | \$27,659,324 | |
| Average invested capital | 899,088 | 297,675 | 206,216 | 1,624,675 | 3,027,654 | |
| Performance measurements: | | | | | | |
| Return on average assets | 1.53 | % 1.43 | % 0.23 | % | 1.16 | % |
| Return on average invested capital | 17.64 | % 27.39 | % 4.99 | % | 10.59 | % |
| Efficiency ratio | 48.00 | % 63.10 | % 92.43 | % | 63.11 | % |

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Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2013 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Funds Management and Other | BOK Financial Consolidated | |
|---|--------------|-------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources | \$181,349 | \$48,925 | \$13,073 | \$94,214 | \$337,561 | |
| Net interest revenue (expense) from internal sources | (18,502) | 10,650 | \$10,371 | (2,519) | — | |
| Net interest revenue | 162,847 | 59,575 | 23,444 | 91,695 | 337,561 | |
| Provision for credit losses | 1,107 | 2,332 | 1,449 | (12,888) | (8,000) | |
| Net interest revenue after provision for credit losses | 161,740 | 57,243 | 21,995 | 104,583 | 345,561 | |
| Other operating revenue | 84,843 | 105,135 | 107,767 | 12,090 | 309,835 | |
| Other operating expense | 118,826 | 95,690 | 118,701 | 64,713 | 397,930 | |
| Net income before taxes | 127,757 | 66,688 | 11,061 | 51,960 | 257,466 | |
| Federal and state income taxes | 49,697 | 25,942 | 4,303 | 8,577 | 88,519 | |
| Net income | 78,060 | 40,746 | 6,758 | 43,383 | 168,947 | |
| Net income attributable to non-controlling interest | — | — | — | 1,052 | 1,052 | |
| Net income attributable to BOK Financial Corp. shareholders | \$78,060 | \$40,746 | \$6,758 | \$42,331 | \$167,895 | |
| Average assets | \$10,486,541 | \$5,709,448 | \$4,615,054 | \$6,775,738 | \$27,586,781 | |
| Average invested capital | 895,749 | 297,376 | 204,158 | 1,615,545 | 3,012,828 | |
| Performance measurements: | | | | | | |
| Return on average assets | 1.50 | % 1.44 | % 0.29 | % | 1.23 | % |
| Return on average invested capital | 17.57 | % 27.63 | % 6.66 | % | 11.24 | % |
| Efficiency ratio | 47.99 | % 61.19 | % 90.87 | % | 62.07 | % |

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Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended June 30, 2012 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Funds Management and Other | BOK Financial Consolidated | |
|---|-------------|-------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources | \$93,549 | \$25,723 | \$7,137 | \$54,952 | \$181,361 | |
| Net interest revenue (expense) from internal sources | (11,439) | 4,803 | 5,194 | 1,442 | — | |
| Net interest revenue | 82,110 | 30,526 | 12,331 | 56,394 | 181,361 | |
| Provision for credit losses | 748 | 4,221 | 521 | (13,490) | (8,000) | |
| Net interest revenue after provision for credit losses | 81,362 | 26,305 | 11,810 | 69,884 | 189,361 | |
| Other operating revenue | 52,158 | 74,520 | 51,556 | 8,026 | 186,260 | |
| Other operating expense | 62,625 | 75,602 | 53,264 | 31,520 | 223,011 | |
| Net income before taxes | 70,895 | 25,223 | 10,102 | 46,390 | 152,610 | |
| Federal and state income taxes | 27,578 | 9,812 | 3,930 | 11,829 | 53,149 | |
| Net income | 43,317 | 15,411 | 6,172 | 34,561 | 99,461 | |
| Net loss attributable to non-controlling interest | — | — | — | 1,833 | 1,833 | |
| Net income attributable to BOK Financial Corp. shareholders | \$43,317 | \$15,411 | \$6,172 | \$32,728 | \$97,628 | |
| Average assets | \$9,865,389 | \$5,660,601 | \$4,166,137 | \$5,846,390 | \$25,538,517 | |
| Average invested capital | 862,816 | 289,443 | 176,703 | 1,539,771 | 2,868,733 | |
| Performance measurements: | | | | | | |
| Return on average assets | 1.77 | % 1.09 | % 0.59 | % | 1.54 | % |
| Return on average invested capital | 20.19 | % 21.41 | % 14.01 | % | 13.69 | % |
| Efficiency ratio | 52.23 | % 67.66 | % 83.80 | % | 61.98 | % |

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Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2012 is as follows (in thousands):

| | Commercial | Consumer | Wealth Management | Funds Management and Other | BOK Financial Consolidated | |
|---|--------------|--------------|----------------------|----------------------------------|----------------------------------|---|
| Net interest revenue from external sources | \$ 183,041 | \$ 52,310 | \$ 14,277 | \$ 105,302 | \$ 354,930 | |
| Net interest revenue (expense) from internal sources | (23,488) | 9,683 | 10,051 | 3,754 | — | |
| Net interest revenue | 159,553 | 61,993 | 24,328 | 109,056 | 354,930 | |
| Provision for credit losses | 7,140 | 5,653 | 1,171 | (21,964) | (8,000) | |
| Net interest revenue after provision for credit losses | 152,413 | 56,340 | 23,157 | 131,020 | 362,930 | |
| Other operating revenue | 90,950 | 124,760 | 97,949 | 9,882 | 323,541 | |
| Other operating expense | 118,485 | 122,913 | 104,589 | 59,161 | 405,148 | |
| Net income before taxes | 124,878 | 58,187 | 16,517 | 81,741 | 281,323 | |
| Federal and state income taxes | 48,578 | 22,635 | 6,425 | 21,031 | 98,669 | |
| Net income | 76,300 | 35,552 | 10,092 | 60,710 | 182,654 | |
| Net income attributable to non-controlling interest | — | — | — | 1,411 | 1,411 | |
| Net income attributable to BOK Financial Corp. shareholders | \$ 76,300 | \$ 35,552 | \$ 10,092 | \$ 59,299 | \$ 181,243 | |
| Average assets | \$ 9,939,627 | \$ 5,722,627 | \$ 4,167,268 | \$ 5,698,028 | \$ 25,527,550 | |
| Average invested capital | 883,408 | 286,420 | 175,376 | 1,506,779 | 2,851,983 | |
| Performance measurements: | | | | | | |
| Return on average assets | 1.54 | % 1.25 | % 0.49 | % | 1.43 | % |
| Return on average invested capital | 17.37 | % 24.96 | % 11.60 | % | 12.78 | % |
| Efficiency ratio | 50.19 | % 65.08 | % 85.73 | % | 60.42 | % |

(11) Fair Value Measurements

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

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

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

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

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

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

Transfers between levels are recognized as of the end of the reporting period. There were no transfers in or out of quoted prices in active markets for identical instruments, significant other observable inputs or significant unobservable inputs during the six months ended June 30, 2013 and 2012, respectively.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on all observable inputs, management may adjust prices obtained from third-party pricing services to more appropriately reflect the prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market. No significant adjustments were made to prices provided by third-party pricing services at June 30, 2013, December 31, 2012 or June 30, 2012.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of June 30, 2013 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|--|------------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities: | | | | |
| U.S. Government agency debentures | \$60,713 | \$— | \$60,713 | \$— |
| U.S. agency residential mortgage-backed securities | 43,858 | — | 43,858 | — |
| Municipal and other tax-exempt securities | 53,819 | — | 53,819 | — |
| Other trading securities | 32,201 | — | 32,201 | — |
| Total trading securities | 190,591 | — | 190,591 | — |
| Available for sale securities: | | | | |
| U.S. Treasury | 1,060 | 1,060 | — | — |
| Municipal and other tax-exempt | 95,103 | — | 56,256 | 38,847 |
| U.S. agency residential mortgage-backed securities | 8,372,795 | — | 8,372,795 | — |
| Privately issued residential mortgage-backed securities | 297,175 | — | 297,175 | — |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 1,846,943 | — | 1,846,943 | — |
| Other debt securities | 35,894 | — | 30,701 | 5,193 |
| Perpetual preferred stock | 25,583 | — | 25,583 | — |
| Equity securities and mutual funds | 23,521 | 5,119 | 16,155 | 2,247 |
| Total available for sale securities | 10,698,074 | 6,179 | 10,645,608 | 46,287 |
| Fair value option securities: | | | | |
| U.S. agency residential mortgage-backed securities | 203,816 | — | 203,816 | — |
| Other securities | 1,940 | — | 1,940 | — |
| Total fair value option securities | 205,756 | — | 205,756 | — |
| Residential mortgage loans held for sale | 301,057 | — | 301,057 | — |
| Mortgage servicing rights ¹ | 132,889 | — | — | 132,889 |
| Derivative contracts, net of cash margin ² | 546,206 | 17,588 | 528,618 | — |
| Other assets – private equity funds | 28,379 | — | — | 28,379 |
| Liabilities: | | | | |
| Derivative contracts, net of cash margin ² | 521,991 | — | 521,991 | — |

