SPESCOM SOFTWARE INC
Form 4
April 06, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Cox Glenn H II

(Last) (First) (Middle)

478 SAYBROOK ROAD

(Street)

HADDAM, CT 06438

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SPESCOM SOFTWARE INC [spco.ob]

3. Date of Earliest Transaction (Month/Day/Year)
03/31/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP Sales & Marketing

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Common Stock Option	$ 0.13	03/31/2006		A		100,000		(1)	03/31/2016	Common Stock	100,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cox Glenn H II 478 SAYBROOK ROAD HADDAM, CT 06438			VP Sales & Marketing	

Signatures

John W. Low	04/06/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Vest 25% 3 months after date of grant and then on each anniversary thereafter

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. th="1%" style="TEXT-ALIGN: left"> 51,989 118,047 358,340

Nominal yield

4.47 4.74 5.57 6.31 5.32

Total investment securities:

Amortized cost
$343,748

Fair value
358,340

Nominal yield
5.32

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

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

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Available for Sale Securities

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

	September 30, 2010				
			Recognized in OCI (1)		
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Other Than Temporary Impairment
Municipal and other tax-exempt	$66,384	$68,308	$2,041	$(117)	$–
Residential mortgage-backed securities:					
U. S. agencies:					–
FNMA	4,647,155	4,818,663	173,275	(1,767)	–
FHLMC	2,645,596	2,745,549	99,953	–	–
GNMA	886,910	924,861	38,003	(52)	–
Other	100,589	107,838	7,249	–	–
Total U.S. agencies	8,280,250	8,596,911	318,480	(1,819)	–
Private issue:					
Alt-A loans	211,343	178,221	–	(1,016)	(32,106)
Jumbo-A loans	575,552	530,251	1,964	(17,491)	(29,774)
Total private issue	786,895	708,472	1,964	(18,507)	(61,880)
Total residential mortgage-backed securities	9,067,145	9,305,383	320,444	(20,326)	(61,880)
Other debt securities	9,897	9,887	–	(10)	–
Federal Reserve Bank stock	32,844	32,844	–	–	–
Federal Home Loan Bank stock	77,095	77,095	–	–	–
Perpetual preferred stock	19,511	22,024	2,513	–	–
Equity securities and mutual funds	31,913	44,669	13,279	(523)	–
Total	$9,304,789	$9,560,210	$338,277	$(20,976)	$(61,880)

(1) Other comprehensive income

	December 31, 2009				
			Recognized in OCI (1)		
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Other Than Temporary Impairment
U.S. Treasury	$6,998	$7,020	$22	$–	$–
Municipal and other tax-exempt	61,268	62,201	1,244	(311)	–
Residential mortgage-backed securities:					
U. S. agencies:					
FNMA	3,690,280	3,782,180	98,764	(6,864)	–
FHLMC	2,479,522	2,547,978	70,024	(1,568)	–
GNMA	1,221,577	1,225,042	10,371	(6,906)	–
Other	254,438	254,128	5,080	(5,390)	–
Total U.S. agencies	7,645,817	7,809,328	184,239	(20,728)	–
Private issue:					
Alt-A loans	262,106	195,808	–	(13,305)	(52,993)
Jumbo-A loans	699,272	596,554	–	(71,023)	(31,695)

Total private issue	961,378	792,362	–	(84,328)	(84,688)
Total residential mortgage-backed securities	8,607,195	8,601,690	184,239	(105,056)	(84,688)
Other debt securities	17,174	17,147	–	(27)	–
Federal Reserve Bank stock	32,526	32,526	–	–	–
Federal Home Loan Bank stock	78,999	78,999	–	–	–
Perpetual preferred stock	19,224	22,275	3,051	–	–
Equity securities and mutual funds	35,414	50,165	15,275	(524)	–
Total	$8,858,798	$8,872,023	$203,831	$(105,918)	$(84,688)

(1) Other comprehensive income

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	September 30, 2009				
			Recognized in OCI (1)		
	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Other Than Temporary Impairment
Municipal and other tax-exempt	$6,995	$7,052	$57	$–	$–
Residential mortgage-backed securities:	46,393	47,903	1,730	(220)	–
U. S. agencies:					
FNMA	3,400,688	3,510,572	112,054	(2,170)	–
FHLMC	2,323,379	2,396,767	73,440	(52)	–
GNMA	828,543	846,693	18,559	(409)	–
Other	131,270	132,835	5,047	(3,482)	–
Total U.S. agencies	6,683,880	6,886,867	209,100	(6,113)	–
Private issue:					
Alt-A loans	298,738	233,976	–	(41,377)	(23,385)
Jumbo-A loans	1,033,612	906,967	80	(122,156)	(4,569)
Total private issue	1,332,350	1,140,943	80	(163,533)	(27,954)
Total residential mortgage-backed securities	8,016,230	8,027,810	209,180	(169,646)	(27,954)
Other debt securities	15,883	15,862	–	(21)	–
Federal Reserve Bank stock	32,526	32,526	–	–	–
Federal Home Loan Bank stock	146,355	146,355	–	–	–
Perpetual preferred stock	19,751	20,038	527	(240)	–
Equity securities and mutual funds	43,531	61,016	18,009	(524)	–
Total	$8,327,664	$8,358,562	$229,503	$(170,651)	$(27,954)

(1) Other comprehensive income

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The amortized cost and fair values of available for sale securities at September 30, 2010, by contractual maturity, are as shown in the following table (dollars in thousands):

	Less than One Year	One to Five Years	Six to Ten Years	Over Ten Years6	Total	Weighted Average Maturity5
Municipal and other tax-exempt:						
Amortized cost	$655	$6,005	$14,816	$44,908	$66,384	19.00
Fair value	663	6,510	16,200	44,935	68,308	
Nominal yield[1]	3.66	4.09	4.00	1.00	1.97	
Other debt securities:						
Amortized cost	$3	$–	$–	$9,894	$9,897	30.19
Fair value	3	–	–	9,884	9,887	
Nominal yield[1]	7.61	–	–	1.46	1.46	
Total fixed maturity securities:						
Amortized cost	$658	$6,005	$14,816	$54,802	$76,281	20.45
Fair value	666	6,510	16,200	54,819	78,195	
Nominal yield	3.68	4.09	4.00	1.08	1.91	
Mortgage-backed securities:						
Amortized cost					$9,067,145	[2]
Fair value					9,305,383	
Nominal yield4					4.13	
Equity securities and mutual funds:						
Amortized cost					$161,363	[3]
Fair value					176,632	
Nominal yield					2.01	
Total available-for-sale securities:						
Amortized cost					$9,304,789	
Fair value					9,560,210	
Nominal yield					4.07	

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

[2] The average expected lives of mortgage-backed securities were 2.92 years based upon current prepayment assumptions.

[3] Primarily restricted common stock of U.S. government agencies and preferred stock of corporate issuers with no stated maturity.

4 The nominal yield on mortgage-backed securities is based upon prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

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

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

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

	Three Months Ended	Nine Months Ended

	September 30,		September 30,	
	2010	2009	2010	2009
Proceeds	$ 595,967	$ 704,897	$ 1,511,104	$ 2,481,861
Gross realized gains	8,899	15,122	22,210	48,992
Gross realized losses	–	(1,390)	–	(1,390)
Related federal and state income tax expense	2,857	2,752	7,280	16,039

Gains and losses on sales of available for sale securities are realized on settlement date.

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Temporarily Impaired Securities as of September 30, 2010
(In thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss	Total Fair Value	Total Unrealized Loss
Investment:							
Other debt securities	15	$20,052	$143	$–	$–	$20,052	$143
Available for sale:							
Municipal and other tax-exempt	18	8,201	20	18,125	97	26,326	117
Residential mortgage-backed securities:							
U. S. agencies:							
FNMA	9	377,384	1,767	–	–	377,384	1,767
GNMA	2	5,790	52	–	–	5,790	52
Total U.S. agencies	11	383,174	1,819	–	–	383,174	1,819
Private issue:							
Alt-A loans	20	–	–	178,220	33,122	178,220	33,122
Jumbo-A loans	53	–	–	447,649	47,265	447,649	47,265
Total private issue	73	–	–	625,869	80,387	625,869	80,387
Total residential mortgage-backed securities	84	383,174	1,819	625,869	80,387	1,009,043	82,206
Other debt securities	3	1,093	2	2,394	8	3,487	10
Equity securities and mutual funds	2	–	–	2,681	523	2,681	523
Total available for sale	107	392,468	1,841	649,069	81,015	1,041,537	82,856
Total	122	$412,520	$1,984	$649,069	$81,015	$1,061,589	$82,999

Temporarily Impaired Securities as of December 31, 2009
(In thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss	Total Fair Value	Total Unrealized Loss
Investment:							
Municipal and other tax exempt	15	$1,490	$14	$2,991	$43	$4,481	$57
Available for sale:							
Municipal and other tax-exempt	27	34,373	265	657	46	35,030	311

Residential mortgage-backed securities:							
U. S. agencies:							
FNMA	21	497,659	6,864	–	–	497,659	6,864
FHLMC	8	212,618	1,568	–	–	212,618	1,568
GNMA	16	460,144	6,906	–	–	460,144	6,906
Other	4	87,434	5,390	–	–	87,434	5,390
Total U.S. agencies	49	1,257,855	20,728	–	–	1,257,855	20,728
Private issue:							
Alt-A loans	21	–	–	195,808	66,298	195,808	66,298
Jumbo-A loans	65	–	–	596,554	102,718	596,554	102,718
Total private issue	86	–	–	792,362	169,016	792,362	169,016
Total residential mortgage-backed securities	135	1,257,855	20,728	792,362	169,016	2,050,217	189,744
Other debt securities	5	8,116	26	31	1	8,147	27
Equity securities and mutual funds	4	2,790	524	–	–	2,790	524
Total available for sale	171	1,303,134	21,543	793,050	169,063	2,096,184	190,606
Total	186	$1,304,624	$21,557	$796,041	$169,106	$2,100,665	$190,663

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Temporarily Impaired Securities as of September 30, 2009
(In thousands)

	Number of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Loss	12 Months or Longer Fair Value	12 Months or Longer Unrealized Loss	Total Fair Value	Total Unrealized Loss
Investment:							
Municipal and other tax exempt	8	$3,355	$1	$2,363	$14	$5,718	$15
Available for sale:							
Municipal and other tax-exempt	14	25,360	220	–	–	25,360	220
Residential mortgage-backed securities:							
U. S. agencies:							
FNMA	8	152,385	1,012	10,238	1,158	162,623	2,170
FHLMC	3	76,500	52	–	–	76,500	52
GNMA	2	50,995	409	–	–	50,995	409
Other	3	16,624	3	39,119	3,479	55,743	3,482
U. S. agencies	16	296,504	1,476	49,357	4,637	345,861	6,113
Private issue:							
Alt-A loans	25	–	–	233,976	64,762	233,976	64,762
Jumbo-A loans	86	16,755	3,277	864,312	123,448	881,067	126,725
Total private issue	111	16,755	3,277	1,098,288	188,210	1,115,043	191,487
Total residential mortgage-backed securities	127	313,259	4,753	1,147,645	192,847	1,460,904	197,600
Other debt securities	3	6,878	21	–	–	6,878	21
Perpetual preferred stock	3	–	–	10,162	240	10,162	240
Equity securities and mutual funds	7	2,681	524	–	–	2,681	524
Total available for sale	154	348,178	5,518	1,157,807	193,087	1,505,985	198,605
Total	162	$351,533	$5,519	$1,160,170	$193,101	$1,511,703	$198,620

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

For debt securities, management determines whether it intends to sell or if it is more-likely-than-not that it will be required to sell impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Based on this evaluation as of September 30, 2010, we do not intend to sell any impaired available for sale securities before fair value recovers to our current amortized cost and it is more-likely-than-not that we will not be required to sell impaired securities before fair value recovers.

