



2017 Annual Report





NOTICE OF ANNUAL MEETING

The annual meeting of Quail Creek Bancshares, Inc., stockholders will be held at 8:30 a.m., Thursday, March 22nd, 2018 in the J. David Davenport Board Room, 2nd floor of Quail Creek Bank, 12201 N. May Avenue, Oklahoma City, Oklahoma



TO OUR SHAREHOLDERS

2017 is “in the books” as another record year for Quail Creek Bank! Loans increased to \$508 million, assets reached \$632 million and earnings for the year set a record high of \$13.5 million. Our pre-tax return on average assets (ROA) was 2.2% and our return on average equity (ROE) was 21.2%.

For the 14th consecutive year we continue as one of the “Top Performing Banks” in the nation. I ask myself...How? The answer is, it starts at the top with a fully-engaged board & management, heavy community involvement, and an employee culture of relationship banking and focus on our strengths. The result is happy & loyal customers, a core deposit base, excellent asset quality and “niches” that separate us from our competitors.

Last month, our non-exempt employees received a one-time \$2,000 cash bonus, plus we are also making an additional long-term investment in all of our employees by increasing the 401(k) match to 100% of every dollar up to 6% of their salary. Both initiatives are a result of the recently enacted tax reform. We believe this tax reform will drive economic growth for our community, encourage investment in our employees and in the technology that is rapidly shaping the banking industry.

By committing ourselves to relationship banking over the past 44 years, we have cultivated an extremely loyal customer base. Many of these customers are now part of our Quail Classic Club – age 55 and over. I don’t know of another local bank having a better program focused on these customers and providing not only banking & investment services, but also fun events like our Quail Classic Christmas party and Q Travel Club.

Generationally, there is also a massive shift of banking preferences taking place with Millennials, born between 1980-1994, and Gen Z born after 1995. The days are numbered when banks will rely solely on the G.I generation and baby boomers to be their primary deposit source. It may even come as a shock for many banks to realize how much of their funding comes from those customers who are 60 years or older.

As I mentioned last year “digitalization” is affecting our industry causing sweeping changes to our delivery channels, customer habits and the status quo. Our single-location strategy and focus on technology has served us and our customers well.

Now the internet and smartphones are redefining the level of service expected by our customers. Online banking, mobile banking, mobile deposit, bill pay and P2P payments are changing the traditional banking model. Every bank will be undergoing significant transformations. This coming revolution will no longer judge a bank by their branch network or number of ATM’s, but by their level of customer service, access to technology and pricing.

More & more organizations of all types and sizes are trying to keep pace with the capabilities and experiences provided by the large tech firms like Google, Amazon, Apple, Facebook and Twitter.

Customers continue to use multiple channels to conduct their banking based on transaction type and individual preferences. However, transactions continue to move away from branch and even desktops toward mobile devices and social media sites as reflected by these national statistics.

- 60% of customers use internet desktop banking at least weekly
- 33% of customers now use mobile banking weekly
- 11% of customers use their bank’s social media weekly
- And only 13% of customers visit a branch weekly

Innovation is not in the DNA of most banks. We’ve been trained throughout our careers to identify and avoid risks, and innovation is about taking risk. However, we have elected not to sit idle. Our long-term vision transitions our customer base to the Millennials and Generation Z over the next 20 years. And, the fact we have only one location, we know we need to start engaging with new customers when they are in high school or even middle school. We also know that if we provide the same quality of service as we always have, then they will probably be with us for a long time as online/mobile banking has eliminated the need to switch banks at major life events or when someone moves outside our geographic area.

In 2007, the Oklahoma Legislature mandated fourteen areas of instruction through the Passport to Financial Literacy Act. In 2012, Quail Creek Bank became the exclusive OKC area sponsor of Dave Ramsey’s course, Foundations in Personal Finance, allowing us to partner with schools in teaching their students about the importance of their financial future. It is a perfect fit with our mission to be a leader in banking technology and providing financial services and education to the next generation of Oklahomans.

As a locally owned bank dedicated to serving the Oklahoma City metropolitan area, we want to be an active participant in our community’s efforts to improve the financial education of our youth. We appreciate administrators and teachers in the OKC metropolitan area who are dedicated to the crucial responsibility of educating our youth. We are excited to support them in these efforts, particularly with respect to financial literacy.

Additionally, last year we also began a partnership with KOCO 5 for the “Teacher of the Month”. We award \$1,000 to one central Oklahoma public school teacher (K-12) each month through the platform donorschoose.org.

