BOK FINANCIAL CORP ET AL
Form 10-Q
August 09, 2006

As filed with the Securities and Exchange Commission on August 9, 2006

==

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

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 |X| 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):

Large accelerated filer |X| 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 |X|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 66,850,046 shares of common stock ($.00006 par value) as of July 31, 2006.

==

BOK Financial Corporation
Form 10-Q

Quarter Ended June 30, 2006

Index

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

Performance Summary

BOK Financial Corporation ("BOK Financial" or the "Company") reported net income of $55.0 million, or $0.82 per diluted share for the second quarter of 2006, compared with $50.5 million, or $0.75 per diluted share for the second quarter of 2005. The annualized returns on average assets and shareholders' equity were 1.33% and 14.03%, respectively for 2006, compared with returns of 1.31% and 14.05%, respectively for 2005. Net income for the second quarter of 2005 included gains of $3.8 million or $0.06 per diluted share from sales of the Company's interest in an Oklahoma City office building and on the sale of certain mortgage loans which were not part of the Company's ongoing mortgage banking business.

Highlights of the quarter included:

- Outstanding loans at June 30, 2006 grew $1.3 billion or 15% since June 30, 2005, including $593 million since March 31, 2006
- Average deposits increased 14% from the second quarter of 2005, exceeding average loan growth by $284 million
- Stable net interest margin
- Fee revenues increased 8% compared with the second quarter of 2005
- Operating expense increase managed at a 6% level compared with the second quarter of 2005
- Near historical low non-performing loans; strong allowance for loan losses

Net interest revenue grew $8.6 million or 8% over 2005. Average outstanding loan balances increased $1.1 billion or 14% and average deposits increased $1.4 billion or 14%. Fees and commission revenue increased $6.9 million, or 8% over the second quarter of 2005. Transaction card revenue and trust revenue grew $2.0 million and $1.5 million, respectively. Other revenue increased $2.8 million, including $1.6 million from fees earned on margin assets.

Operating expenses increased $6.8 million or 6% over the second quarter of 2005, excluding changes in the value of mortgage servicing rights. Personnel costs increased $7.0 million due largely to a $4.5 million increase in salaries and wages and a $2.7 million increase in incentive compensation. The fair value of mortgage servicing rights increased $3.6 million during the second quarter of 2006 due to rising interest rates. At the same time, rising interest rates decreased the value of securities held as an economic hedge of mortgage servicing rights $2.5 million for a net gain of $1.1 million.

3

Non-performing loans totaled $31 million or 0.32% of outstanding loans at June 30, 2006 compared with $41 million or 0.48 % of outstanding loans at June 30, 2005. The combined allowance for loan losses and reserve for off-balance sheet credit losses totaled $126 million or 1.30% of outstanding loans, excluding mortgage loans held for sale, at June 30, 2006 and $127 million or 1.50% of outstanding loans at June 30, 2005. The provision for credit losses was $3.8 million for the second quarter of 2006 and $2.0 million for the same period last year.

Net income for the first half of 2006 totaled $109.7 million, up $7.2 million or 7% over 2005. Net interest revenue grew $18.3 million or 8% due primarily to a $1.2 billion increase in average loans. Fee income increased $17.9 million or 11%. All categories of fee income increased over 2005 except mortgage banking revenue which decreased $144 thousand or 1%. Other revenue grew $6.2 million or 40% due primarily to a $3.5 million increase in fees on margin assets. Operating expenses increased $23.5 million or 10%, excluding changes in the value of mortgage servicing rights due to a $19.8 million increase in personnel costs. Appreciation in the value of mortgage servicing rights, net of losses on economic hedges, provided $4.0 million of net income in the first half of 2006.

The Company is establishing a new regional bank in Kansas City. Initial operations are expected to begin in the fourth quarter of 2006, subject to regulatory approval.

Results of Operations

Net Interest Revenue

Tax-equivalent net interest revenue increased to $122.7 million for the second quarter of 2006 from $113.8 million for 2005, due primarily to a $1.1 billion or 14% increase in average outstanding loan principal. Average loan growth was funded by a $1.4 billion or 14% increase in average deposits. The excess of average deposits over average loans of $284 million reduced other borrowings, generally a higher-costing source of funds. Table 1 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets was 3.40% for the second quarter of 2006, compared with 3.45% for the second quarter of 2005 and 3.39% for the first quarter of 2006. Yields on average earning assets continued to trend upwards due to rising market interest rates. The yield on average earning assets was 6.71%, up 103 basis points compared with the second quarter of 2005 and 29 basis points over the preceding quarter. The yield on average outstanding loans was 7.68%, up 128 basis points over the second quarter of 2005 and 33 basis points over the first quarter of 2006. The tax-equivalent yield on securities was 4.77% for the second quarter of 2006, compared with 4.36% for the second quarter of 2005 and 4.64% for the first quarter of 2006.

Rates paid on average interest-bearing liabilities during the second quarter of 2006 increased 115 basis points over the second quarter of 2005 and 30 basis points over the preceding quarter. Rates paid on interest-bearing deposit accounts, which increased 96 basis points over 2005, continued to lag behind the increases in loan yields. The cost of other interest-bearing funds increased 187 basis points compared with the same period last year and 47 basis points from the preceding quarter. Increased non-interest bearing funds and changes in the mix of funding sources added 42 basis points to the net interest margin in second quarter of 2006 compared with 35 basis points for 2005 and 40 basis points for the first quarter of 2006.

Our overall objective is to manage the Company's balance sheet to be essentially neutral to changes in interest rates. Approximately 71% of our commercial loan portfolio is either variable rate or fixed rate that will reprice within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that reprice more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally reprice more quickly than liabilities. Among the strategies that we use to achieve a rate-neutral position, we purchase fixed-rate, mortgage-backed securities to offset the short-term nature of the majority of the Company's funding sources. The expected duration of these securities is approximately 3.1 years based on a range of interest rate and prepayment assumptions. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio.

We also use derivative instruments to manage our interest rate risk. We have interest rate swaps with a combined notional amount of $807 million that convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives, which generally have been designated as fair value hedges, is to position our balance sheet to be neutral to changes in interest rates. We also have interest rate swaps with a notional amount of $100 million that convert prime-based loans to fixed rate. The purpose of these derivatives, which have been designated as cash flow hedges, also

4

is to position our balance sheet to be neutral to changes in interest rates.

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

Table 1 - Volume / Rate Analysis
(In thousands)

	Three Months Ended June 30, 2006 / 2005			Six Mont June 30, 2	
	Change Due To (1)			C	
	Change	Volume	Yield / Rate	Change	V
Tax-equivalent interest revenue:					

Securities	$ 6,032	$ 898	$ 5,134	$ 12,344	$
Trading securities	122	158	(36)	140	
Loans	48,096	19,847	28,249	95,238	
Funds sold and resell agreements	251	109	142	326	
Total	54,501	21,012	33,489	108,048	
Interest expense:					
Transaction deposits	18,826	5,266	13,560	36,326	
Savings deposits	68	(27)	95	149	
Time deposits	13,299	4,870	8,429	24,958	
Federal funds purchased and repurchase agreements	9,932	(407)	10,339	18,225	
Other borrowings	1,458	(2,371)	3,829	4,786	
Subordinated debentures	1,950	1,468	482	4,638	
Total	45,533	8,799	36,734	89,082	
Tax-equivalent net interest revenue	8,968	12,213	(3,245)	18,966	
Change in tax-equivalent adjustment	(395)			(661)	
Net interest revenue	$ 8,573			$ 18,305	

(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 decreased $3.7 million compared with the second quarter of last year. Fees and commission revenue increased $6.9 million or 8%. Growth in fees and commissions revenue was offset by a $4.8 million net increase in losses on securities sales and a $5.9 million decrease in gains on sales of other assets.

Diversified sources of fees and commission revenue are a significant part of our business strategy and represented 44% of total revenue, excluding gains and losses on asset sales, securities and derivatives, for the second quarter of 2006. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile. We expect continued growth in other operating revenue through offering new products and services and by expanding into new markets. However, increased competition and saturation in our existing markets could affect the rate of future increases.

Fees and commissions revenue

Transaction card revenue increased $2.0 million or 11%. Check card revenue increased $1.1 million or 27% while merchant discount fees increased $227 thousand or 4%. Transaction volumes provided the increased revenue. Growth in check card revenue was distributed among Oklahoma, New Mexico and Texas markets. Increased merchant discount fees were centered primarily in Oklahoma. ATM network revenue also increased $680 thousand or 9% over the second quarter of 2005.

Trust fees and commissions increased $1.5 million or 9% for the second quarter of 2006. The fair value of all trust assets, which is the basis for a significant portion of trust fees, increased to $28.7 billion at June 30, 2006 compared with $26.0 billion at June 30, 2005. Personal trust management fees increased $890 thousand or 18% while revenue from the management of oil and gas properties and other real estate increased $254 thousand or 16%. In addition, net fees from mutual fund advisory and administrative services were up $397 thousand or 12%. Trust activities in the Oklahoma and Colorado markets provided $13.0 million and $2.4 million, respectively, of total trust fees and commissions during the second quarter of 2006. Trust revenue grew $920 thousand or 8% in the Oklahoma market and $382 thousand or 19% in the Colorado market.

Brokerage and trading revenue increased $1.0 million or 10%. Customer hedging revenue increased $967 thousand or 51% to $2.9 million. Volatility in the energy markets prompted our energy customers to more actively hedge their gas and oil production. Revenue from securities trading activities decreased $279 thousand, or 5%. Most of the decrease in trading revenue is attributed to increased competition in the broker dealer or securities brokerage market and lower demand caused by the flattening yield curve in the securities market. Revenue from retail brokerage activities increased $336 thousand, or 10% over the same period of 2005.

Service charges on deposit accounts increased $1.0 million or 4% over the second quarter of 2005. Overdraft fees grew $1.4 million or 8% due to increased volume. Account service charge revenue decreased $213 thousand or 3%. This decrease reflected the change in earnings credit available to commercial deposit customers. The earnings credit, which provides a non-cash method for commercial customers to avoid incurring charges for deposit services, increases when interest rates rise.

Mortgage banking revenue, which is discussed more fully in the Line of Business - Mortgage Banking section of this report decreased $1.4 million, or 16% compared with 2005. Net gains on mortgage loans sold totaled $3.0 million, down $1.5 million from the second quarter of 2005. Servicing revenue totaled $4.2 million for the second quarter of 2006, a 3% increase over the same period last year.

Other operating revenue included $2.9 million of fees earned on margin assets in the second quarter of 2006 and $1.3 million in the second quarter of 2005. Margin assets, which are held primarily as part of the Company's customer derivatives programs, averaged $260 million for the second quarter of 2006, compared with $204 million for the second quarter of 2005. The increase in average margin assets reflected growth in the fair value of liability derivative contracts due primarily to increased volatility in energy markets. Fees earned on average margin assets increased to 4.44% in the second quarter of 2006 from 2.55% in the second quarter of 2005. Fee rates earned on margin assets are generally consistent with short-term interest rates.

Fees and commissions revenue for the first half of 2006 totaled $183.6 million, a $17.9 million or 11% increase over 2005. Transaction card revenue increased $3.9 million or 11% due to volume increases in merchant discounts and debit card transactions. Trust fees and commissions increased $3.4 million or 11% due to increase in asset values and business growth. Other revenue increased $6.2 million or 40%, including $3.5 million from margin account fees.

Securities and derivatives

BOK Financial recognized net losses of $2.6 million on securities for the second quarter of 2006, including net losses of $2.5 million on securities held as an economic hedge of mortgage servicing rights. Securities held as an economic hedge of the mortgage servicing rights are separately identified on the balance sheet as "mortgage trading securities." Mortgage trading securities are carried at fair value; changes in fair value are recognized in earnings as they occur. The Company's use of securities as an economic hedge of mortgage servicing rights is more-fully discussed in the Line of Business - Mortgage Banking section of this report. During the second quarter of 2005, BOK Financial recognized net gains on securities of $2.3 million, including $3.2 million of gains on sales of securities held as an economic hedge of mortgage servicing rights.

Net losses on derivatives totaled $172 thousand for the second quarter of 2006, compared with net losses of $311 thousand in 2005. Net losses in 2006 consisted of fair value adjustments of derivatives used to manage interest rate risk and related hedged liabilities. Net losses on derivatives in the second quarter of 2005 included $498 thousand of net losses from fair value adjustments of derivatives used to manage interest rate risk and related hedged liabilities, partially offset by a gain of $186 thousand from fair value adjustments of derivative contracts held as economic hedges of mortgage servicing rights.