For all impaired debt securities for which there was no intent or expected requirement to sell, the evaluation considers all available evidence to assess whether it is more likely than not that all amounts due would not be collected according to the security’s contractual terms.

Impairment of debt securities rated investment grade by all nationally-recognized rating agencies are considered temporary unless specific contrary information is identified. None of the debt securities rated investment grade were considered to be other-than-temporarily impaired at September 30, 2010.

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As of September 30, 2010, the composition of the Company’s securities portfolio by the lowest current credit rating assigned by any of the three nationally-recognized rating agencies is as follows (in thousands):

	U.S. Govt / GSE (1)		AAA - AA		A - BBB		Below Investment Grade	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-Maturity:								
Municipal and other tax-exempt	$–	$–	$62,423	$64,543	$35,944	$37,184	$–	$–
Other debt securities	–	–	148,330	156,474	1,350	1,350	–	–
Total	$–	$–	$210,753	$221,017	$37,294	$38,534	$–	$–
Available for Sale:								
Municipal and other tax-exempt	$–	$–	$45,148	$46,748	$7,124	$7,228	$11,468	$11,468
Residential mortgage-backed securities:								
U. S. agencies:								
FNMA	4,647,155	4,818,663	–	–	–	–	–	–
FHLMC	2,645,596	2,745,549	–	–	–	–	–	–
GNMA	886,910	924,861	–	–	–	–	–	–
Other	100,589	107,838	–	–	–	–	–	–
Total U.S. agencies	8,280,250	8,596,911	–	–	–	–	–	–
Private issue:								
Alt-A loans	–	–	12,240	11,345	11,383	11,262	187,720	155,614
Jumbo-A loans	–	–	79,865	81,003	129,663	123,418	366,024	325,830
Total private issue	–	–	92,105	92,348	141,046	134,680	553,744	481,444
Total residential mortgage-backed securities	8,280,250	8,596,911	92,105	92,348	141,046	134,680	553,744	481,444
Other debt securities	–	–	9,894	9,884	–	–	–	–
Federal Reserve Bank stock	32,844	32,844	–	–	–	–	–	–
Federal Home Loan Bank stock	77,095	77,095	–	–	–	–	–	–
Perpetual preferred stock	–	–	–	–	19,511	22,024	–	–
Equity securities and mutual funds	–	–	–	–	–	–	–	–
Total	$8,390,189	$8,706,850	$147,147	$148,980	$167,681	$163,932	$565,212	$492,912

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

At September 30, 2010, approximately $554 million of the portfolio of privately issued residential mortgage-backed securities (based on amortized cost after impairment charges) was rated below investment grade by at least one of the nationally-recognized rating agencies. The aggregate unrealized loss on these securities totaled $72 million. Ratings by the nationally recognized rating agencies are subjective in nature and accordingly ratings can vary significantly amongst the agencies. Limitations generally expressed by the rating agencies include statements that ratings do not predict the specific percentage default likelihood over any given period of time and that ratings do not opine on expected loss severity of an obligation should the issuer default. As such, the impairment of securities rated below investment grade by at least one of the nationally-recognized rating agencies was evaluated to determine if we expect not to recover the entire amortized cost basis of the security. This evaluation was based on projections of estimated cash flows based on individual loans underlying each security using current and anticipated increases in unemployment and default rates, decreases in housing prices and estimated liquidation costs at foreclosure. The primary assumptions used in this evaluation were:

- Unemployment rates – increasing to 10% over the next 12 months, dropping to 8% over the following 21 months, and holding at 8% thereafter. Previously we assumed that unemployment rates would increase to 10% over the next 12 months, then decrease to 8% over the following 12 months.
- Housing price depreciation – starting with current depreciated housing prices based on information derived from the Federal Housing Finance Agency data, decreasing by an additional 5% over the next twelve months and holding at that level thereafter.
- Estimated Liquidation Costs – held constant at 25% for Jumbo-A loans and 30% to 35% for Alt-A loans of the then-current depreciated housing price at estimated foreclosure date. Previously we assumed that liquidation costs would be 27% for both Jumbo-A and Alt-A loans.
- Discount rates – estimated cash flows were discounted at rates that range from 5.50% to 6.14% based on our current expected yields.

We also consider the adjusted loan-to-value ratio and credit enhancement coverage ratio as part of the assessment of the cash flows available to recover the amortized cost of the debt securities. Each factor is given equal weight in the evaluation.

Adjusted loan-to-value ratio is an estimate of the collateral value available to support the realizable value of the security. The Company calculates the adjusted loan-to-value ratio for each security using loan-level data. The adjusted loan-to-value ratio is the original loan-to-value ratio adjusted for market-specific home price depreciation and the credit enhancement on the specific tranche of the security owned by the Company. The home price depreciation is derived from the Federal Housing Finance Agency ("FHFA"). FHFA provides historical information on home price depreciation at both the Metropolitan Statistical Area ("MSA") and state level. This information is matched to each loan to calculate the home price depreciation. Data is accumulated from the loan level to determine the adjusted loan-to-value ratio for the security as a whole. The Company believes that an adjusted loan-to-value ratio above 85% provides evidence that the collateral value may not provide sufficient cash flows to support our carrying value. The 85% guideline provides for further home price depreciation in future periods beyond our assumptions of current loss trends for residential real estate loans and is consistent with current underwriting standards used by the Company to originate new residential mortgage loans.

A distribution of the amortized cost (after recognition of the other-than-temporary impairment) and fair value by adjusted loan to value ratio for our below investment grade private label mortgage-backed securities is as follows (in thousands):

				Credit Losses Recognized			
				For the three months ended September 30, 2010		Life-to-date	
Adjusted LTV Ratio	Number of Securities	Amortized Cost	Fair Value	Number of Securities	Amount	Number of Securities	Amount
< 70 %	4	$22,959	$22,927	–	$–	–	$–
70 < 75	2	48,479	45,797	–	–	–	–
75 < 80	1	12,842	13,254	–	–	–	–
80 < 85	8	190,100	163,144	6	4,703	6	9,253
>= 85	13	279,364	236,322	10	8,589	12	36,052
Total	28	$553,744	$481,444	16	$13,292	18	$45,305

Credit enhancement coverage ratio is an estimate of credit enhancement available to absorb current projected losses within the pool of loans that support the security. The Company acquires the benefit of credit enhancement by investing in super-senior tranches for many of our residential mortgage-backed securities. Subordinated tranches held by other investors are specifically designed to absorb losses before the super-senior tranches which effectively doubled the typical credit support for these types of bonds. Current projected losses consider depreciation of home prices based on FHFA data, estimated costs and additional losses to liquidate collateral and delinquency status of the individual loans underlying the security. Management believes that a credit enhancement coverage ratio below 1.50 provides evidence that current credit enhancement may not provide sufficient cash flows of the individual loans to support our carrying value at the security level. The credit enhancement coverage ratio guideline of 1.50 times is based on standard underwriting criteria which consider loans with coverage ratios of 1.20 to 1.25 times to be well-secured.

Additional evidence considered by the Company is the current loan-to-value ratio and the FICO score of individual borrowers whose loans are still performing within the collateral pool as forward-looking indicators of possible future losses that could affect our evaluation.

Based upon projected declines in expected cash flows from certain private-label residential mortgage-backed securities, the Company recognized $13.3 million of credit loss impairment in earnings on these securities during the third quarter of 2010. Additional impairment based on the difference between the total unrealized losses and the estimated credit losses on these securities was charged against other comprehensive income, net of deferred taxes. In addition to the other-than-temporary impairment charges on private-label mortgage-backed securities, the Company recognized $1.0 million in impairment charges on certain below investment grade municipal securities during the third quarter of 2010 based on management's assessment of on-going financial difficulties and recent court developments regarding the municipal authority servicing the bonds. See additional discussion regarding the development of the fair value of the bonds in Note 12.

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The following represents the composition of net impairment losses recognized in earnings (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
OTTI related to perpetual preferred stocks recognized in earnings	$–	$–	$–	$(8,008)
OTTI on debt securities due to change in intent to sell	–	–	–	(1,263)
OTTI on debt securities not intended for sale	(4,525)	(6,133)	(25,192)	(52,493)
Less: Portion of OTTI recognized in other comprehensive income	9,786	(2,752)	(4,010)	(41,839)
OTTI recognized in earnings related to credit losses on debt securities not intended for sale	(14,311)	(3,381)	(21,182)	(10,654)
Total OTTI recognized in earnings	$(14,311)	$(3,381)	$(21,182)	$(19,925)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance of credit-related OTTI recognized on available for sale debt, beginning of period	$32,013	$7,273	$25,142	$–
Additions for credit-related OTTI not previously recognized	1,194	1,563	2,983	8,557
Additions for increases in credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost	13,117	1,818	18,199	2,097
Balance of credit-related OTTI recognized on available for sale debt securities, end of period	$46,324	$10,654	$46,324	$10,654

Mortgage Trading Securities

Mortgage trading securities are residential mortgage-backed securities issued by U.S. government agencies that have been designated as an economic hedge of the mortgage servicing rights and are separately identified on the balance sheet. The Company has elected to carry these securities at fair value with changes in fair value being recognized in earnings as they occur. Mortgage trading securities were carried at their fair value of $475 million at September 30, 2010 with a net unrealized gain of $4.9 million. Mortgage trading securities were carried at their fair value of $286 million at December 31, 2009, with a net unrealized loss of $2.1 million and fair value of $321 million at September 30, 2009 with a net unrealized gain of $5.0 million. The Company recognized a net gain of $3.4 million and $18.4 million on mortgage trading securities for the three and nine months ended September 30, 2010, respectively. The Company recognized a net gain of $3.6 million and a net loss of $8.8 million on mortgage trading securities for the three and nine months ended September 30, 2009, respectively.