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 5, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted

² prices in active markets for identical instruments (Level 1) are exchange-traded energy and agricultural derivative contracts, net of cash margin.

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2012 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|--|------------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities: | | | | |
| U.S. Government agency debentures | \$16,545 | \$— | \$16,545 | \$— |
| U.S. agency residential mortgage-backed securities | 86,361 | — | 86,361 | — |
| Municipal and other tax-exempt securities | 90,326 | — | 90,326 | — |
| Other trading securities | 20,870 | — | 20,870 | — |
| Total trading securities | 214,102 | — | 214,102 | — |
| Available for sale securities: | | | | |
| U.S. Treasury | 1,002 | 1,002 | — | — |
| Municipal and other tax-exempt | 87,142 | — | 46,440 | 40,702 |
| U.S. agency residential mortgage-backed securities | 9,889,821 | — | 9,889,821 | — |
| Privately issued residential mortgage-backed securities | 325,163 | — | 325,163 | — |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 895,075 | — | 895,075 | — |
| Other debt securities | 36,389 | — | 30,990 | 5,399 |
| Perpetual preferred stock | 25,072 | — | 25,072 | — |
| Equity securities and mutual funds | 27,557 | 4,165 | 21,231 | 2,161 |
| Total available for sale securities | 11,287,221 | 5,167 | 11,233,792 | 48,262 |
| Fair value option securities: | | | | |
| U.S. agency residential mortgage-backed securities | 257,040 | — | 257,040 | — |
| Corporate debt securities | 26,486 | — | 26,486 | — |
| Other securities | 770 | — | 770 | — |
| Total fair value option securities | 284,296 | — | 284,296 | — |
| Residential mortgage loans held for sale | 293,762 | — | 293,762 | — |
| Mortgage servicing rights ¹ | 100,812 | — | — | 100,812 |
| Derivative contracts, net of cash margin ² | 338,106 | 11,597 | 326,509 | — |
| Other assets – private equity funds | 28,169 | — | — | 28,169 |
| Liabilities: | | | | |
| Derivative contracts, net of cash margin ² | 283,589 | — | 283,589 | — |

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 5, Mortgage Banking Activities.

See Note 3 for detail of fair value of derivative contracts by contract type. Derivative contracts based on quoted

² prices in active markets for identical instruments (Level 1) are exchange-traded energy and agricultural derivative contracts, net of cash margin.

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of June 30, 2012 (in thousands):

| | Total | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs |
|---|------------|--|--|---------------------------------------|
| Assets: | | | | |
| Trading securities: | | | | |
| U.S. Government agency debentures | \$53,514 | \$992 | \$52,522 | \$— |
| U.S. agency residential mortgage-backed securities | 46,502 | — | 46,502 | — |
| Municipal and other tax-exempt securities | 44,632 | — | 44,632 | 1,852 |
| Other trading securities | 4,669 | — | 4,545 | 124 |
| Total trading securities | 149,317 | 992 | 148,201 | 1,976 |
| Available for sale securities: | | | | |
| U.S. Treasury | 1,003 | 1,003 | — | — |
| Municipal and other tax-exempt | 88,458 | — | 46,796 | 41,662 |
| U.S. agency residential mortgage-backed securities | 9,903,532 | — | 9,903,532 | — |
| Privately issued residential mortgage-backed securities | 317,761 | — | 317,761 | — |
| Other debt securities | 36,286 | — | 30,898 | 5,388 |
| Perpetual preferred stock | 23,431 | — | 23,431 | — |
| Equity securities and mutual funds | 24,944 | 6,912 | 18,032 | — |
| Total available for sale securities | 10,395,415 | 7,915 | 10,340,450 | 47,050 |
| Fair value option securities: | | | | |
| U.S. agency residential mortgage-backed securities | 299,467 | — | 299,467 | — |
| Corporate debt securities | 25,710 | — | 25,710 | — |
| Total fair value option securities | 325,177 | — | 325,177 | — |
| Residential mortgage loans held for sale | 259,174 | — | 259,174 | — |
| Mortgage servicing rights ¹ | 91,783 | — | — | 91,783 |
| Derivative contracts, net of cash margin ² | 366,204 | 802 | 365,402 | — |
| Other assets – private equity funds | 31,492 | — | — | 31,492 |
| Liabilities: | | | | |
| Derivative contracts, net of cash margin ² | 370,053 | 251 | 369,802 | — |

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 5, Mortgage Banking Activities.

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

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

Securities

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

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

Derivatives

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

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

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

Residential Mortgage Loans Held for Sale

Residential mortgage loans held for sale are carried on the balance sheet at fair value. The fair values of residential mortgage loans held for sale are based upon quoted market prices of such loans sold in securitization transactions, including related unfunded loan commitments.

Other Assets - Private Equity Funds

The fair value of the portfolio investments of the Company's two private equity funds are based upon net asset value reported by the underlying funds, as adjusted by the general partner when necessary to represent the price that would be received to sell the assets. The Company's private equity funds provide customers alternative investment opportunities as limited partners of the funds. As fund of funds, the private equity funds invest in other limited partnerships or limited liability companies that invest substantially all of their assets in U.S. companies pursuing diversified investment strategies including early-stage venture capital, distressed securities and corporate or asset

buy-outs. Private equity fund assets are long-term, illiquid investments. No secondary market exists for these assets. The private equity funds typically invest in funds that provide no redemption rights to investors. The fair value of the private equity investments may only be realized through cash distributions from the underlying funds.

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The following represents the changes for the three months ended June 30, 2013 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | | |
|--|--------------------------------|-----------------------|------------------------------------|-------------------------------------|
| | Municipal and other tax-exempt | Other debt securities | Equity securities and mutual funds | Other assets – private equity funds |
| Balance, Mar. 31, 2013 | \$39,007 | \$5,193 | \$2,472 | \$29,216 |
| Purchases and capital calls | — | — | — | 148 |
| Redemptions and distributions | — | — | — | (1,005) |
| Gain (loss) recognized in earnings: | | | | |
| Gain on other assets, net | — | — | — | 20 |
| Gain on available for sale securities, net | — | — | — | — |
| Other-than-temporary impairment losses | — | — | — | — |
| Other comprehensive gain (loss) | (160) | — | (225) | — |
| Balance, June 30, 2013 | \$38,847 | \$5,193 | \$2,247 | \$28,379 |