In 2015, we also introduced our “LINQ” tech-savvy account promoting a better connection to banking anytime and anywhere. Besides no monthly service charge or minimum balance, it provides free online banking, mobile banking, bill pay, e-statements, EMV/chip debit card, Apple Pay, and automatic ATM rebates up to \$25 per month. Also, if you are 30 years of age or younger, there is a \$30 match and \$30 sign-up incentive for direct deposit.

In 2017 we followed “LINQ” with the introduction of “LINQUP”. We wanted to encourage our next generation of customers to additionally begin saving and developing good financial habits. So, if you are 30 years of age or younger, you earn 5.0% (APY) on the first \$1,000 and another \$30 sign-up incentive.

As always, I would like to thank our valued shareholders, board of directors, employees and customers for their support of, and loyalty to Quail Creek Bank.

Very sincerely,

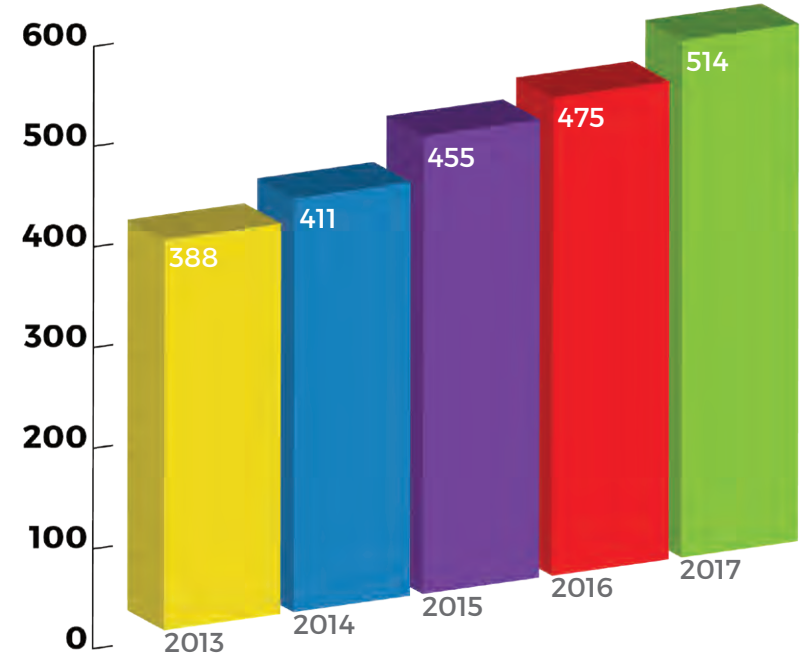
Doug Fuller
President & CEO



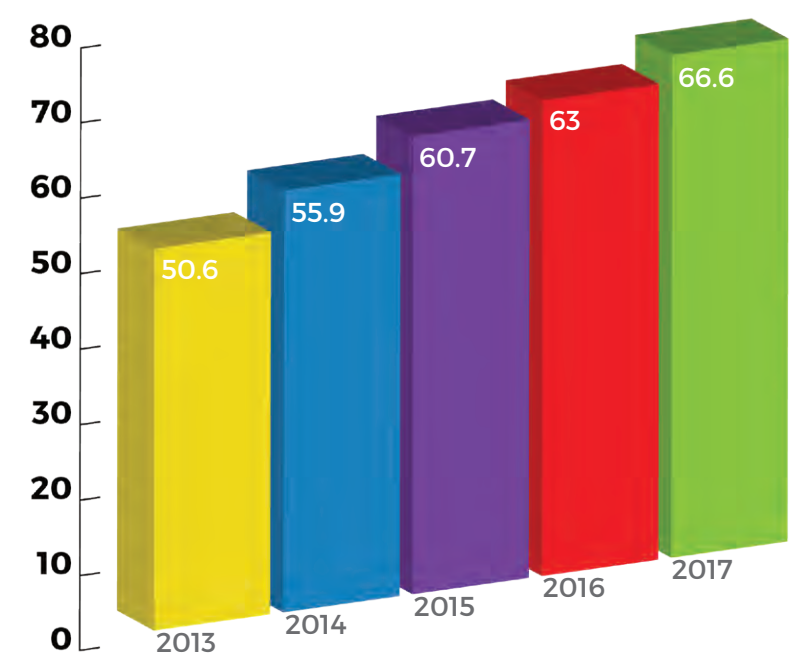
DOUG FULLER
President
Chief Executive Officer

“I would like to thank
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board of directors,
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Quail Creek Bank.”

