S&P Global
Ratings

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BOK Financial Corp. (Holding Company)

BOKF N.A. (Lead Bank)

Primary Credit Analyst:
Cornelius Cook, New York + 1 (404) 230 3388; cornelius.cook@spglobal.com

Secondary Contact:
Catherine C Mattson, New York + 1 (212) 438 7392; catherine.mattson@spglobal.com

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Related Research

BOK Financial Corp. (Holding Company)

BOKF N.A. (Lead Bank)

SACP	a-

+

Support	0

+

Additional Factors	0

Anchor	bbb+	
Business Position	Adequate	0
Capital and Earnings	Adequate	0
Risk Position	Strong	+1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
A-/Stable/A-2

Bank Holding Company ICR
BBB+/Stable/--

Major Rating Factors

Strengths:

- Long record of pristine credit quality, low loan losses, and quarterly profitability
- Stable and large revenue contribution from noninterest income
- Good base of low-cost and non-interest-bearing deposits

Weaknesses:

- Very large loan exposure to borrowers in the energy sector
- Lending and deposit concentration in Texas and Oklahoma

Fiscal stimulus and accommodative monetary policies, coupled with conservative lending policies, continues to drive improved credit quality metrics. Overall, we favorably view the well-balanced mix of BOK Financial Corp.'s (BOK) loan portfolio, except for the company's high exposure to the volatile oil and gas industry, which accounts for 14% of loans and remains an area of concern. We think BOK's conservative credit culture will help sustain stable loan performance and expect any future deterioration in loan asset quality will be well-managed.

High contribution from various noninterest income sources help sustain steady revenue. BOK's noninterest income contributed 38% to its total revenue as of June 30, 2021, higher than most peer banks. Based on historical trends, we think BOK will continue to maintain good diversity in its total revenue stream and a conservative growth strategy, which benefits its business.

Deposit growth helps to enhance BOK's funding and liquidity profile. Meaningful growth in BOK's deposit base over the last several quarters resulted in an improved loan to customer deposit ratio of 57%, and stable funding ratio of 157%, by our calculation, at June 30, 2021. The strength of the company's deposit franchise continues to benefit from long term relationships with customers, but is somewhat geographically constrained.

Outlook: Stable

The stable outlook represents our expectation that BOK will continue to have good asset quality supported by its strong risk management practices, and maintain stable earnings aided by its large contribution of noninterest revenue streams. While BOK's exposure to the energy sector remains much higher than other rated regional banks and, in our opinion, has higher risk, we expect any potential deterioration or losses to be contained.

Downside Scenario

We could revise the outlook to negative if there is a substantial asset quality deterioration and higher loan losses, such that profitability and capital levels decline. We could also revise the outlook to negative if BOK's noninterest income decreases significantly.

Upside Scenario

We could raise the outlook to positive if we projected the company's risk-adjusted capital (RAC) ratio will rise above 10% and remain at this level.

Anchor: 'bbb+' Starting Point For Banks Operating Only In The U.S.

Our anchor for a bank operating mainly in the U.S. is 'bbb+', based on an economic risk score of '3' and an industry risk score of '3'. The U.S.'s diversified, high-income, and resilient economy underpins our assessment of economic risk, which we see on a stable trend given the ongoing economic recovery from the pandemic-related downturn.

Our view of industry risk in the U.S. balances the regulatory enhancements made after the global financial crisis, a high level of core deposits, and deep capital markets against the risks that come with the country's large nonbank financial system. The trend on industry risk is positive, reflecting an improving track record of bank regulation and the steady performance of banks over many years. We could positively revise the industry score as well as the anchor to 'a-' in the next two years if the stringency of regulation remains in place, the economy continues to grow, and banks maintain strong balance sheets. (See How The Economy, Profitability, And Regulations Could Support Certain U.S. Bank Ratings, May 24, 2021).

