

# BOK FINANCIAL IS COMMITTED TO ENERGY

Commentary from Executive Director of Energy Banking Coy Gallatin



**Coy Gallatin**  
EVP, Executive Director  
of Energy Banking

## **How is the recent downturn in energy prices affecting BOK Financial?**

"The recent oil price decline occurred in an already volatile stock market, but the impact on our customers in the energy sector is expected to be manageable. While oil gets all the news, natural gas prices are actually up, and over 40% of our energy loans are based on natural gas. Credit quality in our energy portfolio has historically been very strong and outperformed others in times of price volatility. Although we are assessing the impact of the protracted downturn, history tells us that these periods of volatility are usually relatively short-lived. Also, the energy industry was already going through some contraction, so we have been preparing and taking action for the past year to be proactive in managing our risk. As far as the impact on the bank overall, it's important to keep in mind that while energy loans make up nearly 18% of our loan portfolio, that means 82% of our loan portfolio is made up of clients in other industries. While we got our start as an energy bank more than 100 years ago, we've grown to be a much more diversified company."

## **After we saw Saudi Arabia cut its official selling price by the most in roughly 20 years, oil futures quickly plummeted within minutes. Do you expect significant losses?**

"The downturn was long in 2014-2017; we saw elevated charge-off levels during this period for energy. While not every commodity price decline is the same, the fundamental issue remains a demand and supply imbalance that will take time to resolve. However, during the last energy downturn, overall bank charge-offs remained consistent with historical levels over the last 20 years or so. If the drivers of this sharp downturn are short term, then we do not expect material losses."

## **What does this mean for the long-term?**

"Energy companies and their banks have worked through many commodity price declines over the years. The impact of the dispute with OPEC combined with demand destruction from COVID-19 will impact oil

prices until the markets can better determine equilibrium. In most cases, that has been less than a year. Should the macroeconomic factors lead to a recession, we have a strong credit culture that has remained disciplined in good times. You may recall that BOK Financial was the largest traditional bank in the U.S. to decline to participate in TARP during the financial crisis."

## **Few banks have as high a concentration of energy loans in their portfolio as BOK Financial. What's unique about how your bank manages this amount of risk?**

"It's important to understand that 79% of our energy portfolio is in the oil and gas producer space and the vast majority of that portfolio is first lien, senior secured, reserve-based lending which we believe is the lowest risk form of energy lending. And remember that 40% of that is tied to natural gas. In addition, 95% of our customers have used the futures markets to protect the price of their product to varying degrees, which will lessen the impact of these short term price movements. We do not hold any unsecured high yield debt or equity positions in E&P companies, nor do we have any higher risk offshore relationships. Only 6% of our energy portfolio is in energy services, with another 15% in midstream."

It is too soon to talk any numbers, we said it in 2014-2017, and we will say it again--it is not how low, it is how long. Our continued growth in energy and the overall health of our energy portfolio demonstrates that BOK Financial remains highly committed to this industry. We continue to seek new business opportunities with very high quality, seasoned, well-capitalized borrowers, even in the current downturn."

	S&P	Moody's	Fitch Ratings
<b>BOK Financial Corporation</b> Long-term Issuer	<b>BBB+ (OS)</b>	<b>A3 (OS)</b>	<b>A (OS)</b>
<b>BOKF, NA</b> Long-term Issuer	<b>A- (OS)</b>	<b>A3 (OS)</b>	<b>A (OS)</b>

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