3) Derivatives

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at September 30, 2010 (in thousands):

	Gross Basis				Net Basis2	
	Assets		Liabilities		Assets	Liabilities
	Notional¹	Fair Value	Notional¹	Fair Value	Fair Value	Fair Value
Customer Risk Management Programs:						
Interest rate contracts	$12,922,733	$162,377	$12,358,978	$159,901	$116,257	$113,781
Energy contracts	2,120,942	280,623	2,377,861	280,138	101,636	101,151
Agricultural contracts	153,551	5,609	162,927	5,500	1,715	1,606
Foreign exchange contracts	48,707	48,707	48,707	48,707	48,707	48,707
CD options	144,289	9,151	144,289	9,151	9,151	9,151
Total customer derivatives before cash collateral	15,390,222	506,467	15,092,762	503,397	277,466	274,396
Less: cash collateral	–	–	–	–	(19,907)	(56,157)
Total customer derivatives	15,390,222	506,467	15,092,762	503,397	257,559	218,239
Interest Rate Risk Management Programs	124,000	8,545	2,977	57	8,545	57
Total Derivative Contracts	$15,514,222	$515,012	$15,095,739	$503,454	$266,104	$218,296

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

2 Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

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

Derivative contracts may also require the Company to provide or receive cash margin as collateral for derivative assets and liabilities. Derivative assets and liabilities are reported net of cash margin when certain conditions are met. As of September 30, 2010, a decrease in credit rating from A1 to below investment grade would increase our obligation to post cash margin on existing contracts by approximately $58 million.

The following table summarizes the fair values of derivative contracts recorded as “derivative contracts” assets and liabilities in the balance sheet at December 31, 2009 (in thousands):

	Gross Basis				Net Basis2	
	Assets		Liabilities		Assets	Liabilities
	Notional¹	Fair Value	Notional¹	Fair Value	Fair Value	Fair Value
Customer Risk Management Programs:						
Interest rate contracts3	$7,392,393	$156,261	$7,294,028	$161,225	$110,449	$115,413
Energy contracts	3,588,767	454,978	3,719,796	450,614	174,319	176,983
Agricultural contracts	23,196	1,004	31,715	875	1,004	875

Foreign exchange contracts	63,942	64,182	64,182	64,182	64,182	64,182
CD options	66,248	5,493	66,248	5,493	5,493	5,493
Total customer derivatives before cash collateral	11,134,546	681,918	11,175,969	682,389	355,447	362,946
Less: cash collateral	–	–	–	–	(13,229)	(54,586)
Total customer derivatives	11,134,546	681,918	11,175,969	682,389	342,218	308,360
Interest Rate Risk Management Programs	40,000	1,564	–	–	1,564	–
Total Derivative Contracts	$11,174,546	$683,482	$11,175,969	$682,389	$343,782	$308,360

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

2 Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

3 Gross notional and gross fair value amounts have been revised to conform with current period presentation. The net fair values of assets and liabilities were not affected.

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The following table summarizes the fair values of derivative contracts recorded as "derivative contracts" assets and liabilities in the balance sheet at September 30, 2009 (in thousands):

	Gross Basis				Net Basis2	
	Assets		Liabilities		Assets	Liabilities
	Notional¹	Fair Value	Notional¹	Fair Value	Fair Value	Fair Value
Customer Risk Management Programs:						
Interest rate contracts	$7,202,515	$195,387	$7,210,220	$200,770	$136,625	$142,008
Energy contracts	4,091,495	611,327	4,304,136	610,802	215,144	214,619
Agricultural contracts	57,062	1,650	45,192	1,522	1,650	1,522
Foreign exchange contracts	54,068	54,160	54,160	54,160	54,160	54,160
CD options	55,938	4,888	55,938	4,888	4,888	4,888
Total customer derivatives before cash collateral	11,461,078	867,412	11,669,646	872,142	412,467	417,197
Less: cash collateral	–	–	–	–	(17,089)	(22,000)
Total customer derivatives	11,461,078	867,412	11,669,646	872,142	395,378	395,197
Interest Rate Risk Management Programs	98,541	1,732	–	–	1,732	–
Total Derivative Contracts	$11,559,619	$869,144	$11,669,646	$872,142	$397,110	$395,197

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

2 Derivative contracts are recorded on a net basis in the balance sheet in recognition of master netting agreements that enable the Company to settle all derivative positions with a given counterparty in total and to offset the net derivative position with the related cash collateral.

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

	Three Months ended September 30, 2010		Three Months ended September 30, 2009	
	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net
Customer Risk Management Programs:				
Interest rate contracts	$ 1,152	$ –	$ (197)	$ –
Energy contracts	2,373	–	1,313	–
Agricultural contracts	153	–	196	–
Foreign exchange contracts	159	–	197	–
CD options	–	–	–	–
Total Customer Derivatives	3,837	–	1,509	–
Interest Rate Risk Management Programs	–	4,472	–	(2,242)
Total Derivative Contracts	$ 3,837	$ 4,472	$ 1,509	$ (2,242)

	Nine Months ended September 30, 2010		Nine Months ended September 30, 2009	
	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net	Brokerage and Trading Revenue	Gain (Loss) on Derivatives, Net
Customer Risk Management Programs:				
Interest rate contracts	$ 1,915	$ –	$ 1,482	$ –
Energy contracts	6,398	–	2,627	–
Agricultural contracts	602	–	529	–
Foreign exchange contracts	492	–	371	–
CD options	–	–	–	–
Total Customer Derivatives	9,407	–	5,009	–
Interest Rate Risk Management Programs	–	11,148	–	(10,846)
Total Derivative Contracts	$ 9,407	$ 11,148	$ 5,009	$ (10,846)

Customer Risk Management Programs

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

Interest Rate Risk Management Programs

BOK Financial uses interest rate swaps in managing its interest rate sensitivity and as part of its economic hedge of the change in the fair value of mortgage servicing rights. Interest rate swaps are generally used to reduce overall asset sensitivity by converting specific fixed rate liabilities to floating rate based on LIBOR. Net interest revenue was increased by $1.1 million and $3.2 million for the three months ended September 30, 2010 and 2009, respectively, from the settlement of amounts receivable or payable on interest rate swaps. As of September 30, 2010, BOK Financial had interest rate swaps with a notional value of $94 million used as part of the economic hedge of the change in the fair value of the mortgage servicing rights.

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

The notional and the fair value included in residential mortgage loans held for sale on the balance sheet related to derivative contracts not designated as hedging instruments related to mortgage loan commitments and forward contract sales were (in thousands):

	September 30, 2010		December 31, 2009		September 30, 2009	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Mortgage loan commitments	$325,562	$8,722	$117,716	$496	$159,598	$3,481
Forward sales contracts	630,846	(2,417)	333,218	3,626	310,799	(3,875)
		$6,305		$4,122		$(394)

The related gain (loss) included in mortgage banking revenue in the Consolidated Statement of Earnings (Unaudited) related to the changes in the fair value of derivative contracts not designated as hedging instruments related to mortgage loan commitments and forward contract sales were (in thousands):

	Mortgage Banking Revenue			
	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	2010	2009
Mortgage loan commitments	$ 3,184	$ 1,634	$ 8,226	$ 1,312
Forward sales contracts	5,040	(8,960)	(6,043)	(1,712)
	$ 8,224	$ (7,326)	$ 2,183	$ (400)

(4) Impaired Loans

Impaired Loans

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

	September 30, 2010	December 31, 2009	September 30, 2009
Investment in impaired loans (all of which were on a nonaccrual basis)	$ 242,969	$ 316,666	$ 357,954
Loans with specific reserves for loss	170,123	204,076	247,309
Specific reserve balance	12,145	36,168	37,739
No specific related reserve for loss	72,846	112,590	110,645
Average recorded investment in impaired loans	290,909	327,935	316,246

Approximately $9.0 million of losses on impaired loans with no related specific reserves at September 30, 2010 were charged off against the allowance for loan losses in the third quarter of 2010. Interest income recognized on impaired loans was not significant.

(5) Reserve for Credit Losses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Beginning balance	$ 299,489	$ 263,309	$ 292,095	$ 233,236
Provision for loan losses	19,800	53,580	97,226	150,461
Loans charged off	(25,339)	(38,581)	(103,835)	(110,525)
Recoveries	5,204	2,594	13,668	7,730
Ending balance	$ 299,154	$ 280,902	$ 299,154	$ 280,902

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Beginning balance	$ 15,102	$ 10,445	$ 14,388	$ 15,166
Provision for off-balance sheet credit losses	200	1,540	914	(3,181)
Ending balance	$ 15,302	$ 11,985	$ 15,302	$ 11,985
Provision for credit losses	$ 20,000	$ 55,120	$ 98,140	$ 147,280

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(6) Mortgage Banking Activities

BOK Financial transfers financial assets primarily to government sponsored agencies as part of its mortgage banking activities. Transfers are recorded as sales for financial reporting purposes when the criteria for surrender of control are met. BOK Financial may retain the right to service the assets and may incur a recourse obligation. The Company may also retain a residual interest in excess cash flows generated by the assets. All assets obtained, including cash, servicing rights and residual interests, and all liabilities incurred, including recourse obligations, are initially recognized at fair value, all assets transferred are derecognized and any gain or loss on the sale is recognized in earnings. Subsequently, servicing rights and residual interests are carried at fair value with changes in fair value recognized in earnings as they occur. A separate reserve is maintained as part of other liabilities for the Company’s credit risk on loans transferred subject to a recourse obligation.

Residential mortgage loans held for sale totaled $317 million and $172 million and outstanding mortgage loan commitments totaled $423 million and $216 million at September 30, 2010 and 2009, respectively. Residential mortgage loans held for sale totaled $218 million and outstanding mortgage loan commitments totaled $145 million at December 31, 2009. Mortgage loan commitments are generally outstanding for 60 to 90 days and are subject to both credit and interest rate risk. Credit risk is managed through underwriting policies and procedures, including collateral requirements, which are generally accepted by the secondary loan markets. Exposure to interest rate fluctuations is partially managed through forward sales of mortgage-backed securities and forward sales contracts. These latter contracts set the price for loans that will be delivered in the next 60 to 90 days. As of September 30, 2010, the unrealized loss recognized on forward sales contracts used to manage the mortgage pipeline interest rate risk was approximately $2.4 million. Gains on mortgage loans sold, including capitalized mortgage servicing rights, totaled $24.1 million and $7.2 million for the nine months ended September 30, 2010 and 2009, respectively.