Table 1

BOK Financial Corp. Key Figures

		--Year-ended Dec. 31--			
(Mil. $)	**2021***	**2020**	**2019**	**2018**	**2017**
Adjusted assets	46,060	45,600	41,182	37,064	31,924
Customer loans (gross)	21,546	23,186	21,877	21,757	17,330
Adjusted common equity	3,660	3,533	3,358	3,146	2,883
Operating revenues	907	1,912	1,774	1,563	1,501
Noninterest expenses	555	1,103	1,073	977	976
Core earnings	320	458	525	457	354

*Data as of June 30.

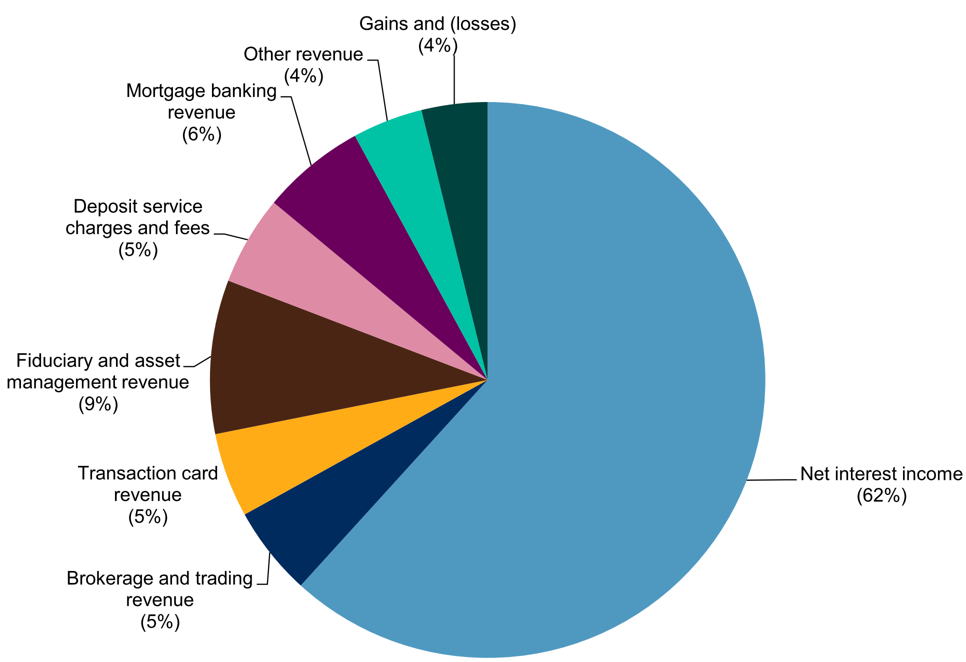
Business Position: Good Market Position In The Midwest Region

BOK's strong contribution of non-interest revenue and franchise strength through its market share continue to support its adequate business position. However, BOK's relatively high exposure to the energy sector--as well as its somewhat geographically concentrated loan portfolio, roughly offset these strengths..

BOK's revenue mix compares favorably to most peer banks as its contribution of noninterest revenue accounts for 38% of total review in the first half of 2021. For several years, BOK's noninterest revenue remained above 30% of total revenue, which, in our view, helps stabilize the company's total revenue stream. The company's noninterest revenue includes a variety of sources like assets under management, brokerage and trading, card transactions, deposit services, and mortgage banking. None account for more than 15%.

Chart 1

BOK Financial Revenue Breakdown
(six months ended June 30, 2021)



Source: S&P Global Ratings.

BOK's loan portfolio has a concentration of both geography and industry, which we view cautiously. Approximately 47% of BOK's loan portfolio is centered in Texas and Oklahoma. Additionally, the company's exposure to energy accounts for 14% of its total loan portfolio and 7% of total assets, the highest of all U.S. banks that we rate. However, we believe these risks are somewhat mitigated through the company's conservative lending, evidenced by its low credit loss history.

