BOK FINANCIAL®

Third Quarter 2017

Earnings Conference Call

October 25, 2017

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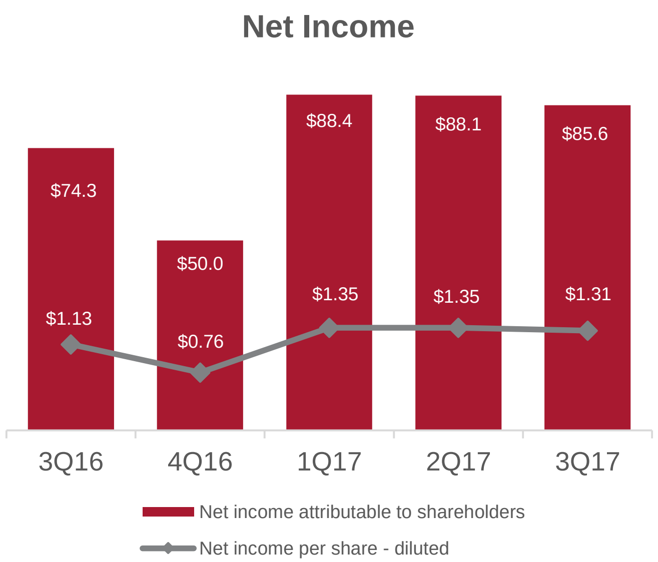
All data is presented as of September 30, 2017 unless otherwise noted.

Steven G. Bradshaw
Chief Executive Officer

# Third Quarter Summary:




| | Q3 2017 | Q2 2017 | Q3 2016 |
|---|---|---|---|
| Diluted EPS | $1.31 | $1.35 | $1.13 |
| Net income before taxes ($M) | $128.2 | $136.6 | $107.1 |
| Net income attributable to BOKF shareholders ($M) | $85.6 | $88.1 | $74.3 |

- Noteworthy items impacting Q3 profitability:
  - Continued net interest margin improvement and higher associated net interest income
  - No loan loss provision for fourth consecutive quarter – continued strong credit environment and sound BOKF credit culture and credit underwriting
  - Record performance from Wealth Management: total revenue up 10% and net income up 70% year-to-date.
  - Weaker than expected results from Mortgage Banking, due to lower production volume and gain on sale margins as well as a sequential change in pipeline hedging results
  - Unusual expense items total $11.8 million and include $5.9 million in performance based incentive accruals to reflect updated earnings performance and equity vesting assumptions; $4.7 million in OREO expense for write-down of an energy property set; and a $2.4 million pretax impact related to natural disasters during the quarter.

# Additional Details

| ($B) | Q3 2017 | Quarterly Growth | Annualized Quarterly Growth | Year over Year Growth |
|---|---|---|---|---|
| Period-End Loans | $17.2 | 0.1% | 0.5% | 4.5% |
| Average Loans | $17.3 | 0.8% | 3.0% | 4.9% |
| Fiduciary Assets | $45.2 | 0.2% | 0.78% | 8.1% |
| Assets Under Management or in Custody | $77.7 | (0.2%) | (0.8%) | 3.2% |

- Commercial real estate and energy pay-downs at quarter-end negatively impacted loan growth.
- Strong loan growth from Commercial and Industrial as well as Private Banking

Steven Nell
Chief Financial Officer
Financial Overview

# Net Interest Revenue
# Net Interest Margin

| ($mil) | Q3 2017 | Q2 2017 | Q1 2016 | Q4 2016 | Q3 2016 |
|---|---|---|---|---|---|
| Net Interest Revenue | $218.5 | $205.2 | $201.2 | $194.2 | $187.8 |
| Provision For Credit Losses | $ -- | $ -- | $ -- | $ -- | $10.00 |
| Net Interest Revenue After Provision | $218.5 | $205.2 | $201.2 | $194.2 | $177.8 |
| Net Interest Margin | 3.01% | 2.89% | 2.81% | 2.69% | 2.64% |
| Add Back: Dilution due to FHLB/Fed Trade | 0.13% | 0.13% | 0.13% | 0.12% | 0.12% |
| **Normalized Net Interest Margin** | **3.14%** | **3.02%** | **2.94%** | **2.81%** | **2.76%** |

- Yield on investment securities up 10 basis points
- Nonaccrual interest recoveries of $4.7 million during the quarter
- Interest recoveries positively impacted NIM by 6 basis points during the quarter
- Loan yields up 28 basis points (11 basis points due to interest recoveries)
- Modest 5 basis point increase in deposit costs

# Fees and Commissions

| | Revenue, $mil | Change: | | |
|---|---|---|---|---|
| | Q3 17 | Quarterly, Sequential | Quarterly, Year over Year | Trailing 12 Months |
| Brokerage and Trading | $33.2 | 4.4% | (12.7%) | (9.3%) |
| Transaction Card | 37.8 | 7.2% | 11.5% | 4.7% |
| Fiduciary and Asset Management | 40.7 | (2.7%) | 19.4% | 17.8% |
| Deposit Service Charges and Fees | 23.2 | (0.6%) | (1.9%) | 1.4% |
| Mortgage Banking | 24.9 | (17.8%) | (35.4%) | (15.3%) |
| Other Revenue | 13.7 | (8.8%) | 4.5% | 1.0% |
| **Total Fees and Commissions** | **$173.5** | **(2.3%)** | **(4.3%)** | **(0.2%)** |
| | | | | |

