BOK FINANCIAL CORP ET AL
Form 10-Q
May 10, 2007

As filed with the Securities and Exchange Commission on May 10, 2007

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____________ to ______________

Commission File No. 0-19341

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

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

Bank of Oklahoma Tower P.O. Box 2300 Tulsa, Oklahoma	74192
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_|

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 67,225,437 shares of common stock ($.00006 par value) as of April 30, 2007.

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

Performance Summary

BOK Financial Corporation reported earnings of $52.8 million or $0.78 per diluted share for the first quarter of 2007, compared with net income of $54.7 million or $0.81 per diluted share for the first quarter of 2006. The annualized returns on average assets and shareholders' equity were 1.19% and 12.29%, respectively for the first quarter of 2007, compared with returns of 1.36% and 14.35%, respectively for 2006. Net income for the first quarter of 2006 included $3.3 million or $0.05 per share from net appreciation in the value of mortgage servicing rights due to a significant increase in mortgage commitment rates.

Highlights of the quarter included:

o Average outstanding loans increased 19% and average deposits increased 8% over the first quarter of 2006.

o Net interest revenue grew $11.5 million or 10% over last year's first quarter, 15% annualized over the fourth quarter of 2006.

o Net interest margin was 3.32%, up from 3.25% for the fourth quarter of last year.

o Non-accruing loans and annualized net charge-offs continued to be near historic lows. Increased provision for loan losses is based largely on loan growth; exposure to sub-prime mortgage loans is minimal.

o Fees and commission revenue increased $2.1 million or 2% over the first quarter of 2006; decreased $2.9 million over the preceding quarter.

o Other operating expenses increased $6.9 million or 6% over the first quarter of 2006, excluding changes in the fair value of mortgage servicing rights.

o Debt ratings were upgraded by Moody's Investor Service to A-2/Stable Outlook for BOK Financial and A-1/Stable Outlook for Bank of Oklahoma.

o An agreement was reached to acquire Texas-based, Worth Bancorporation, Inc.

for approximately $127 million in cash. As of December 31, 2006, Worth had total assets of $390 million, net loans of $272 million, total deposits of $345 million and five branches in the Fort Worth market.

Net interest revenue grew $11.5 million or 10% over the first quarter of 2006. Average outstanding loan balances increased $1.7 billion or 19% and average deposits increased $931 million or 8%. Net interest margin was 3.32% for the first quarter of 2007 compared with 3.39% for the first quarter of 2006 and 3.25% for the fourth quarter of 2006. The aggregate net loan yield was 8.02%, up from 7.44% for the first quarter of 2006 and unchanged from the preceding quarter. The cost of interest-bearing funds was 4.14% for the first quarter of 2007 compared with 3.43% for the first quarter of 2006 and 4.10% for the fourth quarter of 2006.

Non-accruing loans totaled $31 million or 0.28 % of outstanding loans at March 31, 2007 compared with $32 million or 0.35 % of outstanding loans at March 31, 2006 and $26 million or 0.24% at December 31, 2006. The combined

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allowance for loan losses and reserve for off-balance sheet credit losses totaled $134 million or 1.21% of outstanding loans at March 31, 2007, $126 million or 1.38% of outstanding loans at March 31, 2006 and $130 million or 1.22% at December 31, 2006. The provision for credit losses was $6.5 million for the first quarter of 2007, $3.4 million for the same period last year and $6.0 million for the fourth quarter of 2006.

Fees and commission revenue increased $2.1 million or 2% over the first quarter of 2006. Revenue from bank-owned life insurance totaled $2.4 million for the first quarter of 2007 compared with $63 thousand in 2006. Other revenue decreased $3.2 million due primarily to fees earned on margin asset balances. Transaction card revenue and trust fees grew $1.7 million or 9% and $1.1 million or 6%, respectively, over the first quarter of 2006.

Operating expenses increased $6.9 million or 6% over the first quarter of 2006, excluding changes in the value of mortgage servicing. Personnel costs increased $7.5 million due largely to a $5.1 million increase in salaries and wages. All other operating expenses declined by a net $609 thousand or 1% compared with the first quarter of 2006.

The fair value of mortgage servicing rights decreased $1.2 million during the first quarter of 2007. At the same time, the fair value of securities held as an economic hedge of mortgage servicing rights increased $254 thousand for a net pre-tax loss of $910 thousand. Rising interest rates and slowing prepayment speeds during the first quarter of 2006 increased the fair value of mortgage servicing rights $7.1 million and decreased the fair value of securities designated as an economic hedge $1.9 million for a net pre-tax gain of $5.2 million.

Results of Operations

Net Interest Revenue

Tax-equivalent net interest revenue increased to $130.9 million for the first quarter of 2007 from $118.8 million for the same period of 2006, due primarily to a $1.7 billion or 19% increase in average outstanding loan principal. Average loan growth was funded by a $931 million or 8% increase in average deposits and a $696 million increase in borrowed funds. Table 1 shows the effects on net interest revenue of changes in average balances and interest rates for the various types of earning assets and interest-bearing liabilities.

Net interest margin, the ratio of tax-equivalent net interest revenue to average earning assets was 3.32% for the first quarter of 2007, compared with 3.39% for the first quarter of 2006 and 3.25% for the fourth quarter of 2006. Yields on average earning assets continued to trend upwards due to rising market interest rates. The yield on average earning assets was 7.02%, up 60 basis points compared with the first quarter of 2006 and 9 basis points over the preceding quarter. The yield on average outstanding loans was 8.02%, up 58 basis points over the first quarter of 2006 and unchanged from the fourth quarter of 2006. The weighted average spread of our commercial loan portfolio over LIBOR funding sources was approximately 245 basis points for the first quarter of 2007 compared with approximately 265 basis points for the first quarter of 2006 and 250 basis points for the fourth quarter of 2006. The tax-equivalent yield on securities was 4.93% for the first quarter of 2007 compared with 4.64% for the first quarter of 2006 and 4.74% for the fourth quarter of 2006.

Rates paid on average interest-bearing liabilities during the first quarter of 2007 increased 71 basis points over the first quarter of 2006 and 4 basis points over the preceding quarter. Rates paid on interest-bearing deposit accounts increased 66 basis points over the first quarter of 2006 and 5 basis points over the fourth quarter of 2006. The cost of other interest-bearing funds increased 73 basis points compared with the same period last year and were unchanged from the preceding quarter at 5.38%. Non-interest bearing funds and changes in the mix of funding sources added 44 basis points to the net interest margin in the first quarter of 2007 compared with 40 basis points for the first quarter of 2006 and 42 basis points for the fourth quarter of 2006.

Our overall objective is to manage the Company's balance sheet to be essentially neutral to changes in interest rates. Approximately 69% of our commercial loan portfolio is either variable rate or fixed rate that will reprice within one year. These loans are funded primarily by deposit accounts that are either non-interest bearing, or that reprice more slowly than the loans. The result is a balance sheet that would be asset sensitive, which means that assets generally reprice more quickly than liabilities. To help achieve a rate-neutral position, we purchase fixed-rate, mortgage-backed securities, which are funded with short-term wholesale funds. The liability-sensitive nature of this strategy provides an offset to the asset-sensitive characteristics of our loan portfolio. The expected duration of these securities is approximately 2.5 years based on a range of interest rate and prepayment assumptions.

We also use derivative instruments to manage our interest rate risk. Interest rate swaps with a combined notional amount of $807 million convert fixed rate liabilities to floating rate based on LIBOR. The purpose of these derivatives,

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which include interest rate swaps designated as fair value hedges, is to position our balance sheet to be neutral to changes in interest rates. Subsequent to March 31, 2007, we terminated a $150 million notional amount interest rate swap to bring the rate sensitivity of our balance sheet closer to a neutral position. This swap had been designated as a fair value hedge of long-term, fixed rate debt. The $1.4 million fair value adjustment will be recognized as a reduction of interest expense over the remaining life of the debt.

We also have interest rate swaps with a notional amount of $100 million that convert prime-based loans to fixed rate. The purpose of these derivatives, which have been designated as cash flow hedges, is to position our balance sheet to be neutral to changes in interest rates.

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

Table 1 - Volume / Rate Analysis
(In thousands)

	Three Months Ended March 31, 2007 / 2006		
		Change Due To (1)	
	Change	Volume	Yield / Rate
Tax-equivalent interest revenue:			
Securities	$ 3,886	$ 357	$ 3,529
Trading securities	310	194	116
Loans	46,932	32,573	14,359
Funds sold and resell agreements	426	401	25
Total	51,554	33,525	18,029
Interest expense:			
Transaction deposits	15,238	5,197	10,041
Savings deposits	34	(29)	63
Time deposits	9,746	2,769	6,977
Federal funds purchased and repurchase agreements	15,082	10,622	4,460
Other borrowings	(909)	(2,680)	1,771
Subordinated debentures	288	34	254
Total	39,479	15,913	23,566
Tax-equivalent net interest revenue	12,075	17,612	(5,537)
Change in tax-equivalent adjustment	(563)		
Net interest revenue	$ 11,512		

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

Other Operating Revenue

Other operating revenue increased $2.8 million compared with the first quarter of last year. Fees and commission revenue increased $2.1 million or 2%. The remaining increase of $691 thousand was due to changes in gains or losses on assets sold, securities and derivatives.

Diversified sources of fees and commission revenue are a significant part of our business strategy and represented 42% of total revenue, excluding gains and losses on asset sales, securities and derivatives, for the first quarter of 2007. We believe that a variety of fee revenue sources provide an offset to changes in interest rates, values in the equity markets, commodity prices and consumer spending, all of which can be volatile.

Fees and commissions revenue

Transaction card revenue increased $1.7 million or 9%. ATM network revenue increased $1.2 million or 16% while check card revenue increased $833 thousand or 19% over the first quarter of 2006. Merchant discount fees decreased $385 thousand or 6% compared with the first quarter of 2006. Much of the decrease in merchant discount fees resulted from the loss of one customer's business and was largely offset by a corresponding decrease in transaction processing

costs.

Trust fees and commissions increased $1.1 million or 6% for the first quarter of 2007. The fair value of all trust relationships, which is the basis for a significant portion of trust fees increased to $33.3 billion at March 31, 2007 compared with $29.1 billion at March 31, 2006. Personal trust management fees, which provide 34% of total trust fees and commissions increased $607 thousand or 10%. Employee benefit plan management fees, which provide 20% of total trust fees, grew $460 thousand or 14%. Net fees from mutual fund advisory and administrative services increased $238 thousand or 6%. Revenue from the management of oil and gas properties and other real estate, which provide 11% of total trust revenue, were unchanged from the first quarter of 2006.

Trust activities in the Oklahoma, Colorado and Texas markets provided $13.4 million, $2.6 million and $1.7 million, respectively, of total trust fees and commissions during the first quarter of 2007. Trust revenue grew $167 thousand or 1% in the Oklahoma market, $191 thousand or 8% in the Colorado market and $201 thousand or 13% in the Texas market.

Brokerage and trading revenue decreased $74 thousand or 1%. Customer hedging revenue increased $798 thousand or 23% to $4.3 million. Volatility in the energy markets prompted our energy customers to more actively hedge their gas and oil production. Revenue from securities trading activities decreased $677 thousand or 13%. Much of the decrease in trading revenue is attributed to lower demand caused by the flattened yield curve and the effect of disruptions in mortgage lending on customers that purchase securities and derivatives from us to hedge their loan production. Revenue from retail brokerage activities increased $704 thousand or 21% over the same period of 2006. Investment banking fees were down $899 thousand or 67% due to the timing of transaction closings.

Deposit service charges and fees increased $612 thousand or 3% over the first quarter of 2006. Overdraft fees grew $732 thousand or 5% due to increased volume and commercial account fees increased $224 thousand or 3%. Growth in fee revenue was partially offset by a $344 thousand or 20% decrease in service charges on retail accounts due to service-charge free deposit products.

Mortgage banking revenue, which is discussed more fully in the Line of Business - Mortgage Banking section of this report decreased $249 thousand or 4% compared with 2006. Servicing revenue totaled $4.2 million for the first quarter of 2007, up $200 thousand or 5% over the same period last year. Net gains on mortgage loans sold totaled $2.3 million, down $449 thousand from the first quarter of 2006.