Table 2 - Other Operating Revenue
(In thousands)

	Three Months Ended			
	June 30, 2006	March 31, 2006	Dec. 31, 2005	Se
Brokerage and trading revenue	$ 11,427	$ 12,010	$ 11,116	$ 1
Transaction card revenue	19,951	18,508	18,988	1
Trust fees and commissions	17,751	17,945	16,536	1
Deposit service charges and fees	26,341	23,986	25,222	2
Mortgage banking revenue	7,195	6,789	7,018	
Other revenue	10,931	10,811	10,067	
Total fees and commissions	93,596	90,049	88,947	9
Gain on sales of assets	39	918	71	
Gain (loss) on securities, net	(2,583)	(1,221)	(1,780)	(
Gain (loss) on derivatives, net	(172)	(309)	106	
Total other operating revenue	$ 90,880	$ 89,437	$ 87,344	$ 8

Other Operating Expense

Other operating expense for the second quarter of 2006 totaled $122.1 million, a $3.9 million, or 3% decrease from 2005. The decrease in other operating expenses resulted from changes in the value of mortgage servicing rights. Appreciation of mortgage servicing rights during the second quarter of 2006 reduced operating expenses $3.6 million. Depreciation in the value of mortgage servicing rights required an impairment charge of $7.1 million in the second quarter of 2005. Operating expenses increased $6.8 million or 6% over the second quarter or 2005, excluding changes in the value of mortgage servicing due to higher personnel expense.

Personnel expense

Personnel expense totaled $72.4 million for the second quarter of 2006 compared with $65.3 million for the second quarter of 2005.

Regular compensation expense which consists primarily of salaries and wages totaled $45.5 million for the second quarter of 2006, up $4.4 million or 11% over 2005. The increase in regular compensation expense was due to a 7% increase in average regular compensation per full-time equivalent employee and a 4% increase in average staffing. Growth in average compensation per full-time equivalent employee reflects the cost of hiring top talent as we expand in various markets.

Incentive compensation expense includes the recognized costs of cash-based commissions, bonus and incentive programs, stock-based compensation plans and deferred compensation plans. Stock-based compensation plans include both equity and liability awards.

Incentive compensation expense totaled $15.5 million for the second quarter of 2006, an increase of $2.7 million or 21% over 2005. Second quarter 2006 expense for the Company's various cash-based incentive programs totaled $12.7 million, up $2.6 million over last year. These programs consist primarily of formula-based plans that determine incentive amounts based on pre-established growth criteria. Compensation expense for stock-based compensation plans totaled $2.8 million for both the second quarters of 2006 and 2005. Compensation expense for stock-based compensation plans accounted for as equity awards totaled $1.6 million in the second quarter of 2006, compared with $1.4 million in the second quarter of 2005. Expense for these awards is determined by the awards' grant-date fair value and is not affected by subsequent changes in the market value of BOK Financial common stock. Compensation expense for stock-based compensation plans accounted for as liability awards totaled $1.2 million in the second quarter of 2006, compared with $1.4 million in 2005. Expense for these liability awards is based on current fair value, including current period changes due to the market value of BOK Financial common stock.

Employee benefit expenses totaled $11.4 million for both the second quarters of 2006 and 2005. Pension expense decreased $1.8 million due to the curtailment of pension plan benefits as of April 1, 2006. The reduction in pension expense was largely offset by a $1.3 million increase in the cost of enhanced employee thrift plan benefits.

7

Data processing and communications expense

Data processing and communication expenses decreased $224 thousand, or 1% compared to 2005. This expense consists of two broad categories, data processing systems and transaction card processing. Data processing systems costs decreased $517 thousand, or 5% compared with the first quarter of 2005. The Company negotiated cost reductions on its primary data processing contract during the quarter in exchange for a three-year contract extension. The benefit of these cost reductions will be recognized over the remaining contract term. Transaction card processing costs increased $293 thousand or 5% due to volume growth in check card and merchant discount revenue.

Other operating expenses

Business promotion expenses totaled $4.8 million for the second quarter of 2006, a $932 thousand or 24% increase over 2005. Promotional activities focused on consumer banking growth in Oklahoma and in the regional banking markets. Mortgage banking expense decreased $548 thousand or 16%. Costs associated with loan origination and sales activities totaled $384 thousand in the second quarter of 2006 and $423 thousand in the second quarter of 2005. Mortgage banking expense also included changes in the fair value of mortgage servicing rights due to runoff of the underlying loans. Fair value of mortgage servicing rights decreased $2.5 million in the second quarter of 2006 due to loan runoff. Amortization expense, which also considers the runoff of underlying loans, totaled $3.0 million in the second quarter of 2005.

Year to date operating expenses totaled $239.5 million, up 5% over 2005. Changes in the fair value of mortgage servicing rights decreased operating expenses $10.7 million in 2006 and increased operating expenses $1.5 million in 2005. Excluding changes in the value of mortgage servicing rights, operating expenses were $23.5 million or 10% higher for the first half of 2006. Personnel costs were up $19.8 million or 16%. Salaries and wages increased $10.0 million or 13% due to a 7% increase in average salaries per employee and a 5% increase in the average number of employees. Incentive compensation expense was up $9.1 million or 42%. Cash-based incentive programs increased $5.0 million based on performance measured against pre-established criteria. Stock-based incentive compensation increased $4.1 million.

Table 3 - Other Operating Expense
(In thousands)

	Three Months Ended			
	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005
Personnel	$ 72,369	$ 71,232	$ 68,666	$ 66,533
Business promotion	4,802	4,803	5,170	4,494
Professional fees and services	4,362	3,914	4,534	3,951
Net occupancy and equipment	13,199	13,026	12,864	12,587
Data processing & communications	16,157	16,995	18,054	17,492
Printing, postage and supplies	4,001	3,905	3,976	3,846
Net (gains) losses and operating expenses of repossessed assets	54	219	335	(387)
Amortization of intangible assets	1,359	1,370	1,797	1,801
Mortgage banking costs	2,839	3,087	3,294	4,268
Change in fair value of mortgage servicing rights	(3,613)	(7,081)	-	-
Provision (recovery) for impairment of mortgage servicing rights	-	-	(708)	(4,671)
Other expense	6,598	5,909	5,921	7,120
Total other operating expense	$ 122,127	$ 117,379	$ 123,903	$ 117,034

Income Taxes

Income tax expense was $31.1 million, compared with $28.6 million for the second quarter of 2005. This represented 36% of book taxable income for both periods.

8

Lines of Business

BOK Financial operates five principal lines of business: Oklahoma corporate banking, Oklahoma consumer banking, mortgage banking, wealth management, and regional banking. Mortgage banking activities include loan origination and servicing across all markets served by the Company. Wealth management provides brokerage and trading, private financial services and investment advisory services in all markets. It also provides fiduciary services in all markets except Colorado. Fiduciary services in Colorado are included in regional banking. Regional banking consists primarily of corporate and consumer banking activities in the respective local markets. In addition to its lines of business, BOK Financial has a funds management unit. The primary purpose of this unit is to manage the Company's 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.

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 90 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. Additional capital is assigned to the regional banking line of business based on our investment in those entities.

Consolidated net income provided by the Regional Banking Division continued to increase due largely to asset growth. Also, performance by business units that generate deposits for the Company, such as the Oklahoma consumer banking unit continued to improve due primarily to internal funds pricing credits. The increased value of deposits when short-term interest rates are rising is reflected in the internal transfer pricing credit. The increase in internal transfer pricing credit is offset through the funds management unit.

Table 4 - Net Income by Line of Business
(In thousands)

	Three months ended June 30, 2006	2005	Six months ended 2006
Regional banking	$ 22,731	$ 20,172	$ 45,505
Oklahoma corporate banking	20,267	23,081	38,425
Mortgage banking	1,341	(473)	4,485
Oklahoma consumer banking	8,545	6,314	17,012
Wealth management	6,128	5,476	13,377
Funds management and other	(4,028)	(4,105)	(9,072)
Total	$ 54,984	$ 50,465	$109,732

Oklahoma Corporate Banking

The Oklahoma Corporate Banking Division provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and certain relationships in surrounding states. In addition to serving the banking needs of small businesses, middle market and larger customers, the Oklahoma Corporate Banking Division has specialized groups that serve customers in the energy, agriculture, healthcare and banking/finance industries, and includes TransFund, our electronic funds transfer network. The Oklahoma Corporate Banking Division contributed $20.3 million or 37% to consolidated net income for the second quarter of 2006. This compares to $23.1 million or 46% of consolidated net income for 2005. Net income provided by the Oklahoma Corporate Banking Division in the second quarter of 2005 included $2.9 million from the after-tax gain on the sale of the Company's interest in an Oklahoma City office building. Growth in net income provided by this division, excluding the prior year's gain on asset sale, came primarily from loan and deposit growth. Average loans attributed to the Oklahoma Corporate Banking Division were

9

$4.3 billion for the second quarter of 2006, compared with $3.9 billion for the second quarter of 2005. Deposits attributed to Oklahoma Corporate Banking averaged $1.6 billion for the second quarter of 2006, up 10% over last year. Increased average loans and deposits combined to increase net interest revenue $2.9 million or 8%. In addition, other operating revenue increased $1.8 million or 8% due to growth in merchant discount and ATM processing fees. Operating expenses increased $4.0 million or 16%. Personnel expense increased $1.3 million or 16% due to growth in both regular salaries and incentive compensation. In addition, allocations for shared services increased $2.0 million.

Table 5 - Oklahoma Corporate Banking
(Dollars in Thousands)

	Three months ended June 30,		Six months ended Ju	
	2006	2005	2006	
NIR (expense) from external sources	$ 63,647	$ 50,588	$ 123,509	$
NIR (expense) from internal sources	(25,740)	(15,534)	(48,589)	(
Net interest revenue	37,907	35,054	74,920	
Other operating revenue	23,507	21,682	45,275	
Gain on sale of assets	-	4,708	-	
Operating expense	28,105	24,126	56,333	
Net loans charged off / (recovered)	252	(458)	1,087	
Net income	20,267	23,081	38,425	
Average assets	$5,173,904	$ 4,592,757	$5,170,713	$4,5
Average economic capital	401,170	320,170	384,780	3
Return on assets	1.57%	2.02%	1.50%	
Return on economic capital	20.26%	28.92%	20.14%	
Efficiency ratio	45.76%	42.52%	46.87%	

Oklahoma Consumer Banking

The Oklahoma Consumer Banking Division provides a full line of deposit, loan and fee-based services to customers throughout Oklahoma through four major distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and the Internet. Additionally, the division is a significant referral source for the Bank of Oklahoma Mortgage Division ("BOk Mortgage") and the retail brokerage division of BOSC, Inc., a registered broker / dealer. Consumer banking activities outside of Oklahoma are included in the Regional Banking division. The Oklahoma Consumer Banking Division contributed $8.5 million or 16% to consolidated net income for the second quarter of 2006. This compares to $6.3 million or 13% of consolidated net income for 2005. Net interest revenue, which consisted primarily of credits for funds provided to the funds management unit increased $3.9 million or 29%. Average deposits attributed to this Division increased $193 million, or 7% compared with last year. The value to the Company of these lower-costing retail deposits continues to increase as short-term interest rates rise. Operating revenue increased $1.4 million or 8% over last year. Overdraft charges increased $755 thousand or 6% and check card fees increased $721 thousand or 26%. Operating expenses increased $1.8 million or 10% due primarily to growth in personnel and business promotion expenses.

10

Table 6 - Oklahoma Consumer Banking
(Dollars in Thousands)

	Three months ended June 30,		Six months ended
	2006	2005	2006
NIR (expense) from external sources	$ (14,853)	$ (10,089)	$ (28,291)
NIR (expense) from internal sources	31,978	23,340	61,437
Net interest revenue	17,125	13,251	33,146
Other operating revenue	18,139	16,736	35,393
Operating expense	20,511	18,667	39,844
Net loans charged off	775	913	907
Net income	8,545	6,314	17,012
Average assets	$ 2,818,034	$ 2,621,189	$ 2,793,626 $
Average economic capital	61,430	55,400	57,730
Return on assets	1.22%	0.97%	1.23%
Return on economic capital	55.79%	45.71%	59.42%
Efficiency ratio	58.16%	62.25%	58.13%

Mortgage Banking

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of Bank of Oklahoma. These activities include the origination, marketing and servicing of conventional and government-sponsored mortgage loans. Mortgage banking activities contributed $1.3 million or 2% to consolidated net income in the second quarter of 2006, compared with a net loss of $473 thousand in 2005.