We also recognize the company's openness to strategic mergers and acquisitions that could further diversify and expand the franchise while complimenting its business model, like the most recent acquisition of CoBiz Financial in 2018. To date, the company's acquisitions have been modest in size and well-integrated, in our opinion.

In our opinion, BOK's management has a long-term view of the company, which we view positively. Majority control of the company sits with BOK chairman, George Kaiser, and we view his large portion of ownership as complimentary to the conservative business model.

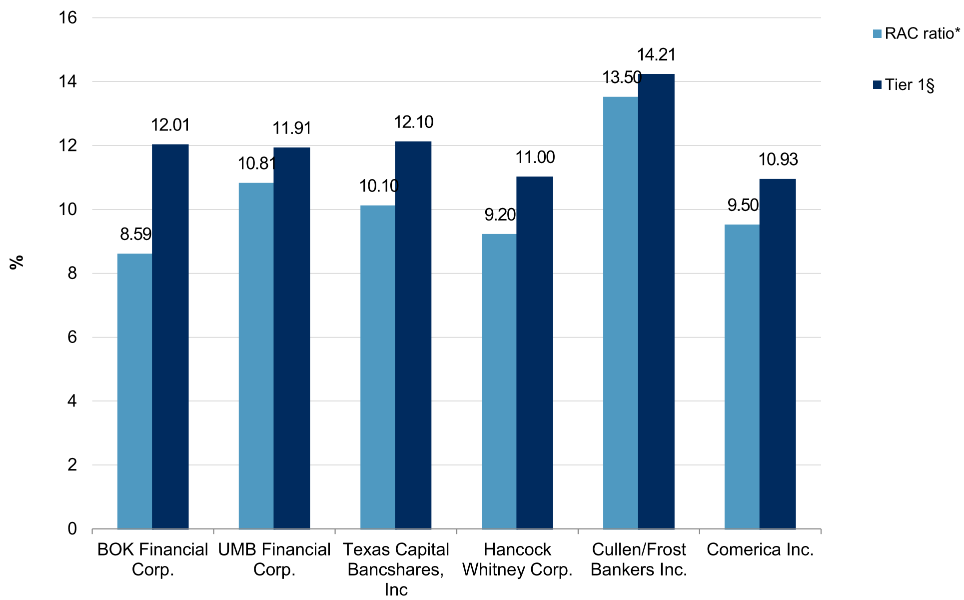
Capital And Earnings: Stable Capital Levels And Earnings

The factors supporting BOK's adequate capital and earnings are its RAC ratio of 8.6% as of June 30, 2021, stable earnings year over year, and conservative dividend payout ratio. We project BOK's RAC will remain within 8.5-9.0 over the next two years and likely to remain below the median of other rated peers given our higher risk weighting on BOK's higher risk lending commitments. Our projection assumes continued share repurchases over the same two year-horizon.

BOK's regulatory capital ratios remain well above well-capitalized status, with a common equity tier 1 ratio of 11.95% and tier 1 capital ratio of 12.01%, as of June 30, 2021. BOK resumed share repurchase activity in 2021, with approval to purchase up to five million common shares, of which roughly 2.7 million remain outstanding. We believe BOK will continue to be opportunistic in repurchasing shares, but remain well capitalized regulatory standards. Additionally, we view BOK's quality of capital, which consists of 100% common equity, as very strong.

Chart 2

BOK's Capital Ratios Vs Peers
S&P Global Ratings risk-adjusted capital versus Tier 1 ratios



*As of Dec. 31, 2020. §As of June 30, 2021. Source: S&P Global Ratings.

BOK's earnings have been generally stable. As with most banks, low-rates and tepid loan demand in 2020 compressed net interest margins (NIM), and coupled with elevated loan provisions, hurt profitability. In the second quarter of 2021, BOK's NIM was 2.60%, compared with 2.83% in the second quarter of 2020. Our expectation is that with an improving economy, smaller loan provision expense, and a potential incremental increase in interest rates, profitability could improve. We also believe BOK will maintain a strong capacity to generate significant fee income going forward, based on historical trends.