Changes in the cash surrender value of life insurance provided revenue of $2.4 million in the first quarter of 2007 and $63 thousand in the first quarter of 2006. The Company made a $202 million investment in bank-owned life insurance during the third quarter of 2006.

Other operating revenue included $758 thousand of fees earned on margin assets in the first quarter of 2007 and $2.5 million in the first quarter of 2006. Margin assets which are held primarily as part of the Company's customer derivatives programs averaged $94 million for the first quarter of 2007, compared with $249 million for the first quarter of 2006. Fees earned on average margin assets decreased to 3.28% in the first quarter of 2007 from 4.13% in the first quarter of 2006.

Securities and derivatives

BOK Financial recognized net losses of $563 thousand on securities for the first quarter of 2007, including a $315 thousand other than temporary impairment charge against a security sold shortly after quarter end. Net gains on securities held as an economic hedge of mortgage servicing rights totaled $254 thousand. Securities held as an economic hedge of the mortgage servicing rights are separately identified on the balance sheet as "mortgage trading securities". Mortgage trading securities are carried at fair value; changes in fair value are recognized in earnings as they occur. The Company's use of securities as an economic hedge of mortgage servicing rights is more-fully discussed in the Line of Business - Mortgage Banking section of this report. During the first quarter of 2006, BOK Financial recognized net losses of $1.9 million on securities held as an economic hedge of mortgage servicing rights and net gains of $640 thousand on other securities.

Net gains on derivatives totaled $71 thousand for the first quarter of 2007, compared with net losses of $309 thousand in 2006. Net gains or losses on derivatives consist of fair value adjustments of derivatives used to manage interest rate risk and the related hedged liabilities.

Table 2 - Other Operating Revenue
(In thousands)

	Three Months Ended			
	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	J
Brokerage and trading revenue	$ 13,282	$ 14,382	$ 13,078	$ 1
Transaction card revenue	20,184	20,224	19,939	1
Trust fees and commissions	18,995	18,240	17,101	1
Deposit service charges and fees	24,598	25,787	26,322	2
Mortgage banking revenue	6,540	6,077	6,935	
Bank-owned life insurance	2,399	2,346	117	
Other revenue	5,990	7,799	9,519	1
Total fees and commissions	91,988	94,855	93,011	9
Gain (loss) on sales of assets	694	252	475	
Gain (loss) on securities, net	(563)	(864)	3,718	(
Gain (loss) on derivatives, net	71	(520)	379	
Total other operating revenue	$ 92,190	$ 93,723	$ 97,583	$ 9

Other Operating Expense

Other operating expense for the first quarter of 2007 totaled $132.5 million, a $15.1 million increase from 2006. The increase in other operating expenses resulted largely from changes in the value of mortgage servicing rights. Depreciation of the fair value of mortgage servicing rights during the first quarter of 2007 increased operating expenses $1.2 million. Appreciation in the value of mortgage servicing rights decreased operating expense by $7.1 million in the first quarter of 2006. Excluding changes in the value of mortgage servicing rights, operating expenses increased $6.9 million or 6% over the first quarter or 2006 due to higher personnel expense.

Personnel expense

Personnel expense totaled $78.7 million for the first quarter of 2007 compared with $71.2 million for the first quarter of 2006. Regular compensation expense which consists primarily of salaries and wages totaled $49.1 million for the first quarter of 2007, up $5.1 million or 12% increase over 2006. The increase in regular compensation expense was due to a 8% increase in average regular compensation per full-time equivalent employee and a 4% increase in average staffing. Growth in average compensation per full-time equivalent employee reflects the cost of hiring top talent to support expansion in the regional markets, product development, and technology.

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

Incentive compensation expense totaled $17.0 million for the first quarter of 2007, an increase of $1.8 million or 12% over 2006. First quarter 2007 expense for the Company's various cash-based incentive programs totaled $15.4 million, up $2.8 million over last year. These programs consist primarily of formula-based plans that determine incentive amounts based on pre-established growth criteria. Compensation expense for stock-based compensation plans totaled $1.6 million for the first quarter of 2007 and $2.6 million for the first quarter of 2006. Compensation expense for stock-based compensation plans accounted for as equity awards totaled $2.2 million in the first quarter of 2007, compared with $1.5 million in the first quarter of 2006. Expense for these awards is determined by the award's grant-date fair value and is not affected by subsequent changes in the market value of BOK Financial common stock. Compensation expense for stock-based compensation plans accounted for as liability awards was a net credit of $637 thousand for the first quarter of 2007, compared with $1.1 million expense in 2006. Expense for these liability awards is based on current fair value, including current period changes due to the market value of BOK Financial common stock. The market value of BOK Financial common stock decreased from $54.98 per share at December 31, 2006 to $49.53 per share at March 31, 2007.

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Employee benefit expenses totaled $12.6 million for the first quarter of 2007 and $12.0 million for the first quarter of 2006. The increase in benefit costs included $963 thousand due to payroll taxes, partially offset by a $575 thousand decrease in employee insurance costs.

Data processing and communications expense

Data processing and communication expenses were unchanged from the first quarter of 2006. This expense consists of two broad categories, data processing systems and transaction card processing. Data processing systems costs increased $350 thousand, or 3% compared with the first quarter of 2006. Transaction card processing costs decreased $371 thousand or 6%, consistent with the decrease in merchant discount revenue.

Table 3 - Other Operating Expense
(In thousands)

	Three Months Ended			
	March 31,	Dec. 31,	Sept. 30,	June 30,

	2007	2006	2006	2006
Personnel	$ 78,729	$ 78,054	$ 74,605	$ 72,369
Business promotion	4,570	5,345	4,401	4,802
Professional fees and services	4,874	4,734	4,734	4,362
Net occupancy and equipment	13,206	12,741	13,222	13,199
Data processing & communications	16,974	16,843	16,931	16,157
Printing, postage and supplies	3,969	3,774	4,182	4,001
Net losses and operating expenses of repossessed assets	207	167	34	54
Amortization of intangible assets	1,136	1,299	1,299	1,359
Mortgage banking costs	2,944	3,034	2,869	2,839
Change in fair value of mortgage servicing rights	1,164	(236)	7,921	(3,613)
Other expense	4,739	8,236	8,612	6,598
Total other operating expense	$ 132,512	$ 133,991	$ 138,810	$ 122,127

Income Taxes

Income tax expense was $29.2 million or 36% of book taxable income, compared with $31.2 million or 36% of book taxable income for the first quarter of 2006. We adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on January 1, 2007. FIN 48 established recognition and measurement standards and expanded disclosure requirements for uncertain tax positions. Retained earnings at the beginning of the first quarter were reduced by $609 thousand based on the provisions of FIN 48.

Lines of Business

BOK Financial operates five principal lines of business: Oklahoma corporate banking, Oklahoma consumer banking, mortgage banking, wealth management, and regional banking. Mortgage banking activities include loan origination and servicing across all markets served by the Company. Wealth management provides brokerage and trading, private financial services and investment advisory services in all markets. It also provides fiduciary services in all markets except Colorado. Fiduciary services in Colorado are included in regional banking. Regional banking consists primarily of corporate and consumer banking activities in the respective local markets.

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

BOK Financial allocates resources and evaluates performance of its lines of business after allocation of funds, certain indirect expenses, taxes and capital costs. The cost of funds borrowed from the funds management unit by the operating

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

The value of funds provided by the operating lines of business to the funds management unit is based on applicable Federal Home Loan Bank advance rates. Deposit accounts with indeterminate maturities, such as demand deposit accounts and interest-bearing transaction accounts, are transfer-priced at a rolling average based on expected duration of the accounts. The expected duration ranges from 90 days for certain rate-sensitive deposits to five years.

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

Consolidated net income provided by the regional banking unit continued to increase due largely to asset growth. Also, performance by business units that generate deposits for the Company, such as the Oklahoma consumer banking unit and the regional banking unit continued to improve due primarily to internal funds pricing credits. Rising short-term interest rates increased the internal transfer pricing credit provided to units that generate lower-costing funds for the Company. Losses in Funds Management and Other was due primarily to the transfer pricing credit provided to operating units that generate lower-costing funds for the Company and the provision for credit losses in excess of actual net charge-offs during the quarter. The Mortgage Banking unit's contribution to consolidated net income decreased due to changes in the net fair value of mortgage servicing rights.

During the first quarter of 2007, activities in the Kansas City market were transferred from Oklahoma Corporate Banking to Regional Banking. Operating results for the first quarter of 2006 have been restated for this change.

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

	Three months ended March 31, 2007	2006
Regional banking	$ 24,905	$ 22,298
Oklahoma corporate banking	18,045	18,098
Mortgage banking	46	3,144
Oklahoma consumer banking	9,461	8,467
Wealth management	7,355	7,759
Subtotal	59,812	59,766
Funds management and other	(7,019)	(5,018)
Total	$ 52,793	$ 54,748

Oklahoma Corporate Banking

The Oklahoma Corporate Banking Division provides loan and lease financing and treasury and cash management services to businesses throughout Oklahoma and certain relationships in surrounding states. In addition to serving the banking needs of small businesses, middle market and larger customers, the Oklahoma Corporate Banking Division has specialized groups that serve customers in the energy, agriculture, healthcare and banking/finance industries, and includes TransFund, our electronic funds transfer network. The Oklahoma Corporate Banking Division contributed $18.0 million or 34% to consolidated net income for the first quarter of 2007. This compares to $18.1 million or 33% of consolidated net income for 2006. Average loans attributed to the Oklahoma Corporate Banking Division were $4.4 billion for the first quarter of 2007, compared with $4.1 billion for the first quarter of 2006. Deposits attributed to Oklahoma Corporate Banking averaged $2.1 billion for the first quarter of 2007, up 19% over last year. Increased average loans and deposits combined to increase net interest revenue $1.5 million or 4%. Other operating revenue decreased $340 thousand or 2%. A $1.2 million or 18% increase in ATM processing fees was offset by lower revenue on operating leases, merchant discount fees and letter of credit fees. Operating expenses increased $684 thousand or 2%. Personnel expense increased $1.2 million or 15% due to growth in both regular salaries and incentive compensation. Non-personnel operating expenses, including allocations for shared services, decreased $562 thousand.

Table 5 - Oklahoma Corporate Banking
(Dollars in Thousands)

	Three months ended March 31,	
	2007	2006
NIR (expense) from external sources	$ 61,131	$ 58,618
NIR (expense) from internal sources	(23,127)	(22,066)
Net interest revenue	38,004	36,552
Other operating revenue	21,030	21,370
Operating expense	28,151	27,467
Net loans charged off	1,331	834
Net income	18,045	18,098
Average assets	$ 5,786,800	$ 5,099,312
Average economic capital	425,580	382,380
Return on assets	1.26%	1.44%
Return on economic capital	17.20%	19.19%
Efficiency ratio	47.69%	47.42%

Oklahoma Consumer Banking

The Oklahoma Consumer Banking Division provides a full line of deposit, loan and fee-based services to customers throughout Oklahoma through four major distribution channels: traditional branches, supermarket branches, the 24-hour ExpressBank call center and the Internet. Additionally, the division is a significant referral source for the Bank of Oklahoma Mortgage Division ("BOk Mortgage") and BOSC's retail brokerage division. Consumer banking activities outside of Oklahoma are included in the Regional Banking division. The Oklahoma Consumer Banking Division contributed $9.5 million or 18% to consolidated net income for the first quarter of 2007. This compares to $8.5 million or 15% of consolidated net income for 2006. Net interest revenue, which consisted primarily of credits for funds provided to the funds management unit increased $2.0 million or 13%. Average deposits attributed to this Division increased $156 million, or 6% compared with last year. The value to the Company of these lower-costing retail deposits continues to increase as short-term interest rates rise. Operating revenue increased $624 thousand or 4% over last year. Check card fees increased $604 thousand or 19% and overdraft charges increased $447 thousand or 4%. Other service charges on retail deposit accounts were down $232 thousand or 20% due to service charge free deposit products. Operating expenses increased $842 thousand or 4%. Personnel expense grew $465 thousand or 6% while non-personnel expenses and allocations for shared services increased $377 thousand. The Oklahoma Consumer Banking Division opened two new branch offices in the first quarter of 2007.