Mortgage banking activities consisted of two sectors, loan production and loan servicing. The loan production sector generally performs best when mortgage rates are relatively low and loan origination volumes are high. Conversely, the loan servicing sector generally performs best when mortgage rates are relatively high and prepayments are low. The general trend has been toward higher mortgage loan commitment rates, especially in the first half of 2006.

Loan Production Sector

Loan production revenue totaled $3.4 million for the second quarter of 2006, including $3.3 million of capitalized mortgage servicing rights and a $174 thousand net gain on loans sold. Loan production revenue totaled $5.1 million for the second quarter of 2005, including $4.6 million of capitalized mortgage servicing rights. Mortgage loans funded in the second quarter of 2006 totaled $243 million, including $215 million of loans funded for resale and $28 million of loans funded for retention by affiliates. Mortgage loans funded in the same period of 2005 totaled $247 million, including $185 million of loans funded for resale and $62 million of loans funded for retention by affiliates. Approximately 70% of the loans funded during the second quarter of 2006 were to borrowers in Oklahoma. Loan production activities resulted in net pre-tax income of $696 thousand for the second quarter of 2006 and pre-tax income of $1.8 million for the second quarter of 2005. The pipeline of mortgage loan applications totaled $276 million at June 30, 2006, compared to $268 million at March 31, 2006 and $292 million at June 30, 2005.

Loan Servicing Sector

The loan servicing sector had net pre-tax income of $1.3 million for the second quarter of 2006 compared to a pre-tax loss of $3.9 million for the same period of 2005. The fair value of mortgage servicing rights increased in 2006 but decreased during 2005 due to changes in mortgage commitment rates.

A 36 basis point increase in average mortgage commitment rates since March 31, 2006 resulted in a $3.6 million increase in the value of mortgage servicing rights. Rising mortgage commitment rates, along with other market factors, reduced anticipated prepayment speeds and increased the discount rate used to value the servicing rights. At the same time, losses of $2.5 million were recognized from decreases in the fair value of financial instruments held as an economic hedge of the value of the servicing rights.

During the second quarter of 2005, an impairment provision of $7.1 million was recognized. A 50 basis point decrease in mortgage interest rates during this period reduced the fair value of the servicing rights. The impairment provision was partially offset by net gains of $3.4 million on financial instruments designated as economic hedges.

Servicing revenue, which is included in mortgage banking revenue on the Consolidated Statements of Earnings, totaled $4.2 million in the second quarter of 2006 compared with $4.1 million in 2005. The average outstanding balance of loans serviced for others was $4.5 billion during 2006 compared to $3.8 billion during 2005. On March 31, 2006, the Company paid $6.8 million to acquire the rights to service approximately $480 million of mortgage loans. Substantially all of these loans are to borrowers in our primary market areas. Annualized servicing revenue per outstanding loan principal decreased to 37 basis points for the second quarter of 2006, compared with 43 basis points last year.

In addition to changes in the fair value of mortgage servicing rights due to anticipated prepayments and other factors, the fair value of mortgage servicing rights decreased $2.5 million during the second quarter of 2006 due to runoff of the underlying loans serviced. This reduction in fair value is included in mortgage banking costs in the Consolidated Statements of Earnings. Prior to adoption of FAS 156 in the first quarter of 2006, mortgage servicing rights were amortized in proportion to projected cash flows over the estimated life of the loans serviced. Projected cash flows considered both actual and estimated runoff of the underlying loans serviced. Amortization expense recognized in mortgage banking costs during the second quarter of 2005 totaled $3.0 million. The decrease in expense related to the runoff of loans serviced primarily reflects lower loan prepayment speeds.

Table 7 - Mortgage Banking
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006

NIR (expense) from external sources	$ 5,624	$ 5,098	$ 10,4
NIR (expense) from internal sources	(4,683)	(3,585)	(8,9
Net interest revenue	941	1,513	1,4
Capitalized mortgage servicing rights	3,333	4,556	6,1
Other operating revenue	4,391	4,851	8,7
Gain on sale of assets	-	1,232	
Operating expense	7,328	9,160	14,9
Change in fair value of mortgage servicing rights	3,613	-	10,6
Provision for impairment of mortgage servicing rights	-	7,088	
Gains (losses) on financial instruments, net	(2,533)	3,404	(4,3
Net income (loss)	1,341	(473)	4,4
Average assets	$ 498,495	$ 542,797	$ 472,6
Average economic capital	23,410	21,390	23,8
Return on assets	1.08%	(0.35)%	1.
Return on economic capital	22.98%	(8.87)%	37.
Efficiency ratio	84.57%	75.38%	91.

BOK Financial designates a portion of its securities portfolio as an economic hedge against the risk of loss on its mortgage servicing rights. Mortgage-backed securities and U.S. government agency debentures are designated as "mortgage trading securities" when prepayment risks exceed certain levels. Additionally, interest rate derivative contracts may also be designated as an economic hedge of the risk of loss on mortgage servicing rights. Because the fair values of these instruments are expected to vary inversely to the fair value of the servicing rights, they are expected to partially offset risk. These financial instruments are carried at fair value. Changes in fair value are recognized in current period income. No special hedge accounting treatment is applicable to either the mortgage servicing rights or the financial instruments designated as an economic hedge.

This hedging strategy presents certain risks. A well-developed market determines the fair value for the securities and derivatives, however there is no comparable market for mortgage servicing rights. Therefore, the computed change in value of the servicing rights for a specified change in interest rates may not correlate to the change in value of the securities.

At June 30, 2006, financial instruments with a fair value of $83 million were held for the economic hedge program. The interest rate sensitivity of the mortgage servicing rights and securities held as a hedge is modeled over a range of +/- 50 basis points. At June 30, 2006, the pre-tax results of this modeling on reported earnings were:

12

Table 8 - Interest Rate Sensitivity - Mortgage Servicing
(Dollars in Thousands)

	50 bp increase	50 bp decrease
Anticipated change in:		
Fair value of mortgage servicing rights	$ 2,796	$ (3,744)
Fair value of hedging instruments	(2,823)	3,085
Net	$ (27)	$ (659)

Table 8 shows the non-linear effect of changes in mortgage commitment rates on the value of mortgage servicing rights. A 50 basis point increase in rates is expected to increase value by $2.8 million while a 50 basis point decrease is expected to reduce value by $3.7 million. This considers that there is an upper limit to appreciation in the value of servicing rights as rates rise due to the contractual repayment terms of the loans and other factors. There is much less of a limit on the speed at which mortgage loans may prepay in a declining rate environment.

Wealth Management

BOK Financial provides a wide range of financial services through its wealth management line of business, including trust and private financial services, and brokerage and trading activities. This line of business includes the activities of BOSC, Inc., a registered broker / dealer. Trust and private financial services includes sales of institutional, investment and retirement products, loans and other services to affluent individuals, businesses, not-for-profit organizations, and governmental agencies. Wealth management services are provided primarily to clients throughout Oklahoma, Texas and New Mexico. Additionally, trust services include a nationally competitive, self-directed 401-(k) program and administrative and advisory services to the American Performance family of mutual funds. Brokerage and trading activities within the wealth management line of business consist of retail sales of mutual funds, securities, and annuities, institutional sales of securities and derivatives, bond underwriting and other financial advisory services. Customer hedging programs are included in the Wealth Management Division.

Wealth Management contributed $6.1 million or 11% to consolidated net income for the second quarter of 2006. This compared to $5.5 million or 11% of consolidated net income for 2005.

Trust and private financial services provided $5.6 million of net income in 2006, an 18% increase over 2005. At June 30, 2006 and 2005, the wealth management line of business was responsible for trust assets with aggregate market values of $26.2 billion and $23.8 billion, respectively, under various fiduciary arrangements. The growth in trust assets reflected increased market value of assets managed in addition to new business generated during the year. We have sole or joint discretionary authority over $9.7 billion of trust assets at June 30, 2006, compared with $8.6 billion at June 30, 2005.

Brokerage and trading activities provided $567 thousand of total net income in the second quarter of 2006 compared to $872 thousand provided in same period of 2005. A reduction in income from trading activities was partially offset by growth in net income from our customer hedging programs.

Table 9 - Wealth Management
(Dollars in Thousands)

	Three months ended June 30,		Six months ended J	
	2006	2005	2006	
NIR (expense) from external sources	$ 3,012	$ 3,010	$ 5,476	
NIR (expense) from internal sources	3,660	2,711	7,698	
Net interest revenue	6,672	5,721	13,174	
Other operating revenue	29,555	26,554	60,105	
Operating expense	26,045	23,149	51,236	
Net income	6,128	5,476	13,377	
Average assets	$ 1,913,243	$ 1,709,268	$ 1,894,992	$ 1

Average economic capital	126,720	119,870	122,890
Return on assets	1.28%	1.29%	1.42%
Return on economic capital	19.40%	18.32%	21.95%
Efficiency ratio	71.89%	71.72%	69.92%

13

Regional Banking

Regional Banking consists primarily of the corporate and commercial banking services provided by Bank of Texas, Bank of Albuquerque, Bank of Arkansas, Colorado State Bank and Trust, and Bank of Arizona in their respective markets. They also include fiduciary services provided by Colorado State Bank and Trust. Small businesses and middle-market corporations are Regional Banking's primary customer focus. Regional Banking contributed $22.7 million or 41% to consolidated net income during the second quarter of 2006. This compares with $20.2 million or 40% of consolidated net income for the same period in 2005. Growth in net income contributed by the regional banks came primarily from operations in Colorado. Net income from Colorado operations increased $1.1 million or 50% compared with the same period of 2005. In addition, net income for 2006 in Texas and Arizona increased $559 thousand and $444 thousand, respectively.

Net income from operations in Colorado was $3.4 million for the second quarter of 2006, compared with $2.3 million for the second quarter of 2005. Net interest revenue increased $2.2 million or 33% due primarily to a $422 million increase in average earning assets. Average loans increased $105 million while average funds sold to the funds management unit increased $282 million. The growth in earning assets was funded primarily by a $281 million increase in interest-bearing deposits and $101 million of borrowings from the funds management unit. Other operating revenue grew $400 thousand or 15% due primarily to trust fees and commissions. At June 30, 2006 and 2005, Colorado regional banking was responsible for trust assets with aggregate fair values of $2.5 billion and $2.2 billion, respectively under various fiduciary arrangements. We have sole or joint discretionary authority over $955 million of trust assets at June 30, 2006, compared with $860 million at June 30, 2005. Operating expenses also increased 15% due to personnel costs and allocations of shared support services.

Net income from Texas operations totaled $12.8 million for the second quarter of 2006, up $559 thousand over last year. Net interest revenue grew $3.6 million or 11%. Average earning assets increased $513 million, or 19% from the second quarter of 2005. This increase resulted from a $438 million increase in average loans and a $113 million increase in securities. The growth in average earning assets was funded primarily by a $396 million increase in average deposits and a $114 million increase in funds borrowed from the funds management unit. Operating revenue increased $330 thousand due to deposit service charges and check card revenue. Operating expenses increased $2.2 million or 12% due to a $1.0 million or 10% increase in personnel costs and higher allocations for shared services.

The increase in net income from New Mexico operations was also based largely on a $671 thousand increase in net interest revenue. Average earning assets decreased $93 million. Average loans increased $8 million while funds sold to the funds management unit decreased $100 million. Average deposits in the New Mexico market increased $133 million, including $110 million of consumer banking deposits. Average funds borrowed from external sources decreased $201 million as the Company centralized borrowings from external sources in the funds management unit. Other operating income increased $264 thousand or 7% due primarily to growth in transaction card revenue.

We continue to expand operations in the Arizona market since the acquisition of Bank of Arizona in the second quarter of 2005. Outstanding loans attributed to the Arizona market averaged $270 million for the second quarter of 2006, up $131 million from the second quarter of 2005's average of $139 million. Loan growth included $47 million in our recently-opened Tucson loan production office. Average deposits increased $7 million to $121 million. Loan growth was funded by borrowings from the funds management unit.