Risk Position: Economic Trends And Good Risk Management Supports Improving Loan Performance

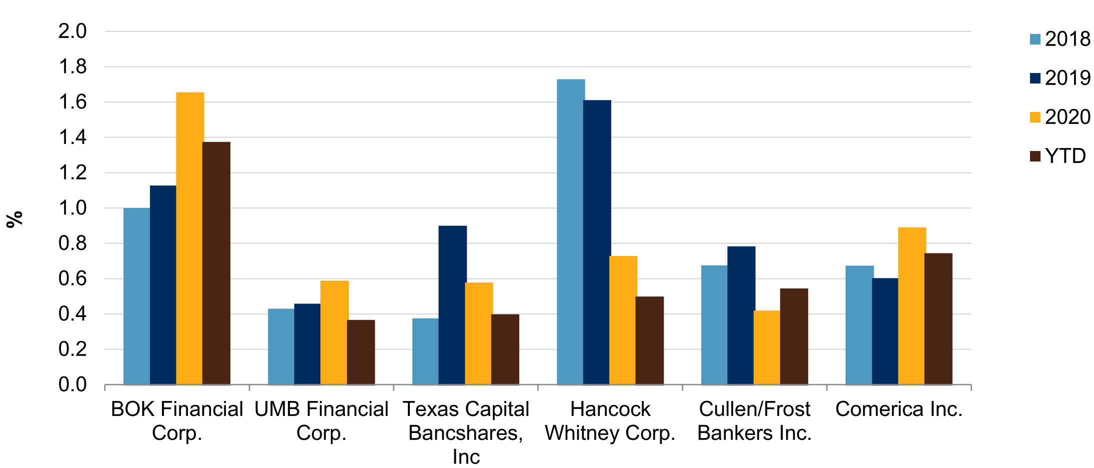
BOK's risk position is benefitting from recent economic trends and its long history of low credit losses and good risk management practices. These strengths are partly offset by the company's very high exposure to the energy sector, which is inherently more volatile in our opinion.

During 2020, BOK's credit quality metrics deteriorated mildy, primarily driven by the negative affects of the pandemic. However, recent quarterly performance shows signs of improvement in line with economic and industry conditions. BOK's criticized loans to total loans improved from roughly 4.4% at Dec. 31, 2021, to 2.8% as of June 30, 2021, which we view somewhat favorably as it's below the median of 3.7% among U.S. rated banks. As of June 30, 2021, total nonaccruals as a percent of total loans were 0.84%, compared with 1.00%, as of June 30, 2020. The net charge-off ratio has fallen to 0.30% in the second quarter of 2021, from a recent peak of 0.44% of average loans in the third quarter of 2020. Based on the history of low credit losses, we believe the company is well positioned to absorb any potential losses in the future based on its allowance for loan losses of 1.54%, as of June 30, 2021.

Chart 3

BOK NPAs vs Peers

Nonperforming assets* (%)