Table 6 - Oklahoma Consumer Banking
(Dollars in Thousands)

	Three months ended March 31,	
	2007	2006
NIR (expense) from external sources	$ (20,152)	$ (13,438)
NIR (expense) from internal sources	38,215	29,459
Net interest revenue	18,063	16,021
Other operating revenue	17,879	17,255
Operating expense	20,175	19,333
Net loans charged off	261	133
Net income	9,461	8,467
Average assets	$ 2,929,035	$ 2,768,947
Average economic capital	65,700	55,780
Return on assets	1.31%	1.24%
Return on economic capital	58.40%	61.56%
Efficiency ratio	56.13%	58.10%

Mortgage Banking

BOK Financial engages in mortgage banking activities through the BOk Mortgage Division of Bank of Oklahoma. These activities include the origination, marketing and servicing of conventional and government-sponsored mortgage loans. Mortgage banking activities provided net income of $46 thousand in the first quarter of 2007, compared with $3.1 million in the first quarter of 2006.

Mortgage banking activities consist of two sectors, loan production and loan servicing. The loan production sector generally performs best when mortgage rates are relatively low and loan origination volumes are high. Conversely, the loan servicing sector generally performs best when mortgage rates are relatively high and prepayments are low. Mortgage loan commitment rates were largely unchanged during the first quarter of 2007 and increased significantly during the first quarter of 2006.

Loan Production Sector

Loan production revenue totaled $2.2 million for the first quarter of 2007, including $2.3 million of capitalized mortgage servicing rights and a $40 thousand net loss on loans sold. Loan production revenue totaled $3.0 million for the first quarter of 2006, including $2.8 million of capitalized mortgage servicing rights. Mortgage loans funded in the first quarter of 2007 totaled $215 million, including $177 million of loans funded for resale and $38 million of loans funded for retention by affiliates. Mortgage loans funded in the same period of 2006 totaled $183 million. Approximately 62% of the loans funded during the first quarter of 2007 was to borrowers in Oklahoma. Loan production activities resulted in net pre-tax income of $223 thousand for the first quarter of 2007 and pre-tax income of $160 thousand for the first quarter of 2006. The pipeline of mortgage loan applications totaled $267 million at March 31, 2007, compared with $199 million at December 31, 2006 and $268 million at March 31, 2006.

Loan Servicing Sector

The loan servicing sector had a net pre-tax loss of $871 thousand for the first quarter of 2007 compared to a net pre-tax profit of $4.5 million for the same period of 2006. Average mortgage commitment rates were largely unchanged during the first quarter of 2007. The fair value of mortgage servicing rights decreased $1.2 million during the first quarter of 2007. At the same time, the fair value of securities held as an economic hedge of the servicing rights increased $254 thousand.

During the first quarter of 2006, the fair value of mortgage servicing rights appreciated $7.1 million due to a 28 basis point increase in average mortgage commitment rates and a slow-down in housing turnover. Appreciation in the value of servicing rights was partially offset by a $1.9 million decrease in the fair value of securities held as an economic hedge.

Servicing revenue, which is included in mortgage banking revenue on the Consolidated Statements of Earnings, totaled $4.2 million for the first quarter of 2007 and $4.0 million for the first quarter of 2006. The average outstanding balance of loans serviced for others was $4.4 billion during 2007 compared to $4.0 billion during 2006. Annualized servicing revenue per outstanding loan principal was 38 basis points for the first quarter of 2007, compared with 40 basis points for the first quarter last year.

In addition to changes in the fair value of mortgage servicing rights due to anticipated prepayments and other factors, the fair value of mortgage servicing rights decreased $2.6 million and $2.7 million during the first quarters of 2007 and 2006, respectively, due to actual runoff of the underlying loans serviced.

Table 7 - Mortgage Banking
(Dollars in Thousands)

	Three months ended March 31, 2007	Three months ended March 31, 2006
NIR (expense) from external sources	$ 7,815	$ 4,782
NIR (expense) from internal sources	(6,952)	(4,230)
Net interest revenue	2,349	2,835
Other operating revenue	4,940	4,363
Operating expense	7,098	7,669
Change in fair value of mortgage servicing rights	1,164	(7,081)
Gains (losses) on financial instruments, net	254	(1,861)
Net income	46	3,144

Average assets	$ 621,835	$ 446,436
Average economic capital	23,360	22,390
Return on assets	0.03%	2.86%
Return on economic capital	0.80%	56.95%
Efficiency ratio	87.07%	98.95%

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

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

At March 31, 2007, financial instruments with a fair value of $132 million and a net unrealized loss of $69 thousand were held for the economic hedge program. The interest rate sensitivity of the mortgage servicing rights and securities held as a hedge is modeled over a range of +/- 50 basis points. At March 31, 2007, the pre-tax results of this modeling on reported earnings were:

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

	50 bp increase	50 bp decrease
Anticipated change in:		
Fair value of mortgage servicing rights	$ 3,295	$ (4,943)
Fair value of hedging instruments	(3,565)	3,470
Net	$ (270)	$ (1,473)

Table 8 shows the non-linear effect of changes in mortgage commitment rates on the value of mortgage servicing rights. A 50 basis point increase in rates is expected to increase value by $3.3 million while a 50 basis point decrease is expected to reduce value by $4.9 million. This considers that there is an upper limit to appreciation in the value of servicing rights as rates rise due to the contractual repayment terms of the loans and other factors. There is much less of a limit on the speed at which mortgage loans may prepay in a declining rate environment.

Modeling changes in value of the mortgage servicing rights due to changes in interest rates assumes stable relationships between mortgage commitment rates and discount rates used to determine the present value of future cash flows. It also assumes a stable relationship between assumed loan prepayments and actual prepayments of our loans. Changes in market conditions can increase or decrease the discount spread over benchmark rates expected by investors in mortgage servicing rights and actual prepayment speeds may increase or decrease due to factors other than changes in interest rates. These factors and others may cause changes in the value of our mortgage servicing rights to differ from our expectations.

Wealth Management

BOK Financial provides a wide range of financial services through its wealth management line of business, including banking, fiduciary and brokerage services. Clients include affluent individuals, businesses, not-for-profit organizations and governmental agencies. Wealth management services are provided primarily to clients throughout Oklahoma, Texas and New Mexico. Wealth management services are provided to clients in Colorado through our Regional Banking line of business. Additionally, wealth management includes a nationally competitive, self-directed 401(k) program and administration and advisory services to the American Performance family of mutual funds. Activities within the Wealth Management unit also include retail sales of mutual funds, securities and annuities, institutional sales of securities, bond underwriting and other financial advisory services and customer risk management programs.

Wealth Management contributed $7.4 million or 14% to consolidated net income for the first quarter of 2007. This compared to $7.8 million or 14% of consolidated net income for the first quarter of 2006. Trust and private financial services provided $5.9 million of net income in the first quarter of 2007, up $398 thousand or 7% over last year. Net income provided by brokerage and trading activities totaled $1.4 million, down $828 thousand compared with the first quarter of 2006.

Net interest revenue for the Wealth Management unit increased $2.4 million or 36% over the first quarter of 2006. Lower funding costs related to margin assets held as part of our customer derivatives programs increased the net interest margin by $1.4 million. However, this was largely offset by a $1.3 million reduction in margin fees, which are included in operating revenue. The remaining $942 thousand increase in net interest revenue was due to growth in loans and deposits held by private financial services.

In addition to the decrease in operating revenue due to margin fees, investment banking revenue declined $898 thousand compared with the first quarter of 2006 due to the timing of transaction closings. This decrease in revenue was partially offset by trust and retail brokerage fees, which increased $801 thousand and $647 thousand, respectively.

Trust fees and commissions totaled $16.3 million for the first quarter of 2007 and $15.5 million for the first quarter of 2006. At March 31, 2007 and 2006, the wealth management line of business was responsible for trust assets with aggregate market values of $30.6 billion and $26.6 billion, respectively, under various fiduciary arrangements. The growth in trust assets reflected increased market value of assets managed in addition to new business generated during the year. We have sole or joint discretionary authority over $11.3 billion of trust assets at March 31, 2007 compared with $9.5 billion at March 31, 2006.

Trading fees and commissions, which are also included in operating revenue, totaled $12.4 million, up $473 thousand or 4% over last year. Customer trading revenue increased $656 thousand due largely to volatility in energy prices. This revenue growth was offset by a $891 million decrease in securities trading profits due to the flat yield curve and a slow-down in the mortgage market. Retail brokerage fees increased $647 thousand or 19%.

Operating expenses totaled $26.9 million for the first quarter of 2007, a $1.7 million or 7% increase over 2006. Personnel costs rose $1.5 million or 9% due primarily to higher costs in trust and brokerage and trading.

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Table 9 - Wealth Management
(Dollars in Thousands)

	Three months ended March 31, 2007	2006
NIR (expense) from external sources	$ 4,525	$ 2,464
NIR (expense) from internal sources	4,286	4,038
Net interest revenue	8,811	6,502
Other operating revenue	30,170	31,385
Operating expense	26,930	25,191
Net income	7,355	7,759
Average assets	$ 1,691,212	$ 1,876,539
Average economic capital	145,740	137,060
Return on assets	1.76%	1.68%
Return on economic capital	20.47%	22.96%
Efficiency ratio	69.08%	66.49%

Regional Banking

Regional Banking consists primarily of the corporate and commercial banking services provided by Bank of Texas, N.A., Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Colorado State Bank and Trust, N.A., Bank of Arizona, N.A. and Bank of Kansas City, N.A. in their respective markets. It also includes fiduciary services provided by Colorado State Bank and Trust, N.A. Small businesses and middle-market corporations are Regional Banking's primary customer focus. Regional Banking contributed $24.9 million or 47% to consolidated net income during the first quarter of 2007. This compares with $22.3 million or 41% of consolidated net income for the same period in 2006. Growth in net income contributed by the regional banks came primarily from operations in Texas. Net income from Texas operations increased $1.2 million or 9% compared with the same period of 2006. In addition, net income for 2007 in Colorado, New Mexico and Arizona increased $787 thousand, $288 thousand and $352 thousand, respectively. Net income in Arkansas increased $161 thousand from last year.

Net income from Texas operations totaled $13.9 million for the first quarter of 2007, up $1.2 million or 9% over last year. Net interest revenue grew $3.3 million or 9%. Average loans increased $460 million, or 21% from the first quarter of 2006. The growth in average earning assets was funded by a $148 million increase in average deposits and borrowings from the funds management unit. Operating expenses increased $1.4 million or 7% due to personnel costs. Three retail banking locations were opened in the Dallas area during the first quarter of 2007.

Net income from operations in Colorado was $4.2 million for the first quarter of 2007, compared with $3.4 million for the first quarter of 2006. Net interest revenue increased $1.9 million or 22% due primarily to a $516 million increase in average earning assets. Average loans increased $232 million while average funds provided to the funds management unit increased $251 million. Average deposits increased $237 million or 37% in the Colorado market. Other operating revenue grew $274 thousand or 9% due primarily to trust fees and commissions. At March 31, 2007 and 2006, Colorado regional banking was responsible for trust assets with aggregate fair values of $2.7 billion and $2.5 billion, respectively, under various fiduciary arrangements. We have sole or joint discretionary authority over $1.0 billion of trust assets at March 31, 2007, compared with $960 million at March 31, 2006. Operating expenses increased $786 thousand or 13% including a $405 thousand or 13% increase in personnel costs.

Net income from New Mexico operations increased $288 thousand or 6%. Net interest revenue was up $696 thousand or 6% over the first quarter of 2006. Average loans increased $96 million or 16%. Average deposits in the New Mexico market increased $58 million, or 6%. Operating expenses increased $242 thousand or 3% due to personnel costs.

Outstanding loans attributed to the Arizona market averaged $477 million for the first quarter of 2007, up $265 million from the first quarter of 2006's average of $212 million. Deposits averaged $119 million for the first quarter of 2007 and $108 million for the first quarter of 2006. Loan growth was funded by borrowings from the funds management unit. Net interest revenue was up $1.5 million or 48% due to loan growth. Operating expenses increased $1.1 million or 43%. Personnel costs were up $856 thousand as we continue to build a commercial banking presence in Phoenix and Tucson. We also opened our first retail branch in Tucson during the first quarter of 2007.