14

Table 10 - Bank of Texas
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006
NIR (expense) from external sources	$ 41,190	$ 34,841	$ 80,2
NIR (expense) from internal sources	(5,345)	(2,590)	(9,5
Net interest revenue	35,845	32,251	70,6
Other operating revenue	6,529	6,199	12,6
Operating expense	20,819	18,661	41,1
Net loans charged off	1,789	1,255	2,1
Net income	12,848	12,289	26,0
Average assets	$ 3,610,316	$ 3,099,892	$ 3,578,2
Average economic capital	247,010	166,940	229,2
Average invested capital	414,090	334,020	396,3
Return on assets	1.43%	1.59%	1.
Return on economic capital	20.86%	29.53%	22.
Return on average invested capital	12.44%	14.76%	13.
Efficiency ratio	49.13%	48.53%	49.

Table 11 - Bank of Albuquerque
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006
NIR (expense) from external sources	$ 15,992	$ 13,945	$ 31,66
NIR (expense) from internal sources	(4,126)	(2,750)	(8,01
Net interest revenue	11,866	11,195	23,65
Other operating revenue	4,149	3,885	8,07
Operating expense	6,609	6,608	13,68
Net loans charged off	692	275	75
Net income	5,341	5,009	10,58
Average assets	$ 1,446,500	$ 1,536,954	$ 1,459,37
Average economic capital	75,080	84,630	75,41
Average invested capital	94,170	103,720	94,50
Return on assets	1.48%	1.31%	1.4

Return on economic capital	28.53%	23.74%	28.3
Return on average invested capital	22.75%	19.37%	22.5
Efficiency ratio	41.27%	43.82%	43.1

15

Table 12 - Bank of Arkansas
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006
NIR (expense) from external sources	$ 2,616	$ 2,510	$ 4,905
NIR (expense) from internal sources	(819)	(842)	(1,538
Net interest revenue	1,797	1,668	3,367
Other operating revenue	275	292	529
Operating expense	870	843	1,727
Net loans charged off / (recovered)	(70)	13	(28
Net income	776	686	1,341
Average assets	$ 188,922	$ 248,209	$ 192,477
Average economic capital	15,680	10,460	14,650
Average invested capital	15,680	10,460	14,650
Return on assets	1.65%	1.11%	1.40
Return on economic capital	19.85%	26.31%	18.46
Return on average invested capital	19.85%	26.31%	18.46
Efficiency ratio	41.99%	43.01%	44.33

Table 13 - Colorado State Bank and Trust
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006
NIR (expense) from external sources	$ 12,870	$ 8,330	$ 24,42
NIR (expense) from internal sources	(3,929)	(1,629)	(6,95
Net interest revenue	8,941	6,701	17,46
Other operating revenue	3,007	2,607	6,04
Operating expense	6,401	5,589	12,36
Net loans charged off	(5)	23	(5
Net income	3,392	2,258	6,84
Average assets	$ 1,151,708	$ 726,730	$ 1,095,05
Average economic capital	69,080	46,870	65,42
Average invested capital	111,060	88,860	107,41
Return on assets	1.18%	1.25%	1.2
Return on economic capital	19.69%	19.32%	21.0
Return on average invested capital	12.25%	10.19%	12.8
Efficiency ratio	53.57%	60.05%	52.5

16

Table 14 - Bank of Arizona
(Dollars in Thousands)

	Three months ended June 30,		Six mont
	2006	2005	2006
NIR (expense) from external sources	$ 6,076	$ 2,464	$ 10,76
NIR (expense) from internal sources	(2,441)	(401)	(4,03
Net interest revenue	3,635	2,063	6,73
Other operating revenue	122	375	28
Operating expense	3,206	2,530	5,75
Net loans charged off / (recovered)	(2)	21	
Net income	374	(70)	70
Average assets	$ 366,609	$ 209,947	$ 331,08
Average economic capital	23,560	16,127	20,28
Average invested capital	40,210	32,777	36,93
Return on assets	0.41%	(0.13)%	0.4
Return on economic capital	6.37%	(1.74)%	7.0
Return on average invested capital	3.73%	(0.86)%	3.8
Efficiency ratio	85.33%	103.77%	82.0

*** Data not applicable due to acquisition of Bank of Arizona in April 2005.

Financial Condition

Securities

Securities are classified as either held for investment, available for sale or trading based upon asset/liability management strategies, liquidity and profitability objectives and regulatory requirements. Investment securities, which consist primarily of Oklahoma municipal bonds, are carried at cost and adjusted for amortization of premiums or accretion of discounts. Management has the ability and intent to hold these securities until they mature. Available for sale securities, which may be sold prior to maturity, are carried at fair value. Unrealized gains or losses, less deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity. Certain mortgage-backed securities, identified as mortgage trading securities, have been designated as economic hedges of mortgage servicing rights. These securities are carried at fair value with changes in fair value recognized in current period income. These securities are held with the intent that gains or losses will offset changes in the fair value of mortgage servicing rights. The Company also maintains a separate trading securities portfolio. Trading portfolio securities, which are also carried at fair value with changes in fair value recognized in current period income, are acquired and held with the intent to sell at a profit.

The amortized cost of available for sale securities totaled $4.9 billion at both June 30, 2006 and March 31, 2006. Mortgage-backed securities continued to represent substantially all available for sale securities. As previously discussed in the Net Interest Revenue section of this report, we hold mortgage backed securities as part of our overall interest rate risk management strategy. Management restricted growth in the securities portfolio during the second quarter of 2006 in anticipation of an investment of up to $200 million in bank-owned life insurance in the third quarter of 2006.

The primary risk of holding mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. The effective duration of the mortgage-backed securities portfolio was approximately 3.1 years at June 30, 2006 and 2.8 years at March 31, 2006. Management estimates that the effective duration of the mortgage-backed securities portfolio would extend to 3.3 years assuming a 300 basis point immediate rate shock.

Net unrealized losses on available for sale securities totaled $187 million at June 30, 2006 compared with net unrealized losses of $148 million at March 31, 2006. The increase in net unrealized losses during the quarter was due primarily to rising interest rates. The aggregate gross amount of unrealized losses at June 30, 2006 totaled $201 million. We evaluated the securities with unrealized losses to determine if the losses were temporary. This evaluation considered factors such as causes of the unrealized losses and prospects for recovery over various interest rate scenarios and time periods. Management does not believe that any of the unrealized losses are due to credit quality concerns. We also considered our intent and ability to either hold or sell the securities. It is our belief, based on currently available

17

information and our evaluation, that the unrealized losses in these securities are temporary.

Loans

The aggregate loan portfolio at June 30, 2006 totaled $9.8 billion, a $593 million increase since March 31, 2006. Net loan growth accelerated to a 26% annualized rate during the second quarter of 2006. Commercial loans increased $300 million and commercial real estate loans grew $218 million.

Table 15 - Loans
(In thousands)

	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 3 2005
Commercial:				
Energy	$ 1,514,353	$ 1,367,400	$ 1,399,417	$ 1,350,8
Services	1,405,060	1,358,194	1,425,821	1,419,3
Wholesale/retail	879,203	850,013	793,032	804,6
Manufacturing	541,592	519,100	514,792	484,6
Healthcare	546,595	534,091	520,309	476,6
Agriculture	292,022	284,277	291,858	238,9
Other commercial and industrial	360,493	325,746	354,706	292,6
Total commercial	5,539,318	5,238,821	5,299,935	5,067,69
Commercial real estate:				
Construction and land development	789,991	686,400	638,366	605,4
Multifamily	228,781	205,755	204,620	225,0
Other real estate loans	1,304,164	1,212,805	1,146,916	1,142,0
Total commercial real estate	2,322,936	2,104,960	1,989,902	1,972,6

Residential mortgage:				
Secured by 1-4 family residential properties	1,211,448	1,177,337	1,169,331	1,166,5
Residential mortgages held for sale	54,026	40,299	51,666	46,3
Total residential mortgage	1,265,474	1,217,636	1,220,997	1,212,8
Consumer	666,740	640,542	629,144	630,3
Total	$ 9,794,468	$ 9,201,959	$ 9,139,978	$ 8,883,5

The commercial loan portfolio totaled $5.5 billion at June 30, 2006, up $300 million during the second quarter of 2006. Energy loans totaled $1.5 billion or 15% of total loans. Outstanding energy loans increased $147 million, or 43% annualized, during the second quarter of 2006 after decreasing $32 million during the preceding quarter. Growth in energy loans during the second quarter reflected an expectation that the range of energy prices will remain near or exceed current levels. Approximately $1.2 billion of loans in the energy portfolio was to oil and gas producers. The amount of credit available to these customers generally depends on a percentage of the value of their proven energy reserves based on anticipated prices. The energy category also included loans to borrowers involved in the transportation and sale of oil and gas and to borrowers that manufacture equipment or provide other services to the energy industry.

The services sector of the portfolio totaled $1.4 billion, or 14% of the Company's total outstanding loans. Loans in this sector of the portfolio increased $47 million or 14% annualized since March 31, 2006. The services sector consists of a large number of loans to a variety of businesses, including communications, gaming and transportation services. Approximately $960 million of the services sector is made up of loans with balances of less than $10 million.

Other notable loan concentrations by primary industry of the borrowers are presented in Table 15.

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. The outstanding principal balances of these loans totaled $1.2 billion at both June 30, 2006 and March 31, 2006. Substantially all of these loans were to borrowers with local market

18

relationships. BOK Financial serves as the agent lender in approximately 31% of the shared national credits, based on dollars committed. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer.

Commercial real estate loans totaled $2.3 billion or 24% of the loan portfolio at June 30, 2006. The outstanding balance of commercial real estate loans increased $218 million, or 41% annualized since March 31, 2006. Construction and land development loans totaled $790 million, up $104 million over March 31, 2006. Construction and land development included $608 million of loans secured by single family residential lots and premises. The major components of other commercial real estate loans were office buildings - $464 million and retail facilities – $352 million.

Residential mortgage loans, excluding mortgage loans held for sale, included $360 million of home equity loans, $406 million of loans held for business relationship purposes, $236 million of adjustable rate mortgages and $178 million of loans held for community development. Consumer loans included $396 million of indirect automobile loans, up $25 million since March 31, 2006. Approximately $350 million of these loans were purchased from dealers in Oklahoma. Growth during the quarter included $16 million from indirect lending activities in Arkansas and $13 million in Oklahoma.

Table 16 presents the distribution of the major loan categories among our primary market areas.

Table 16 – Loans by Principal Market Area
(In thousands)

	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 3 2005
Oklahoma:				
Commercial	$ 3,212,851	$ 3,074,406	$ 3,159,683	$ 3,101,2
Commercial real estate	1,019,815	936,030	862,700	890,7
Residential mortgage	855,087	847,848	842,757	839,3
Residential mortgage held for sale	54,026	40,299	51,666	46,3
Consumer	479,508	468,920	466,180	472,8
Total Oklahoma	$ 5,621,287	$ 5,367,503	$ 5,382,986	$ 5,350,4
Texas:				
Commercial	$ 1,548,545	$ 1,420,860	$ 1,356,611	$ 1,294,6
Commercial real estate	669,698	604,413	569,921	537,5
Residential mortgage	212,987	200,957	199,726	196,5
Consumer	84,212	87,669	89,017	89,3
Total Texas	$ 2,515,442	$ 2,313,899	$ 2,215,275	$ 2,118,1
New Mexico:				
Commercial	$ 334,984	$ 348,930	$ 383,325	$ 354,0
Commercial real estate	237,020	228,955	232,564	223,2
Residential mortgage	73,281	68,810	65,784	65,2
Consumer	13,404	13,820	15,137	15,1
Total Albuquerque	$ 658,689	$ 660,515	$ 696,810	$ 657,7
Arkansas:				
Commercial	$ 80,539	$ 74,423	$ 79,719	$ 54,7
Commercial real estate	87,080	80,529	75,483	85,6
Residential mortgage	15,067	13,069	13,044	12,0
Consumer	51,166	33,548	25,659	20,3
Total Northwest Arkansas	$ 233,852	$ 201,569	$ 193,905	$ 172,7

Colorado:				
Commercial	$ 299,380	$ 267,928	$ 270,108	$ 219,2
Commercial real estate	155,453	134,771	133,537	132,7
Residential mortgage	21,113	20,383	21,918	26,1
Consumer	31,939	31,487	27,871	26,1
Total Colorado	$ 507,885	$ 454,569	$ 453,434	$ 404,2
Arizona:				
Commercial	$ 63,019	$ 52,274	$ 50,489	$ 43,8
Commercial real estate	153,870	120,262	115,697	102,7
Residential mortgage	33,913	26,270	26,102	27,1
Consumer	6,511	5,098	5,280	6,4
Total Arizona	$ 257,313	$ 203,904	$ 197,568	$ 180,1
Total BOK Financial loans	$ 9,794,468	$ 9,201,959	$ 9,139,978	$ 8,883,5

Loan Commitments

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $4.9 billion and standby letters of credit which totaled $481 million at June 30, 2006. 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.