**Fee and commission revenue drivers:**

- Brokerage and trading up due to strong institutional brokerage and investment banking revenue, partially offset by lower retail brokerage and derivatives revenues.
- Transaction card up primarily due to customer activity.
- Fiduciary and asset management revenue down slightly due to non-recurrence of seasonal tax planning revenue.
- Mortgage banking revenue decline due to lower production volume combined with sequential decrease in pipeline hedging results

# Expenses

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| ($mil) | Q3 2017 | Q2 2017 | Q3 2016 | %Incr. Seq. | %Incr. YOY |
|---|---|---|---|---|---|
| Personnel Expense | $147.9 | $143.7 | $139.2 | 2.9% | 6.2% |
| Other Operating Expense | $118.0 | $107.1 | $118.9 | 8.5% | (2.2%) |
| Total Operating Expense | $265.9 | $250.9 | $258.1 | 5.3% | 2.3% |
| | | | | | |

<u>Personnel Expense:</u>

- Q3 2017 includes $5.9 million in performance based incentive accruals to reflect updated earnings performance and corresponding equity vesting assumptions as well as higher stock price.

<u>Other Operating Expense:</u>

- Q3 2017 includes $1.3 million* related to storm damage (Hurricane Harvey and August 2017 Tulsa tornado) and OREO write-down of $4.7 million related to repossessed energy property set.

* NOTE: $1.1 million related to storm damage also included in Other Gains (Losses) on the income statement

# Forecast and Assumptions

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Q4 / 2017 full year expectations:

- Period end loan balances expected to be flat to up slightly from the third quarter
- Available-for-sale securities portfolio expected to be relatively flat for balance of the year
- Stable net interest margin in Q4 (excluding impact of interest recoveries)
- Modest increase in net interest income
- Revenue from fee-generating businesses flat to slightly down for the full year
- Flat expenses for the full year compared to 2016 on a GAAP basis
- No loan loss provision in Q4

Preliminary 2018 Expectations

- Low-single-digit loan growth
- Available-for-sale securities flat to slightly down
- Modest growth in net interest margin (assuming one Fed rate hike in Q1 2018 and continued limited deposit pricing pressure)
- Low-single-digit growth in net interest income
- Revenue from fee generating businesses flat to slightly up for the year
- Mid-single-digit expense growth
- Loan loss provision guidance to be provided on Q4 call.

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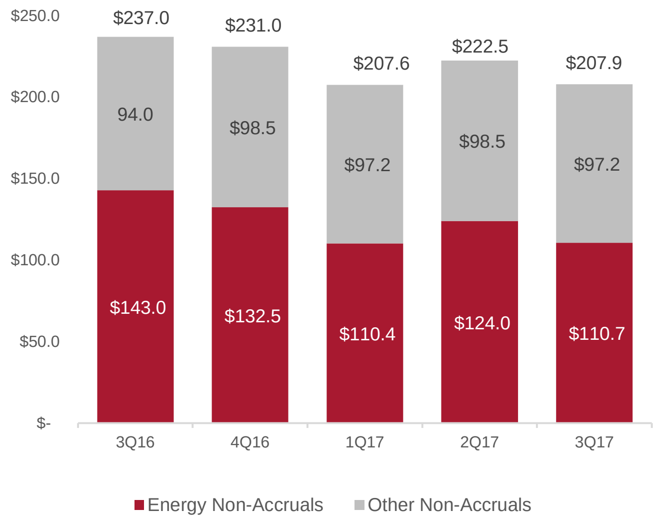
# Stacy Kymes
# EVP-Corporate Banking