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During the first quarter of 2007, we acquired the charter for Bank of Kansas City to start full-service banking operations in Missouri. Previously, our full-service banking rights were restricted to Kansas City, Kansas. We now have two full-service banking locations in the Kansas City market. Average loans attributed to the Kansas City market were $149 million for the first quarter of 2007, up $81 million or 120% over the same period of 2006.

Table 10 - Bank of Texas
(Dollars in Thousands)

	Three months ended March 31,	
	2007	2006
NIR (expense) from external sources	$ 45,307	$ 39,012
NIR (expense) from internal sources	(7,199)	(4,182)
Net interest revenue	38,108	34,830
Other operating revenue	6,285	5,463
Operating expense	21,711	20,283
Net loans charged off	1,145	401
Net income	13,903	12,745
Average assets	$ 3,956,383	$ 3,545,802
Average economic capital	302,990	216,710
Average invested capital	470,070	383,790
Return on assets	1.43%	1.46%
Return on economic capital	18.61%	23.85%
Return on average invested capital	11.99%	13.47%
Efficiency ratio	48.91%	50.34%

Table 11 - Bank of Albuquerque
(Dollars in Thousands)

	Three months ended March 31, 2007	Three months ended March 31, 2006
NIR (expense) from external sources	$ 17,711	$ 15,674
NIR (expense) from internal sources	(5,226)	(3,885)
Net interest revenue	12,485	11,789
Other operating revenue	3,925	3,887
Operating expense	7,314	7,072
Net loans charged off	131	59
Net income	5,508	5,221
Average assets	$ 1,538,373	$ 1,472,386
Average economic capital	90,190	76,150
Average invested capital	109,280	95,240
Return on assets	1.45%	1.44%
Return on economic capital	24.77%	27.81%
Return on average invested capital	20.44%	22.23%
Efficiency ratio	44.57%	45.11%

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Table 12 - Bank of Arkansas
(Dollars in Thousands)

	Three months ended March 31, 2007	Three months ended March 31, 2006
NIR (expense) from external sources	$ 3,441	$ 2,289
NIR (expense) from internal sources	(1,391)	(719)
Net interest revenue	2,050	1,570
Other operating revenue	334	253
Operating expense	1,041	857
Net loans charged off	142	43
Net income	725	564
Average assets	$ 282,367	$ 196,070
Average economic capital	19,620	13,400
Average invested capital	19,620	13,400
Return on assets	1.04%	1.17%
Return on economic capital	14.99%	17.07%
Return on average invested capital	14.99%	17.07%
Efficiency ratio	43.67%	47.01%

Table 13 - Colorado State Bank and Trust

(Dollars in Thousands)

	Three months ended March 31, 2007	Three months ended March 31, 2006
NIR (expense) from external sources	$ 17,410	$ 11,550
NIR (expense) from internal sources	(7,031)	(3,025)
Net interest revenue	10,379	8,525
Other operating revenue	3,187	2,913
Operating expense	6,747	5,961
Net loans charged off / (recovered)	74	(46)
Net income	4,161	3,374
Average assets	$ 1,557,792	$ 1,037,770
Average economic capital	85,780	60,210
Average invested capital	127,760	102,190
Return on assets	1.08%	1.32%
Return on economic capital	19.67%	22.73%
Return on average invested capital	13.21%	13.39%
Efficiency ratio	49.73%	52.12%

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Table 14 - Bank of Arizona
(Dollars in Thousands)

	Three months ended March 31, 2007	Three months ended March 31, 2006
NIR (expense) from external sources	$ 9,557	$ 4,685
NIR (expense) from internal sources	(4,982)	(1,590)
Net interest revenue	4,575	3,095
Other operating revenue	184	165
Operating expense	3,636	2,551
Net loans charged off	-	4
Net income	686	334
Average assets	$ 552,591	$ 295,158
Average economic capital	39,470	16,820
Average invested capital	56,120	33,470
Return on assets	0.50%	0.46%
Return on economic capital	7.05%	8.05%
Return on average invested capital	4.96%	4.05%
Efficiency ratio	76.40%	78.25%

Financial Condition

Securities

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

The amortized cost of available for sale securities totaled $4.9 billion at March 31, 2007 and $4.8 billion at December 31, 2006. Mortgage-backed securities continued to represent substantially all available for sale securities. As previously discussed in the Net Interest Revenue section of this report, we hold mortgage backed securities as part of our overall interest rate risk management strategy.

The primary risk of holding mortgage-backed securities comes from extension during periods of rising interest rates or prepayment during periods of falling interest rates. We evaluate this risk through extensive modeling of risk both before making an investment and throughout the life of the security. The effective duration of the mortgage-backed securities portfolio was approximately 2.5 years at March 31, 2007 and 2.6 years at December 31, 2006. Management estimates that the effective duration of the mortgage-backed securities portfolio would extend to 3.4 years assuming a 300 basis point immediate rate shock.

Net unrealized losses on available for sale securities totaled $69 million at March 31, 2007 compared with net unrealized losses of $97 million at December 31, 2006. The decrease in net unrealized losses during the quarter was due primarily to falling interest rates. The aggregate gross amount of unrealized losses at March 31, 2007 was $83 million, down $108 million from the previous quarter's end. Management evaluated the securities with unrealized losses to determine if we believe that the losses were temporary. This evaluation considered factors such as causes of the unrealized losses and prospects for recovery over various interest rate scenarios and time periods. Management does not believe that any of the unrealized losses are due to credit quality concerns. We also considered our intent and ability to either hold or sell the securities. It is our belief, based on currently available information and our evaluation, that the

unrealized losses in these securities are temporary.

Bank-Owned Life Insurance

During the third quarter of 2006, the Company purchased $202 million in bank-owned life insurance. This investment is expected to provide a long-term source of earnings to support existing employee benefit obligations. Substantially all of the funds are held in separate accounts and invested in U.S. government, mortgage-backed and corporate debt securities. The cash surrender value of the life insurance policies is further supported by a stable value wrap, which protects against changes in the fair value of the investments. The cash surrender value of the policies, including the value of the stable value wrap, was $208 million at March 31, 2007. In addition to investment in the separate accounts, $8 million of the $202 million amount invested paid taxes on the insurance premiums. These taxes will be recovered over a ten-year period. At March 31, 2007, a $7 million receivable was recorded based on the present value of the taxes.

Loans

The aggregate loan portfolio at March 31, 2007 totaled $11.1 billion, a $427 million or 16% annualized increase since December 31, 2006. Commercial loans increased $233 million or 15% annualized and commercial real estate increased $104 million or 17% annualized. Mortgage and consumer loans increased $72 million and $17 million, respectively.

Table 15 - Loans
(In thousands)

	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30 2006
Commercial:				
Energy	$ 1,781,224	$ 1,763,180	$ 1,538,651	$ 1,514,3
Services	1,596,844	1,555,141	1,432,156	1,405,0
Wholesale/retail	1,015,229	932,531	894,608	879,2
Manufacturing	622,329	609,571	598,424	541,5
Healthcare	642,876	602,273	572,911	546,5
Agriculture	309,439	321,380	299,901	292,0
Other commercial and industrial	474,415	424,808	340,925	360,4
Total commercial	6,442,356	6,208,884	5,677,576	5,539,3
Commercial real estate:				
Construction and land development	925,762	889,925	826,077	789,9
Multifamily	249,080	239,000	253,141	228,7
Other real estate loans	1,375,805	1,317,615	1,245,941	1,304,1
Total commercial real estate	2,550,647	2,446,540	2,325,159	2,322,9
Residential mortgage:				
Secured by 1-4 family residential properties	1,318,291	1,256,259	1,242,193	1,211,4
Residential mortgages held for sale	75,011	64,625	58,031	54,0
Total residential mortgage	1,393,302	1,320,884	1,300,224	1,265,4
Consumer	756,989	739,495	702,947	666,7
Total	$ 11,143,294	$ 10,715,803	$ 10,005,906	$ 9,794,4

The commercial loan portfolio totaled $6.4 billion at March 31, 2007. Energy loans totaled $1.8 billion or 16% of total loans. Outstanding energy loans increased $18 million, or 4% annualized, during the first quarter of 2007. Approximately $1.5 billion of loans in the energy portfolio was to oil and gas producers. The amount of credit available to these customers generally depends on a percentage of the value of their proven energy reserves based on anticipated prices. The energy category also included loans to borrowers involved in the transportation and sale of oil and gas and to borrowers that manufacture equipment or provide other services to the energy industry. The services sector of the portfolio totaled $1.6 billion, or 14% of the Company's total outstanding loans. Loans in this sector of the portfolio increased $42 million or 11% annualized since December 31, 2006. The services sector consists of a large number of loans to a variety of businesses, including communications, gaming and transportation services. Approximately $1.1 billion of the services sector is made up of loans with balances of less than $10 million.

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

BOK Financial participates in shared national credits when appropriate to obtain or maintain business relationships with local customers. Shared national credits are defined by banking regulators as credits of more than $20 million and with three or more non-affiliated banks as participants. The outstanding principal balances of these loans totaled $1.4 billion at March 31, 2007 and December 31, 2006. Substantially all of these loans were to borrowers with local market relationships. BOK Financial serves as the agent lender in approximately 25% of the shared national credits, based on dollars committed. Our lending policies generally avoid loans in which we do not have the opportunity to maintain or achieve other business relationships with the customer.

Commercial real estate loans totaled $2.6 billion or 23% of the loan portfolio at March 31, 2007. Construction and land development loans totaled $926 million, up $36 million or 16% annualized over December 31, 2006. Construction and land development included $718 million of loans secured by single family residential lots and premises, up $19 million from the previous quarter's end. The major components of other commercial real estate loans were office buildings - $424 million and retail facilities - $370 million.

Residential mortgage loans, excluding mortgage loans held for sale, included $397 million of home equity loans, $445 million of loans held for business relationship purposes, $310 million of adjustable rate mortgages and $158 million of loans held for community development. We have no concentration in sub-prime residential mortgage loans. Consumer loans included $492 million of indirect automobile loans. Indirect auto loans have increased $29 million since December 31, 2006. Approximately $393 million of these loans were purchased from dealers in Oklahoma and $99 million was purchased from dealers in Arkansas. Growth during the quarter included $19 million from indirect lending activities in Arkansas and $10 million in Oklahoma.