Mortgage servicing rights may be purchased or may be recognized when mortgage loans are originated pursuant to an existing plan for sale or, if no such plan exists, when the mortgage loans are sold. Originated mortgage servicing rights are initially recognized at fair value. Purchased servicing rights are initially recognized at purchase price. All mortgage servicing rights are subsequently carried at fair value. Changes in the fair value are recognized in earnings as they occur.

During the first quarter of 2010, the Company purchased the rights to service approximately 34 thousand residential mortgage loans with an outstanding principal balance of $4.2 billion. The loans to be serviced are primarily concentrated in New Mexico and predominantly held by Fannie Mae, Ginnie Mae and Freddie Mac. The cash purchase price was $32 million. The acquisition date fair value of the servicing rights was approximately $43.7 million based upon independent valuation analyses which were further supported by assumptions and models the Company regularly uses to value its existing portfolio of servicing rights. The $11.8 million difference between the purchase price and acquisition date fair value was directly attributable to the seller’s distressed financial condition.

BOK Financial owned the rights to service 99,986 mortgage loans with outstanding principal balances of $12.0 billion, including $813 million serviced for affiliates at September 30, 2010, and owned rights to service 62,860 mortgage loans with outstanding principal balances of $7.1 billion, including $832 million serviced for affiliates at September 30, 2009. The weighted average interest rate and remaining term was 5.55% and 290 months, respectively, at September 30, 2010, and 5.74% and 289 months, respectively, at September 30, 2009.

For the three months and nine months ended September 30, 2010, mortgage banking revenue includes servicing fee income and late charges on loans serviced for others of $10.2 million and $28.1 million, respectively. For the three months and nine months ended September 30, 2009, mortgage banking revenue includes servicing fee income and late charges on loans serviced for others of $5.2 million and $14.6 million, respectively.

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Activity in capitalized mortgage servicing rights during the three months ending September 30, 2010 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at June 30, 2010	$ 37,446	$ 61,496	$ 98,942
Additions, net	–	7,716	7,716
Change in fair value due to loan runoff	(2,062)	(2,339)	(4,401)
Change in fair value due to market changes	(4,022)	(11,902)	(15,924)
Balance at September 30, 2010	$ 31,362	$ 54,971	$ 86,333

Activity in capitalized mortgage servicing rights during the nine months ending September 30, 2010 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at December 31, 2009	$ 7,828	$ 65,996	$ 73,824
Additions, net	31,892	18,078	49,970
Change in fair value due to loan runoff	(4,703)	(11,308)	(16,011)
Change in fair value due to market changes	(3,655) (1)	(17,795)	(21,450)
Balance at September 30, 2010	$ 31,362	$ 54,971	$ 86,333

(1) Includes initial pre-tax gain of $11.8 million on the purchase of mortgage servicing rights.

Activity in capitalized mortgage servicing rights during the three months ending September 30, 2009 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at June 30, 2009	$ 7,969	$ 59,444	$ 67,413
Additions, net	–	7,431	7,431
Change in fair value due to loan runoff	(520)	(4,654)	(5,174)
Change in fair value due to market changes	(939)	(2,042)	(2,981)
Balance at September 30, 2009	$ 6,510	$ 60,179	$ 66,689

Activity in capitalized mortgage servicing rights during the nine months ending September 30, 2009 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at December 31, 2008	$ 6,353	$ 36,399	$ 42,752
Additions, net	–	32,699	32,699
Change in fair value due to loan runoff	(1,984)	(13,617)	(15,601)
Change in fair value due to market changes	2,141	4,698	6,839
Balance at September 30, 2009	$ 6,510	$ 60,179	$ 66,689

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

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

	September 30, 2010	December 31, 2009	September 30, 2009
Discount rate – risk-free rate plus a market premium	10.4 %	11.2 %	10.3 %
Prepayment rate – based upon loan interest rate, original term and loan type	5.2% - 56.0 %	8.1% - 26.9 %	8.9% - 25.0 %
Loan servicing costs – annually per loan based upon loan type	$ 35 - $60	$ 43 - $66	$ 43 - $66
Escrow earnings rate – indexed to rates paid on deposit accounts with comparable average life	1.51 %	2.98 %	2.65 %

The Company is exposed to interest rate risk as mortgage interest rates directly affect the prepayment speeds used in valuing our mortgage servicing rights, which is partially managed through forward sales of mortgage-backed securities and forward sales contracts. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults and other relevant factors. The prepayment model is updated daily for changes in market conditions and adjusted to better correlate with actual performance of BOK Financial's servicing portfolio. At least annually, we request estimates of fair value from outside sources to corroborate the results of the valuation model. There have been no changes in the techniques used to value mortgage servicing rights.

Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at September 30, 2010 follows (in thousands):

	< 4.50%	4.50% - 5.49 %	5.50% - 6.49 %	> 6.49%	Total
Fair value	$4,230	$47,140	$25,393	$ 9,570	$ 86,333
Outstanding principal of loans serviced (1)	$484,277	$5,092,997	$4,013,923	$ 1,599,605	$ 11,190,802
(1) Excludes outstanding principal of $813 million for loans serviced for affiliates.					

The interest rate sensitivity of our mortgage servicing rights and securities and derivative contracts held as an economic hedge is modeled over a range of +/- 50 basis points. At September 30, 2010, a 50 basis point increase in mortgage interest rates is expected to increase the fair value of our mortgage servicing rights, net of economic hedging by $924 thousand. A 50 basis point decrease in mortgage interest rates is expected to decrease the fair value of our mortgage servicing rights, net of economic hedging by $3.3 million. In our model, changes in the value of our servicing rights due to changes in interest rates assume stable relationships between mortgage rates and prepayment speeds. Changes in market conditions can cause variations from these assumptions. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

(7) Employee Benefits

BOK Financial has sponsored a defined benefit Pension Plan for all employees who satisfied certain age and service requirements. Pension Plan benefits were curtailed as of April 1, 2006. Periodic pension expense was $778 thousand and $600 thousand for the three months ended September 30, 2010 and 2009, respectively and $2.3 million and $1.8 million during the nine months ended September 30, 2010 and 2009, respectively. The Company made no Pension Plan contributions during the nine months ended September 30, 2010 and 2009.

Management has been advised that the maximum allowable contribution for 2010 is $22.6 million. The minimum required contribution for 2010 is $245 thousand.

(8) Commitments and Contingent Liabilities

BOSC, Inc. has been joined as a defendant in a putative class action brought on behalf of unit holders of SemGroup Energy Partners, LP in the United States District Court for the Northern District of Oklahoma. The lawsuit is brought pursuant to Sections 11 and 12(a)(2) of the Securities Act of 1933 against all of the underwriters of issuances of partnership units in the Initial Public Offering in July 2007 and in a Secondary Offering in January 2008. BOSC underwrote $6.25 million of units in the Initial Public Offering. BOSC was not an underwriter in the Secondary Offering. Counsel for BOSC believes BOSC has valid defenses to the claims asserted in the litigation and management does not anticipate any material loss.

In September and October of this year, Bank of Oklahoma, National Association was named as a defendant in three putative class actions alleging that the manner in which the bank posted charges to its consumer demand deposit accounts breached an implied obligation of good faith and fair dealing and violates the Oklahoma Consumer Protection Act. The actions also allege that the manner in which the bank posted charges to its consumer demand deposit accounts is unconscionable, constitutes conversion, and unjustly enriches the bank. Two of the actions are pending in the District Court of Tulsa County. The third action is pending in the United States District Court for the Western District of Oklahoma. Each of the three actions seeks to establish a class consisting of all consumer customers of the bank. The amount claimed by the plaintiffs has not been determined, but could be material. The federal lawsuit, while initially filed in the United States District Court for the Western District of Oklahoma, has been conditionally transferred for pretrial purposes to multi-district litigation in the Southern District of Florida in which numerous other putative class actions regarding overdraft fees are pending against financial institutions. The consolidation in the multi-district litigation is for pre-trial discovery and motion proceedings. The three actions are pending on motions to dismiss the complaints. Management has been advised by counsel that, in its opinion, the Company's overdraft practices meet all requirements of law and the Company has substantial defenses to the claims. Based on currently available information, management anticipates the claims will be resolved without material loss to the Company.

As a member of Visa, BOK Financial is obligated for a proportionate share of certain covered litigation losses incurred by Visa under a retrospective responsibility plan. At September 30, 2010, the Company recognized a $3.3 million contingent liability for its share of losses under this plan. Visa funded an escrow account to cover litigation claims, including covered litigation losses under the retrospective responsibility plan. At September 30, 2010, the Company recognized a $2.2 million receivable for its proportionate share of this escrow account.

BOK Financial currently owns 251,837 Visa Class B shares which are convertible into Visa Class A shares at the later of three years after the date of Visa's initial public offering or the final settlement of all covered litigation. The current exchange rate is approximately 0.5102 Class A shares for each Class B share. However, the Company's Class B shares may be diluted in the future if the escrow fund is not adequate to cover future covered litigation costs. No value may be assigned until the Class B shares are converted into a known number of Class A shares.

At September 30, 2010, Cavanal Hill Funds' assets included $806 million of U.S. Treasury, $878 million of cash management and $419 million of tax-free money market funds. Assets of these funds consist of highly-rated, short-term obligations of the U.S. Treasury, corporate issuers and U.S. states and municipalities. The net asset value of units in these funds was $1.00 at September 30, 2010. An investment in these funds is not insured by the Federal Deposit Insurance Corporation or guaranteed by BOK Financial or any of its subsidiaries. BOK Financial may, but is not obligated to purchase assets from these funds to maintain the net asset value at $1.00. No assets were purchased from the funds in 2010 or 2009.

Cottonwood Valley Ventures, Inc. ("CVV, Inc."), an indirectly wholly-owned subsidiary of BOK Financial, is being audited by the Oklahoma Tax Commission ("OTC") for tax years 2007 through 2009. CVV, Inc. is a qualified venture capital company under the applicable Oklahoma statute. As authorized by the statute, CVV, Inc. generates transferable Oklahoma state income tax credits by providing direct debt financing to private companies which qualify as statutory Oklahoma business ventures. Due to certain statutory limitations on utilization of such credits, CVV, Inc. must sell the majority of the credits to provide the economic incentives provided for by the statute. In the event that the OTC disallowed any of the credits, CVV, Inc. would be required to indemnify purchasers for the tax credits disallowed. Management does not anticipate that this audit will have a material adverse impact to the financial statements.