The following represents the changes for the six months ended June 30, 2013 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | | |
|--|--------------------------------|-----------------------|------------------------------------|-------------------------------------|
| | Municipal and other tax-exempt | Other debt securities | Equity securities and mutual funds | Other assets – private equity funds |
| Balance, Dec. 31, 2012 | \$40,702 | \$5,399 | \$2,161 | \$28,169 |
| Purchases and capital calls | — | — | — | 640 |
| Redemptions and distributions | (98) | — | — | (1,835) |
| Gain (loss) recognized in earnings: | | | | |
| Gain on other assets, net | — | — | — | 1,405 |
| Gain on available for sale securities, net | — | — | — | — |
| Other-than-temporary impairment losses | — | — | — | — |
| Other comprehensive gain (loss) | (1,757) | (206) | 86 | — |
| Balance, June 30, 2013 | \$38,847 | \$5,193 | \$2,247 | \$28,379 |

The following represents the changes for the three months ended June 30, 2012 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | | |
|--|--------------------------------|-----------------------|-------------------------------------|--|
| | Municipal and other tax-exempt | Other debt securities | Other assets – private equity funds | |
| Balance, Mar. 31, 2012 | \$41,977 | \$5,900 | \$30,993 | |
| Purchases, and capital calls | — | — | 820 | |
| Redemptions and distributions | (363) | (500) | (2,559) | |
| Gain (loss) recognized in earnings: | | | | |
| Gain (loss) on other assets, net | — | — | 2,238 | |
| Gain on available for sale securities, net | — | — | — | |
| Other-than-temporary impairment losses | — | — | — | |

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| | | | |
|----------------------------|----------|---------|----------|
| Other comprehensive (loss) | 48 | (12 |) — |
| Balance, June 30, 2012 | \$41,662 | \$5,388 | \$31,492 |

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The following represents the changes for the six months ended June 30, 2012 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

| | Available for Sale Securities | | |
|--|--------------------------------|-----------------------|-------------------------------------|
| | Municipal and other tax-exempt | Other debt securities | Other assets – private equity funds |
| Balance, Dec. 31, 2011 | \$42,353 | \$5,900 | \$30,902 |
| Purchases, and capital calls | — | — | 1,909 |
| Redemptions and distributions | (463 |) (500 |) (3,166 |
| Gain (loss) recognized in earnings | | | |
| Gain (loss) on other assets, net | — | — | 1,847 |
| Gain on available for sale securities, net | 1 | — | — |
| Other-than-temporary impairment losses | — | — | — |
| Other comprehensive (loss) | (229 |) (12 |) — |
| Balance, June 30, 2012 | \$41,662 | \$5,388 | \$31,492 |

A summary of quantitative information about assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of June 30, 2013 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

| | Par Value | Amortized Cost ⁶ | Fair Value | Valuation Technique(s) | Unobservable Input | Range (Weighted Average) | |
|---|-----------|-----------------------------|------------|--|--|--------------------------|---|
| Available for sale securities | | | | | | | |
| Municipal and other tax-exempt securities | | | | | | | |
| Investment grade | \$28,470 | \$28,375 | \$27,116 | Discounted cash flows | 1 Interest rate spread | 4.99%-5.49% (5.24%) | 2 |
| | | | | | | 95.01%-95.6% (95.25%) | 3 |
| | | | | | | 9.15%-11.19% (9.87%) | 4 |
| Below investment grade | 17,000 | 12,384 | 11,731 | Discounted cash flows | 1 Interest rate spread | 68.91%-69.09% (69.01%) | 3 |
| Total municipal and other tax-exempt securities | 45,470 | 40,759 | 38,847 | | | | |
| Other debt securities | 5,400 | 5,400 | 5,193 | Discounted cash flows | 1 Interest rate spread | 4.41%-5.69% (5.48%) | 5 |
| | | | | | | 96.13%-96.16% (96.16%) | 3 |
| Equity securities and mutual funds | N/A | 2,420 | 2,247 | Tangible book value per share of publicly traded financial | Peer group tangible book value per share and liquidity | N/A | 7 |

| | | | | | | |
|-------------------------------------|-----|-----|--------|--|---|-----|
| | | | | institutions of similar size, less liquidity discount. | discount. | |
| Other assets - private equity funds | N/A | N/A | 28,379 | Net asset value reported by underlying fund | Net asset value reported by underlying fund | N/A |

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

² Interest rate yields used to value investment grade tax-exempt securities represent a spread of 457 to 520 basis points over average yields for comparable tax-exempt securities.

³ Represents fair value as a percentage of par value

⁴ Interest rate yields determined using a spread of 700 basis points over comparable municipal securities of varying durations.

⁵ Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

⁶ Amortized cost reduced by other-than-temporary impairments recorded in earnings. See Note 2 for additional discussion.

⁷ Fair value of shares of a smaller privately-held financial institution were valued using the tangible book value per share of similarly sized financial institutions within the immediate geographical market with a discount of 20% due to the liquidity of the shares.

The fair value of these securities measured at fair value using significant unobservable inputs are sensitive primarily to changes in interest rate spreads. At June 30, 2013, for tax-exempt securities rated investment grade by all nationally-recognized rating

agencies, a 100 basis point increase in the spreads over average yields for comparable securities would result in an additional decrease in the fair value of \$262 thousand. For taxable securities rated investment grade by all nationally-recognized rating agencies, a 100 basis point increase in the spreads over average yield for comparable securities would result in an additional decrease in the fair value of \$50 thousand. For municipal and other tax-exempt securities rated below investment grade by at least one of the nationally-recognized rating agencies, a 100 basis point increase in the spread over average yields for comparable securities would result in an additional decrease in the fair value of these securities of \$330 thousand.

A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of December 31, 2012 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

| | Par Value | Amortized Cost ⁶ | Fair Value | Valuation Technique(s) | Unobservable Input | Range (Weighted Average) | |
|---|-----------|-----------------------------|------------|---|--|--|-------------|
| Available for sale securities | | | | | | | |
| Municipal and other tax-exempt securities | | | | | | | |
| Investment grade | \$28,570 | \$28,473 | \$28,318 | Discounted cash flows | 1 Interest rate spread | 1%-1.5% (1.25%) 98.83%-99.43% (99.12%) 7.21%-9.83% | 2 3 4 |
| Below investment grade | 17,000 | 12,384 | 12,384 | Discounted cash flows | 1 Interest rate spread | (7.82%) 72.79%-73% (72.85%) | 3 |
| Total municipal and other tax-exempt securities | 45,570 | 40,857 | 40,702 | | | | |
| Other debt securities | 5,400 | 5,400 | 5,399 | Discounted cash flows | 1 Interest rate spread | 1.65%-1.71% (1.7%) 100% (100%) | 5 3 |
| Equity securities and mutual funds | N/A | 2,161 | 2,161 | Tangible book value per share of publicly traded financial institutions of similar size, less liquidity discount. | Peer group tangible book per share and liquidity discount. | N/A | 7 |
| Other assets - private equity funds | N/A | N/A | 28,169 | Net asset value reported by underlying fund | Net asset value reported by underlying fund | N/A | |

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

² Interest rate yields used to value investment grade tax-exempt securities represent a spread of 75 to 80 basis points over average yields for comparable tax-exempt securities.

³ Represents fair value as a percentage of par value

⁴ Interest rate yields determined using a spread of 700 basis points over comparable municipal securities of varying durations.

⁵ Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

⁶ Amortized cost reduced by other-than-temporary impairments recorded in earnings. See Note 2 for additional discussion.

⁷ Fair value of shares of a smaller privately-held financial institution were valued using the tangible book value per share of similarly sized financial institutions within the immediate geographical market with a discount of 20% due to the liquidity of the shares.