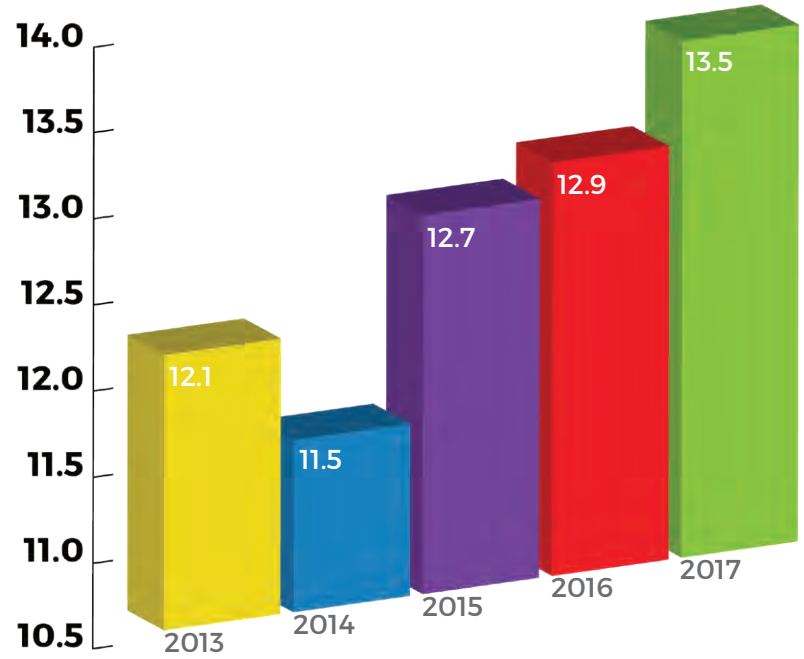
TOTAL LOANS
(IN MILLIONS)



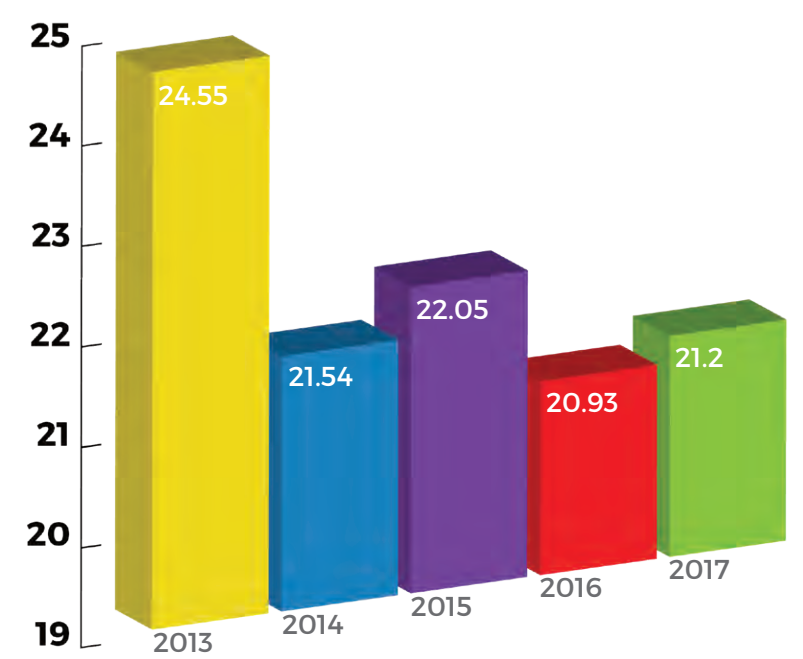
CAPITAL
(IN MILLIONS)



NET INCOME
(IN MILLIONS)



RETURN ON AVERAGE EQUITY
(PERCENTAGE)



OUR 2017 QUAIL CREEK BANK FAMILY | IN ORDER OF TENURE (LEFT TO RIGHT)



CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	2017	2016
ASSETS		
CASH AND DUE FROM BANKS	\$ 6,986,666	5,155,666
INTEREST-BEARING DEPOSITS WITH BANKS	13,248,903	13,128,957
SECURITIES AVAILABLE FOR SALE	94,021,916	99,445,658
LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES OF \$5,995,188 AND \$5,657,075 AT DECEMBER 31, 2017 AND 2016, RESPECTIVELY	508,376,800	469,117,844
PREMISES AND EQUIPMENT, NET	5,666,725	5,788,132
OTHER REAL ESTATE OWNED, NET	101,697	-
INTEREST RECEIVABLE AND OTHER ASSETS	3,744,203	3,312,124
TOTAL ASSETS	\$ 632,146,910	595,948,381
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS:		
NONINTEREST-BEARING	\$ 72,919,392	65,014,355
INTEREST-BEARING	474,825,551	466,099,812
TOTAL DEPOSITS	547,744,943	531,114,167
BORROWINGS	15,902,000	-
INTEREST PAYABLE AND OTHER LIABILITIES	1,903,753	1,865,864
TOTAL LIABILITIES	565,550,696	532,980,031
STOCKHOLDERS' EQUITY:		
COMMON STOCK	98,266	98,266
ADDITIONAL PAID-IN CAPITAL	1,910,651	1,837,493
RETAINED EARNINGS	64,450,961	62,082,157
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	629,056	(531,457)
TREASURY STOCK AT COST	(492,720)	(518,109)
TOTAL STOCKHOLDERS' EQUITY	66,596,214	62,968,350
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 632,146,910	595,948,381