In the ordinary course of business, BOK Financial and its subsidiaries are subject to legal actions and complaints.

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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.

(9) Shareholders' Equity

On October 26, 2010, the Board of Directors of BOK Financial Corporation approved a $0.25 per share quarterly common stock dividend. The quarterly dividend will be payable on December 1, 2010 to shareholders of record on November 17, 2010.

Dividends declared during the three and nine month periods ended September 30, 2010 were $0.25 per share and $0.74 per share, respectively. Dividends declared during the three and nine months ended September 30, 2009 were $0.24 per share and $0.705 per share, respectively.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI") includes unrealized gains and losses on available for sale securities and accumulated gains or losses on effective cash flow hedges, including hedges of anticipated transactions. Gains and losses in AOCI are net of deferred income taxes. Accumulated losses on the rate lock hedge of the 2005 subordinated debenture issuance will be reclassified into income over the ten-year life of the debt. Unrealized losses on employee benefit plans will be reclassified into income as pension plan costs are recognized over the remaining service period of plan participants.

	Unrealized Gain (Loss) On Available For Sale Securities	Other Than Temporary Impairment Losses	Accumulated (Loss) on Effective Cash Flow Hedges	Unrealized (Loss) On Employee Benefit Plans	Total
Balance at December 31, 2008	$(204,648)	$–	$(1,199)	$(17,039)	$(222,886)
Unrealized gains on securities	381,772	13,885	–	–	395,657
Other-than-temporary impairment losses on securities	–	(41,839)	–	–	(41,839)
Tax benefit (expense) on unrealized gains (losses)	(128,568)	9,418	–	–	(119,150)
Reclassification adjustment for (gains) losses realized and included in net income	(19,089)	–	169	–	(18,920)
Reclassification adjustment for tax expense (benefit) on realized gains (losses)	6,441	–	(66)	–	6,375
Balance at September 30, 2009	$35,908	$(18,536)	$(1,096)	$(17,039)	$(763)
Balance at December 31, 2009	$59,772	$(53,000)	$(1,039)	$(16,473)	$(10,740)
Unrealized gains on securities	240,317	26,818	–	–	267,135
Other-than-temporary impairment losses on securities	–	(4,010)	–	–	(4,010)
Unrealized gains on employee benefit plans	–	–	–	373	373
Tax expense on unrealized gains	(92,606)	(8,293)	–	(145)	(101,044)
	(20,929)	–	188	–	(20,741)

Reclassification adjustment for (gains) losses realized and included in net income					
Reclassification adjustment for tax expense (benefit)on realized gains (losses)	8,141	–	(73)	–	8,068
Balance at September 30, 2010	$194,695	$(38,485)	$ (924)	$(16,245)	$139,041

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(10) Earnings Per Share
(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Net income	$64,267	$50,660	$187,922	$157,807
Earnings allocated to participating securities	(436)	(222)	(1,203)	(637)
Numerator for basic earnings per share – income available to common shareholders	63,831	50,438	186,719	157,170
Effect of reallocating undistributed earnings of participating securities	1	–	3	1
Numerator for diluted earnings per share – income available to common shareholders	$63,832	$50,438	$186,722	$157,171
Denominator:				
Weighted average shares outstanding	68,087,122	67,689,450	68,041,442	67,625,011
Less: Participating securities included in weighted average shares outstanding	(461,744)	(297,391)	(433,165)	(273,575)
Denominator for basic earnings per common share	67,625,378	67,392,059	67,608,277	67,351,436
Dilutive effect of employee stock compensation plans (1)	139,966	121,641	204,159	98,736
Denominator for diluted earnings per common share	67,765,344	67,513,700	67,812,436	67,450,172
Basic earnings per share	$0.94	$0.75	$2.76	$2.33
Diluted earnings per share	$0.94	$0.75	$2.75	$2.33
(1)Excludes employee stock options with exercise prices greater than current market price.	2,357,075	2,461,878	1,464,694	2,860,087

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(11) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2010 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
NIR (expense) from external sources	$ 87,094	$ 22,887	$ 7,533	$ 2,152	$ 61,049	$ 180,715
NIR (expense) from internal sources	(11,942)	12,097	3,178	–	(3,333)	–
Total net interest revenue	75,152	34,984	10,711	2,152	57,716	180,715
Other operating revenue	32,999	57,342	42,145	–	3,119	135,605
Operating expense	52,170	60,012	45,985	–	25,459	183,626
Provision for credit losses	9,716	6,583	3,834	–	(133)	20,000
Decrease in fair value of mortgage service rights	–	(15,924)	–	–	–	(15,924)
Gain (loss) on financial instruments, net	–	8,045	266	–	(6,243)	2,068
Loss on repossessed assets, net	(1,283)	(763)	–	–	(3,569)	(5,615)
Income before taxes	44,982	17,089	3,303	2,152	25,697	93,223
Federal and state income tax	17,498	6,648	1,285	–	4,504	29,935
Net income	27,484	10,441	2,018	2,152	21,193	63,288
Net income attributable to non-controlling interest	–	–	–	–	(979)	(979)
Net income attributable to BOK Financial Corporation	$ 27,484	$ 10,441	$ 2,018	$ 2,152	$ 22,172	$ 64,267
Average assets	$ 8,912,840	$ 6,304,499	$ 3,593,863	–	$ 5,381,088	$ 24,192,290

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2010 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
NIR (expense) from external sources	$ 257,120	$ 64,058	$ 24,505	$ 6,895	$ 192,824	$ 545,402
NIR (expense) from internal sources	(37,110)	35,409	8,590	–	(6,889)	–
Total net interest revenue	220,010	99,467	33,095	6,895	185,935	545,402
Other operating revenue	96,461	151,051	121,485	–	10,246	379,243

Operating expense	153,301	178,215	130,886	–	69,699	532,101
Provision for credit losses	60,572	19,859	9,734	–	7,975	98,140
Decrease in fair value of mortgage service rights	–	(21,450)	–	–	–	(21,450)
Gain on financial instruments, net	–	30,265	282	–	(795)	29,752
Gain (loss) on repossessed assets, net	(17,046)	(642)	–	–	(3,570)	(21,258)
Income before taxes	85,552	60,617	14,242	6,895	114,142	281,448
Federal and state income tax	33,280	23,580	5,540	––	29,860	92,260
Net income	52,272	37,037	8,702	6,895	84,282	189,188
Net income attributable to non-controlling interest	–	–	–	–	1,266	1,266
Net income attributable to BOK Financial Corporation	$ 52,272	$ 37,037	$ 8,702	$ 6,895	$ 83,016	$ 187,922
Average assets	$ 9,027,723	$ 6,221,464	$ 3,413,492	–	$ 5,032,576	$ 23,695,255

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Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended September 30, 2009 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
NIR (expense) from external sources	$ 87,067	$ 15,064	$ 7,774	$ 1,982	$ 68,574	$ 180,461
NIR (expense) from internal sources	(15,219)	14,892	2,026	–	(1,699)	–
Total net interest revenue	71,848	29,956	9,800	1,982	66,875	180,461
Other operating revenue	32,789	43,578	40,847	–	5,965	123,179
Operating expense	56,697	63,755	44,571	–	8,401	173,424
Provision for credit losses	27,819	7,079	1,089	–	19,133	55,120
Decrease in fair value of mortgage service rights	––	(2,981)	––	–	–	(2,981)
Gain (loss) on financial instruments, net	–	3,560	–	–	5,031	8,591
Gain (loss) on repossessed assets, net	(3,020)	693	–	–	–	(2,327)
Income before taxes	17,101	3,972	4,987	1,982	50,337	78,379
Federal and state income tax	6,652	1,545	1,940	–	14,635	24,772
Net income	10,449	2,427	3,047	1,982	35,702	53,607
Net income attributable to non-controlling interest	–	–	–	–	2,947	2,947
Net income attributable to BOK Financial Corporation	$ 10,449	$ 2,427	$ 3,047	$ 1,982	$ 32,755	$ 50,660
Average assets	$ 9,847,655	$ 6,190,573	$ 2,833,228	–	$ 4,179,078	$ 23,050,534

Reportable segments reconciliation to the Consolidated Financial Statements for the nine months ended September 30, 2009 is as follows (in thousands):

	Commercial	Consumer	Wealth Management	Tax-Equivalent Adjustment	Funds Management and Other	BOK Financial Consolidated
NIR (expense) from external sources	$ 259,682	$ 40,263	$ 17,319	$ 5,879	$ 202,743	$ 525,886
NIR (expense) from internal sources	(41,169)	61,000	15,352	–	(35,183)	–
Total net interest revenue	218,513	101,263	32,671	5,879	167,560	525,886
Other operating revenue	100,051	138,495	120,676	–	9,680	368,902
Operating expense	166,728	190,143	128,898	–	37,842	523,611
Provision for credit losses	76,832	18,316	7,647	–	44,485	147,280
	––	6,839	––	–	–	6,839

Increase in fair value of mortgage service rights						
Gain (loss) on financial instruments, net	–	(8,758)	–	–	24,683	15,925
Gain (loss) on repossessed assets, net	(4,145)	859	–	–	(238)	(3,524)
Income before taxes	70,859	30,239	16,802	5,879	119,358	243,137
Federal and state income tax	27,564	11,763	6,536	–	36,062	81,925
Net income	43,295	18,476	10,266	5,879	83,296	161,212
Net income attributable to non-controlling interest	–	–	–	–	3,405	3,405
Net income attributable to BOK Financial Corporation	$43,295	$18,476	$ 10,266	$ 5,879	$ 79,891	$157,807
Average assets	$10,324,426	$6,164,170	$ 2,976,690	–	$ 3,483,941	$22,949,227

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(12) Fair Value Measurements

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of September 30, 2010 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$1,195,902				$1,195,902
Trading securities	82,247				82,247
Investment securities:					
Municipal and other tax-exempt	187,608				194,051
Other debt securities	156,140				164,289
	343,748				358,340
Available for sale securities:					
Municipal and other tax-exempt	68,308				68,308
U.S. agency residential mortgage-backed securities	8,596,911				8,596,911
Private issue residential mortgage-backed securities	708,472				708,472
Other debt securities	9,887				9,887
Federal Reserve Bank stock	32,844				32,844
Federal Home Loan Bank stock	77,095				77,095
Perpetual preferred stock	22,024				22,024
Equity securities and mutual funds	44,669				44,669
	9,560,210				9,560,210
Mortgage trading securities	475,215				475,215
Residential mortgage loans held for sale	316,893	–	–	–	316,893
Loans:					
Commercial	5,972,008	0.25 – 18.00 %	0.56	0.68 – 4.11 %	5,906,847
Commercial real estate	2,323,122	0.38 – 18.00	1.20	0.29 – 3.52	2,280,422
Residential mortgage	1,883,908	0.38 – 18.00	2.96	0.79 – 3.86	1,945,460
Consumer	626,806	0.38 – 21.00	0.90	1.78 – 3.74	636,269
Total loans	10,805,844				10,768,998
Reserve for loan losses	(299,154)				–
Net loans	10,506,690				10,768,998
Mortgage servicing rights	86,333				86,333
Derivative instruments with positive fair value, net of cash margin	266,104				266,104
Other assets – private equity funds	23,831				23,831
Deposits with no stated maturity	13,081,091				13,081,091
Time deposits	3,741,500	0.01 – 9.64	1.83	0.81 – 1.34	3,242,844