A summary of quantitative information about Recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of June 30, 2012 follows (in thousands):

Quantitative Information about Level 3 Recurring Fair Value Measurements

| | Par Value | Amortized Cost ⁶ | Fair Value | Valuation Technique(s) | Unobservable Input | Range (Weighted Average) | |
|---|-----------|-----------------------------|------------|---|---|---|--|
| Available for sale securities | | | | | | | |
| Municipal and other tax-exempt securities | | | | | | | |
| Investment grade | \$29,100 | \$28,998 | \$28,858 | Discounted cash flows | ¹ Interest rate spread | 1%-1.5% (1.25%) 98.88%-99.49% (99.17%) 6.2%-9.16% | ² ³ ⁴ |
| Below investment grade | 17,000 | 13,396 | 12,804 | Discounted cash flows | ¹ Interest rate spread | (6.87%) 75.21%-75.49% (75.32%) | ³ |
| Total municipal and other tax-exempt securities | 46,100 | 42,394 | 41,662 | | | | |
| Other debt securities | 5,400 | 5,400 | 5,388 | Discounted cash flows | ¹ Interest rate spread | 1.74%-1.75% (1.74%) 98.72%-100% (99.78%) | ⁵ ³ |
| Other assets - private equity funds | N/A | N/A | 31,492 | Net asset value reported by underlying fund | Net asset value reported by underlying fund | N/A | |

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

² Interest rate yields used to value investment grade tax-exempt securities represent a spread of 75 to 80 basis points over average yields for comparable tax-exempt securities.

³ Represents fair value as a percentage of par value

⁴ Interest rate yields determined using a spread of 600 basis points over comparable municipal securities of varying durations.

⁵ Interest rate yields used to value investment grade taxable securities based on comparable short-term taxable securities which are generally yielding less than 1%.

⁶ Amortized cost reduced by other-than-temporary impairments recorded in earnings. See Note 2 for additional discussion.

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

Assets measured at fair value on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments, collateral for certain impaired loans and real property and other assets acquired to satisfy loans, which are based primarily on comparisons to completed sales of similar assets. In addition, goodwill impairment is evaluated based on the fair value of the Company's reporting units.

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at June 30, 2013 for which the fair value was adjusted during the six months ended June 30, 2013:

| | Carrying Value at June 30, 2013 | | | Fair Value Adjustments for the | | | |
|--|--|--|---------------------------------------|--|--|--|--|
| | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Three Months Ended June 30, 2013 Recognized in: | Net losses and expenses of repossessed assets, net | Six Months Ended June 30, 2013 Recognized in: | Net losses and expenses of repossessed assets, net |
| Impaired loans | \$— | \$10,245 | \$4,930 | \$5,060 | \$— | \$6,601 | \$— |
| Real estate and other repossessed assets | — | 7,949 | 271 | — | 863 | — | 1,014 |

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets with a balance at June 30, 2012 for which the fair value was adjusted during the six months ended June 30, 2012:

| | Carrying Value at June 30, 2012 | | | Fair Value Adjustments for the | | | |
|--|---|-------------------------------------|---------------------------------|---|--|---|--|
| | Quoted Prices in Active Markets for Identical Instruments | Significant Other Observable Inputs | Significant Unobservable Inputs | Three Months Ended June 30, 2012 Recognized in: | Net losses and expenses of repossessed assets, net | Six Months Ended June 30, 2012 Recognized in: | Net losses and expenses of repossessed assets, net |
| Impaired loans | \$— | \$29,369 | \$2,881 | \$4,406 | \$— | \$10,826 | \$— |
| Real estate and other repossessed assets | — | 27,474 | 3,035 | — | 4,488 | — | 6,876 |

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

A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of June 30, 2013 follows (in thousands):

Quantitative Information about Level 3 Non-recurring Fair Value Measurements

| | Fair Value | Valuation Technique(s) | Unobservable Input | Range (Weighted Average) |
|--|------------|----------------------------------|--|----------------------------|
| Impaired loans | \$4,930 | Appraised value, as adjusted | Broker quotes and management's knowledge of industry and collateral. | N/A |
| Real estate and other repossessed assets | 271 | Listing value, less cost to sell | Marketability adjustments off appraised value | 71%-81% (76%) ¹ |

¹ Marketability adjustments include consideration of estimated costs to sell which is approximately 15% of fair value.

A summary of quantitative information about Non-recurring Fair Value Measurements based on Significant Unobservable Inputs (Level 3) as of June 30, 2012 follows (in thousands):

Quantitative Information about Level 3 Non-recurring Fair Value Measurements

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

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| | | | | |
|--|---------|----------------------------------|--|----------------------------|
| Impaired loans | \$2,881 | Appraised value, as adjusted | Broker quotes and management's knowledge of industry and collateral. | N/A |
| Real estate and other repossessed assets | 3,035 | Listing value, less cost to sell | Marketability adjustments off appraised value | 58%-85% (71%) ¹ |

Marketability adjustments include consideration of estimated costs to sell which is approximately 15% of fair value.

¹ In addition, \$887 thousand of real estate and other repossessed assets at June 30, 2012 are based on expert opinions or management's knowledge of the collateral or industry and do not have an independently appraised value.

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Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of June 30, 2013 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$ 1,078,385 | | | | \$ 1,078,385 |
| Trading securities: | | | | | |
| U.S. Government agency debentures | 60,713 | | | | 60,713 |
| U.S. agency residential mortgage-backed securities | 43,858 | | | | 43,858 |
| Municipal and other tax-exempt securities | 53,819 | | | | 53,819 |
| Other trading securities | 32,201 | | | | 32,201 |
| Total trading securities | 190,591 | | | | 190,591 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 375,317 | | | | 371,690 |
| U.S. agency residential mortgage-backed securities | 64,172 | | | | 66,796 |
| Other debt securities | 176,301 | | | | 187,219 |
| Total investment securities | 615,790 | | | | 625,705 |
| Available for sale securities: | | | | | |
| U.S. Treasury | 1,060 | | | | 1,060 |
| Municipal and other tax-exempt | 95,103 | | | | 95,103 |
| U.S. agency residential mortgage-backed securities | 8,372,795 | | | | 8,372,795 |
| Privately issued residential mortgage-backed securities | 297,175 | | | | 297,175 |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 1,846,943 | | | | 1,846,943 |
| Other debt securities | 35,894 | | | | 35,894 |
| Perpetual preferred stock | 25,583 | | | | 25,583 |
| Equity securities and mutual funds | 23,521 | | | | 23,521 |
| Total available for sale securities | 10,698,074 | | | | 10,698,074 |
| Fair value option securities: | | | | | |
| U.S. agency residential mortgage-backed securities | 203,816 | | | | 203,816 |
| Other securities | 1,940 | | | | 1,940 |
| Total fair value option securities | 205,756 | | | | 205,756 |
| Residential mortgage loans held for sale | 301,057 | | | | 301,057 |
| Loans: | | | | | |
| Commercial | 7,708,120 | 0.25 - 30.00 | 0.63 | 0.59 - 4.19 | 7,638,327 |
| Commercial real estate | 2,317,096 | 0.38 - 18.00 | 0.83 | 1.23 - 3.47 | 2,288,188 |
| Residential mortgage | 2,039,785 | 0.38 - 18.00 | 3.64 | 0.70 - 4.46 | 2,038,375 |
| Consumer | 375,781 | 0.38 - 21.00 | 0.35 | 1.26 - 3.74 | 369,375 |
| Total loans | 12,440,782 | | | | 12,334,265 |
| Allowance for loan losses | (203,124) | | | | — |
| Net loans | 12,237,658 | | | | 12,334,265 |

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| | | | | | |
|---|------------|-------------|------|-------------|------------|
| Mortgage servicing rights | 132,889 | | | | 132,889 |
| Derivative instruments with positive fair value, net of cash margin | 546,206 | | | | 546,206 |
| Other assets – private equity funds | 28,379 | | | | 28,379 |
| Deposits with no stated maturity | 16,728,258 | | | | 16,728,258 |
| Time deposits | 2,767,972 | 0.03 - 9.64 | 2.02 | 0.76 - 1.30 | 2,781,202 |
| Other borrowed funds | 4,073,915 | 0.25 - 5.25 | — | 0.07 - 2.66 | 4,034,685 |
| Subordinated debentures | 347,716 | 0.97 - 5.00 | 3.10 | 2.24 | % 345,201 |
| Derivative instruments with negative fair value, net of cash margin | 521,991 | | | | 521,991 |