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,	2017	2016
INTEREST INCOME:		
LOANS	\$ 25,412,075	24,483,746
SECURITIES (INCLUDES \$(61,353) AND \$17,684 IN 2017 AND 2016, RESPECTIVELY, IN COMPREHENSIVE INCOME RECLASSIFICAITON FOR REALIZED NET (LOSS)/GAIN ON SECURITIES AVAILABLE FOR SALE)	2,042,626	1,926,385
OTHER	177,092	127,776
TOTAL INTEREST INCOME	27,631,793	26,537,907
INTEREST EXPENSE:		
DEPOSITS	1,838,960	1,775,017
BORROWINGS	140,409	-
TOTAL INTEREST EXPENSE	1,979,369	1,775,017
NET INTEREST INCOME	25,652,424	24,762,890
PROVISION FOR POSSIBLE LOAN LOSSES	600,000	450,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	25,052,424	24,312,890
NONINTEREST INCOME:		
SERVICE CHARGES ON DEPOSIT ACCOUNTS	693,215	704,662
OTHER SERVICE CHARGES AND FEES	1,215,229	1,001,870
TOTAL NONINTEREST INCOME	1,908,444	1,706,532
NONINTEREST EXPENSE:		
SALARIES AND EMPLOYEE BENEFITS	8,304,303	8,237,894
OCCUPANCY	419,200	321,541
FURNITURE AND EQUIPMENT	638,719	593,809
OTHER REAL ESTATE OWNED	71,060	43,718
COMPUTER SERVICES	637,884	630,313
OTHER	3,346,695	3,276,521
TOTAL NONINTEREST EXPENSE	13,417,861	13,103,796
NET INCOME	\$ 13,543,007	12,915,626



BOARD OF DIRECTORS

FRONT ROW - LEFT TO RIGHT

DOUG FULLER
President
Chief Executive Officer

MARK DAVENPORT
Chairman of the Board

BERT OLAH, JR
Vice Chairman of the Board

BACK ROW - LEFT TO RIGHT

JAY W. MORTON
Investments

ROBERT N. COOKE, M.D.
Physician

JAY WILKINSON
President / Owner
Jay Wilkinson, LLC

CAROL FEHRLE
Executive Vice President
Chief Operating Officer

JAMES L. SEIKEL
Investments

JOHN A. WORKUN
Executive Vice President
Chief Lending Officer

STEVEN R. THOMPSON
Investments

OFFICERS

DOUG FULLER
President
Chief Executive Officer

JOHN A. WORKUN
Executive Vice President
Chief Lending Officer

CAROL FEHRLE
Executive Vice President
Chief Operating Officer

JAMES GRIFFITH
Senior Vice President
Chief Financial Officer

ERIN BATEY
Senior Vice President
Chief Communication & Innovation Officer

STEVE BOYD
Senior Vice President

RANDY CORP
Senior Vice President

PAM KORTH
Senior Vice President

RICHARD MALONE
Senior Vice President

JEFFREY MASSAD
Senior Vice President

MARTHA M^CCUDDY
Senior Vice President

KENTON OWENS
Senior Vice President

MICHAEL SPANN
Senior Vice President

MIKE THAGARD
Senior Vice President

PHIL THOMPSON
Senior Vice President & Auditor

ALAN WEBB
Senior Vice President

LACEY BIFFLE
Vice President

DEREK BRIGGS
Vice President

JULIE CROWELL
Vice President

L.D. FERGUSON
Vice President

PHYLLIS FORD
Vice President

RANDY HOOK
Vice President

DIANE KIMBERLIN
Vice President

LAURA NUNNERY
Vice President

BRYAN PETTY
Vice President

ELLEN ROBISON
Vice President

BRYAN SCOTT
Vice President

JIM TRENT
Vice President

SUMMER BLADES
Assistant Vice President

JERIKA COFFMAN
Assistant Vice President

JOHN CRABTREE
Assistant Vice President

STEPHANIE CRAWFORD
Assistant Vice President

CAROLE JOHNSON
Assistant Vice President

DIANNA PRITCHETT
Assistant Vice President

REGAN ROBINETT
Technology Officer

TYLER STROUD
Mortgage Loan Officer



Quail Creek Bank

MEMBER FDIC

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