Other borrowings	3,353,325	0.06 – 4.44	0.34	0.15 – 2.72	3,348,587
Subordinated debentures	398,658	5.19 – 5.82	2.53	3.46	418,959
Derivative instruments with negative fair value, net of cash margin	218,296				218,296

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The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of December 31, 2009 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$921,216				$921,216
Trading securities	65,354				65,354
Investment securities:					
Municipal and other tax-exempt	232,568				238,847
Other debt securities	7,837				7,857
	240,405				246,704
Available for sale securities:					
U.S. Treasury	7,020				7,020
Municipal and other tax-exempt	62,201				62,201
U.S. agency residential mortgage-backed securities	7,809,328				7,809,328
Private issue residential mortgage-backed securities	792,362				792,362
Other debt securities	17,147				17,147
Federal Reserve Bank stock	32,526				32,526
Federal Home Loan Bank stock	78,999				78,999
Perpetual preferred stock	22,275				22,275
Equity securities and mutual funds	50,165				50,165
	8,872,023				8,872,023
Mortgage trading securities	285,950				285,950
Residential mortgage loans held for sale	217,826	–	–	–	217,826
Loans:					
Commercial	6,207,840	1.04 – 18.00 %	0.47	0.23 – 3.81 %	6,118,613
Commercial real estate	2,491,434	2.00 – 18.00	1.24	0.24 – 3.81	2,457,730
Residential mortgage	1,793,622	0.08 – 12.75	6.93	0.74 – 4.85	1,920,449
Consumer	786,802	1.75 – 21.00	1.26	3.81	807,288
Total loans	11,279,698				11,304,080
Reserve for loan losses	(292,095)				–
Net loans	10,987,603				11,304,080
Mortgage servicing rights	73,824				73,824
Derivative instruments with positive fair value, net of cash margin	343,782				343,782
Other assets – private equity funds	22,917				22,917
Deposits with no stated maturity	11,750,235				11,750,235
Time deposits	3,767,993	0.02 – 10.00	2.09	0.06 – 2.34	3,776,149

Other borrowings	4,605,100	0.25 – 6.58	0.05	0.06 – 0.25	4,989,509
Subordinated debentures	398,539	5.58	3.55	1.79	442,738
Derivative instruments with negative fair value, net of cash margin	308,360				308,360

The following table presents the carrying values and estimated fair values of all financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis as of September 30, 2009 (dollars in thousands):

	Carrying Value	Range of Contractual Yields	Average Re-pricing (in years)	Discount Rate	Estimated Fair Value
Cash and cash equivalents	$1,422,709				$1,422,709
Trading securities	100,898				100,898
Investment securities:					
Municipal and other tax-exempt	230,868				237,520
Other debt securities	7,233				7,254
	238,101				244,774
Available for sale securities:					
U.S. Treasury	7,052				7,052
Municipal and other tax-exempt	47,903				47,903
U.S. agency residential mortgage-backed securities	6,886,867				6,886,867
Private issue residential mortgage-backed securities	1,140,943				1,140,943
Other debt securities	15,862				15,862
Federal Reserve Bank stock	32,526				32,526
Federal Home Loan Bank stock	146,355				146,355
Perpetual preferred stock	20,038				20,038
Equity securities and mutual funds	61,016				61,016
	8,358,562				8,358,562
Mortgage trading securities					
Residential mortgage loans held for sale	172,301	–	–	–	172,301
Loans:					
Commercial	6,370,056	1.16 – 18.00 %	0.44	0.25 – 3.81 %	6,296,169
Commercial real estate	2,560,335	1.50 – 18.00	1.19	0.27 – 3.81	2,541,037
Residential mortgage	1,829,824	4.00 – 12.75	7.07	1.02 – 4.51	2,014,143
Consumer	851,349	2.00 – 21.00	1.35	3.81	877,461
Total loans	11,611,564				11,728,810
Reserve for loan losses	(280,902)				–
Net loans	11,330,662				11,728,810
Mortgage servicing rights	66,689				66,689
Derivative instruments with positive fair value, net of cash margin	397,110				397,110
Other assets – private equity funds	22,043				22,043
Deposits with no stated maturity	11,010,533				11,010,533
Time deposits	4,084,813	0.03 – 10.00	1.97	0.15 – 2.22	4,103,217

Other borrowings	5,388,848	1.13 – 3.52	0.06	0.08 – 0.29	5,277,731
Subordinated debentures	398,502	5.58	3.80	1.78	446,650
Derivative instruments with negative fair value, net of cash margin	395,197				395,197

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

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

Cash and Cash Equivalents

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

Securities

The fair values of securities are based on quoted prices for identical instruments in active markets, when available. If quoted prices for identical instruments are not available, fair values are based on significant other observable inputs such as quoted prices of comparable instruments or interest rates and credit spreads, yield curves, volatilities prepayment speeds and loss severities. Fair values for a portion of the securities portfolio are based on significant unobservable inputs, including projected cash flows discounted as rates indicated by comparison to securities with similar credit and liquidity risk.

Derivatives

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

Residential Mortgage Loans Held for Sale

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

Loans

The fair value of loans, excluding loans held for sale, are based on discounted cash flow analyses using interest rates and credit and liquidity spreads currently being offered for loans with similar remaining terms to maturity and risk, adjusted for the impact of interest rate floors and ceilings. The fair values of loans were estimated to approximate their discounted cash flows less loan loss reserves allocated to these loans of $273 million at September 30, 2010, $274 million at December 31, 2009 and $254 million at September 30, 2009.

Other Assets – Private Equity Funds

The fair value of the portfolio investments of the Company’s two private equity funds are based upon net asset value reported by the underlying funds, as adjusted by the general partner when necessary to represent the price that would be received to sell the assets. Private equity fund assets are long-term, illiquid investments. No secondary market exists for these assets. They may only be realized through cash distributions from the underlying funds.

Deposits

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

Other Borrowings and Subordinated Debentures

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

Off-Balance Sheet Instruments

The fair values of commercial loan commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of these off-balance sheet instruments were not significant at September 30, 2010, December 31, 2009 or September 30, 2009.

Assets and liabilities recorded at fair value in the financial statements on a recurring and non-recurring basis are grouped into three broad levels as follows:

Quoted Prices in active Markets for Identical Instruments – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

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

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

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

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values. Management has evaluated the methodologies employed by the third-party pricing services by comparing the price provided by the pricing service with other sources, including brokers' quotes, sales or purchases of similar instruments and discounted cash flows to establish a basis for reliance on the pricing service values. Significant differences between the pricing service provided value and other sources are discussed with the pricing service to understand the basis for their values. Based on this evaluation, we determined that the results represent prices that would be received to sell assets or paid to transfer liabilities in orderly transactions in the current market.

Fair Value of Financial Instruments Measured on a Recurring Basis

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of September 30, 2010 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Trading securities	$ 82,247	$ 4,219	$ 78,028	$ –
Available for sale securities:				
Municipal and other tax-exempt	68,308		27,397	40,911
U.S. agency residential mortgage-backed securities	8,596,911		8,596,911	
Private issue residential mortgage-backed securities	708,472		708,472	
Other debt securities	9,887		3	9,884

Federal Reserve Bank stock	32,844		32,844		
Federal Home Loan Bank stock	77,095		77,095		
Perpetual preferred stock	22,024		22,024		
Equity securities and mutual funds	44,669	21,426	23,243		
	9,560,210	21,426	9,487,989	50,795	
Mortgage trading securities	475,215		475,215		
Residential mortgage loans held for sale	316,893		316,893		
Mortgage servicing rights	86,333			86,333	(1)
Derivative contracts, net of cash margin (2)	266,104		266,104		
Other assets – private equity funds	23,831			23,831	
Liabilities:					
Certificates of deposit	27,804		27,804		
Derivative contracts, net of cash margin (2)	218,296		218,296		

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

(2) See Note 3 for detail of fair value of derivative contracts by contract type. The fair value of derivative assets and liabilities based on Quoted
Price in Active Markets for Identical Instruments represents derivative contracts for agricultural products traded on exchanges.

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Explanation of Responses:

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2009 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Trading securities	$ 65,354	$ 1,282	$ 54,272	$ 9,800
Available for sale securities:				
U.S. Treasury	7,020	7,020		
Municipal and other tax-exempt	62,201		25,603	36,598
U.S. agency residential mortgage-backed securities	7,809,328		7,809,328	
Private issue residential mortgage-backed securities	792,362		792,362	
Other debt securities	17,147		31	17,116
Federal Reserve Bank stock	32,526		32,526	
Federal Home Loan Bank stock	78,999		78,999	
Perpetual preferred stock	22,275		22,275	
Equity securities and mutual funds	50,165	24,424	25,741	
	8,872,023	31,444	8,786,865	53,714
Mortgage trading securities	285,950		285,950	
Residential mortgage loans held for sale	217,826		217,826	
Mortgage servicing rights	73,824			73,824 (1)
Derivative contracts, net of cash margin (2)	343,782	1,175	342,607	
Other assets – private equity funds	22,917			22,917
Liabilities:				
Certificates of deposit	98,031		98,031	
Derivative contracts, net of cash margin (2)	308,360	875	307,485	

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

(2) See Note 3 for detail of fair value of derivative contracts by contract type. See Note 3 for detail of fair value of derivative contracts by contract type. The fair value of derivative assets and liabilities based on Quoted Price in Active Markets for Identical Instruments represents derivative contracts for agricultural products traded on exchanges.

The fair value of certain municipal and other debt securities classified as trading, investment or available for sale may be based on significant unobservable inputs. These significant unobservable inputs include limited observed trades, projected cash flows, current credit rating of the issuers and, when applicable, the insurers of the debt and observed trades of similar debt. Discount rates are primarily based on reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally recognized rating agencies adjusted for a lack of trading volume. Taxable securities rated investment grade by all nationally recognized rating agencies are generally valued at par to yield a range of 1.74% to 3.29%. As of September 30, 2010, average yields on comparable short-term taxable securities are generally less than 1%. Tax-exempt securities rated investment grade by all nationally recognized rating agencies are generally valued to yield a range of 1.04% to 1.10%, which represents a spread of 75 to 80 basis points over average yields of comparable securities as of September 30, 2010. The resulting estimated fair value of securities rated investment grade ranges from 99.05% to 99.67% of par value at September 30, 2010.