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

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

	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30 2006
Oklahoma:				

Commercial	$ 3,377,819	$ 3,261,592	$ 3,078,849	$ 3,119,7
Commercial real estate	895,585	979,251	968,267	995,9
Residential mortgage	945,147	896,567	878,390	854,7
Residential mortgage held for sale	75,011	64,625	58,031	54,0
Consumer	509,787	512,032	502,622	479,5
Total Oklahoma	$ 5,803,349	$ 5,714,067	$ 5,486,159	$ 5,503,9
Texas:				
Commercial	$ 1,797,262	$ 1,722,627	$ 1,557,361	$ 1,548,5
Commercial real estate	721,207	670,635	639,327	669,6
Residential mortgage	216,087	213,801	212,114	212,9
Consumer	105,604	95,652	80,836	84,2
Total Texas	$ 2,840,160	$ 2,702,715	$ 2,489,638	$ 2,515,4
New Mexico:				
Commercial	$ 424,539	$ 411,272	$ 387,164	$ 334,9
Commercial real estate	279,203	257,079	219,966	237,0
Residential mortgage	77,800	75,159	76,858	73,2
Consumer	11,493	13,256	13,899	13,4
Total New Mexico	$ 793,035	$ 756,766	$ 697,887	$ 658,6
Arkansas:				
Commercial	$ 96,084	$ 95,483	$ 89,849	$ 80,5
Commercial real estate	97,190	94,395	91,158	87,0
Residential mortgage	21,825	23,076	21,923	15,0
Consumer	103,662	86,017	67,206	51,1
Total Arkansas	$ 318,761	$ 298,971	$ 270,136	$ 233,8
Colorado:				
Commercial	$ 457,758	$ 451,046	$ 353,657	$ 299,3
Commercial real estate	199,736	193,747	170,081	155,4
Residential mortgage	15,501	15,812	17,656	21,1
Consumer	17,746	26,591	32,647	31,9
Total Colorado	$ 690,741	$ 687,196	$ 574,041	$ 507,8
Arizona:				
Commercial	$ 120,351	$ 96,453	$ 76,013	$ 63,0
Commercial real estate	316,661	207,035	196,286	153,8
Residential mortgage	41,731	31,280	34,772	33,9
Consumer	8,654	5,947	5,737	6,5
Total Arizona	$ 487,397	$ 340,715	$ 312,808	$ 257,3
Kansas:				
Commercial	$ 168,543	$ 170,411	$ 134,683	$ 93,1
Commercial real estate	41,065	44,398	40,074	23,8
Residential mortgage	200	564	480	3
Consumer	43	-	-	
Total Kansas	$ 209,851	$ 215,373	$ 175,237	$ 117,3
Total BOK Financial loans	$ 11,143,294	$ 10,715,803	$ 10,005,906	$ 9,794,4

Loan Commitments

BOK Financial enters into certain off-balance sheet arrangements in the normal course of business. These arrangements included loan commitments which totaled $5.3 billion and standby letters of credit which totaled $517 million at March 31, 2007. Loan commitments may be unconditional obligations to provide financing or conditional obligations that

depend on the borrower's financial condition, collateral value or other factors. Standby letters of credit are unconditional commitments to guarantee the performance of our customer to a third party. Since some of these commitments are expected to expire before being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Derivatives with Credit Risk

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

The Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurement" (FAS 157") as of January 1, 2007. FAS 157 established a single authoritative definition of fair value, set out a framework for measuring fair value and required additional disclosures about fair value measurements. It also nullified EITF guidance that prohibited recognition of gains at inception for derivative transactions whose fair value is estimated by modeling.

Beginning January 1, 2007, the fair value of customer derivative assets and liabilities fully reflects the discounted cash flows based on forward curves, volatilities, credit risks and other market-observable inputs. Changes in the net fair values of customer derivative contracts are a component of Brokerage and Trading Revenue. Retained earnings were charged $1.1 million for effect of the initial adoption of FAS 157 on the fair value of customer derivative assets and liabilities.

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

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

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

Derivative contracts are carried at fair value. At March 31, 2007, the fair value of derivative contracts reported as assets under these programs totaled $219 million. This included energy contracts with fair values of $179 million, interest rate contracts with fair values of $25 million and foreign exchange contracts with fair values of $13 million. The aggregate fair values of derivative contracts reported as liabilities totaled $230 million. Approximately 97% of the fair value of asset contracts was with customers. The credit risk of these contracts is generally backed by energy production. The remaining 3% was with dealer counterparties. The maximum net exposure to any single customer or counterparty totaled $35 million.

Summary of Loan Loss Experience

The reserve for loan losses, which is available to absorb losses inherent in the loan portfolio, totaled $114 million at March 31, 2007, compared with $109 million at December 31, 2006 and $104 million at March 31, 2006. These amounts represented 1.03%, 1.03% and 1.14% of outstanding loans, excluding loans held for sale, at March 31, 2007, December 31, 2006 and March 31, 2006, respectively. Losses on loans held for sale, principally mortgage loans accumulated for placement into security pools, are charged to earnings through adjustment in the carrying value. The

reserve for loan losses also represented 365% of outstanding balance of non-accruing loans at March 31, 2007, compared with 420% at December 31, 2006 and 323% at March 31, 2006. Non-accruing loans totaled $31 million at March 31, 2007, compared with $26 million at December 31, 2006 and $32 million at March 31, 2006. Net loans charged off during the first quarter of 2007 totaled $3.1 million, up from $2.8 million in the preceding quarter and $1.6 million for the first quarter of 2006.

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

Table 17 - Summary of Loan Loss Experience
(In thousands)

	Three Months Ended		
	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006

Reserve for loan losses:				
Beginning balance	$ 109,497	$ 105,465	$ 104,525	$
Loans charged off:				
Commercial	3,123	2,202	4,550	
Commercial real estate	30	87	-	
Residential mortgage	124	465	230	
Consumer	3,110	3,113	3,319	
Total	6,387	5,867	8,099	
Recoveries of loans previously charged off:				
Commercial	1,471	1,853	1,985	
Commercial real estate	41	5	276	
Residential mortgage	189	25	19	
Consumer	1,567	1,196	1,523	
Total	3,268	3,079	3,803	
Net loans charged off	3,119	2,788	4,296	
Provision for loan losses	7,993	6,820	5,236	
Ending balance	$ 114,371	$ 109,497	$ 105,465	$
Reserve for off-balance sheet credit losses:				
Beginning balance	$ 20,890	$ 21,757	$ 21,739	$
Provision for off-balance sheet credit losses	(1,493)	(867)	18	
Ending balance	$ 19,397	$ 20,890	$ 21,757	$
Total provision for credit losses	$ 6,500	$ 5,953	$ 5,254	$
Reserve for loan losses to loans outstanding at period-end (1)	1.03%	1.03%	1.06%	
Net charge-offs (annualized) to average loans (1)	0.12	0.11	0.18	
Total provision for credit losses (annualized) to average loans (1)	0.24	0.23	0.22	
Recoveries to gross charge-offs	51.17	52.48	46.96	
Reserve for loan losses as a multiple of net charge-offs (annualized)	9.17x	9.82x	6.14x	
Reserve for off-balance sheet credit losses to off-balance sheet credit commitments	0.34%	0.36%	0.40%	
Combined reserves for credit losses to loans outstanding at period-end (1)	1.21	1.22	1.28	

(1) Excludes residential mortgage loans held for sale.

Specific impairment reserves are determined through evaluation of estimated future cash flows and collateral value. At March 31, 2007, specific impairment reserves totaled $2.4 million on total impaired loans of $24 million. Required specific impairment reserves were $1.7 million at December 31, 2006.

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

	March 31, 2007	December 31, 2006
General economic conditions	$4.2 million to $8.4 million	$5.2 million to $9.1 mil
Concentration in large loans	$1.4 million to $2.8 million	$1.4 million to $2.8 mil

The provision for credit losses totaled $6.5 million for the first quarter of 2007, compared with $6.0 million for the fourth quarter of 2006 and $3.4 million for the first quarter of 2006. Factors considered in determining the provision for credit losses included continued growth in outstanding loans and increases in net losses and non-accruing loans during the quarter.

Nonperforming Assets

Information regarding nonperforming assets, which totaled $41 million at March 31, 2007 and $36 million at December 31, 2006, is presented in Table 18. Nonperforming assets included non-accrual loans and excluded loans 90 days or more past due but still accruing interest. Non-accrual loans totaled $31 million at March 31, 2007 and $26 million at December 31, 2006. Newly identified non-accruing loans totaled $9.6 million during the first quarter of 2007. Non-accruing loans decreased $2.2 million for loans charged off or foreclosed, and $930 thousand for cash payments received. Loans past due but still accruing at March 31, 2007 included $15.1 million from one matured loan whose renewal is pending due to administrative matters.

Table 18 - Nonperforming Assets
(In thousands)

	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 20
Nonaccrual loans:				
Commercial	$ 14,218	$ 10,737	$ 15,061	$ 15
Commercial real estate	6,832	4,771	3,540	4
Residential mortgage	9,920	10,325	7,889	7
Consumer	364	222	3,986	3
Total nonaccrual loans	31,334	26,055	30,476	30
Renegotiated loans	964	1,111	1,064	
Other nonperforming assets	8,414	8,486	9,322	8
Total nonperforming assets	$ 40,712	$ 35,652	$ 40,862	$ 39
Ratios:				
Reserve for loan losses to nonaccrual loans	365.01%	420.25%	346.06%	337
Combined reserves for credit losses to nonaccrual loans	426.91	500.43	417.45	407
Nonaccrual loans to period-end loans (2)	0.28	0.24	0.31	0
Loans past due (90 days) (1)	$ 20,623	$ 5,945	$ 5,076	$ 9,
(1) Includes residential mortgages guaranteed by agencies of the U.S. Government.	$ 1,728	$ 2,233	$ 1,784	$ 2,

(2) Excludes residential mortgage loans held for sale.

The loan review process also identifies loans that possess more than the normal amount of risk due to deterioration in the financial condition of the borrower or the value of the collateral. Because the borrowers are still performing in accordance with the original terms of the loan agreements, and no loss of principal or interest is anticipated, these loans were not included in the Nonperforming Assets table. Known information does, however, cause management concern as to the borrowers' ability to comply with current repayment terms. These potential problem loans totaled $27 million at

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March 31, 2007 and $22 million at December 31, 2006. Potential problem loans by primary industry included healthcare - $11 million, residential home construction - $7 million, other real estate loans - $5 million, services - $2 million and manufacturing - $2 million.

Deposits

Deposit accounts represent our primary funding source. We compete for retail and commercial deposits by offering a broad range of products and services and focusing on customer convenience. Retail deposit growth is supported through our Perfect Banking program, free checking and on-line Billpay services, an extensive network of branch locations and ATMs and a 24-hour Express Bank call center. Commercial deposit growth is supported by offering treasury management and lockbox services.

Total deposits averaged $12.1 billion for the first quarter of 2007, up $255 million, or 9% annualized compared with average deposits in the fourth quarter of 2006. Average commercial deposits increased $156 million or 16% annualized primarily due to a $117 million increase in Oklahoma. Average deposits attributed to consumer banking increased $52 million. Consumer deposits in Colorado and New Mexico increased $29 million and $14 million, respectively. Average deposits attributed to trust and private financial services increased $38 million or 10% annualized. Average deposits attributed to mortgage banking, which consisted primarily of escrow funds, decreased $19 million due to the timing of property tax payments.

Core deposits, which we define as deposits of less than $100,000, excluding public funds and brokered deposits, averaged $5.8 billion for the first quarter of 2007, an annualized increase of 12% over the fourth quarter of 2006. Average core deposits comprised 48% of total deposits for the first quarter of 2007. Deposit accounts with balances in excess of $100,000 averaged $5.1 billion or 42% of total average deposits, unchanged from the preceding quarter. Average public funds increased $81 million or 56% annualized from seasonal changes based on the timing of tax receipts.

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

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Table 19 - Deposits by Principal Market Area
(In thousands)

	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30 2006
Oklahoma:				

Demand	$ 877,623	$ 915,101	$ 868,502	$ 908,0
Interest-bearing:				
Transaction	3,481,859	3,456,322	3,001,774	2,732,3
Savings	92,678	83,017	83,442	88,2
Time	2,556,423	2,595,890	2,621,522	2,662,7
Total interest-bearing	6,130,960	6,135,229	5,706,738	5,483,3
Total Oklahoma	$ 7,008,583	$ 7,050,330	$ 6,575,240	$ 6,391,3
Texas:				
Demand	$ 602,315	$ 640,159	$ 582,014	$ 638,1
Interest-bearing:				
Transaction	1,701,382	1,688,131	1,671,993	1,530,4
Savings	24,558	24,074	25,888	26,3
Time	682,292	829,255	736,316	717,0
Total interest-bearing	2,408,232	2,541,460	2,434,197	2,273,8
Total Texas	$ 3,010,547	$ 3,181,619	$ 3,016,211	$ 2,912,0
New Mexico:				
Demand	$ 126,111	$ 124,088	$ 144,138	$ 147,3
Interest-bearing:				
Transaction	464,569	432,342	434,521	410,1
Savings	17,972	16,417	16,804	16,8
Time	485,662	490,460	481,993	494,4
Total interest-bearing	968,203	939,219	933,318	921,4
Total New Mexico	$ 1,094,314	$ 1,063,307	$ 1,077,456	$ 1,068,7
Arkansas:				
Demand	$ 10,980	$ 12,589	$ 11,914	$ 11,5
Interest-bearing:				
Transaction	21,762	17,905	19,504	20,5
Savings	1,029	1,010	1,058	1,0
Time	54,687	57,446	61,966	69,4
Total interest-bearing	77,478	76,361	82,528	91,0
Total Arkansas	$ 88,458	$ 88,950	$ 94,442	$ 102,5
Colorado:				
Demand	$ 39,821	$ 48,756	$ 38,264	$ 45,2
Interest-bearing:				
Transaction	314,506	328,254	275,714	245,5
Savings	12,092	12,632	13,037	13,7
Time	502,880	485,200	421,841	379,2
Total interest-bearing	829,478	826,086	710,592	638,5
Total Colorado	$ 869,299	$ 874,842	$ 748,856	$ 683,7
Arizona:				
Demand	$ 29,461	$ 39,352	$ 62,234	$ 73,6
Interest-bearing:				
Transaction	67,364	73,729	74,786	67,8
Savings	1,367	1,978	2,408	2,7
Time	10,018	6,574	4,549	4,0