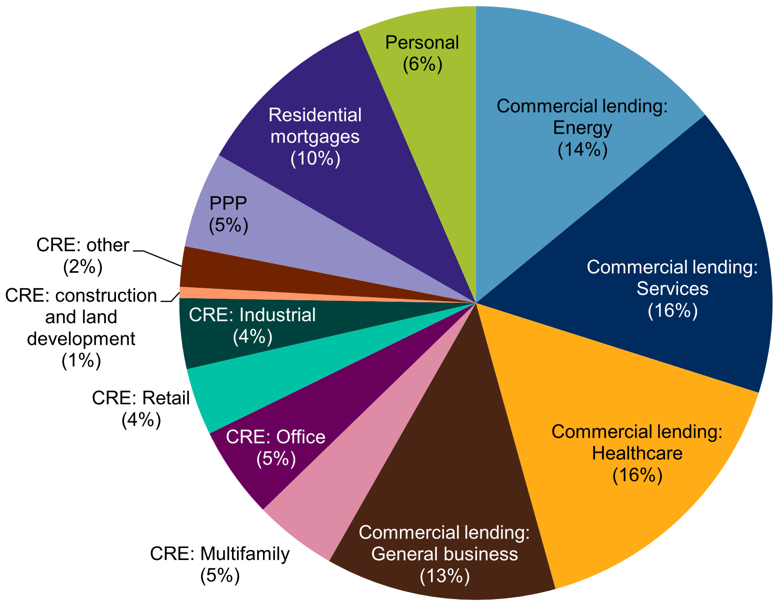


*Adjusted nonperforming assets/customer loans plus other real estate owned. Source: S&P Global Ratings.

In our view, BOK generally maintains good balance in the composition of its loan portfolio through diverse industry exposure, although its exposure to the energy sector is high. As of June 30, 2021, BOK reported an outstanding balance of energy loans at $3 billion or 14% of total loans, and unfunded commitments were $2.6 billion. Composition of its energy portfolio includes 75% to oil and gas producers, 21% to midstream segment, and the remaining 4% to energy services. While we maintain a cautious view of BOK's high exposure to this industry, we think its significant experience as an energy lender, conservative underwriting standards, including heavily margined collateral values and robust risk assessments, help mitigate the potential for credit losses andsupports our strong ratings of its risk position. We also think improving conditions in the energy sector, like growing oil prices, help promote good loan performance. This is reflected in the improved credit quality metrics of BOK's energy portfolio, with nonaccruing energy loans to total assets of 0.1%, at June 30, 2021, compared with 0.3%, at June 30, 2020.

Chart 4

BOK Loan Portfolio Breakdown
(as of June 30, 2021)



Source: S&P Global Ratings.

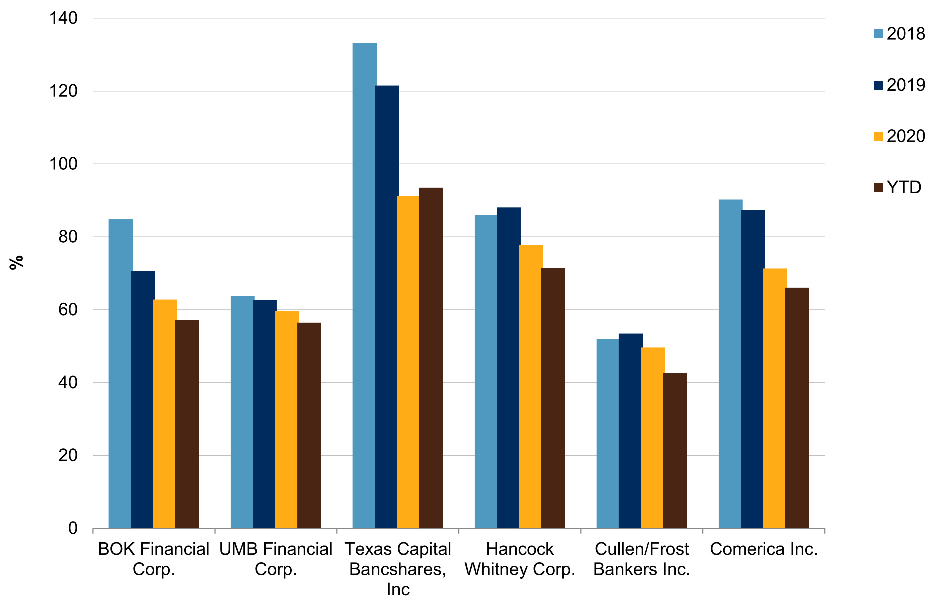
We view BOK's balance sheet as relatively asset sensitive. The company's sensitivity analysis conducted as of June 30, 2021, reflects a 100 basis points (bps) decrease in interest rates and has no meaningful impact to net interest revenue, while a 200 bps increase results in a 5.15% increase to net interest revenue over the next 12 months. To offset interest rate sensitivity, the company uses a combination of fixed rate and market sensitive funding sources, as well as derivatives.