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The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of December 31, 2012 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|--|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$ 1,286,239 | | | | \$ 1,286,239 |
| Trading securities: | | | | | |
| U.S. Government agency debentures | 16,545 | | | | 16,545 |
| U.S. agency residential mortgage-backed securities | 86,361 | | | | 86,361 |
| Municipal and other tax-exempt securities | 90,326 | | | | 90,326 |
| Other trading securities | 20,870 | | | | 20,870 |
| Total trading securities | 214,102 | | | | 214,102 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 232,700 | | | | 235,940 |
| U.S. agency residential mortgage-backed securities | 82,767 | | | | 85,943 |
| Other debt securities | 184,067 | | | | 206,575 |
| Total investment securities | 499,534 | | | | 528,458 |
| Available for sale securities: | | | | | |
| U.S. Treasury | 1,002 | | | | 1,002 |
| Municipal and other tax-exempt | 87,142 | | | | 87,142 |
| U.S. agency residential mortgage-backed securities | 9,889,821 | | | | 9,889,821 |
| Privately issued residential mortgage-backed securities | 325,163 | | | | 325,163 |
| Commercial mortgage-backed securities guaranteed by U.S. government agencies | 895,075 | | | | 895,075 |
| Other debt securities | 36,389 | | | | 36,389 |
| Perpetual preferred stock | 25,072 | | | | 25,072 |
| Equity securities and mutual funds | 27,557 | | | | 27,557 |
| Total available for sale securities | 11,287,221 | | | | 11,287,221 |
| Fair value option securities: | | | | | |
| U.S. agency residential mortgage-backed securities | 257,040 | | | | 257,040 |
| Corporate debt securities | 26,486 | | | | 26,486 |
| Other securities | 770 | | | | 770 |
| Total fair value option securities | 284,296 | | | | 284,296 |
| Residential mortgage loans held for sale | 293,762 | | | | 293,762 |
| Loans: | | | | | |
| Commercial | 7,641,912 | 0.21 - 30.00 | 0.69 | 0.51 - 3.59 | 7,606,505 |
| Commercial real estate | 2,228,999 | 0.21 - 18.00 | 0.92 | 1.26 - 3.18 | 2,208,217 |
| Residential mortgage | 2,045,040 | 0.38 - 18.00 | 3.34 | 0.86 - 3.09 | 2,110,773 |
| Consumer | 395,505 | 0.38 - 21.00 | 0.32 | 1.37 - 3.60 | 388,748 |
| Total loans | 12,311,456 | | | | 12,314,243 |
| Allowance for loan losses | (215,507) | | | | — |
| Net loans | 12,095,949 | | | | 12,314,243 |
| Mortgage servicing rights | 100,812 | | | | 100,812 |

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| | | | | | |
|---|------------|-------------|------|-------------|------------|
| Derivative instruments with positive fair value, net of cash margin | 338,106 | | | | 338,106 |
| Other assets – private equity funds | 28,169 | | | | 28,169 |
| Deposits with no stated maturity | 18,211,068 | | | | 18,211,068 |
| Time deposits | 2,967,992 | 0.01 - 9.64 | 2.15 | 0.80 - 1.15 | 3,037,708 |
| Other borrowed funds | 2,706,221 | 0.09 - 5.25 | — | 0.09 - 2.67 | 2,696,574 |
| Subordinated debentures | 347,633 | 1.00 - 5.00 | 3.56 | 2.40 | % 345,675 |
| Derivative instruments with negative fair value, net of cash margin | 283,589 | | | | 283,589 |

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The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of June 30, 2012 (dollars in thousands):

| | Carrying Value | Range of Contractual Yields | Average Re-pricing (in years) | Discount Rate | Estimated Fair Value |
|---|----------------|-----------------------------|-------------------------------|---------------|----------------------|
| Cash and cash equivalents | \$639,263 | | | | \$639,263 |
| Trading securities: | | | | | |
| U.S. Government agency debentures | 53,514 | | | | 53,514 |
| U.S. agency residential mortgage-backed securities | 46,502 | | | | 46,502 |
| Municipal and other tax-exempt securities | 44,632 | | | | 44,632 |
| Other trading securities | 4,669 | | | | 4,669 |
| Total trading securities | 149,317 | | | | 149,317 |
| Investment securities: | | | | | |
| Municipal and other tax-exempt | 126,168 | | | | 130,308 |
| U.S. agency residential mortgage-backed securities | 102,347 | | | | 105,535 |
| Other debt securities | 183,964 | | | | 204,795 |
| Total investment securities | 412,479 | | | | 440,638 |
| Available for sale securities: | | | | | |
| U.S. Treasury | 1,003 | | | | 1,003 |
| Municipal and other tax-exempt | 88,458 | | | | 88,458 |
| U.S. agency residential mortgage-backed securities | 9,903,532 | | | | 9,903,532 |
| Privately issued residential mortgage-backed securities | 317,761 | | | | 317,761 |
| Other debt securities | 36,286 | | | | 36,286 |
| Perpetual preferred stock | 23,431 | | | | 23,431 |
| Equity securities and mutual funds | 24,944 | | | | 24,944 |
| Total available for sale securities | 10,395,415 | | | | 10,395,415 |
| Fair value option securities: | | | | | |
| U.S. agency residential mortgage-backed securities | 299,467 | | | | 299,467 |
| Corporate debt securities | 25,710 | | | | 25,710 |
| Total fair value option securities | 325,177 | | | | 325,177 |
| Residential mortgage loans held for sale | 259,174 | | | | 259,174 |
| Loans: | | | | | |
| Commercial | 7,035,535 | 0.25 - 30.00 | 0.70 | 0.63 - 3.68 | 6,993,377 |
| Commercial real estate | 2,149,730 | 0.38 - 18.00 | 0.92 | 1.33 - 3.33 | 2,129,731 |
| Residential mortgage | 2,002,885 | 0.38 - 18.00 | 3.10 | 1.08 - 3.52 | 2,040,062 |
| Consumer | 388,281 | 0.38 - 21.00 | 0.34 | 1.59 - 3.79 | 383,088 |
| Total loans | 11,576,431 | | | | 11,546,258 |
| Allowance for loan losses | (231,669) | | | | — |
| Net loans | 11,344,762 | | | | 11,546,258 |
| Mortgage servicing rights | 91,783 | | | | 91,783 |
| Derivative instruments with positive fair value, net of cash margin | 366,204 | | | | 366,204 |
| Other assets – private equity funds | 31,492 | | | | 31,492 |

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| | | | | | |
|---|------------|-------------|------|-------------|------------|
| Deposits with no stated maturity | 15,157,587 | | | | 15,157,587 |
| Time deposits | 3,107,950 | 0.01 - 9.64 | 2.17 | 0.92 - 1.31 | 3,175,687 |
| Other borrowed funds | 2,648,753 | 0.09 - 5.25 | — | 0.09 - 2.70 | 2,642,598 |
| Subordinated debentures | 353,378 | 1.16 - 5.00 | 4.02 | 2.40 | % 350,813 |
| Derivative instruments with negative fair value, net of cash margin | 370,053 | | | | 370,053 |

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

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

Cash and Cash Equivalents

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

Securities

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

Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings which are classified as Significant Unobservable Inputs. The fair values of loans were estimated to approximate their discounted cash flows less loan loss allowances allocated to these loans of \$161 million at June 30, 2013, \$171 million at December 31, 2012 and \$191 million at June 30, 2012.

Deposits

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

Other Borrowings and Subordinated Debentures

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

Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at June 30, 2013, December 31, 2012 or June 30, 2012.