Total interest-bearing	78,749	82,281	81,743	74,6
Total Arizona	$ 108,210	$ 121,633	$ 143,977	$ 148,3
Kansas:				
Demand	$ 325	$ 14	$ -	$
Interest-bearing:				
Transaction	670	287	-	
Savings	11	2	-	
Time	28,166	5,721	-	
Total interest-bearing	28,847	6,010	-	
Total Kansas	$ 29,172	$ 6,024	$ -	$
Total BOK Financial deposits	$ 12,208,583	$ 12,386,705	$ 11,656,182	$ 11,306,7

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Borrowings and Capital

BOK Financial (parent company) has a $100 million unsecured revolving line of credit with certain banks that expires in December 2010. There was no outstanding principal balance on this credit agreement at March 31, 2007. Interest is based on LIBOR plus a defined margin that is determined by the Company's credit rating or a base rate. This margin ranges from 0.375% to 1.125%. The margin currently applicable to borrowings against this line is 0.375%. The base rate is defined as the greater of the daily federal funds rate plus 0.500% or the SunTrust Bank prime rate. Interest is generally paid monthly. Facility fees are paid quarterly on the unused portion of the commitment at rates that range from 0.100% to 0.250% based on the Company's credit rating.

This credit agreement includes certain restrictive covenants that limit the Company's ability to borrow additional funds, to make investments and to pay cash dividends on common stock. These covenants also require BOK Financial and subsidiary banks to maintain minimum capital levels and to exceed minimum net worth ratios. BOK Financial met all of the restrictive covenants at March 31, 2007.

The primary source of liquidity for BOK Financial is dividends from subsidiary banks, which are limited by various banking regulations to net profits, as defined, for the preceding two years. Dividends are further restricted by minimum capital requirements. Based on the most restrictive limitations, the subsidiary banks could declare up to $130 million of dividends without regulatory approval. Management has developed and the Board of Directors has approved an internal capital policy that is more restrictive than the regulatory capital standards. The subsidiary banks could declare dividends of up to $55 million under this policy.

Equity capital for BOK Financial totaled $1.8 billion at March 31, 2007, up $65 million during the quarter. Retained earnings, net income less cash dividends provided $43 million of the increase. Accumulated other comprehensive losses decreased $17 million due primarily to a reduction in net unrealized losses on available for sale securities. Employee stock option transactions increased equity capital $7.6 million during the first quarter of 2007.

Capital is managed to maximize long-term value to the shareholders. Factors considered in managing capital include projections of future earnings, asset growth and acquisition strategies, and regulatory and debt covenant requirements. Capital management may include subordinated debt issuance, share repurchase and stock and cash dividends.

On April 26, 2005, the Board of Directors authorized a share repurchase program, which replaced a previously authorized program. The maximum of two million common shares may be repurchased. The specific timing and amount of shares repurchased will vary based on market conditions, securities law limitations and other factors. Repurchases may be made over time in open market or privately negotiated transactions. The repurchase programs may be suspended or discontinued at any time without prior notice. During the first quarter of 2007, the Company repurchased 25,000 common shares at an average price of $50.24 per share. The Company may repurchase 1.7 million common shares in the future under this program.

Cash dividends of $10.1 million or $0.15 per common share were paid during the first quarter of 2007. On April 24, 2007 the Board of Directors approved quarterly cash dividend of $0.20 per common share. The dividend will be payable on or about May 30 to shareholders of record on May 15, 2007.

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

Subsequent to March 31, 2007, the Company's Board of Directors authorized Bank of Oklahoma to issue up to $250 million of subordinated debt. The proceeds of this debt, which qualifies as Tier 2 regulatory capital, will be used to fund the Worth Bancorporation acquisition and continued asset growth.

For a banking institution to qualify as well capitalized, its Tier 1, Total and Leverage capital ratios must be at least 6%, 10% and 5%, respectively. All of the Company's banking subsidiaries exceeded the regulatory definition of well capitalized. The capital ratios for BOK Financial on a consolidated basis are presented in Table 20.

Table 20 - Capital Ratios	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30 2006
Average shareholders' equity				
to average assets	9.71%	9.67%	9.62%	9.49
Risk-based capital:				
Tier 1 capital	9.97	9.78	9.99	10.00
Total capital	11.76	11.58	12.07	12.14
Leverage	8.95	8.79	8.88	8.74

Off-Balance Sheet Arrangements

During 2002, BOK Financial agreed to a limited price guarantee on a portion of the common shares issued to purchase Bank of Tanglewood. Any holder of BOK Financial common shares issued in this acquisition may annually make a claim for the excess of the guaranteed price over the actual sales price of any shares sold during a 60-day period after each of the first five anniversary dates after October 25, 2002. The final anniversary date of this guarantee is October 25, 2007. The maximum annual number of shares subject to this guarantee is 210,069.

The price guarantee is non-transferable and non-cumulative. BOK Financial may elect, in its sole discretion, to issue additional shares of common stock or to pay cash to satisfy any obligation under the price guarantee. The Company will have no obligation to issue additional common shares or pay cash to satisfy any benchmark price protection obligation if the market value per share of BOK Financial common stock remains above the highest benchmark price of $42.53. The closing price of BOK Financial common stock on March 31, 2007 was $49.53 per share.

Market Risk

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

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

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

Interest Rate Risk - Other than Trading

BOK Financial has a large portion of its earning assets in variable rate loans and a large portion of its liabilities in demand deposit accounts and interest bearing transaction accounts. Changes in interest rates affect earning assets more rapidly than interest bearing liabilities in the short term. Management has adopted several strategies to position the balance sheet to be neutral to interest rate changes. As previously noted in the Net Interest Revenue section of this report, management acquires securities that are funded by borrowings in the capital markets. The average duration of these securities is expected to be approximately 2.5 years based on a range of interest rate and prepayment assumptions.

BOK Financial also uses interest rate swaps in managing its interest rate sensitivity. These products are generally used to more closely match interest on certain variable-rate loans with funding sources and long-term certificates of deposit with earning assets. During the first quarter of 2007, net interest revenue was reduced by $2.8 million from periodic settlements of these contracts. Net interest revenue was decreased by $2.3 million from periodic settlements of these

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contracts in the first quarter of 2006. These contracts are carried on the balance sheet at fair value and changes in fair value are reporting in income as derivatives gains or losses. A net gain of $71 thousand was recognized in the first quarter of 2007 compared to a net loss of $ 309 thousand in same period of 2006 from adjustments of these swaps and hedged liabilities to fair value. Credit risk from interest rate swaps is closely monitored as part of our overall process of managing credit exposure to other financial institutions.

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

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

The results of our interest rate sensitivity analysis, as presented in Table 21, indicate that over the past year, the Company has shifted from being slightly asset sensitive to slightly liability sensitive. This means that rising interest rates will modestly increase the cost of our interest-bearing liabilities by more than they will increase the yield on our earning assets. We believe that this shift is due to an increase in the frequency of which deposit customers will switch account types or financial institutions as interest rates rise.

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

Table 21 - Interest Rate Sensitivity
(Dollars in Thousands)

	200 bp Increase		200 bp Decrease	
	2007	2006	2007	2006
Anticipated impact over the				

next twelve months on					
net interest revenue	$ (4,733) (0.8)%	$ 6,413 1.2%	$ 1,407 0.2%	$ (4,174) (0.8)%	$

Trading Activities

BOK Financial enters into trading activities both as an intermediary for customers and for its own account. As an intermediary, BOK Financial will take positions in securities, generally mortgage-backed securities, government agency securities, and municipal bonds. These securities are purchased for resale to customers, which include individuals, corporations, foundations and financial institutions. BOK Financial will also take trading positions in U.S. Treasury securities, mortgage-backed securities, municipal bonds, corporate debt and financial futures for its own account. These

positions are taken with the objective of generating trading profits. Both of these activities involve interest rate risk.

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

Management uses a Value at Risk ("VAR") methodology to measure the market risk inherent in its trading activities. VAR is calculated based upon historical simulations over the past five years using a variance / covariance matrix of interest rate changes. It represents an amount of market loss that is likely to be exceeded only one out of every 100 two-week periods. Trading positions are managed within guidelines approved by the Board of Directors. These guidelines limit the VAR to $1.8 million. At March 31, 2007, the VAR was $652 thousand. The greatest value at risk during the quarter was $974 thousand.

Controls and Procedures

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

Forward-Looking Statements

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

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

	Three Months Ended March 31, 2007	2006
Interest Revenue		
Loans	$ 212,825	$ 165,927
Taxable securities	57,594	55,046
Tax-exempt securities	3,028	2,209
Total securities	60,622	57,255
Trading securities	464	164
Funds sold and resell agreements	665	239
Total interest revenue	274,576	223,585
Interest Expense		
Deposits	97,872	72,854
Borrowed funds	42,663	28,490
Subordinated debentures	5,203	4,915
Total interest expense	145,738	106,259
Net Interest Revenue	128,838	117,326
Provision for Credit Losses	6,500	3,400
Net Interest Revenue After Provision for Credit Losses	122,338	113,926
Other Operating Revenue		
Brokerage and trading revenue	13,282	13,356

Transaction card revenue		20,184		18,508
Trust fees and commissions		18,995		17,945
Deposit service charges and fees		24,598		23,986
Mortgage banking revenue		6,540		6,789
Bank-owned life insurance		2,399		63
Other revenue		5,990		9,279
Total fees and commissions		91,988		89,926
Gain on sales of assets		694		1,041
Loss on securities, net		(563)		(1,221)
Gain (loss) on derivatives, net		71		(309)
Total other operating revenue		92,190		89,437
Other Operating Expense				
Personnel		78,729		71,232
Business promotion		4,570		4,803
Professional fees and services		4,874		3,914
Net occupancy and equipment		13,206		13,026
Data processing and communications		16,974		16,995
Printing, postage and supplies		3,969		3,905
Net losses and operating expenses of repossessed assets		207		219
Amortization of intangible assets		1,136		1,370
Mortgage banking costs		2,944		3,087
Change in fair value of mortgage servicing rights		1,164		(7,081)
Other expense		4,739		5,909
Total other operating expense		132,512		117,379
Income Before Taxes		82,016		85,984
Federal and state income tax		29,223		31,236
Net Income	$	52,793	$	54,748
Earnings Per Share:				
Basic	$	0.79	$	0.82
Diluted	$	0.78	$	0.81
Average Shares Used in Computation:				
Basic		67,085,310		66,715,396
Diluted		67,574,671		67,260,659

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets
(In Thousands Except Share Data)

	March 31, 2007	December 31, 2006

	(Unaudited)	(Footnote 1)
Assets		
Cash and due from banks	$ 559,264	$ 775,376
Funds sold and resell agreements	13,988	21,950
Trading securities	46,079	37,076
Securities:		
Available for sale	4,434,600	4,293,938
Available for sale securities pledged to creditors	351,716	361,123
Investment (fair value: March 31, 2007 - $235,406; December 31, 2006 - $246,608; March 31, 2006 - $232,468)	241,436	248,689
Mortgage trading securities	131,524	162,837
Total securities	5,159,276	5,066,587
Loans	11,143,294	10,715,803
Less reserve for loan losses	(114,371)	(109,497)
Loans, net of reserve	11,028,923	10,606,306
Premises and equipment, net	193,244	188,041
Accrued revenue receivable	111,782	118,236
Intangible assets, net	257,350	258,060
Mortgage servicing rights, net	68,120	65,946
Real estate and other repossessed assets	8,414	8,486
Bankers' acceptances	3,093	43,613
Derivative contracts	220,120	284,239
Cash surrender value of bank-owned life insurance	214,730	212,230
Receivable on unsettled securities trades	45,873	-
Other assets	227,820	373,478
Total assets	$ 18,158,076	$ 18,059,624
Liabilities and Shareholders' Equity		
Noninterest-bearing demand deposits	$ 1,686,636	$ 1,780,059
Interest-bearing deposits:		
Transaction	6,052,112	5,996,970
Savings	149,707	139,130
Time	4,320,128	4,470,546
Total deposits	12,208,583	12,386,705
Funds purchased and repurchase agreements	2,511,210	2,348,516
Other borrowings	852,118	593,731
Subordinated debentures	298,819	297,800
Accrued interest, taxes and expense	108,524	104,752
Bankers' acceptances	3,093	43,613
Due on unsettled security transactions	-	107,420
Derivative contracts	236,775	298,679
Other liabilities	153,006	157,386
Total liabilities	16,372,128	16,338,602
Shareholders' equity:		
Common stock ($.00006 par value; 2,500,000,000 shares authorized; shares issued and outstanding: March 31, 2007 - 68,944,949; December 31, 2006 - 68,704,575; March 31, 2006 - 68,214,101)	4	4
Capital surplus	699,488	688,861
Retained earnings	1,208,418	1,166,994
Treasury stock (shares at cost: March 31, 2007 - 1,717,899;		

December 31, 2006 - 1,636,825; March 31, 2006 - 1,331,064)	(65,639)	(61,393)
Accumulated other comprehensive loss	(56,323)	(73,444)
Total shareholders' equity	1,785,948	1,721,022
Total liabilities and shareholders' equity	$ 18,158,076	$ 18,059,624

See accompanying notes to consolidated financial statements.