20

Derivatives with Credit Risk

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

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

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

Derivative contracts are carried at fair value. At June 30, 2006, the fair value of derivative contracts reported as assets under these programs totaled $414 million. This included energy contracts with fair values of $365 million, interest rate contracts with fair values of $29 million and foreign exchange contracts with fair values of $17 million. The aggregate fair values of derivative contracts reported as liabilities under these programs totaled $416 million. At March 31, 2006, the fair values of assets and liabilities reported under these programs totaled $401 million and $402 million, respectively. Approximately 96% of the fair value of asset contracts was with customers. The credit risk of these contracts is generally backed by energy production. The remaining 4% was with counterparties. The maximum net exposure to any single customer or counterparty totaled $89 million.

Summary of Loan Loss Experience

The reserve for loan losses, which is available to absorb losses inherent in the loan portfolio, totaled $105 million at June 30, 2006, compared with $104 million at March 31, 2006 and $109 million at June 30, 2005. These amounts represented 1.07%, 1.14% and 1.29% of outstanding loans, excluding loans held for sale, at June 30, 2006, March 31, 2006 and June 30, 2005, respectively. Losses on loans held for sale, principally mortgage loans accumulated for placement into security pools, are charged to earnings through adjustment in the carrying value. The reserve for loan losses also represented 337% of the outstanding balance of nonperforming loans at June 30, 2006, compared with 323% at March 31, 2006 and 269% at June 30, 2005. Nonperforming loans totaled $31 million at June 30, 2006, compared with $32 million at March 31, 2006 and $41 million at June 30, 2005. Net loans charged off during the second quarter of 2006 totaled $3.8 million, up from $1.6 million in the first quarter of 2006 and $2.3 million for the second quarter of 2005.

The Company considers credit risk from loan commitments and letters of credit in its evaluation of the adequacy of the reserve for loan losses. A separate reserve for off-balance sheet credit risk is maintained. Table 17 presents the trend of reserves for off-balance sheet credit losses and the relationship between the reserve and loan commitments. The relationship between the combined reserve for credit losses and outstanding loans is also presented to facilitate comparison with peer banks and others who have not adopted this preferred presentation. The provision for credit losses included the combined charge to expense for both the reserve for loan losses and the reserve for off-balance sheet credit losses. All losses incurred from lending activities will ultimately be reflected in charge-offs against the reserve for loan

21

losses following funds advanced against outstanding commitments and after the exhaustion of collection efforts. The reserve for off-balance sheet credit losses would decrease and the reserve for loan losses would increase as outstanding commitments are funded.

Table 17 - Summary of Loan Loss Experience

(In thousands)

	Three Months Ended		
	June 30, 2006	March 31, 2006	Dec. 31, 2005
Reserve for loan losses:			
Beginning balance	$ 104,143	$ 103,876	$ 109,621 $
Loans charged off:			
Commercial	2,523	1,242	5,772
Commercial real estate	-	-	84
Residential mortgage	363	207	226
Consumer	2,995	2,700	3,497
Total	5,881	4,149	9,579
Recoveries of loans previously charged off:			
Commercial	720	847	826
Commercial real estate	6	40	8
Residential mortgage	20	97	133
Consumer	1,339	1,580	1,197
Total	2,085	2,564	2,164
Net loans charged off	3,796	1,585	7,415
Provision for loan losses	4,178	1,852	1,670
Additions due to acquisitions	-	-	-
Ending balance	$ 104,525	$ 104,143	$ 103,876 $
Reserve for off-balance sheet credit losses:			
Beginning balance	$ 22,122	$ 20,574	$ 17,794 $
Provision for off-balance sheet credit losses	(383)	1,548	2,780
Additions due to acquisitions	-	-	-
Ending balance	$ 21,739	$ 22,122	$ 20,574 $
Total provision for credit losses	$ 3,795	$ 3,400	$ 4,450 $
Reserve for loan losses to loans outstanding at period-end (1)	1. 07%	1.14%	1.14%
Net charge-offs (annualized) to average loans (1)	0.16	0.07	0.33
Total provision for credit losses (annualized) to average loans (1)	0.16	0.15	0.20
Recoveries to gross charge-offs	35.45	61.80	22.59
Reserve for loan losses as a multiple of net charge-offs (annualized)	6.88x	16.43x	3.50x
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	0.41%	0.36%	0.42%
Combined reserves for credit losses to loans outstanding at period-end (1)	1.30	1.38	1.37

(1) Excludes residential mortgage loans held for sale.

Specific impairment reserves are determined through evaluation of estimated future cash flows and collateral value. At June 30, 2006, specific impairment reserves totaled $3.3 million on total impaired loans of $27 million. Required specific impairment reserves decreased $1.7 million from March 31, 2006.

Nonspecific reserves are maintained for risks beyond factors specific to an individual loan or those identified through migration analysis. A range of potential losses is determined for each risk factor identified. At June 30, 2006, the ranges of potential losses for the more significant factors were:

General economic conditions - $4.6 million to $8.0 million
Concentration in large loans - $1.0 million to $2.0 million

The provision for credit losses totaled $3.8 million for the second quarter of 2006, compared with $3.4 million for the first quarter of 2006 and $2.0 for the second quarter of 2005. Factors considered in determining the provision for credit

22

losses included an increase in net losses during the quarter, partially offset by decreases in the outstanding balances of classified, criticized and non-performing loans.

Nonperforming Assets

Information regarding nonperforming assets, which totaled $39 million at June 30, 2006 and $40 million at March 31, 2006, is presented in Table 18. Nonperforming assets included non-accrual loans and excluded loans 90 days or more past due but still accruing interest. Non-accrual loans totaled $31 million at June 30, 2006 and $32 million at March 31, 2006. Newly identified non-accruing loans totaled $5 million during the second quarter of 2006. Non-accruing loans decreased $3 million for loans charged off or foreclosed, and $3 million for cash payments received. The increase in non-accruing consumer loans during the second quarter of 2006 included a single $3.6 million loan that was originated for personal investment purposes. Management does not believe the increase indicates a change in the trend of level of non-accruing consumer loans.

Table 18 - Nonperforming Assets
(In thousands)

	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept 20
Nonaccrual loans:				
Commercial	$ 15,087	$ 17,073	$ 11,673	$ 17
Commercial real estate	4,369	6,444	5,370	10
Residential mortgage	7,604	8,057	7,347	8
Consumer	3,916	655	772	
Total nonaccrual loans	30,976	32,229	25,162	37
Other nonperforming assets	8,257	8,196	8,476	5
Total nonperforming assets	$ 39,233	$ 40,425	$ 33,638	$ 42
Ratios:				
Reserve for loan losses to nonaccrual loans	337.44%	323.13%	412.83%	293
Combined reserves for credit losses to nonaccrual loans	407.62	391.77	494.60	34
Nonaccrual loans to period-end loans (2)	0.32	0.35	0.28	0
Loans past due (90 days) (1)	$ 9,630	$ 3,919	$ 8,708	$ 10,

(1) Includes residential mortgages guaranteed by agencies of the U.S.Government.	$ 2,310	$ 1,595	$ 2,021	$ 3,

(2) Excludes residential mortgage loans held for sale.

The loan review process also identifies loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in Nonperforming Assets. Known information does, however, cause management concerns as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $23 million at both June 30, 2006 and March 31, 2006. The current composition of potential problem loans by primary industry included healthcare - $12 million, services - $7 million and real estate - $2 million.

Deposits

Deposit accounts represent our primary 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 program, free checking and on-line Billpay services, an extensive network of branch locations and ATMs and a 24-hour Express Bank call center. Commercial deposit growth is supported by offering treasury management and lockbox services.

23

Total deposits averaged $11.2 billion for the second quarter of 2006, up $71 million, or 3% annualized compared with average deposits in the first quarter of 2006. Average deposits attributed to consumer banking increased $91 million, including $49 million in Oklahoma, $26 million in New Mexico and $15 million in Texas, and average deposits attributed to wealth management increased $56 million, including $43 million in Colorado. The growth in consumer and wealth management deposits resulted from promotional and incentive programs across the Company. In addition, average deposits attributed to mortgage banking, which consisted primarily of escrow funds, increased $24 million. Growth in average consumer, wealth management and mortgage banking deposits was partially offset by a $62 million decrease in average commercial banking deposits, including $35 million in Oklahoma and $32 million in Texas. Average deposits attributed to the Company's funds management activities decreased $29 million due to lower public funds and brokered deposits.

Core deposits, which we define as deposits of less than $100,000, excluding public funds and brokered deposits, averaged $5.5 billion for the second quarter of 2006, an annualized increase of 5%. Average core deposits comprised 49% of total deposits for the second quarter of 2006. Deposit accounts with balances in excess of $100,000 increased at a 3% annualized rate to $4.6 billion or 41% of total average deposits for both the second and the first quarters of 2006.

The distribution of deposit accounts among our principal markets is shown in Table 19.

24

Table 19 - Deposits by Principal Market Area

(In thousands)

	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 3 2005
Oklahoma:				
Demand	$ 908,034	$ 950,582	$ 1,003,284	$ 959,1
Interest-bearing:				
Transaction	2,732,312	2,937,228	3,002,610	2,411,1
Savings	88,218	93,093	85,837	86,2
Time	2,662,770	2,623,352	2,564,337	2,728,2
Total interest-bearing	5,483,300	5,653,673	5,652,784	5,225,6
Total Oklahoma	$ 6,391,334	$ 6,604,255	$ 6,656,068	$ 6,184,7
Texas:				
Demand	$ 638,157	$ 551,411	$ 615,732	$ 533,4
Interest-bearing:				
Transaction	1,530,491	1,455,856	1,535,570	1,299,2
Savings	26,370	27,827	27,398	29,6
Time	717,027	726,530	735,731	633,7
Total interest-bearing	2,273,888	2,210,213	2,298,699	1,962,6
Total Texas	$ 2,912,045	$ 2,761,624	$ 2,914,431	$ 2,496,1
New Mexico:				
Demand	$ 147,307	$ 159,125	$ 129,289	$ 155,5
Interest-bearing:				
Transaction	410,166	408,160	381,099	338,7
Savings	16,860	17,805	17,839	17,6
Time	494,426	483,428	453,314	454,5
Total interest-bearing	921,452	909,393	852,252	810,8
Total New Mexico	$ 1,068,759	$ 1,068,518	$ 981,541	$ 966,3
Arkansas:				
Demand	$ 11,521	$ 11,629	$ 10,429	$ 13,7
Interest-bearing:				
Transaction	20,577	26,675	22,354	23,3
Savings	1,072	1,051	1,058	1,2
Time	69,418	73,082	75,034	81,5
Total interest-bearing	91,067	100,808	98,446	106,1
Total Arkansas	$ 102,588	$ 112,437	$ 108,875	$ 119,8
Colorado:				
Demand	$ 45,214	$ 56,419	$ 61,647	$ 51,9
Interest-bearing:				
Transaction	245,504	258,801	258,668	216,7
Savings	13,786	16,315	17,772	16,5
Time	379,239	309,068	264,020	221,7
Total interest-bearing	638,529	584,184	540,460	455,0
Total Colorado	$ 683,743	$ 640,603	$ 602,107	$ 507,0
Arizona:				

Demand	$ 73,696	$ 55,421	$ 45,567	$ 42,7
Interest-bearing:				
Transaction	67,841	57,400	56,994	71,5
Savings	2,702	3,380	4,111	3,8
Time	4,077	4,608	5,624	6,8
Total interest-bearing	74,620	65,388	66,729	82,1
Total Arizona	$ 148,316	$ 120,809	$ 112,296	$ 124,9
Total BOK Financial deposits	$ 11,306,785	$ 11,308,246	$ 11,375,318	$ 10,399,2

25

Borrowings and Capital

BOK Financial (parent company) has a $100 million unsecured revolving line of credit with certain banks that expires in December 2010. There was no outstanding principal balance on this credit agreement at June 30, 2006. Interest is based on LIBOR plus a defined margin that is determined by the Company's credit rating or a base rate. This margin ranges from 0.375% to 1.125%. The margin currently applicable to borrowings against this line is 0.500%. The base rate is defined as the greater of the daily federal funds rate plus 0.500% or the SunTrust Bank prime rate. Interest is generally paid monthly. Facility fees are paid quarterly on the unused portion of the commitment at rates that range from 0.100% to 0.250% based on the Company's credit rating.