Funding And Liquidity: Moderately Improving Though Slightly Less Comparable to Peers

BOK's liquidity and funding sources have remained at adequate levels throughout 2020, and into the second quarter of 2021. The company's funding and liquidity positions have benefitted from the government stimulus and the strength of its deposit franchise. From the fourth quarter of 2020 to June 30, 2021, deposits grew by $854 million. As of June 30, 2021, BOK's loan to customer deposit ratio was 57%, by our calculation, compared with 77%, reported at March 31, 2020.

Chart 5

BOK Loans To Deposit Ratio vs Peers
Customer loans (net)/customer deposits (%)



Source: S&P Global Ratings.

BOK's funding also improved, with core deposits accounting for 93% of its funding base at June 30, 2021. Additionally, the influx of the deposits helped the company rely less on wholesale funding which only accounted for 5% at the end of second quarter 2021. Additionally, BOK's stable funding ratio, which measures the bank's ability to fund long term assets with long term funding, improved to 157% at June 30, 2021.

BOK's liquidity is comprised of cash on hand and investments securities, representing 41% of total assets as of June 30, 2021. The company's ability to cover short-term whole funding with broad liquid assets as we define them, experienced a meaningful increase to 9.3x at June 30, 2021. Other sources of BOK's liquidity include borrowing from the Federal Home Loan Bank, which had an average balance of $2.1 billion during the second quarter of 2021 and estimated availability of $17 billion from collateralized sources.

We view liquidity at the holding company sufficient. As of June 30, 2021, BOK's holding company cash balances totaled $168 million. BOK's holding company receives its liquidity through cash on hand and the upstream of dividends from the operating company. Dividends are limited based on various regulations and capital requirements. At the end of the second quarter of 2021, BOK operating company could declare approximately $504 million in dividends without regulatory approval.

Support:

Our issuer credit rating on BOK Financial Corp. incorporates no explicit benefit for potential extraordinary support from the U.S. government.

Additional Rating Factors: Issue Ratings

We rate BOK's hybrid securities relative to its group stand-alone credit profile (SACP) to reflect the possibility these instruments could face nonpayment risk before more senior instruments. As such, we rate the company's subordinated debt 'BBB' (one notch below the group SACP for contractual subordination and another notch lower because of structural subordination). These notches are in accordance with tables 1 and 2 of the bank hybrid criteria.

Environmental, Social, And Governance

Environmental, social and governance (ESG) credit factors have no influence on our ratings of BOK, in our view. Primarily, BOK's loan exposure includes meaningful exposure to environmentally hazardous industries, specifically the oil and gas sector. We continue to view energy related loans as more volatile and susceptible to shifts in energy prices than conventional commercial and industrial loans. Additionally, we view this industry as more vulnerable to shifts in policy and the impacts of climate change. However, we also believe BOK's significant experience and lending practices in this industry position the company to adequately withstand moderate volatility in the energy sector.

BOK's socially sensitive credit factors are in line with most peers as it does not promote lending activities to many subprime borrowers. We also think BOK's governance procedures are adequate and comparable to most peers, based on the company not having a history of citations for violating compliance or disclosure related issues.

Key Statistics

Table 2

BOK Financial Corp. Business Position					
		--Year-ended Dec. 31--			
(Mil. $)	**2021***	**2020**	**2019**	**2018**	**2017**
Total revenues from business line (currency in millions)	907	1,909	1,769	1,562	1,501
Commercial and retail banking/total revenues from business line	83	80	81	81	78
Trading and sales income/total revenues from business line	1.95	11.54	6.97	2.65	5.66
Agency services/total revenues from business line	9.09	8.37	9.58	11.26	10.18
Investment banking/total revenues from business line	3.74	13.54	8.75	3.48	7.35
Return on average common equity	12	9	11	11	10

*Data as of June 30.