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

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Loss	Capital Surplus	Retained Earnings	Tr Sha
Balances at December 31, 2005	-	$ -	67,905	$ 4	$ (67,811)	$ 656,579	$990,422	1,
Effect of implementing FAS 156, net of income taxes	-	-	-	-	-	-	383	
Comprehensive income:								
Net income	-	-	-	-	-	-	54,748	
Other comprehensive income, net of tax (1)	-	-	-	-	(26,502)	-	-	
Comprehensive income								
Treasury stock purchase	-	-	-	-	-	-	-	
Exercise of stock options	-	-	309	-	-	7,554	-	
Tax benefit on exercise of stock options	-	-	-	-	-	1,140	-	
Stock-based compensation	-	-	-	-	-	1,527	-	
Cash dividends on common stock	-	-	-	-	-	-	(6,694)	
Balances at March 31, 2006	-	$ -	68,214	$ 4	$(94,313)	$ 666,800	$1,038,859	1,
Balances at December 31, 2006	-	$ -	68,705	$ 4	$(73,444)	$ 688,861	$1,166,994	1,
Effect of implementing FAS 157, net of income taxes	-	-	-	-	-	-	(679)	
Effect of implementing FIN 48	-	-	-	-	-	-	(609)	
Comprehensive income:								
Net income	-	-	-	-	-	-	52,793	
Other comprehensive income, net of tax (1)	-	-	-	-	17,121	-	-	
Comprehensive income								

Treasury stock purchase	-	-	-	-	-	-	-	
Exercise of stock options	-	-	240	-	-	7,424	-	
Tax benefit on exercise of stock options	-	-	-	-	-	1,039	-	
Stock-based compensation	-	-	-	-	-	2,164	-	
Cash dividends on common stock	-	-	-	-	-	-	(10,081)	
Balances at March 31, 2007	-	$ -	68,945	$ 4	$ (56,323)	$ 699,488	$1,208,418	1,

(1)	March 31, 2007	March 31, 2006
Changes in other comprehensive loss:		
Unrealized gains (losses) on securities	$ 25,673	$ (42,660)
Unrealized gains (losses) on cash flow hedges	363	(187)
Tax (expense) benefit on unrealized (gains) losses	(9,277)	15,567
Reclassification adjustment for losses realized and included in net income	563	1,221
Reclassification adjustment for tax benefit on realized losses	(201)	(443)
Net change in other comprehensive loss	$ 17,121	$ (26,502)

See accompanying notes to consolidated financial statements.

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

	Three Month
	2007
Cash Flows From Operating Activities:	
Net income	$ 52,793
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for credit losses	6,500
Change in fair value of mortgage servicing rights	1,164
Unrealized (gains) losses from derivatives	(4,370)
Tax benefit on exercise of stock options	(1,039)
Change in bank-owned life insurance	(2,499)
Stock-based compensation	1,535
Depreciation and amortization	9,555
Net accretion of securities discounts and premiums	899
Net gain on sale of assets	(2,532)
Mortgage loans originated for resale	(166,724)
Proceeds from sale of mortgage loans held for resale	152,612
Change in trading securities, including mortgage trading securities	22,666
Change in accrued revenue receivable	(4,258)
Change in other assets	96,241

Change in accrued interest, taxes and expense		3,772
Change in other liabilities		(69,384)
Net cash provided by operating activities		96,931
Cash Flows From Investing Activities:		
Proceeds from maturities of investment securities		13,978
Proceeds from maturities of available for sale securities		240,519
Purchases of investment securities		(6,765)
Purchases of available for sale securities		(814,351)
Proceeds from sales of available for sale securities		469,223
Loans originated or acquired net of principal collected		(392,604)
Proceeds from derivative asset contracts		32,500
Net change in other investment assets		8,108
Proceeds from disposition of assets		42,098
Acquisition of bank charter		(425)
Purchases of assets		(15,933)
Net cash used in investing activities		(423,652)
Cash Flows From Financing Activities:		
Net change in demand deposits, transaction deposits and savings accounts		(27,704)
Net change in time deposits		(148,705)
Net change in other borrowings		421,081
Payments on derivative liability contracts		(27,628)
Net change in derivative margin accounts		44,760
Change in amount receivable (due) on unsettled security transactions		(153,293)
Issuance of preferred, common and treasury stock, net		4,434
Tax benefit on exercise of stock options		1,039
Repurchase of common stock		(1,256)
Dividends paid		(10,081)
Net cash provided by financing activities		102,647
Net decrease in cash and cash equivalents		(224,074)
Cash and cash equivalents at beginning of period		797,326
Cash and cash equivalents at end of period	$	573,252
Cash paid for interest	$	146,637
Cash paid for taxes	$	1,546
Net loans transferred to repossessed real estate and other assets	$	925

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)

(1) Accounting Policies

Basis of Presentation

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

The unaudited consolidated financial statements include accounts of BOK Financial and its subsidiaries, principally Bank of Oklahoma, N.A. and its subsidiaries ("BOk"), Bank of Texas, N.A., Bank of Arkansas, N.A., Bank of Albuquerque, N.A. Colorado State Bank and Trust, N.A., Bank of Arizona, N.A., Bank of Kansas City, N.A., and BOSC, Inc. Certain prior period amounts have been reclassified to conform to current period classification.

The financial information should be read in conjunction with BOK Financial's 2006 Form 10-K filed with the Securities and Exchange Commission, which contains audited financial statements. Amounts presented as of December 31, 2006 have been derived from BOK Financial's 2006 Form 10-K.

Newly Adopted and Pending Accounting Policies

BOK Financial adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurement" (FAS 157") as of January 1, 2007. FAS 157 established a single authoritative definition of fair value, set out a framework for measuring fair value and required additional disclosures about fair value measurements. It also nullified EITF guidance that prohibited recognition of gains at inception for derivative transactions whose fair value is estimated by modeling.

Beginning January 1, 2007, the fair value of customer derivative assets and liabilities fully reflects the discounted cash flows based on forward curves, volatilities, credit risks and other market-observable inputs. Changes in the net fair values of customer derivative contracts are a component of Brokerage and Trading Revenue. Retained earnings were charged $679 thousand for the after-tax effect of the initial adoption of FAS 157 on the fair value of customer derivative assets and liabilities. FAS 157 did not have a significant effect on other fair value measurements in the Company's financial statements.

The Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), effective January 1, 2007. FIN 48 requires that an uncertain tax position must be more likely than not of being upheld upon audit by the taxing authority for the benefit to be recognized. The benefit of uncertain tax positions that do not meet this criterion may not be recognized. In addition, FIN 48 requires that the amount of tax benefit that may be recognized for uncertain positions that meet the recognition criterion shall consider the amounts and probabilities of outcomes that could be realized upon settlement. BOK Financial recognized a $609 thousand increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. As of the date of adoption, total unrecognized tax benefits were $12.6 million, including the amount recognized in retained earnings. These unrecognized tax benefits, if recognized in the future, could affect the effective tax rate. Interest and penalties accrued related to unrecognized tax benefits are included in income tax expense. As of January 1, 2007, the Company had $2 million total interest and penalties accrued. Federal statute remains open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159") during the first quarter of 2007. The purpose of FAS 159 is to increase the use of fair value measurements in financials statements and to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. FAS 159 permits financial statement issuers an option to measure eligible financial assets and financial liabilities at fair value.

Unrealized gains and losses on assets and liabilities measured at fair value are reported in earnings. The option to measure eligible assets and liabilities is applied on an instrument

-by-instrument basis, is irrevocable and is applied to the entire instrument. FAS 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007 and may be adopted as of a fiscal year that begins on or before November 15, 2007, subject to certain conditions. The Company expects to adopt FAS 159 as required on January 1, 2008. The effect of FAS 159 on the Company's financial statements has not yet been determined.

(2) Acquisitions

During the first quarter of 2007, the Company reached an agreement to acquire Texas-based Worth Bancorporation, Inc. for approximately $127 million in cash. As of December 31, 2006, Worth had total assets of $390 million, net loans of $272 million, total deposits of $345 million and five branches in the Fort Worth market. The acquisition is expected to close on or about May 31, 2007.

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

(3) Fair Value Measurements

Fair value measurements as of March 31, 2007 are as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs	Si Uno
Assets:				
Trading securities	$46,079	17,385	$28,694	
Available for sale securities	4,786,316	28,204	4,758,112	
Mortgage trading securities	131,524		131,524	
Mortgage servicing rights	68,120			68
Derivative contracts	220,120		220,120	
Liabilities:				
Hedged certificates of deposit	349,424		349,424	
Derivative contracts	236,775		236,775	

(1) A reconciliation of the beginning and ending fair value of mortgage servicing rights and disclosures of significant assumptions used to determine fair value are presented in Note 5, Mortgage Banking Activities.

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

- 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, credits risks and default rates;
- Other inputs derived from or corroborated by observable market inputs.

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

No fair value measurements of significant assets or liabilities measured on a non-recurring basis were made during the first quarter of 2007. Assets measured on a non-recurring basis include pension plan assets, which are based on quoted prices in active markets for identical instruments and goodwill, which is based on significant unobservable inputs.

(4) Derivatives

The fair values of derivative contracts at March 31, 2007 are as follows (in thousands):

	Assets	Liabilities
Customer Risk Management Programs:		
Interest rate contracts	$24,959	$27,923
Energy contracts	178,512	187,167
Cattle contracts	2,311	2,202
Foreign exchange contracts	12,640	12,641
CD options	237	237
Total Customer Derivatives	218,659	230,170
Interest Rate Risk Management Programs	1,461	6,605
Total Derivative Contracts	$220,120	$236,775

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(5) Mortgage Banking Activities

At March 31, 2007, BOK Financial owned the rights to service 55,385 mortgage loans with outstanding principal balances of $5.0 billion, including $531 million serviced for affiliates. The weighted average interest rate and remaining term was 6.14% and 277 months, respectively.

In the first quarter of 2007, the Company paid approximately $3.6 million to acquire the rights to service approximately $270 million of mortgage loans. Substantially all of these loans are to borrowers in our primary market areas.

For the three months ended March 31, 2007 and 2006, mortgage banking revenue includes servicing fee income of $4.2 million and $4.0 million, respectively.

In 2006, BOK Financial implemented Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets." Upon implementation, an initial adjustment of the mortgage servicing rights to fair value of approximately $351 thousand, net of income taxes, was recognized as an increase to retained earnings and certain securities designated as an economic hedge of mortgage servicing rights were transferred from the available for sale classification to trading.