This credit agreement includes certain restrictive covenants that limit the Company's ability to borrow additional funds, to make investments and to pay cash dividends on common stock. These covenants also require BOK Financial and subsidiary banks to maintain minimum capital levels and to exceed minimum net worth ratios. BOK Financial met all of the restrictive covenants at June 30, 2006.

The primary source of liquidity for BOK Financial is dividends from subsidiary banks, which are limited by various banking regulations to net profits, as defined, for the preceding two years. Dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations, the subsidiary banks could declare up to $233 million of dividends without regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. The subsidiary banks could declare dividends of up to $166 million under this policy.

Equity capital for BOK Financial totaled $1.6 billion at June 30, 2006, up $18 million during the quarter. Retained earnings, net income less cash dividends, provided $45 million of the increase. Growth in capital from retained earnings was partially offset by a $25 million increase in accumulated other comprehensive losses due primarily to net unrealized losses on available for sale securities and $5 million of treasury stock purchases. The remaining increase in capital during the second quarter of 2006 resulted primarily from activity in employee stock options.

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 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, securities law limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase programs may be suspended or discontinued at any time without prior notice. During the second quarter of 2006, the Company repurchased 108,322 common shares at an average price of $48.56 per share. The Company may repurchase 1.8 million common shares in the future under this program.

Cash dividends of $10.0 million or $0.15 per common share were paid during the second quarter of 2006. On July 25, 2006 the Board of Directors approved a quarterly cash dividend of $0.15 per common share. The dividend will be payable on or about August 31, 2006 to shareholders of record on August 14, 2006.

BOK Financial and its subsidiary banks are subject to various capital requirements administered by federal agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that could have 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. All of the Company's banking subsidiaries exceeded the regulatory definition of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 20.

26

Table 20 - Capital Ratios	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 3 2005
Average shareholders' equity				
to average assets	9.49%	9.51%	9.30%	9.54
Risk-based capital:				
Tier 1 capital	10.00	10.16	9.84	9.71
Total capital	12.14	12.41	12.10	12.04
Leverage	8.74	8.60	8.30	8.01

Off-Balance Sheet Arrangements

During 2002, BOK Financial agreed to a limited price guarantee on a portion of the common shares issued to purchase Bank of Tanglewood. Any holder of BOK Financial common shares issued in this acquisition may annually make a claim for the excess of the guaranteed price over the actual sales price of any shares sold during a 60-day period after each of the first five anniversary dates after October 25, 2002. The maximum annual number of shares subject to this guarantee is 210,069. The price guarantee is non-transferable and non-cumulative. BOK Financial may elect, in its sole discretion, to issue additional shares of common stock or to pay cash to satisfy any obligation under the price guaranty.

The Company will have no obligation to issue additional common shares or pay cash to satisfy any benchmark price protection obligation if the market value per share of BOK Financial common stock remains above the highest benchmark price of $42.53. The closing price of BOK Financial common stock on June 30, 2006 was $49.67 per share.

Market Risk

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

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 derivative contracts, which are affected by changes in commodity prices, are matched against offsetting contracts as previously discussed.

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

Interest Rate Risk - Other than Trading

BOK Financial has a large portion of its earning assets in variable rate loans and a large portion of its liabilities in demand deposit accounts and interest bearing transaction accounts. Changes in interest rates affect earning assets more rapidly than interest bearing liabilities in the short term. Management has adopted several strategies to position the balance sheet to be neutral to interest rate changes. As previously noted in the Net Interest Revenue section of this report, management acquires securities that are funded by borrowings in the capital markets. The average duration of these securities is expected to be approximately 3.1 years based on a range of interest rate and prepayment assumptions.

BOK Financial also uses interest rate swaps in managing its interest rate sensitivity. These products are generally used to more closely match interest on certain variable-rate loans with funding sources and long-term certificates of deposit with earning assets. During the second quarter of 2006, net interest revenue was reduced by $2.1 million from periodic settlements of these contracts. Net interest revenue was decreased by $187 thousand from periodic settlements of these contracts in the second quarter of 2005. These contracts are carried on the balance sheet at fair value and changes in fair

value are reported in income as derivatives gains or losses. A net loss of $173 thousand was recognized in the second quarter of 2006 compared to a net loss of $ 498 thousand in same period of 2005 from adjustments of these swaps and hedged liabilities to fair value. Credit risk from interest rate swaps is closely monitored as part of our overall process of managing credit exposure to other financial institutions.

The effectiveness of these strategies in managing the overall interest rate risk is evaluated through the use of an asset/liability model. BOK Financial performs a sensitivity analysis to identify more dynamic interest rate risk exposures, including embedded option positions, on net interest revenue, net income and economic value of equity. A simulation model is used to estimate the effect of changes in interest rates over the next 12 and 24 months based on eight interest rate scenarios. Two specified interest rate scenarios are used to evaluate interest rate risk against policy guidelines. The first scenario assumes a sustained parallel 200 basis point increase and the second assumes a sustained parallel 200 basis point decrease in interest rates. The Company also performs a sensitivity analysis based on a "most likely" interest rate scenario, which includes non-parallel shifts in interest rates. An independent source is used to determine the most likely interest rate scenario.

The Company's primary interest rate exposures included the Federal Funds rate, which affects short-term borrowings, and the prime lending rate and LIBOR, which are the basis for much of the variable-rate loan pricing. Additionally, mortgage rates directly affect the prepayment speeds for mortgage-backed securities and mortgage servicing rights. Derivative financial instruments and other financial instruments used for purposes other than trading are included in this simulation. The model incorporates assumptions regarding the effects of changes in interest rates and account balances on indeterminable maturity deposits based on a combination of historical analysis and expected behavior. The impact of planned growth and new business activities is factored into the simulation model. The effects of changes in interest rates on the value of mortgage servicing rights are excluded from Table 21 due to the extreme volatility over such a large rate range. The effects of interest rate changes on the value of mortgage servicing rights and securities identified as economic hedges are presented in the Lines of Business - Mortgage Banking section of this report.

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

Table 21 - Interest Rate Sensitivity
(Dollars in Thousands)

	200 bp Increase		200 bp Decrease		
	2006	2005	2006	2005	
Anticipated impact over the next twelve months on					
net interest revenue	$ (4,269)	$ 8,363	$ 6,052	***	$
	(0.8)%	1.8%	1.1%	***	

***A 200 basis point decrease was not computed in 2005 due to low market interest rates.

Trading Activities

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

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

Management uses a Value at Risk ("VAR") methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to $1.8 million. At June 30, 2006, the VAR was $557 thousand. The greatest VAR during the quarter was $650 thousand.

Controls and Procedures

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

Forward-Looking Statements

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections about BOK Financial, the financial services industry and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the provision and reserve 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.

29

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

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	
Interest Revenue			
Loans	$ 180,999	$ 132,966	$
Taxable securities	56,632	51,276	
Tax-exempt securities	2,173	1,782	
Total securities	58,805	53,058	
Trading securities	229	154	
Funds sold and resell agreements	407	156	
Total interest revenue	240,440	186,334	
Interest Expense			
Deposits	80,026	47,833	
Borrowed funds	34,378	22,988	
Subordinated debentures	4,930	2,980	
Total interest expense	119,334	73,801	
Net Interest Revenue	121,106	112,533	
Provision for Credit Losses	3,795	2,015	
Net Interest Revenue After Provision for Credit Losses	117,311	110,518	
Other Operating Revenue			
Brokerage and trading revenue	11,427	10,404	
Transaction card revenue	19,951	17,979	
Trust fees and commissions	17,751	16,259	
Deposit service charges and fees	26,341	25,347	
Mortgage banking revenue	7,195	8,550	
Other revenue	10,931	8,160	
Total fees and commissions	93,596	86,699	
Gain on sales of assets	39	5,937	
Gain (loss) on securities, net	(2,583)	2,266	
Gain (loss) on derivatives, net	(172)	(311)	
Total other operating revenue	90,880	94,591	
Other Operating Expense			
Personnel	72,369	65,333	
Business promotion	4,802	3,870	

Professional fees and services	4,362	4,492	
Net occupancy and equipment	13,199	12,650	
Data processing and communications	16,157	16,381	
Printing, postage and supplies	4,001	3,629	
Net losses and operating expenses of repossessed assets	54	316	
Amortization of intangible assets	1,359	1,808	
Mortgage banking costs	2,839	3,387	
Change in fair value of mortgage servicing rights	(3,613)	-	
Provision for impairment of mortgage servicing rights	-	7,088	
Other expense	6,598	7,056	
Total other operating expense	122,127	126,010	
Income Before Taxes	86,064	79,099	
Federal and state income tax	31,080	28,634	
Net Income	$ 54,984	$ 50,465	$
Earnings Per Share:			
Basic	$ 0.82	$ 0.79	$
Diluted	$ 0.82	$ 0.75	$
Average Shares Used in Computation:			
Basic	66,775,117	63,779,343	6
Diluted	67,317,681	66,986,428	6

See accompanying notes to consolidated financial statements.

30

Consolidated Balance Sheets
(In Thousands Except Share Data)

	June 30, 2006	December 31, 2005
	(Unaudited)	
Assets		
Cash and due from banks	$ 618,064	$ 684,857
Funds sold and resell agreements	25,469	14,465
Trading securities	25,702	18,633
Securities:		
Available for sale	4,728,434	4,821,575
Available for sale securities pledged to creditors	-	-
Investment (fair value: June 30, 2006 - $217,319; December 31, 2005 - $243,406; June 30, 2005 - $218,181)	223,411	245,125
Mortgage trading securities	82,983	-
Total securities	5,034,828	5,066,700
Loans	9,794,468	9,139,978
Less reserve for loan losses	(104,525)	(103,876)
Loans, net of reserve	9,689,943	9,036,102
Premises and equipment, net	177,142	179,627

Accrued revenue receivable	100,138	99,874
Intangible assets, net	260,293	263,022
Mortgage servicing rights, net	73,103	54,097
Real estate and other repossessed assets	8,257	8,476
Bankers' acceptances	30,430	33,001
Derivative contracts	414,367	452,878
Other assets	466,349	415,337
Total assets	$ 16,924,085	$ 16,327,069
Liabilities and Shareholders' Equity		
Noninterest-bearing demand deposits	$ 1,823,929	$ 1,865,948
Interest-bearing deposits:		
Transaction	5,006,891	5,257,295
Savings	149,008	154,015
Time	4,326,957	4,098,060
Total deposits	11,306,785	11,375,318
Funds purchased and repurchase agreements	2,342,339	1,337,911
Other borrowings	727,726	1,054,298
Subordinated debentures	290,522	295,964
Accrued interest, taxes and expense	74,580	92,219
Bankers' acceptances	30,430	33,001
Due on unsettled security transactions	3,335	8,429
Derivative contracts	437,182	466,669
Other liabilities	128,176	124,106
Total liabilities	15,341,075	14,787,915
Shareholders' equity:		
Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: June 30, 2006 - 68,291,976; December 31, 2005 - 67,904,533; June 30, 2005 - 67,556,168)	4	4
Capital surplus	670,662	656,579
Retained earnings	1,083,819	990,422
Treasury stock (shares at cost: June 30, 2006 - 1,451,735; December 31, 2005 - 1,202,125; June 30, 2005 - 1,101,838)	(51,780)	(40,040)
Accumulated other comprehensive loss	(119,695)	(67,811)
Total shareholders' equity	1,583,010	1,539,154
Total liabilities and shareholders' equity	$ 16,924,085	$ 16,327,069

See accompanying notes to consolidated financial statements.