After other-than-temporary impairment charges, approximately $11.5 million of our municipal and other tax-exempt securities are rated below investment grade by at least one of the three nationally recognized rating agencies. The fair value of these securities was determined based on yields ranging from 4.55% to 7.93%. These yields were determined using a spread of 425 basis points over comparable municipal securities of varying durations. The resulting estimated fair value of securities rated below investment grade ranges from 85.60% to 86.17% of par value as of September 30, 2010. All of these securities are currently paying contractual interest in accordance with their respective terms.

The following represents the changes for the three months ended September 30, 2010 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

		Available for Sale Securities		
	Trading Securities	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance at June 30, 2010	$ –	$ 39,826	$ 13,035	$ 23,834
Transfer from trading to available for sale	(2,378)	2,378	–	–
Purchases, proceeds, issuances and settlements, net	2,450	(1,200)	(3,307)	1,673
Gain (loss) recognized in earnings:				
Brokerage and trading revenue	(72)	–	–	
Gain (loss) on other assets	–	–	–	(1,676)
Gain on securities, net	–	7	259	–
Other-than-temporary impairment losses	–	(1,019)	–	–
Other comprehensive (loss)	–	919	(103)	–
Balance September 30, 2010	$ –	$ 40,911	$ 9,884	$ 23,831

The following represents the changes for the nine months ended September 30, 2010 related to assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

		Available for Sale Securities		
	Trading Securities	Municipal and other tax-exempt	Other debt securities	Other assets – private equity funds
Balance at December 31, 2009	$ 9,800	$ 36,598	$ 17,116	$ 22,917
Transfer from trading to available for sale	(7,198)	7,098	100	–
Purchases, proceeds, issuances and settlements, net	(2,450)	(1,867)	(7,607)	1,674
Gain (loss) recognized in earnings:				
Brokerage and trading revenue	(152)	–	–	–
Gain (loss) on other assets	–	–	–	(760)
Gain on securities, net	–	7	259	–
Other-than-temporary impairment losses	–	(1,019)	–	–
Other comprehensive (loss)	–	94	16	–
Balance September 30, 2010	$ –	$ 40,911	$ 9,884	$ 23,831

Substantially all trading securities with fair values based on significant unobservable inputs were transferred to available for sale based on sales limitations and banking regulations. There were no transfers from quoted prices in active markets for identical instruments to significant other observable inputs during the nine months ended

September 30, 2010.

Fair Value of Financial Instruments Measured on a Non-Recurring Basis

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

The following represents the carrying value of assets measured at fair value on a non-recurring basis (and related losses) during the period. The carrying value represents only those assets adjusted to fair value during the period ended September 30, 2010:

	Carrying Value at September 30, 2010			
	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Fair Value Adjustments for the Three Month Period Ended September 30, 2010
Impaired loans	$ –	$ 40,665	$ 635	$ 16,085
Real estate and other repossessed assets	–	29,480	5,631	5,411
Other assets – alternative investments	–	–	2,950	1,000

The fair value of collateral-dependent impaired loans and real estate and other repossessed assets and the related fair value adjustments are generally based on unadjusted third-party appraisals. Our appraisal review policies require appraised values to be supported by observed inputs derived principally from or corroborated by observable market data. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs. Fair value adjustments of impaired loans are charged against the allowance for loan losses. Fair value adjustments of real estate and other repossessed assets are charged against operating expenses as net gains, losses and operating expenses of repossessed assets. During the third quarter of 2010, the Company recorded a charge against operating expenses based on the performance and earnings trends of the underlying business of a certain alternative investment.

Fair Value Election

Certain certificates of deposit were designated as carried at fair value. This determination is made based on the Company's intent to convert these certificates from fixed interest rates to variable interest rates based on LIBOR with interest rate swaps that have not been designated as hedging instruments. The fair value election for these liabilities better represents the economic effect of these instruments on the Company. At September 30, 2010, the fair value and contractual principal amount of these certificates was $28 million and $27 million, respectively. Change in the fair value of these certificates of deposit resulted in an unrealized gain during the three and nine months ended September 30, 2010 of $154 thousand and $597 thousand, respectively, which is included in Gain (Loss) on Derivatives, net on the Consolidated Statement of Earnings. At September 30, 2009, the fair value and contractual principal amount of these certificates was $98 million and $97 million, respectively. Changes in the fair value of these certificates of deposit resulted in an unrealized gain during the three and nine months ended September 30, 2009 of $120 thousand and $1.8 million, respectively.

As more fully disclosed in Note 2 and Note 6 to the Consolidated Financial Statements, the Company has elected to carry certain mortgage-backed securities which have been designated as economic hedges against changes in the fair value of mortgage servicing rights and residential mortgage loans held for sale at fair value. Changes in the fair value of these financial instruments are recognized in earnings.

(13) Federal and State Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Amount:				
Federal statutory tax	$32,628	$27,433	$98,507	$85,098
Tax exempt revenue	(1,261)	(1,127)	(4,054)	(3,381)
Effect of state income taxes, net of federal benefit	1,872	1,283	5,590	5,899
Utilization of tax credits	(864)	(1,338)	(3,904)	(2,095)
Bank-owned life insurance	(1,136)	(820)	(2,878)	(2,460)
Reduction of tax accrual	(2,245)	–	(2,245)	–
Other, net	941	(659)	1,244	(1,136)
Total	$29,935	$24,772	$92,260	$81,925

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Percent of pretax income:				
Federal statutory tax	35 %	35 %	35 %	35 %
Tax exempt revenue	(1)	(1)	(1)	(1)

Effect of state income taxes, net of federal benefit	1	2	2	2
Utilization of tax credits	(1)	(2)	(1)	(1)
Bank-owned life insurance	(1)	(1)	(1)	(1)
Reduction of tax accrual	(2)	–	(1)	–
Other, net	1	(1)	–	–
Total	32 %	32 %	33 %	34 %

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(14) 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 September 30, 2010, outstanding commitments and letters of credit were as follows (in thousands):

Commitments to extend credit	$4,897,755
Standby letters of credit	525,113
Commercial letters of credit	5,775

The Company also has off-balance sheet credit risk for residential mortgage loans sold with full or partial recourse. The principal balance of residential mortgage loans sold subject to recourse obligations totaled $300 million at September 30, 2010, $331 million at December 31, 2009 and $345 million at September 30, 2009. The separate reserve for these off-balance sheet commitments was $16 million at September 30, 2010, $14 million at December 31, 2009 and $11 million at September 30, 2009. At September 30, 2010, approximately 6% of the loans sold with recourse with an outstanding principal balance of $17 million were either delinquent more than 90 days, in bankruptcy or in foreclosure and 6% with an outstanding balance of $18 million were past due 30 to 89 days. The provision for credit losses on loans sold with recourse is included in mortgage banking costs in the Consolidated Statements of Earnings.

The activity in the reserve for losses on loans sold with recourse is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Beginning balance	$ 13,781	$ 10,793	$ 13,781	$ 8,767
Provision for recourse losses	2,551	1,974	5,418	7,083
Loans charged off, net	(830)	(1,548)	(3,697)	(4,631)
Ending balance	$ 15,502	$ 11,219	$ 15,502	$ 11,219

(15) Subsequent Events

The Company evaluated events from the date of the consolidated financial statements on September 30, 2010 through the issuance of those consolidated financial statements included in this Quarterly Report on Form 10-Q. No events were identified requiring recognition in and/or disclosure in the consolidated financial statements.

Nine-Month Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Nine Months Ended							
	September 30, 2010				September 30, 2009			
	Average Balance	Revenue/ Expense1	Yield/ Rate		Average Balance	Revenue/ Expense1	Yield/ Rate	
Assets								
Taxable securities3	$9,513,539	$243,544	3.52	%	$7,567,091	$246,604	4.51	%
Tax-exempt securities3	282,272	10,595	5.02		270,450	11,650	5.76	
Total securities3	9,795,811	254,139	3.56		7,837,541	258,254	4.55	
Trading securities	66,332	2,023	4.08		96,389	2,773	3.85	
Funds sold and resell agreements	24,624	20	0.11		49,063	62	0.17	
Residential mortgage loans held for sale	188,203	6,516	4.63		218,425	7,791	4.77	
Loans2	11,005,573	398,131	4.84		12,357,814	427,157	4.62	
Less reserve for loan losses	309,972	-	-		273,466	-	-	
Loans, net of reserve	10,695,601	398,131	4.98		12,084,348	427,157	4.73	
Total earning assets3	20,770,571	660,829	4.31		20,285,766	696,037	4.65	
Cash and other assets	2,924,684				2,663,461			
Total assets	$23,695,255				$22,949,227			
Liabilities and Shareholders' Equity								
Transaction deposits	$8,319,542	$30,114	0.48	%	$6,877,782	$40,515	0.79	%
Savings deposits	181,694	548	0.40		165,039	415	0.34	
Time deposits	3,749,207	50,513	1.80		4,911,663	92,440	2.52	
Total interest-bearing deposits	12,250,443	81,175	0.89		11,954,484	133,370	1.49	
Funds purchased and repurchase agreements	2,429,877	6,284	0.35		2,386,998	6,697	0.38	
Other borrowings	1,775,373	4,308	0.32		2,094,640	7,449	0.48	
Subordinated debentures	398,598	16,765	5.62		398,455	16,756	5.62	
Total interest-bearing liabilities	16,854,291	108,532	0.86		16,834,577	164,272	1.30	
Demand deposits	3,660,567				3,148,823			
Other liabilities	793,131				945,973			
Shareholders' equity	2,387,266				2,019,854			
Total liabilities and shareholders' equity	$23,695,255				$22,949,227			
Tax-equivalent Net Interest Revenue3		$552,297	3.45	%		$531,765	3.34	%

Tax-equivalent Net Interest Revenue to Earning Assets3	3.60	3.55
Less tax-equivalent adjustment1	6,895	5,879
Net Interest Revenue	545,402	525,886
Provision for credit losses	98,140	147,280
Other operating revenue	408,995	384,827
Other operating expense	574,809	520,296
Income before taxes	281,448	243,137
Federal and state income tax	92,260	81,925
Net income	189,188	161,212
Net income attributable to non-controlling interest	1,266	3,405
Net income attributable to BOK Financial Corp.	$187,922	$157,807
Earnings Per Average Common Share Equivalent:		
Net income:		
Basic	$2.76	$2.33
Diluted	$2.75	$2.33