Activity in capitalized mortgage servicing rights and related valuation allowance during the three months ending March 31, 2007 is as follows (in thousands):

	Capitalized Mortgage Servicing Rights		
	Purchased	Originated	Total
Balance at December 31, 2006	$ 12,813	$ 53,133	$ 65,946
Additions, net	3,614	2,349	5,963
Change in fair value due to loan runoff	(600)	(2,025)	(2,625)
Change in fair value due to market changes	66	(1,230)	(1,164)
Balance at March 31, 2007 (1)	$ 15,893	$ 52,227	$ 68,120

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

	March 31, 2007	December 31, 2
Discount rate - risk-free rate plus a market premium	10.02%	9.91%
Prepayment rate - based upon loan interest rate, original term and loan type	9.2% - 17.4%	8.7% - 18.
Loan servicing costs - annually per loan based upon loan type	$41 - $58	$41 - $58
Escrow earnings rate - indexed to rates paid on deposit accounts with comparable average life	5.40%	5.49%

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Stratification of the mortgage loan servicing portfolio and outstanding principal of loans serviced by interest rate at March 31, 2007 follows (in thousands):

	<5.51%	5.51% - 6.50%	6.51% - 7.50%	> 7.
Fair value	$ 15,276	$ 35,766	$13,582	$
Outstanding principal of loans serviced (1)	$ 1,000,000	$ 2,305,400	$ 912,500	$21

(1) Excludes outstanding principal of $531 million for loans serviced for

affiliates and $49 million of mortgage loans for which there are no capitalized mortgage servicing rights.

(6) Disposal of Available for Sale Securities

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

	Three Months Ended March 31,	
	2007	2006
Proceeds	$ 469,223	$ 36,576
Gross realized gains	944	714
Gross realized losses	(1,761)	(1,935)
Related federal and state income tax expense (benefit)	(291)	(444)

(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. The Company recognized no periodic pension cost during three months ended March 31, 2007. During the three months ended March 31, 2006, net periodic pension cost was approximately $1.8 million.

The Company made no Pension Plan contributions during the first quarter of 2007 and 2006.

Management has been advised that no minimum contribution will be required for 2007. The maximum allowable contribution for 2007 has not yet been determined.

(8) Shareholders' Equity

On April 24, 2007, the Board of Directors of BOK Financial Corporation approved a $0.20 per share quarterly common stock dividend. The quarterly dividend will be payable on or about May 30, 2007 to shareholders of record on May 15, 2007.

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(9) Earnings Per Share

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

	Three Months Ended March	
	2007	2006
Numerator:		
Net income	$ 52,793	$ 54,74
Denominator:		
Denominator for basic earnings per share - weighted average shares	67,085,310	66,715,39

Effect of dilutive potential common shares:		
Employee stock compensation plans (1)	489,361	545,26
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	67,574,671	67,260,65
Basic earnings per share	$ 0.79	$ 0.8
Diluted earnings per share	$ 0.78	$ 0.8

(1) Excludes employee stock options with exercise prices greater than current market price.	771,442	1,598,70

(10) Reportable Segments

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended March 31, 2007 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	Net Income
Total reportable segments	$ 134,385	$ 91,071	$ 125,928	$ 59,812
Unallocated items:				
Tax-equivalent adjustment	2,085	-	-	2,085
Funds management and other	(7,632)	1,611	6,584	(9,104)
BOK Financial consolidated	$ 128,838	$ 92,682	$ 132,512	$ 52,793

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

Reportable segments reconciliation to the Consolidated Financial Statements for the three months ended March 31, 2006 is as follows (in thousands):

	Net Interest Revenue	Other Operating Revenue(1)	Other Operating Expense	Ne
Total reportable segments	$ 119,897	$ 90,285	$ 110,064	$
Unallocated items:				
Tax-equivalent adjustment	1,522	-	-	
Funds management and other	(4,093)	682	7,315	
BOK Financial consolidated	$ 117,326	$ 90,967	$ 117,379	$

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

(11) Contingent Liabilities

AXIA Investment Management, Inc. ("AXIA"), a wholly-owned subsidiary of BOk, is the administrator to and investment advisor for the American Performance Funds ("AP Funds"). AP Funds is a diversified, open-ended investment company established in 1987 as a business trust under the Investment Company Act of 1940 (the "1940 Act"). AP Fund's products are offered to customers, employee benefit plans, trusts and the general public in the ordinary course of business. Approximately 98% of AP Fund's assets of $3.4 billion are held for BOK Financial's clients.

On October 10, 2006, the Securities and Exchange Commission (the "SEC") started a special examination of AXIA. The examination is focused on the BISYS Fund Services Ohio, Inc. ("BISYS") marketing assistance agreements with AXIA that were terminated in 2004. In September 2006, BISYS settled the SEC's two-year investigation of it by consenting to an order in which the SEC determined that BISYS had "willfully aided and abetted and caused" (1) the investment advisors to 27 different families of mutual funds to violate provisions of the Investment Advisors Act of 1940 that prohibit fraudulent conduct; (2) the investment advisors to the 27 fund families to violate provisions of the 1940 Act that prohibit the making of any untrue statement of a material fact in a registration statement filed by the mutual fund with the SEC, and (3) the 27 fund families to violate provisions of the 1940 Act that require the disclosure and inclusion of all distribution arrangements and expenses in the fund's 12b-1 fee plan. AXIA is one of the 27 advisors and the AP Funds one of the mutual fund families to which the SEC referred. AXIA is not bound by the SEC BISYS Order and disagrees with its findings as they relate to AXIA. Although the SEC's examination of AXIA is ongoing, BOK Financial does not expect the examination or any action the SEC may take based upon it to have a material adverse effect on the Company.

On May 4, 2007, the AP Funds demanded AXIA and/or BISYS refund to the AP Funds $8.1 million (with interest) and reimburse the expenses of the AP Funds' investigation of this matter (which expenses are in excess of $1 million) or justify the appropriateness of $8.1 million of marketing arrangement expenditures. The AP Funds have further indicated that the foregoing demand was in respect of the period from 1997 to 2004, and that it may seek further reimbursement from AXIA and/or BISYS for periods before 1997. BOK Financial has examined the expenditures procured by AXIA pursuant to the questioned marketing arrangements and has paid or tendered for payment $1.7 million for expenses which were or could be argued to have been improperly charged to the marketing arrangements. Otherwise, BOK Financial believes the AP Funds demand on AXIA is without merit.

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

(12) 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 March 31, 2007, outstanding commitments and letters of credit were as follows (in thousands):

	March 31, 2007
Commitments to extend credit	$ 5,260,750
Standby letters of credit	516,538
Commercial letters of credit	12,946

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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			
	March 31, 2007			
	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
Assets				
Taxable securities (3)	$ 4,802,768	$ 57,595	4.86%	$ 4,745,61
Tax-exempt securities (3)	322,202	4,802	6.09	318,96
Total securities (3)	5,124,970	62,397	4.93	5,064,58
Trading securities	29,613	519	7.11	22,66
Funds sold and resell agreements	55,674	665	4.84	39,66
Loans (2)	10,893,163	213,080	7.93	10,361,84
Less reserve for loan losses	113,379	-	-	108,37
Loans, net of reserve	10,779,784	213,080	8.02	10,253,46
Total earning assets (3)	15,990,041	276,661	7.02	15,380,38
Cash and other assets	1,949,917			2,158,64
Total assets	$ 17,939,958			$ 17,539,03
Liabilities And Shareholders' Equity				
Transaction deposits	$ 6,100,117	$ 46,367	3.08 %	$ 5,768,21
Savings deposits	143,101	364	1.03	139,79
Time deposits	4,420,390	51,141	4.69	4,417,42
Total interest-bearing deposits	10,663,608	97,872	3.72	10,325,43
Funds purchased and repurchase agreements	2,640,485	33,565	5.16	2,584,35
Other borrowings	668,078	9,098	5.52	586,74
Subordinated debentures	297,806	5,203	7.09	298,42
Total interest-bearing liabilities	14,269,977	145,738	4.14	13,794,96
Demand deposits	1,397,874			1,481,45

Other liabilities	530,659			566,12
Shareholders' equity	1,741,448			1,696,48
Total liabilities and shareholders' equity	$ 17,939,958			$ 17,539,03
Tax-Equivalent Net Interest Revenue (3)		$ 130,923	2.88%	
Tax-Equivalent Net Interest Revenue To Earning Assets (3)			3.32	
Less tax-equivalent adjustment (1)		2,085		
Net Interest Revenue		128,838		
Provision for credit losses		6,500		
Other operating revenue		92,190		
Other operating expense		132,512		
Income before taxes		82,016		
Federal and state income tax		29,223		
Net Income		$ 52,793		
Earnings Per Average Common Share Equivalent:				
Net income:				
Basic		$ 0.79		
Diluted		$ 0.78		

(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						
September 30, 2006			June 30, 2006			Ma
Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance	Revenue/ Expense(1)	Yield / Rate	Average Balance
$ 4,694,588	$ 54,589	4.63%	$ 4,783,280	$ 56,632	4.75%	$ 4,862,313
306,170	4,187	5.43	273,305	3,485	5.12	262,124
5,000,758	58,776	4.68	5,056,585	60,117	4.77	5,124,437
21,721	226	4.13	23,672	287	4.86	16,722
51,518	649	5.00	32,048	407	5.09	21,181
9,813,602	197,665	7.99	9,472,309	181,269	7.68	9,164,706
106,474	-	-	106,048	-	-	105,135

9,707,128	197,665	8.08	9,366,261	181,269	7.76	9,059,571
14,781,125	257,316	6.91	14,478,566	242,080	6.71	14,221,911
2,049,998			2,085,724			2,048,328
$ 16,831,123			$ 16,564,290			$ 16,270,239
$ 5,458,280	$ 39,571	2.88 %	$ 5,353,413	$ 34,875	2.61 %	$ 5,327,004
146,276	360	0.98	153,200	353	0.92	155,554
4,314,672	48,540	4.46	4,220,204	44,798	4.26	4,162,952
9,919,228	88,471	3.54	9,726,817	80,026	3.30	9,645,510
2,138,749	27,568	5.11	2,118,211	25,696	4.87	1,731,983
750,247	10,253	5.42	684,431	8,682	5.09	882,878
293,146	5,210	7.05	292,474	4,930	6.76	295,792
13,101,370	131,502	3.98	12,821,933	119,334	3.73	12,556,163
1,453,163			1,474,835			1,485,398
657,269			695,418			680,897
1,619,321			1,572,104			1,547,781
$ 16,831,123			$ 16,564,290			$ 16,270,239
	$ 125,814	2.93%		$ 122,746	2.98%	
						3.05
		3.38			3.40	
	1,836			1,640		
	123,978			121,106		
	5,254			3,795		
	97,583			90,880		
	138,810			122,127		
	77,497			86,064		
	24,837			31,080		
	$ 52,660			$ 54,984		
	$ 0.79			$ 0.82		
	$ 0.78			$ 0.82		

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PART II. Other Information

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended March 31, 2007.

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)
January 1, 2007 to January 31, 2007	41,857	$54.27	-
February 1, 2007 to February 28, 2007	9,374	$52.84	-
March 1, 2007 to March 31, 2007	29,843	$50.57	25,000
Total	81,074		25,000

(1) The Company had a stock repurchase plan that was initially authorized by the Company's board of directors on February 24, 1998 and amended on May 25, 1999. Under the terms of that plan, the Company could repurchase up to 800,000 shares of its common stock. As of March 31, 2005, the Company had repurchased 638,642 shares under that plan. On April 26, 2005, the Company's board of directors terminated this authorization and replaced it with a new stock repurchase plan authorizing the Company to repurchase up to two million shares of the Company's common stock. As of March 31, 2007, the Company had repurchased 303,677 shares under the new plan.

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

Item 6. Exhibits

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

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

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

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

Signatures

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

BOK FINANCIAL CORPORATION
(Registrant)

Date: May 10, 2007

/s/ Steven E. Nell

Steven E. Nell
Executive Vice President and
Chief Financial Officer

/s/ John C. Morrow

John C. Morrow
Senior Vice President and Director
of Financial Accounting & Reporting