31

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

	Preferred Stock		Common Stock		Accumulated Other Comprehensive	Capital	Retained	T
	Shares	Amount	Shares	Amount	Loss	Surplus	Earnings	S
Balances at								

December 31, 2004	249,975	$ 12	60,421	$ 4	$ (11,625)	$631,747	$809,261	
Comprehensive income:								
Net income	-	-	-	-	-	-	102,520	
Other comprehensive income, net of tax (1)	-	-	-	-	(19,412)	-	-	
Comprehensive income								
Treasury stock purchase	-	-	-	-	-	-	-	
Exercise of stock options	-	-	214	-	-	5,242	-	
Conversion of preferred stock to common	(249,975)	(12)	6,921	-	-	12	-	
Tax benefit on exercise of stock options	-	-	-	-	-	1,005	-	
Stock-based compensation	-	-	-	-	-	4,599	-	
Cash dividends on:								
Preferred stock	-	-	-	-	-	-	(375)	
Common stock	-	-	-	-	-	-	(6,649)	
Balances at June 30, 2005	-	$ -	67,556	$ 4	$ (31,037)	$ 642,605	$ 904,757	1,
Balances at December 31, 2005	-	$ -	67,905	$ 4	$ (67,811)	$ 656,579	$ 990,422	1,
Effect of implementing FAS 156, net of income taxes	-	-	-	-	-	-	383	
Comprehensive income:								
Net income	-	-	-	-	-	-	109,732	
Other comprehensive income, net of tax (1)	-	-	-	-	(51,884)	-	-	
Comprehensive income								
Treasury stock purchase	-	-	-	-	-	-	-	
Exercise of stock options	-	-	387	-	-	9,423	-	
Tax benefit on exercise of stock options	-	-	-	-	-	1,518	-	
Stock-based compensation	-	-	-	-	-	3,142	-	
Cash dividends on common stock	-	-	-	-	-	-	(16,718)	
Balances at June 30, 2006	-	$ -	68,292	$ 4	$ (119,695)	$ 670,662	$1,083,819	1,

(1)	June 30, 2006	June 30, 2005
Changes in other comprehensive loss:		
Unrealized losses on securities	$ (84,970)	$ (29,291)
Unrealized losses on cash flow hedges	(183)	(1,507)
Tax benefit on unrealized losses	30,843	11,149
Reclassification adjustment for losses realized and included in net income	3,804	371
Reclassification adjustment for tax benefit on realized losses	(1,378)	(134)

Net change in other comprehensive loss	$ (51,884)	$ (19,412)

See accompanying notes to consolidated financial statements.

32

Consolidated Statements of Cash Flows (Unaudited)
(In Thousands)

	Six Month
	2006
Cash Flows From Operating Activities:	
Net income	$ 109,732
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for credit losses	7,195
Change in fair value of mortgage servicing rights	(10,694)
Provision for mortgage servicing rights impairment	-
Unrealized losses from derivatives	5,710
Tax benefit on exercise of stock options	(1,518)
Stock-based compensation	4,958
Depreciation and amortization	19,671
Net accretion of securities discounts and premiums	(4,908)
Net gain on sale of assets	(2,643)
Mortgage loans originated for resale	(360,820)
Proceeds from sale of mortgage loans held for resale	374,165
Change in trading securities, including mortgage trading securities	(75,060)
Change in accrued revenue receivable	(264)
Change in other assets	(18,612)
Change in accrued interest, taxes and expense	(17,639)
Change in other liabilities	2,188
Net cash provided by operating activities	31,461
Cash Flows From Investing Activities:	
Proceeds from maturities of investment securities	39,405
Proceeds from maturities of available for sale securities	258,666
Purchases of investment securities	(18,240)
Purchases of available for sale securities	(408,732)
Proceeds from sales of investment securities	447
Proceeds from sales of available for sale securities	142,073
Loans originated or acquired net of principal collected	(735,081)
Proceeds from (payments on) derivative asset contracts	(28,228)
Net change in other investment assets	978
Proceeds from disposition of assets	77,469
Purchases of assets	(24,848)
Cash and cash equivalents of subsidiaries and branches acquired and sold, net	-
Net cash used by investing activities	(696,091)
Cash Flows From Financing Activities:	
Net change in demand deposits, transaction deposits and savings accounts	(297,430)
Net change in time deposits	233,133
Net change in other borrowings	677,856
Pay down of other borrowings	-
Issuance of subordinated debenture	-
Proceeds from (payments on) derivative liability contracts	27,305

Net change in derivative margin accounts		(9,412)
Change in amount receivable (due) on unsettled security transactions		(5,094)
Issuance of preferred, common and treasury stock, net		5,702
Tax benefit on exercise of stock options		1,518
Repurchase of common stock		(8,019)
Dividends paid		(16,718)
Net cash provided by financing activities		608,841
Net increase (decrease) in cash and cash equivalents		(55,789)
Cash and cash equivalents at beginning of period		699,322
Cash and cash equivalents at end of period	$	643,533
Cash paid for interest	$	224,281
Cash paid for taxes	$	61,868
Net loans transferred to repossessed real estate and other assets	$	3,195

See accompanying notes to consolidated financial statements.

33

Notes to Consolidated Financial Statements (Unaudited)

(1) Accounting Policies

Basis of Presentation

The unaudited 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 Bank of Oklahoma, N.A. and its subsidiaries ("BOk"), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A. Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., and BOSC, Inc. Certain prior period amounts have been reclassified to conform to current period classification. Reclassification affecting the Consolidated Balance Sheet as of December 31, 2005 included an increase in other assets from $341 million to $415 million and accrued interest, taxes and expenses from $18 million to $92 million. This reclassification consistently presents deferred tax assets for all periods presented.

The financial information should be read in conjunction with BOK Financial's 2005 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements.

Newly Adopted and Pending Accounting Policies

BOK Financial adopted Statement of Financial Accounting Standards No. 123-R, "Share-Based Payments" ("FAS 123-R") as of January 1, 2006. FAS 123-R requires companies to recognize in income statements the grant-date fair value of stock options and other equity-based compensation issued to employees. Share-based payments that will settle in equity instruments are measured at grant-date fair value and not remeasured for subsequent changes in fair value. FAS 123-R also requires that share-based payments that meet specified criteria to be classified as liability awards and carried at current fair value. Fair value of liability awards are remeasured at each balance sheet date until the award is settled. BOK Financial had previously adopted the preferred income statement recognition methods of the original FAS 123 retroactively to its effective date of December 15, 1994. The adoption of FAS 123-R did not significantly affect the Company's financial statements.

Stock options outstanding at June 30, 2006 totaled 3,810,282, including 869,564 of vested options and 2,940,718 of unvested options. Management expects that approximately 2.9 million of the unvested options will vest according to their contractual terms. The weighted average exercise prices of vested and unvested options are $25.53 and $40.27, respectively.

The intrinsic value of options exercised during the second quarter and first half of 2006 was $1.5 million and $5.9 million, respectively. The intrinsic value of options exercised during the second quarter and first half of 2005 was $2.2 million and $4.5 million, respectively. The Company received cash proceeds from stock options exercised of $1.1 million and $5.7 million, respectively, in the second quarter and first half of 2006. The Company received cash proceeds from stock options exercised of $1.3 million and $3.2 million, respectively, in the second quarter and first half of 2005.

Stock options are generally awarded annually. The determination of the persons to whom stock options will be awarded and the number of options awarded will be made prior to, and the exercise price of the options will be set at the closing price on, the second business Friday in January.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets" ("FAS 156") during the first quarter of 2006. FAS 156 permitted companies that service financial assets to elect to carry servicing rights at either fair value or at the lower of amortized cost or fair value. Previously, generally accepted accounting principles required servicing rights to be carried at the lower of amortized cost or fair value. FAS 156 is effective for fiscal years that begin after September 15, 2006. Early adoption is permitted as of the beginning of an entity's fiscal year, provided that the entity has not

34

yet issued any financial statements for that year.

FAS 156 also permitted companies that service financial assets to reclassify securities designated as an economic hedge of the servicing rights from the available for sale classification to trading without tainting management's classification of the remaining available for sale securities portfolio.

Effective January 1, 2006, BOK Financial designated all mortgage loan servicing rights to be carried at fair value. An adjustment to initially record servicing rights at fair value increased retained earnings by $351 thousand, net of income taxes. Additionally, certain specifically-identified securities that had been designated as economic hedges of the mortgage servicing rights were reclassified from available for sale to trading. These securities are identified as "mortgage trading securities" and are separate from the Company's normal securities trading activities. An adjustment to initially record these securities at fair value increased retained earnings by $32 thousand, net of income taxes.

See Note 3 - Mortgage Banking Activities for additional disclosures required by FAS 156.

The Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), in June 2006. FIN 48 requires that an uncertain tax position must be more likely than not of being upheld upon audit by the taxing authority for the benefit to be recognized. The benefit of uncertain tax positions that do not meet this criterion may not be recognized. In addition, FIN 48 requires that the amount of tax benefit that may be recognized for uncertain positions that meet the recognition criterion shall consider the amounts and probabilities of outcomes that could be realized upon settlement.

FIN 48 is effective for fiscal years beginning after December 15, 2006. Management is in the process of determining the effect, if any, the adoption of FIN 48 will have on the financial statements.

(2) Derivatives

The fair values of derivative contracts at June 30, 2006 are as follows (in thousands):

	Assets	Liabilities
Customer Risk Management Programs:		
Interest rate contracts	$29,212	$30,700
Energy contracts	365,481	365,134
Cattle contracts	2,723	2,723
Foreign exchange contracts	16,948	16,948
Total Customer Derivatives	414,364	415,505
Interest Rate Risk Management Programs:		
Interest rate contracts	3	21,677
Total Derivative Contracts	$414,367	$437,182

(3) Mortgage Banking Activities

BOK Financial implemented Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets" in the first quarter of 2006. An initial adjustment of the mortgage servicing rights to fair value of approximately $351 thousand, net of income taxes, was recognized as an increase to retained earnings in the same period. Also upon implementation of FAS 156, certain securities designated as an economic hedge of mortgage servicing rights were transferred from the available for sale classification to trading. Approximately $32 thousand was transferred from accumulated other comprehensive income to retained earnings for the net of tax effect of this reclassification.

At June 30, 2006, BOK Financial owned the rights to service 56,686 mortgage loans with outstanding principal balances of $5.0 billion, including $462 million serviced for affiliates. The weighted average interest rate and remaining term was 6.12% and 276 months, respectively.

On March 31, 2006, the Company paid approximately $6.8 million to acquire the rights to service approximately

35

$480 million of mortgage loans. Substantially all of these loans are to borrowers in our primary market areas.

For the three and six months ended June 30, 2006, mortgage banking revenue includes servicing fee income of $4.2 million and $8.3 million, respectively.

For the three and six months ended June 30, 2005, mortgage banking revenue includes servicing fee income of $4.1 million and $8.2 million, respectively.

Activity in capitalized mortgage servicing rights and related valuation allowance during the six months ending June 30, 2006 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights			
	Purchased	Originated	Total	Valuation Allowance
Balance at				
December 31, 2005	$ 8,606	$ 52,905	$ 61,511	$ (7,414)
Adoption of FAS 156 effective January 1, 2006	(117)	(6,747)	(6,864)	7,414
Additions, net	6,773	6,168	12,941	-
Change in fair value due to loan runoff	(1,154)	(4,025)	(5,179)	-
Change in fair value due to market changes	1,813	8,881	10,694	-
Balance at June 30, 2006 (1)	$ 15,921	$ 57,182	$ 73,103	$ -

(1) Excludes approximately $913,000 of loan servicing rights on mortgage loans originated prior to the adoption of FAS 122.

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

	June 30, 2006	December 31, 200
Discount rate - risk-free rate plus a market premium	10.03%	10.85%
Prepayment rate - based upon loan interest rate, original term and loan type	6.60% -18.80%	10.42% - 20.3
Loan servicing costs - annually per loan based upon loan type	$43 - $58	$35 - $46
Escrow earnings rate - indexed to rates paid on deposit accounts with comparable average life	6.09%	5.21%

Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at June 30, 2006 follows (in thousands):

	<5.51%	5.51% - 6.50%	6.51% - 7.50%	=> 7

Fair value	$ 17,806	$ 37,143	$ 14,083	$
Outstanding principal of loans serviced(1)	$1,098,200	$ 2,211,800	$ 889,100	$ 2

(1) Excludes outstanding principal of $462 million for loans serviced for affiliates and $58 million of mortgage loans for which there are no capitalized mortgage servicing rights.

36

(4) Disposal of Available for Sale Securities

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

	Six Months Ended June 30,	
	2006	2005
Proceeds	$ 142,073	$ 969,184
Gross realized gains	705	4,768
Gross realized losses	(115)	(5,139)
Related federal and state income tax expense (benefit)	214	(134)

(5) Employee Benefits

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. During the fourth quarter of 2005, the Company modified the Pension Plan to curtail benefit accruals effective April 1, 2006. During the first half of 2006 and 2005, net periodic pension cost was approximately $1.8 million and $3.2 million, respectively.