Table 3

BOK Financial Corp. Capital And Earnings					
		--Year-ended Dec. 31--			
	2021*	2020	2019	2018	2017
Tier 1 capital ratio	12.01	11.95	11.39	10.92	12.05
S&P Global Ratings' RAC ratio before diversification	8.59	8.76	8.49	8.37	9.46
Adjusted common equity/total adjusted capital	100	100	100	100	100
Double leverage	100	100	1,355	101	98

Table 3

BOK Financial Corp. Capital And Earnings (cont.)					
Net interest income/operating revenues	62	58	63	63	56
Fee income/operating revenues	25	17	21	29	32
Market-sensitive income/operating revenues	9	18	10	4	9
Cost to income ratio	61	58	61	63	65
Preprovision operating income/average assets	1.50	1.82	1.74	1.66	1.60
Core earnings/average managed assets	1.36	1.03	1.30	1.29	1.08

*Data as of June 30.

Table 4

BOK Financial Corp. Risk Position					
		--Year-ended Dec. 31--			
(Mil. $)	2021*	2020	2019	2018	2017
Growth in customer loans	(14)	6	1	26	(1)
Total managed assets/adjusted common equity (x)	13	13	13	12	11
New loan loss provisions/average customer loans	(0.54)	0.99	0.20	0.05	0.00
Net charge-offs/average customer loans	0.27	0.31	0.19	0.17	0.09
Gross nonperforming assets/customer loans + other real estate owned	1.84	2.03	1.63	1.53	2.12
Loan loss reserves/gross nonperforming assets	79	83	59	62	63

*Data as of June 30.

Table 5

Funding And Liquidity					
		--Year-ended Dec. 31--			
	2021*	2020	2019	2018	2017
Customer loans (net)/customer deposits	57	63	70	85	78
Long-term funding ratio	95	96	87	80	81
Stable funding ratio	157	150	126	111	118
Short-term wholesale funding/funding base	5.0	4.1	14.5	21.6	21.3
Broad liquid assets/short-term wholesale funding (x)	9.3	10.6	2.7	1.6	1.9
Core deposits/funding base	93	91	85	78	78
Net broad liquid assets/short-term customer deposits	56	54	36	21	30
Short-term wholesale funding/total wholesale funding	74	46	95	96	97

*Data as of June 30.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017

- General Criteria: Methodology for Linking Long-Term and Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics for Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles of Credit Ratings, Feb. 16, 2011
- Commercial Paper I: Banks, March 23, 2004

Related Research

- Comparative Statistics: U.S. Banks, Oct. 11, 2021
- Rating Component Scores for U.S., Canadian and Bermudian Bank, Sept. 30, 2021
- U.S. Regional Banks Report Higher Second-Quarter Earnings After Large Reserve Releases, Aug. 17, 2021
- Credit FAQ: How the Economy, Profitability, And Regulations, Could Support Certain U.S. Bank Ratings, May 24, 2021
- Various Rating Actions Taken On U.S. Regional Banks Based On Improving Economy And Favorable Industry Trends, May 24, 2021
- U.S. Bank Mergers And Acquisitions Reflect New Market Realities And Cautious Optimism, Feb. 8, 2021

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of October 18, 2021)*	
BOK Financial Corp.	
Issuer Credit Rating	BBB+/Stable/--
Subordinated	BBB
Issuer Credit Ratings History	
24-May-2021	BBB+/Stable/--
27-Mar-2020	BBB+/Negative/--
28-Jun-2019	BBB+/Stable/--
Sovereign Rating	
United States	AA+/Stable/A-1+
Related Entities	
BOKF N.A.	
Issuer Credit Rating	A-/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.