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

2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

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

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Quarterly Financial Summary – Unaudited

Consolidated Daily Average Balances,
Average Yields and Rates

(Dollars in Thousands Except Per Share Data)

	Three Months Ended							
	September 30, 2010				June 30, 2010			
	Average Balance	Revenue/ Expense1	Yield/ Rate		Average Balance	Revenue/ Expense1	Yield/ Rate	
Assets								
Taxable securities3	$9,953,104	$79,472	3.28	%	$9,366,703	$81,460	3.56	%
Tax-exempt securities3	256,110	3,145	4.87		296,282	3,614	4.89	
Total securities3	10,209,214	82,617	3.32		9,662,985	85,074	3.60	
Trading securities	69,315	570	3.26		58,722	661	4.51	
Funds sold and resell agreements	18,882	4	0.08		22,776	8	0.14	
Residential mortgage loans held for sale	242,559	2,592	4.24		183,489	2,177	4.76	
Loans2	10,861,515	133,336	4.87		10,971,466	132,004	4.83	
Less reserve for loan losses	308,139	–	–		312,595	–	–	
Loans, net of reserve	10,553,376	133,336	5.01		10,658,871	132,004	4.97	
Total earning assets3	21,093,346	219,119	4.19		20,586,843	219,924	4.33	
Cash and other assets	3,098,944				2,857,964			
Total assets	$24,192,290				$23,444,807			
Liabilities and Shareholders' Equity								
Transaction deposits	$8,699,495	9,935	0.45		$8,287,296	10,044	0.49	
Savings deposits	189,512	185	0.39		184,376	185	0.40	
Time deposits	3,774,136	17,146	1.80		3,701,167	16,063	1.74	
Total interest-bearing deposits	12,663,143	27,266	0.85		12,172,839	26,292	0.87	
Funds purchased and repurchase agreements	2,227,088	2,008	0.36		2,491,084	2,254	0.36	
Other borrowings	1,465,516	1,314	0.36		1,619,745	1,403	0.35	
Subordinated debentures	398,638	5,664	5.64		398,598	5,535	5.57	
Total interest-bearing liabilities	16,754,385	36,252	0.86		16,682,266	35,484	0.85	
Demand deposits	3,831,486				3,660,910			
Other liabilities	1,124,000				722,902			
Shareholders' equity	2,482,419				2,378,729			
Total liabilities and shareholders' equity	$24,192,290				$23,444,807			
		$182,867	3.33	%		$184,440	3.48	%

Tax-equivalent Net Interest Revenue3		
Tax-equivalent Net Interest Revenue to Earning Assets3	3.50	3.63
Less tax-equivalent adjustment1	2,152	2,327
Net Interest Revenue	180,715	182,113
Provision for credit losses	20,000	36,040
Other operating revenue	137,673	157,439
Other operating expense	205,165	205,912
Income before taxes	93,223	97,600
Federal and state income tax	29,935	32,042
Net income	63,288	65,558
Net income attributable to non-controlling interest	(979)	2,036
Net income attributable to BOK Financial Corp.	$64,267	$63,522
Earnings Per Average Common Share Equivalent:		
Net income:		
Basic	$0.94	$0.93
Diluted	$0.94	$0.93

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

2 The loan averages included loans on which the accrual of interest has been discontinued and are stated net of unearned income.

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

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Three Months Ended											
March 31, 2010				December 31, 2009				September 30, 2009			
Average Balance	Revenue/ Expense1	Yield/ Rate		Average Balance	Revenue/ Expense1	Yield/ Rate		Average Balance	Revenue/ Expense1	Yield/ Rate	
$9,212,677	$82,612	3.73	%	$8,875,417	$82,392	3.83	%	$8,012,380	$81,890	4.18	%
294,849	3,837	5.28		286,550	3,726	5.16		273,432	3,468	5.03	
9,507,526	86,448	3.78		9,161,967	86,118	3.87		8,285,812	85,358	4.21	
70,979	792	4.53		68,027	927	5.41		64,763	771	4.72	
32,363	8	0.10		30,358	16	0.21		67,032	18	0.11	
137,404	1,747	5.16		194,760	2,311	4.71		176,403	2,198	4.94	
11,187,320	132,791	4.81		11,492,696	137,235	4.74		11,887,418	139,883	4.67	
309,194	–	–		298,157	–	–		281,289	–	–	
10,878,126	132,791	4.95		11,194,539	137,235	4.86		11,606,129	139,883	4.78	
20,626,398	221,786	4.41		20,649,651	226,607	4.42		20,200,139	228,228	4.54	
3,086,349				3,046,083				2,850,395			
$23,712,747				$23,695,734				$23,050,534			
$7,963,752	$10,135	0.52		$7,734,678	$11,092	0.57	%	$7,162,477	$11,736	0.65	%
170,990	178	0.42		167,572	199	0.47		167,677	203	0.48	
3,772,295	17,304	1.86		4,002,337	19,700	1.95		4,404,854	24,401	2.20	
11,907,037	27,617	0.94		11,904,587	30,991	1.03		11,735,008	36,340	1.23	
2,575,286	2,022	0.32		2,173,476	1,658	0.30		2,284,985	1,817	0.32	
2,249,470	1,591	0.29		2,380,938	1,742	0.29		2,173,103	2,070	0.38	
398,559	5,566	5.66		398,522	5,542	5.52		398,484	5,558	5.53	
17,130,352	36,796	0.87		16,857,523	39,933	0.94		16,591,580	45,785	1.09	
3,485,504				3,666,663				3,392,578			
798,263				924,803				931,406			
2,298,628				2,246,745				2,134,970			
$23,712,747				$23,695,734				$23,050,534			
	$184,990	3.54	%		$186,674	3.48	%		$182,443	3.45	%
		3.68				3.64				3.63	
	2,416				2,196				1,982		
	182,574				184,478				180,461		
	42,100				48,620				55,120		
	113,883				108,163				131,770		
	163,732				176,437				178,732		
	90,625				67,584				78,379		

30,283	24,780	24,772
60,342	42,804	53,607
209	33	2,947
$ 60,133	$ 42,771	$ 50,660
$ 0.88	$ 0.63	$ 0.75
$ 0.88	$ 0.63	$ 0.75

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

	Three Months Ended				
	Sept. 30, 2010	June 30. 2010	March 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Interest revenue	$216,967	$217,597	$219,370	$224,411	$226,246
Interest expense	36,252	35,484	36,796	39,933	45,785
Net interest revenue	180,715	182,113	182,574	184,478	180,461
Provision for credit losses	20,000	36,040	42,100	48,620	55,120
Net interest revenue after provision for credit losses	160,715	146,073	140,474	135,858	125,341
Other operating revenue					
Brokerage and trading revenue	27,072	24,754	21,035	20,240	24,944
Transaction card revenue	28,852	28,263	25,687	26,292	26,264
Trust fees and commissions	16,774	17,737	16,320	16,492	16,315
Deposit service charges and fees	24,290	28,797	26,792	29,501	30,464
Mortgage banking revenue	29,236	18,335	14,871	13,403	13,197
Bank-owned life insurance	3,004	2,908	2,972	2,870	2,634
Margin asset fees	83	69	36	50	51
Other revenue	7,625	7,305	7,602	7,101	6,087
Total fees and commissions	136,936	128,168	115,315	115,949	119,956
Gain (loss) on other assets, net	(1,331)	1,545	(1,390)	(205)	3,223
Gain (loss) on derivatives, net	4,626	7,272	(341)	(370)	(294)
Gain on securities, net	11,753	23,100	4,524	7,277	12,266
Total other-than-temporary impairment losses	(4,525)	(10,959)	(9,708)	(67,390)	(6,133)
Portion of loss recognized in other comprehensive income	9,786	(8,313)	(5,483)	(52,902)	(2,752)
Net impairment losses recognized in earnings	(14,311)	(2,646)	(4,225)	(14,488)	(3,381)
Total other operating revenue	137,673	157,439	113,883	108,163	131,770
Other operating expense					
Personnel	101,216	97,054	96,824	93,687	98,012
Business promotion	4,426	4,945	3,978	5,758	4,827
Professional fees and services	7,621	6,668	6,401	8,813	7,555
Net occupancy and equipment	16,436	15,691	15,511	17,600	15,884
Insurance	6,052	5,596	6,533	6,412	6,092
Data processing and communications	21,601	21,940	20,309	21,121	20,413
Printing, postage and supplies	3,648	3,525	3,322	3,601	3,716
Net losses and operating expenses of repossessed assets	7,230	13,067	7,220	5,101	3,497
Amortization of intangible assets	1,324	1,323	1,324	1,912	1,686
Mortgage banking costs	9,093	10,380	9,267	11,436	8,065
Change in fair value of mortgage servicing rights	15,924	19,458	(13,932)	(5,285)	2,981
	1,103	–	–	–	–

Visa retrospective responsibility obligation					
Other expense	9,491	6,265	6,975	6,281	6,004
Total other operating expense	205,165	205,912	163,732	176,437	178,732
Income before taxes	93,223	97,600	90,625	67,584	78,379
Federal and state income tax	29,935	32,042	30,283	24,780	24,772
Net income	63,288	65,558	60,342	42,804	53,607
Net income (loss) attributable to non-controlling interest	(979)	2,036	209	33	2,947
Net income attributable to BOK Financial Corp.	$64,267	$63,522	$60,133	$42,771	$50,660
Earnings per share:					
Basic	$0.94	$0.93	$0.88	$0.63	$0.75
Diluted	$0.94	$0.93	$0.88	$0.63	$0.75
Average shares used in computation:					
Basic	67,625,378	67,605,807	67,592,315	67,446,326	67,392,059
Diluted	67,765,344	67,880,587	67,790,049	67,600,344	67,513,700

PART II. Other Information

Item 1. Legal Proceedings

See discussion of legal proceedings at footnote 8 to the consolidated financial statements.

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended September 30, 2010.

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans
July 1, 2010 to July 31, 2010	–	–	–	1,215,927
August 1, 2010 to August 31, 2010	–	–	–	1,215,927
September 1, 2010 to September 30, 2010	374	$44.48	–	1,215,927
Total	374		–	

(1) On April 26, 2005, the Company's board of directors authorizing the Company to repurchase up to two million shares of the Company's common stock. As of September 30, 2010, the Company had repurchased 784,073 shares under this plan.

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

Item 6. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Earnings, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text*
Items 1A, 3, 4 and 5 are not applicable and have been omitted.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 11 and12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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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: November 1, 2010

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

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