During the second quarter of 2006, the Company made Pension Plan contributions totaling $2.8 million, which funded the remaining maximum contribution for 2005 permitted under applicable regulations. The Company made no other Pension Plan contributions during the first half of 2006.

Management has been advised that no minimum contribution will be required for 2006. Due to the curtailment, the maximum allowable contribution for 2006 has not yet been determined.

(6) Shareholders' Equity

On July 25, 2006, the Board of Directors of BOK Financial Corporation approved a $0.15 per share quarterly common stock dividend. The quarterly dividend will be payable on or about August 31, 2006 to shareholders of record on August 14, 2006.

37

(7) Earnings Per Share

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

	Three Months Ended		Six Mont
	June 30,	June 30,	June 30,

	2006	2005	2006
Numerator:			
Net income	$ 54,984	$ 50,465	$ 109,732
Preferred stock dividends	-	-	-
Numerator for basic earnings per share - income available to common shareholders	54,984	50,465	109,732
Effect of dilutive securities:			
Preferred stock dividends	-	-	-
Numerator for diluted earnings per share - income available to common shareholders after assumed conversion	$ 54,984	$ 50,465	$ 109,732
Denominator:			
Denominator for basic earnings per share - weighted average shares	66,775,117	63,779,343	66,745,422
Effect of dilutive securities:			
Employee stock compensation plans (1)	542,564	621,341	543,913
Convertible preferred stock	-	2,585,744	-
Dilutive potential common shares	542,564	3,207,085	543,913
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	67,317,681	66,986,428	67,289,335
Basic earnings per share	$ 0.82	$ 0.79	$ 1.64
Diluted earnings per share	$ 0.82	$ 0.75	$ 1.63
(1) Excludes employee stock options with exercise prices greater than current market price.	136,813	897,170	867,761

(8) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2006 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	
Total reportable segments	$ 244,623	$ 183,291	$ 226,344	$
Unallocated items:				
Tax-equivalent adjustment	3,162	-	-	
Funds management and other	(9,353)	1,311	13,162	
BOK Financial consolidated	$ 238,432	$ 184,602	$ 239,506	$

(1) Excluding financial instruments gains/(losses).

38

Reportable segments reconciliation to the Consolidated Financial Statements for the six months ended June 30, 2005 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	
Total reportable segments	$ 210,207	$ 177,153	$ 219,958	$
Unallocated items:				
Tax-equivalent adjustment	2,501	-	-	
Funds management and other	7,419	(4,502)	8,211	
BOK Financial consolidated	$ 220,127	$ 172,651	$ 228,169	$

(1) Excluding financial instruments gains/(losses).

(9) Contingent Liabilities

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

(10) Financial Instruments with Off-Balance Sheet Risk

BOK Financial is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to manage interest rate risk. Those financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in BOK Financial's Consolidated Balance Sheets. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the notional amount of those instruments.

As of June 30, 2006, outstanding commitments and letters of credit were as follows (in thousands):

	June 30, 2006
Commitments to extend credit	$ 4,851,643
Standby letters of credit	481,284
Commercial letters of credit	12,318
Commitments to purchase securities	44,289

39

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, 2006			
	Average Balance	Revenue/ Expense(1)	Yield /Rate	Average Balance

Assets				
Taxable securities (3)	$ 4,822,591	$ 111,678	4.68 %	$ 4,730,054
Tax-exempt securities (3)	267,746	6,950	5.35	216,460
Total securities (3)	5,090,337	118,628	4.71	4,946,514
Trading securities	20,216	496	4.95	14,407
Funds sold and resell agreements	26,645	646	4.89	25,562
Loans (2)	9,319,358	347,417	7.52	8,153,378
Less reserve for loan losses	105,756	-	-	111,300
Loans, net of reserve	9,213,602	347,417	7.60	8,042,078
Total earning assets (3)	14,350,800	467,187	6.57	13,028,561
Cash and other assets	2,087,377			1,954,116
Total assets	$16,438,177			$14,982,677
Liabilities And Shareholders' Equity				
Transaction deposits	$ 5,340,281	66,004	2.49%	$4,123,291
Savings deposits	154,370	683	0.89	162,871
Time deposits	4,191,737	86,193	4.15	3,697,867
Total interest-bearing deposits	9,686,388	152,880	3.18	7,984,029
Funds purchased and repurchase agreements	1,926,164	44,179	4.63	1,933,438
Other borrowings	783,106	18,689	4.81	943,135
Subordinated debentures	294,124	9,845	6.75	175,531
Total interest-bearing liabilities	12,689,782	225,593	3.58	11,036,133
Demand deposits	1,480,087			1,740,263
Other liabilities	708,299			780,363
Shareholders' equity	1,560,009			1,425,918
Total liabilities and shareholders' equity	$16,438,177			$14,982,677
Tax-Equivalent Net Interest Revenue (3)		241,594	2.99%	
Tax-Equivalent Net Interest Revenue To Earning Assets (3)			3.40	
Less tax-equivalent adjustment (1)		3,162		
Net Interest Revenue		238,432		
Provision for credit losses		7,195		
Other operating revenue		180,317		
Other operating expense		239,506		
Income Before Taxes		172,048		
Federal and state income tax		62,316		
Net Income		$ 109,732		
Earnings Per Average Common Share Equivalent:				
Net Income:				
Basic		$ 1.64		
Diluted		$ 1.63		

(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.

Quarterly Financial Summary - Unaudited
Consolidated Daily Average Balances, Average Yields and Rates
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended			
	June 30, 2006			
	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
Assets				
Taxable securities (3)	$ 4,783,280	$ 56,632	4.75%	$ 4,862,31
Tax-exempt securities (3)	273,305	3,485	5.12	262,12
Total securities (3)	5,056,585	60,117	4.77	5,124,43
Trading securities	23,672	287	4.86	16,72
Funds sold and resell agreements	32,048	407	5.09	21,18
Loans (2)	9,472,309	181,269	7.68	9,164,70
Less reserve for loan losses	106,048	-	-	105,13
Loans, net of reserve	9,366,261	181,269	7.76	9,059,57
Total earning assets (3)	14,478,566	242,080	6.71	14,221,91
Cash and other assets	2,085,724			2,048,32
Total assets	$ 16,564,290			$ 16,270,23
Liabilities And Shareholders' Equity				
Transaction deposits	$ 5,353,413	$ 34,875	2.61%	$ 5,327,00
Savings deposits	153,200	353	0.92	155,55
Time deposits	4,220,204	44,798	4.26	4,162,95
Total interest-bearing deposits	9,726,817	80,026	3.30	9,645,51
Funds purchased and repurchase agreements	2,118,211	25,696	4.87	1,731,98
Other borrowings	684,431	8,682	5.09	882,87
Subordinated debentures	292,474	4,930	6.76	295,79
Total interest-bearing liabilities	12,821,933	119,334	3.73	12,556,16
Demand deposits	1,474,835			1,485,39
Other liabilities	695,418			680,89

Shareholders' equity	1,572,104			1,547,78
Total liabilities and shareholders' equity	$ 16,564,290			$ 16,270,23
Tax-Equivalent Net Interest Revenue (3)		$ 122,746	2.98%	
Tax-Equivalent Net Interest Revenue To Earning Assets (3)			3.40	
Less tax-equivalent adjustment (1)		1,640		
Net Interest Revenue		121,106		
Provision for credit losses		3,795		
Other operating revenue		90,880		
Other operating expense		122,127		
Income before taxes		86,064		
Federal and state income tax		31,080		
Net Income		$ 54,984		
Earnings Per Average Common Share Equivalent:				
Net income:				
Basic		$ 0.82		
Diluted		$ 0.82		

(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.

41

Three Months Ended

December 31, 2005			September 30, 2005			Ju
Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
$ 4,816,263	$ 53,375	4.44%	$ 4,800,698	$ 51,946	4.28%	$ 4,831,186
243,521	3,046	5.05	231,097	2,888	4.96	215,360
5,059,784	56,421	4.47	5,031,795	54,834	4.31	5,046,546
20,595	243	4.68	14,560	171	4.66	11,639
57,656	581	4.00	44,882	386	3.41	21,170
9,005,546	158,387	6.98	8,635,732	144,954	6.66	8,341,490
108,998	-	-	109,840	-	-	111,056
8,896,548	158,387	7.06	8,525,892	144,954	6.75	8,230,434

14,034,583	215,632	6.12	13,617,129	200,345	5.83	13,309,789
2,168,128			1,970,746			1,750,686
$ 16,202,711			$ 15,587,875			$ 15,060,475
$ 4,821,627	$ 24,075	1.98%	$ 4,533,912	$ 18,968	1.66%	$ 4,323,513
154,316	292	0.75	157,772	280	0.70	166,426
4,216,625	40,083	3.77	3,958,948	35,255	3.53	3,710,338
9,192,568	64,450	2.78	8,650,632	54,503	2.50	8,200,277
1,812,752	17,914	3.92	2,067,432	17,738	3.40	2,160,031
1,049,635	10,807	4.08	1,047,423	9,510	3.60	914,968
296,021	4,683	6.28	297,284	4,477	5.97	200,038
12,350,976	97,854	3.14	12,062,771	86,228	2.84	11,475,314
1,530,504			1,424,102			1,586,248
814,192			613,667			558,655
1,507,039			1,487,335			1,440,258
$ 16,202,711			$ 15,587,875			$ 15,060,475
	$ 117,778	2.98%		$ 114,117	2.99%	
						3.05
		3.34			3.32	
	1,392			1,289		
	116,386			112,828		
	4,450			3,976		
	87,344			86,855		
	123,903			117,034		
	75,377			78,673		
	27,219			27,846		
	$ 48,158			$ 50,827		
	$ 0.72			$ 0.77		
	$ 0.72			$ 0.76		

42

PART II. Other Information

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, 2006.

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)
April 1, 2006 to April 30, 2006	8,895	$48.46	6,604
May 1, 2006 to May 31, 2006	61,686	$48.95	58,191
June 1, 2006 to June 30, 2006	50,090	$48.07	43,527
Total	120,671		108,322

(1) The Company had a stock repurchase plan that was initially authorized by the Company's board of directors on February 24, 1998 and amended on May 25, 1999. Under the terms of that plan, the Company could repurchase up to 800,000 shares of its common stock. As of March 31, 2005, the Company had repurchased 638,642 shares under that plan. On April 26, 2005, the Company's board of directors terminated this authorization and replaced it with a new stock repurchase plan authorizing the Company to repurchase up to two million shares of the Company's common stock. As of June 30, 2006, the Company had repurchased 199,730 shares under the new plan.

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

43

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Shareholders was held on April 25, 2006 (the "Annual Meeting"). At the Annual Meeting, shareholders voted on two matters: (i) to fix the number of directors to be elected at nineteen (18) and to elect eighteen (18) persons as directors for a term of one year or until their successors have been elected and qualified, and (ii) to amend the BOKF 2003 Stock Option Plan. The shareholders approved these matters by the following votes, respectively:

(i) Election of eighteen (18) directors for a term of one year:

	Votes For	Votes Withheld/ Against
Gregory S. Allen	64,199,569	102,587
C. Fred Ball, Jr.	61,078,269	3,223,887
Sharon J. Bell	63,888,560	413,596
Peter C. Boylan III	64,188,718	113,438
Chester Cadieux III	60,263,729	4,038,427
Paula Marshall-Chapman	59,540,599	4,761,557
William E. Durrett	63,907,437	394,719

Robert G. Greer	61,079,534	3,222,622
David F. Griffin	64,199,969	102,187
V. Burns Hargis	61,080,025	3,222,131
E. Carey Joullian IV	60,096,178	4,205,978
George B. Kaiser	61,528,070	2,774,086
Judith Z. Kishner	64,193,314	108,842
Thomas L. Kivisto	64,199,769	102,387
David L. Kyle	63,742,235	559,921
Robert J. LaFortune	63,907,325	394,831
Stanley A. Lybarger	61,080,035	3,222,121
Steven J. Malcolm	63,800,107	502,049

	Votes For	Votes Withheld/ Against	Except Abst
(ii) Amendment of the BOKF 2003 Stock Option Plan	56,641,364	1,004,674	873

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

Items 1, 3 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 9, 2006

/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 Director
of Financial Accounting & Reporting

<