Fair Value Election

As more fully disclosed in Note 2 and Note 5 to the Consolidated Financial Statements, the Company has elected to carry all residential mortgage-backed securities which have been designated as economic hedges against changes in the fair value of mortgage servicing rights, certain corporate debt securities economically hedged by derivative contracts to manage interest rate risk and all residential mortgage loans originated for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

(12) Federal and State Income Taxes

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Amount: | | | | |
| Federal statutory tax | \$42,459 | \$53,414 | \$90,113 | \$98,463 |
| Tax exempt revenue | (1,803) | (1,334) | (3,545) | (2,598) |
| Effect of state income taxes, net of federal benefit | 3,122 | 3,572 | 6,500 | 6,570 |
| Utilization of tax credits | (1,826) | (1,467) | (3,548) | (2,564) |
| Bank-owned life insurance | (993) | (976) | (1,878) | (1,955) |
| Other, net | 464 | (60) | 877 | 753 |
| Total | \$41,423 | \$53,149 | \$88,519 | \$98,669 |

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------|------------------|------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Percent of pretax income: | | | | |
| Federal statutory tax | 35 | % 35 | % 35 | % 35 |
| Tax exempt revenue | (1) | (1) | (1) | (1) |
| Effect of state income taxes, net of federal benefit | 3 | 3 | 2 | 2 |
| Utilization of tax credits | (2) | (1) | (1) | (1) |
| Bank-owned life insurance | (1) | (1) | (1) | (1) |
| Other, net | — | — | — | 1 |
| Total | 34 | % 35 | % 34 | % 35 |

(13) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on June 30, 2013 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

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Six-Month Financial Summary – Unaudited

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in Thousands, Except Per Share Data)

| | Six Months Ended | | | | | | | |
|--|------------------|------------------------------|------------|-----------------|------------------------------|------------|--|--|
| | June 30, 2013 | | | June 30, 2012 | | | | |
| | Average Balance | Revenue/Expense ¹ | Yield/Rate | Average Balance | Revenue/Expense ¹ | Yield/Rate | | |
| Assets | | | | | | | | |
| Funds sold and resell agreements | \$34,058 | \$6 | 0.04 % | \$15,286 | \$6 | 0.08 % | | |
| Trading securities | 172,163 | 1,536 | 1.80 % | 119,532 | 994 | 1.67 % | | |
| Investment securities | | | | | | | | |
| Taxable ³ | 251,717 | 7,402 | 5.93 % | 296,709 | 8,716 | 5.91 % | | |
| Tax-exempt ³ | 321,349 | 3,051 | 2.11 % | 126,878 | 3,010 | 4.89 % | | |
| Total investment securities | 573,066 | 10,453 | 3.88 % | 423,587 | 11,726 | 5.61 % | | |
| Available for sale securities | | | | | | | | |
| Taxable ³ | 11,085,695 | 106,390 | 1.99 % | 9,941,938 | 121,239 | 2.50 % | | |
| Tax-exempt ³ | 90,106 | 1,920 | 4.36 % | 77,315 | 1,836 | 4.91 % | | |
| Total available for sale securities ³ | 11,175,801 | 108,310 | 2.01 % | 10,019,253 | 123,075 | 2.52 % | | |
| Fair value option securities | 233,921 | 2,178 | 1.98 % | 445,599 | 5,798 | 2.72 % | | |
| Residential mortgage loans held for sale | 239,521 | 4,086 | 3.44 % | 186,842 | 3,552 | 3.82 % | | |
| Loans ² | 12,251,347 | 252,737 | 4.16 % | 11,525,766 | 260,458 | 4.54 % | | |
| Less: allowance for loan losses | 210,392 | | | 247,571 | | | | |
| Loans, net of allowance | 12,040,955 | 252,737 | 4.23 % | 11,278,195 | 260,458 | 4.64 % | | |
| Total earning assets ³ | 24,469,485 | 379,306 | 3.17 % | 22,488,294 | 405,609 | 3.66 % | | |
| Receivable on unsettled securities sales | 157,145 | | | 199,862 | | | | |
| Cash and other assets | 2,960,151 | | | 2,839,394 | | | | |
| Total assets | \$27,586,781 | | | \$25,527,550 | | | | |
| Liabilities and equity | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | |
| Transaction | \$9,669,248 | \$5,908 | 0.12 % | \$9,049,819 | \$7,398 | 0.16 % | | |
| Savings | 305,923 | 240 | 0.16 % | 250,414 | 289 | 0.23 % | | |
| Time | 2,866,003 | 22,642 | 1.59 % | 3,189,291 | 26,201 | 1.65 % | | |
| Total interest-bearing deposits | 12,841,174 | 28,790 | 0.45 % | 12,489,524 | 33,888 | 0.55 % | | |
| Funds purchased | 971,630 | 569 | 0.12 % | 1,538,984 | 986 | 0.13 % | | |
| Repurchase agreements | 848,862 | 275 | 0.07 % | 1,139,538 | 530 | 0.09 % | | |
| Other borrowings | 1,521,505 | 2,486 | 0.33 % | 79,789 | 1,865 | 4.70 % | | |
| Subordinated debentures | 347,675 | 4,359 | 2.53 % | 377,525 | 9,064 | 4.83 % | | |
| Total interest-bearing liabilities | 16,530,846 | 36,479 | 0.45 % | 15,625,360 | 46,333 | 0.60 % | | |
| Non-interest bearing demand deposits | 6,945,202 | | | 6,063,012 | | | | |
| Due on unsettled securities | 497,127 | | | 426,044 | | | | |
| Other liabilities | 600,778 | | | 561,151 | | | | |
| Total equity | 3,012,828 | | | 2,851,983 | | | | |
| Total liabilities and equity | \$27,586,781 | | | \$25,527,550 | | | | |
| Tax-equivalent Net Interest Revenue ³ | | \$342,827 | 2.73 % | | \$359,276 | 3.07 % | | |

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| | | | | | | |
|--|-----------|------|---|-----------|------|---|
| Tax-equivalent Net Interest Revenue to Earning Assets ³ | | 2.87 | % | | 3.25 | % |
| Less tax-equivalent adjustment ¹ | 5,266 | | | 4,346 | | |
| Net Interest Revenue | 337,561 | | | 354,930 | | |
| Provision for (reduction of) allowance for credit losses | (8,000 |) | | (8,000 |) | |
| Other operating revenue | 309,835 | | | 323,541 | | |
| Other operating expense | 397,930 | | | 405,148 | | |
| Income before taxes | 257,466 | | | 281,323 | | |
| Federal and state income tax | 88,519 | | | 98,669 | | |
| Net income before non-controlling interest | 168,947 | | | 182,654 | | |
| Net income attributable to non-controlling interest | 1,052 | | | 1,411 | | |
| Net income attributable to BOK Financial Corp. | \$167,895 | | | \$181,243 | | |
| Earnings Per Average Common Share Equivalent: | | | | | | |
| Net income: | | | | | | |
| Basic | \$2.45 | | | \$2.66 | | |
| Diluted | \$2.44 | | | \$2.65 | | |