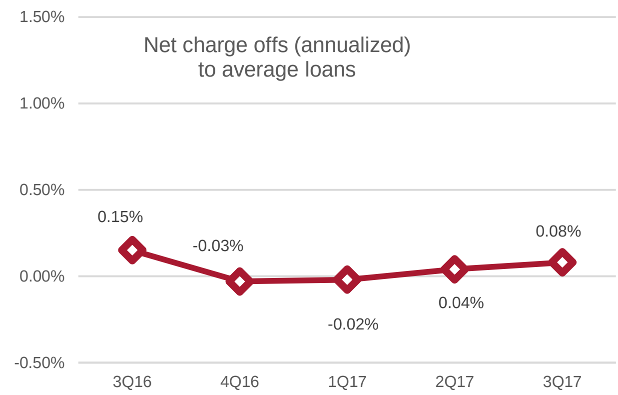
# Loan Portfolio

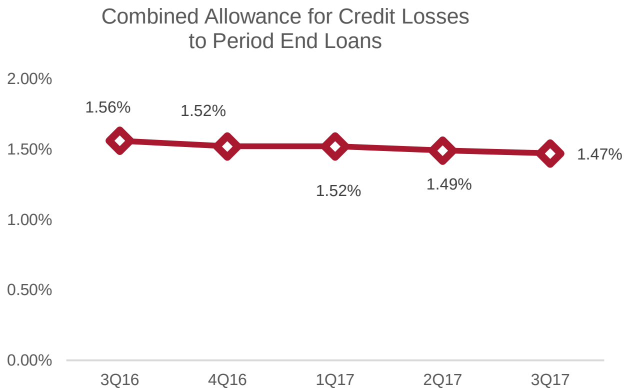
| ($mil) | Sept. 30 2017 | June 30 2017 | Seq. Loan Growth |
|---|---|---|---|
| Energy | $2,868.0 | $2,847.2 | 0.7% |
| Services | 2,967.5 | 2,958.8 | 0.3% |
| Healthcare | 2,239.5 | 2,221.5 | 0.8% |
| Wholesale/retail | 1,658.1 | 1,543.7 | 7.4% |
| Manufacturing | 519.4 | 546.2 | (4.9%) |
| Other | 543.4 | 520.6 | 4.4% |
| **Total C&I** | **$10,795.9** | **$10,638.0** | **1.5%** |
| Commercial Real Estate | 3,518.1 | 3,688.6 | (4.6%) |
| Residential Mortgage | 1,945.8 | 1,939.2 | 0.3% |
| Personal | 947.0 | 917.9 | 3.2% |
| **Total Loans** | **$17,206.8** | **$17,183.7** | **0.1%** |

- Healthy mid-single-digit annualized growth in C&I.
- Paydowns accelerating in CRE as more borrowers are tapping the permanent markets.
- Personal (Private Bank) continues to deliver strong growth.

# Key Credit Quality Metrics

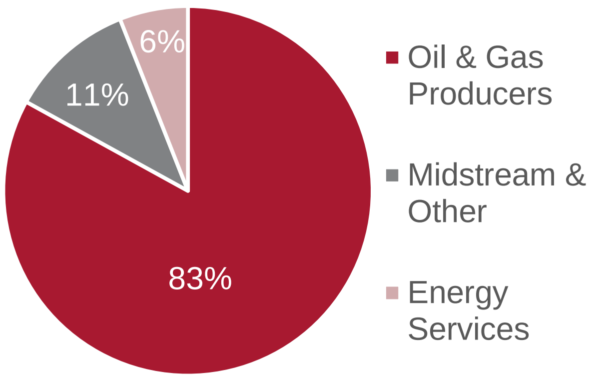


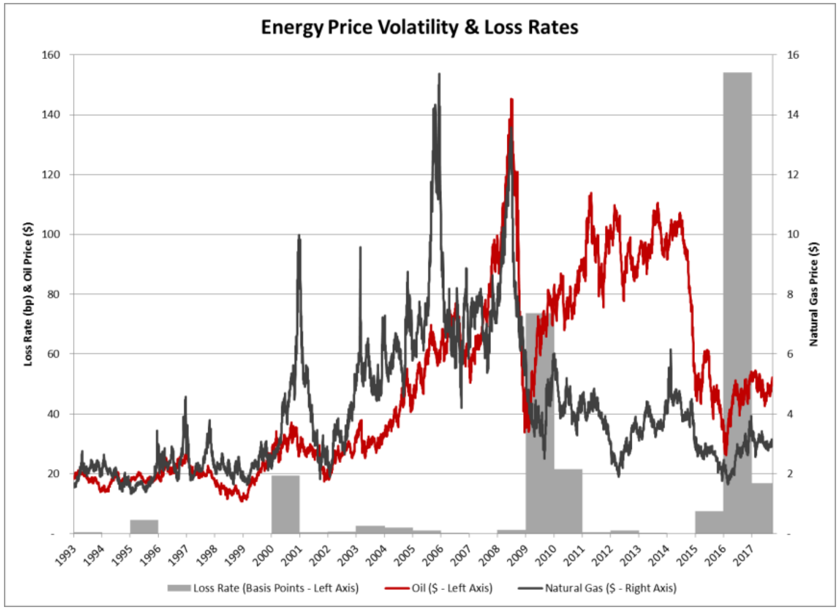




- ✓ No material signs of stress in any loan portfolio
- ✓ Nonaccruals down 7% sequentially
- ✓ Modest net charge-offs of 8 basis points
- ✓ Appropriately reserved for any potential issues with a combined allowance of 1.47%, which is at or near the top of the peer group

# Energy Lending Update




**At 9/30/17:**

- $5.6 billion commitments
- $2.9 billion outstanding
- E&P line utilization 55%
- Q3 energy net chargeoffs $4.1 million
- Sixth consecutive quarterly reduction in criticized/classified energy loan outstandings

20 year average gross loss rate on E&P loans (gross chargeoffs as a percent of period average loans) is 14.3 bps

Steven G. Bradshaw

Chief Executive Officer

Closing Remarks

# Question and Answer Session