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

| | Three Months Ended | | | | | | |
|--|--------------------|------------------------------|------------|-----------------|------------------------------|------------|---|
| | June 30, 2013 | | | March 31, 2013 | | | |
| | Average Balance | Revenue/Expense ¹ | Yield/Rate | Average Balance | Revenue/Expense ¹ | Yield/Rate | |
| Assets | | | | | | | |
| Funds sold and resell agreements | \$42,604 | \$4 | 0.04 | % \$25,418 | \$2 | 0.03 | % |
| Trading securities | 181,866 | 829 | 1.83 | % 162,353 | 707 | 1.77 | % |
| Investment securities | | | | | | | |
| Taxable ³ | 245,311 | 3,604 | 5.89 | % 258,196 | 3,798 | 5.97 | % |
| Tax-exempt ³ | 365,629 | 1,568 | 1.89 | % 276,576 | 1,483 | 2.42 | % |
| Total investment securities | 610,940 | 5,172 | 3.59 | % 534,772 | 5,281 | 4.22 | % |
| Available for sale securities | | | | | | | |
| Taxable ³ | 10,967,141 | 51,371 | 1.91 | % 11,205,566 | 55,019 | 2.07 | % |
| Tax-exempt ³ | 93,559 | 1,013 | 4.46 | % 86,615 | 907 | 4.25 | % |
| Total available for sale securities ³ | 11,060,700 | 52,384 | 1.93 | % 11,292,181 | 55,926 | 2.09 | % |
| Fair value option securities | 216,312 | 1,013 | 1.91 | % 251,725 | 1,165 | 2.05 | % |
| Residential mortgage loans held for sale | 261,977 | 2,294 | 3.51 | % 216,816 | 1,792 | 3.35 | % |
| Loans ² | 12,277,444 | 125,992 | 4.12 | % 12,224,960 | 126,745 | 4.20 | % |
| Less allowance for loan losses | 206,807 | | | 214,017 | | | |
| Loans, net of allowance | 12,070,637 | 125,992 | 4.19 | % 12,010,943 | 126,745 | 4.28 | % |
| Total earning assets ³ | 24,445,036 | 187,688 | 3.11 | % 24,494,208 | 191,618 | 3.24 | % |
| Receivable on unsettled securities sales | 135,964 | | | 178,561 | | | |
| Cash and other assets | 3,078,324 | | | 2,840,662 | | | |
| Total assets | \$27,659,324 | | | \$27,513,431 | | | |
| Liabilities and equity | | | | | | | |
| Interest-bearing deposits: | | | | | | | |
| Transaction | \$9,504,128 | \$2,762 | 0.12 | % \$9,836,204 | \$3,146 | 0.13 | % |
| Savings | 315,421 | 120 | 0.15 | % 296,319 | 120 | 0.16 | % |
| Time | 2,818,533 | 11,027 | 1.57 | % 2,913,999 | 11,615 | 1.62 | % |
| Total interest-bearing deposits | 12,638,082 | 13,909 | 0.44 | % 13,046,522 | 14,881 | 0.46 | % |
| Funds purchased | 789,302 | 205 | 0.10 | % 1,155,983 | 364 | 0.13 | % |
| Repurchase agreements | 819,373 | 129 | 0.06 | % 878,679 | 146 | 0.07 | % |
| Other borrowings | 2,172,417 | 1,442 | 0.27 | % 863,360 | 1,044 | 0.49 | % |
| Subordinated debentures | 347,695 | 2,200 | 2.54 | % 347,654 | 2,159 | 2.52 | % |
| Total interest-bearing liabilities | 16,766,869 | 17,885 | 0.43 | % 16,292,198 | 18,594 | 0.46 | % |
| Non-interest bearing demand deposits | 6,888,983 | | | 7,002,046 | | | |
| Due on unsettled securities | 330,926 | | | 665,175 | | | |
| Other liabilities | 644,892 | | | 556,173 | | | |
| Total equity | 3,027,654 | | | 2,997,839 | | | |
| Total liabilities and equity | \$27,659,324 | | | \$27,513,431 | | | |

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| | | | | | | |
|--|------------|------|---|------------|------|---|
| Tax-equivalent Net Interest Revenue ³ | \$ 169,803 | 2.68 | % | \$ 173,024 | 2.78 | % |
| Tax-equivalent Net Interest Revenue to Earning Assets ³ | | 2.81 | % | | 2.92 | % |
| Less tax-equivalent adjustment ¹ | 2,647 | | | 2,619 | | |
| Net Interest Revenue | 167,156 | | | 170,405 | | |
| Reduction of allowance for credit losses | — | | | (8,000) | | |
| Other operating revenue | 150,761 | | | 159,074 | | |
| Other operating expense | 196,606 | | | 201,324 | | |
| Income before taxes | 121,311 | | | 136,155 | | |
| Federal and state income tax | 41,423 | | | 47,096 | | |
| Net income before non-controlling interest | 79,888 | | | 89,059 | | |
| Net income (loss) attributable to non-controlling interest | (43) | | | 1,095 | | |
| Net income attributable to BOK Financial Corp. | \$ 79,931 | | | \$ 87,964 | | |
| Earnings Per Average Common Share Equivalent: | | | | | | |
| Net income: | | | | | | |
| Basic | \$ 1.16 | | | \$ 1.28 | | |
| Diluted | \$ 1.16 | | | \$ 1.28 | | |

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

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| Three Months Ended December 31, 2012 | | | September 30, 2012 | | | June 30, 2012 | | |
|---|----------------------------------|-----------------|--------------------|-----------------------------------|-----------------|--------------------|-----------------------------------|-----------------|
| Average Balance | Revenue /Expense ¹ | Yield / Rate | Average Balance | Revenue / Expense ¹ | Yield / Rate | Average Balance | Revenue / Expense ¹ | Yield / Rate |
| \$19,553 | \$3 | 0.06 % | \$17,837 | \$3 | 0.07 % | \$19,187 | \$4 | 0.08 % |
| 165,109 | 441 | 1.06 % | 132,213 | 703 | 2.12 % | 143,770 | 548 | 1.53 % |
| 271,957 | 4,008 | 5.86 % | 281,347 | 4,124 | 5.83 % | 290,557 | 4,282 | 5.93 % |
| 202,128 | 1,379 | 2.93 % | 127,299 | 1,212 | 4.12 % | 125,727 | 1,461 | 4.90 % |
| 474,085 | 5,387 | 4.67 % | 408,646 | 5,336 | 5.33 % | 416,284 | 5,743 | 5.63 % |
| 11,394,797 | 56,514 | 2.08 % | 10,969,610 | 59,482 | 2.36 % | 10,007,368 | 61,583 | 2.52 % |
| 87,415 | 836 | 3.80 % | 88,445 | 1,044 | 4.70 % | 83,911 | 943 | 4.69 % |
| 11,482,212 | 57,350 | 2.10 % | 11,058,055 | 60,526 | 2.38 % | 10,091,279 | 62,526 | 2.54 % |
| 292,490 | 772 | 1.58 % | 336,160 | 1,886 | 2.27 % | 335,965 | 2,311 | 2.62 % |
| 272,581 | 2,323 | 3.39 % | 264,024 | 2,310 | 3.48 % | 191,311 | 1,784 | 3.75 % |
| 11,989,319 | 130,510 | 4.33 % | 11,739,662 | 127,816 | 4.33 % | 11,614,722 | 132,391 | 4.58 % |
| 229,095 | | | 231,177 | | | 242,605 | | |
| 11,760,224 | 130,510 | 4.41 % | 11,508,485 | 127,816 | 4.42 % | 11,372,117 | 132,391 | 4.68 % |
| 24,466,254 | 196,786 | 3.30 % | 23,725,420 | 198,580 | 3.47 % | 22,569,913 | 205,307 | 3.69 % |
| 144,077 | | | 99,355 | | | 163,940 | | |
| 2,886,445 | | | 2,763,397 | | | 2,804,664 | | |
| \$27,496,776 | | | \$26,588,172 | | | \$25,538,517 | | |
| \$9,343,421 | \$3,496 | 0.15 % | \$8,719,648 | \$3,406 | 0.16 % | \$8,779,659 | \$3,572 | 0.16 % |
| 278,714 | 124 | 0.18 % | 267,498 | 127 | 0.19 % | 259,386 | 147 | 0.23 % |
| 3,010,367 | 13,588 | 1.80 % | 3,068,870 | 12,384 | 1.61 % | 3,132,220 | 12,671 | 1.63 % |
| 12,632,502 | 17,208 | 0.54 % | 12,056,016 | 15,917 | 0.53 % | 12,171,265 | 16,390 | 0.54 % |
| 1,295,442 | 477 | 0.15 % | 1,678,006 | 632 | 0.15 % | 1,740,354 | 674 | 0.16 % |
| 900,131 | 197 | 0.09 % | 1,112,847 | 281 | 0.10 % | 1,095,298 | 265 | 0.10 % |
| 364,425 | 824 | 0.90 % | 97,003 | 739 | 3.03 % | 86,667 | 853 | 3.96 % |
| 347,613 | 2,239 | 2.56 % | 352,432 | 2,475 | 2.79 % | 357,609 | 3,512 | 3.95 % |
| 15,540,113 | 20,945 | 0.54 % | 15,296,304 | 20,044 | 0.52 % | 15,451,193 | 21,694 | 0.56 % |
| 7,505,074 | | | 6,718,572 | | | 6,278,342 | | |
| 854,474 | | | 1,054,239 | | | 342,853 | | |
| 625,628 | | | 571,865 | | | 597,396 | | |
| 2,971,487 | | | 2,947,192 | | | 2,868,733 | | |
| \$27,496,776 | | | \$26,588,172 | | | \$25,538,517 | | |
| | \$175,841 | 2.76 % | | \$178,536 | 2.95 % | | \$183,613 | 3.13 % |
| | | 2.95 % | | | 3.12 % | | | 3.30 % |
| | 2,472 | | | 2,509 | | | 2,252 | |
| | 173,369 | | | 176,027 | | | 181,361 | |
| | (14,000) | | | — | | | (8,000) | |
| | 162,626 | | | 179,944 | | | 186,260 | |
| | 222,085 | | | 222,340 | | | 223,011 | |
| | 127,910 | | | 133,631 | | | 152,610 | |
| | 44,293 | | | 45,778 | | | 53,149 | |

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| | | |
|----------|----------|----------|
| 83,617 | 87,853 | 99,461 |
| 1,051 | 471 | 1,833 |
| \$82,566 | \$87,382 | \$97,628 |
| | | |
| \$1.21 | \$1.28 | \$1.43 |
| \$1.21 | \$1.27 | \$1.43 |

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Quarterly Earnings Trends – Unaudited

(In thousands, except share and per share data)

| | Three Months Ended | | | | |
|--|--------------------|-------------------|----------------------|-----------------------|------------------|
| | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
| Interest revenue | \$ 185,041 | \$ 188,999 | \$ 194,314 | \$ 196,071 | \$ 203,055 |
| Interest expense | 17,885 | 18,594 | 20,945 | 20,044 | 21,694 |
| Net interest revenue | 167,156 | 170,405 | 173,369 | 176,027 | 181,361 |
| Provision for credit losses | — | (8,000) | (14,000) | — | (8,000) |
| Net interest revenue after provision for credit losses | 167,156 | 178,405 | 187,369 | 176,027 | 189,361 |
| Other operating revenue | | | | | |
| Brokerage and trading revenue | 32,874 | 31,751 | 31,958 | 31,261 | 32,600 |
| Transaction card revenue | 29,942 | 27,692 | 28,009 | 27,788 | 26,758 |
| Trust fees and commissions | 24,803 | 22,313 | 22,030 | 19,654 | 19,931 |
| Deposit service charges and fees | 23,962 | 22,966 | 24,174 | 25,148 | 25,216 |
| Mortgage banking revenue | 36,596 | 39,976 | 46,410 | 50,266 | 39,548 |
| Bank-owned life insurance | 2,236 | 3,226 | 2,673 | 2,707 | 2,838 |
| Other revenue | 10,496 | 10,187 | 10,554 | 9,149 | 8,860 |
| Total fees and commissions | 160,909 | 158,111 | 165,808 | 165,973 | 155,751 |
| Gain (loss) on other assets, net | (1,666) | 467 | 137 | 452 | 1,689 |
| Gain (loss) on derivatives, net | (2,527) | (941) | (637) | 464 | 2,345 |
| Gain (loss) on fair value option securities, net | (9,156) | (3,171) | (2,081) | 6,192 | 6,852 |
| Gain on available for sale securities, net | 3,753 | 4,855 | 1,066 | 7,967 | 20,481 |
| Total other-than-temporary impairment losses | (1,138) | — | (504) | — | (135) |
| Portion of loss recognized in (reclassified from) other comprehensive income | 586 | (247) | (1,163) | (1,104) | (723) |
| Net impairment losses recognized in earnings | (552) | (247) | (1,667) | (1,104) | (858) |
| Total other operating revenue | 150,761 | 159,074 | 162,626 | 179,944 | 186,260 |
| Other operating expense | | | | | |
| Personnel | 128,110 | 125,654 | 131,192 | 122,775 | 122,297 |
| Business promotion | 5,770 | 5,453 | 6,150 | 6,054 | 6,746 |
| Contribution to BOKF Charitable Foundation | — | — | 2,062 | — | — |
| Professional fees and services | 8,381 | 6,985 | 10,082 | 7,991 | 8,343 |
| Net occupancy and equipment | 16,909 | 16,481 | 16,883 | 16,914 | 16,906 |
| Insurance | 4,044 | 3,745 | 3,789 | 3,690 | 4,011 |
| Data processing and communications | 26,734 | 25,450 | 25,010 | 26,486 | 25,264 |
| Printing, postage and supplies | 3,580 | 3,674 | 3,403 | 3,611 | 3,903 |
| Net losses and operating expenses of repossessed assets | 282 | 1,246 | 6,665 | 5,706 | 5,912 |
| Amortization of intangible assets | 875 | 876 | 1,065 | 742 | 545 |
| Mortgage banking costs | 7,910 | 7,354 | 10,542 | 13,036 | 12,315 |
| Change in fair value of mortgage servicing rights | (14,315) | (2,658) | (4,689) | 9,576 | 11,450 |

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| | | | | | |
|--|------------|------------|------------|------------|------------|
| Other expense | 8,326 | 7,064 | 9,931 | 5,759 | 5,319 |
| Total other operating expense | 196,606 | 201,324 | 222,085 | 222,340 | 223,011 |
| Net income before taxes | 121,311 | 136,155 | 127,910 | 133,631 | 152,610 |
| Federal and state income taxes | 41,423 | 47,096 | 44,293 | 45,778 | 53,149 |
| Net income before non-controlling interest | 79,888 | 89,059 | 83,617 | 87,853 | 99,461 |
| Net income (loss) attributable to non-controlling interest | (43 |) 1,095 | 1,051 | 471 | 1,833 |
| Net income attributable to BOK Financial Corporation | \$79,931 | \$87,964 | \$82,566 | \$87,382 | \$97,628 |
| Earnings per share: | | | | | |
| Basic | \$1.16 | \$1.28 | \$1.21 | \$1.28 | \$1.43 |
| Diluted | \$1.16 | \$1.28 | \$1.21 | \$1.27 | \$1.43 |
| Average shares used in computation: | | | | | |
| Basic | 67,993,822 | 67,814,550 | 67,622,777 | 67,966,700 | 67,472,665 |
| Diluted | 68,212,497 | 68,040,180 | 67,914,717 | 68,334,989 | 67,744,828 |

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PART II. Other Information

Item 1. Legal Proceedings

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

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

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended June 30, 2013.

| Period | Total Number of Shares Purchased ² | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ¹ | Maximum Number of Shares that May Yet Be Purchased Under the Plans |
|---------------------------|---|------------------------------|---|--|
| April 1 to April 30, 2013 | 3,089 | \$61.99 | — | 1,957,415 |
| May 1 to May 31, 2013 | 28,724 | \$64.77 | — | 1,928,691 |
| June 1 to June 30, 2013 | — | \$— | — | 1,928,691 |
| Total | 31,813 | | — | |

On April 24, 2012, the Company’s board of directors authorizing the Company to repurchase up to two million ¹ shares of the Company’s common stock. As of June 30, 2013, the Company had repurchased 39,496 shares under this plan.

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

Item 6. Exhibits

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

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

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

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

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

Signatures

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

BOK FINANCIAL CORPORATION
(Registrant)

Date: August 2, 2013

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

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

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