



2018 Annual Report

A photograph of a brick building with large windows and a sign that reads "Quail Creek Bank". The sign is in a stylized, teal-colored font with a 3D effect. The building has a mix of rectangular and arched windows. The sky is visible in the upper left corner.

Quail Creek Bank

NOTICE OF ANNUAL MEETING

The annual meeting of Quail Creek Bancshares, Inc., stockholders will be held at 8:30 a.m., Thursday, March 28, 2019 in the J. David Davenport Board Room, 2nd floor of Quail Creek Bank, 12201 N. May Avenue, Oklahoma City, Oklahoma.

To Our Shareholders

Jeffrey C. Gerrish, Chairman of the Board of Gerrish Smith Tuck Consultants, LLC recently published an article **"What are the characteristics of a high-performing community bank today?"** His firm has assisted over 2,000 community banks in all 50 states with legal and strategic planning issues.

When considering whether a bank is high-performing, his financial metrics for a high-performing Subchapter S bank should be a 2.0% return on assets (ROA) and 20% return on equity (ROE) pre-tax. A high-performing C corporation bank should be at 1.25% ROA and approximately 12% to 14% ROE.

For the 15th consecutive year, Quail Creek Bank continued as one of these "Top Performing Banks" in the United States as ranked by the ICBA Independent Banker. In their May, 2018 issue, the bank was ranked 23rd out of the 1,325 banks in the U.S. with assets between \$300 million and \$1 billion. Based on the last 3 year ROA average, Quail Creek Bank's 3 year ROA average was 2.19%. For 2018, loans were \$503 million, assets reached \$688 million and earnings for the year were \$12.2 million.

In his article, Gerrish also details the top 14 characteristics of what propels a high-performing bank. **At the top of the list is a "Fully Engaged Board"**. He states a "fully engaged board is critical for a high-performing bank. This is not a board that micromanages. It is a board that provides oversight, business development, strategic direction and is interested in what is going on at the bank."

This year I would like to dedicate my CEO letter to our board of directors and take this opportunity to introduce them in detail on the following pages. I am blessed to have such a wonderful board representing our shareholders through their commitment to the employees and customers. .

Doug Fuller
PRESIDENT & CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS





MARK DAVENPORT

CHAIRMAN OF THE BOARD | BOARD MEMBER FOR 12 YEARS

Mr. Davenport is a life-long entrepreneur specializing in financial services. He obtained a law degree from OU Law School in 1983, graduating in the top five percent of his Law School "Order of the Coir," the highest honor available. His most notable accomplishments include his founding ownership of Landmark Financial Services which sold to Nationwide Life Insurance in 1991. Landmark sold more than a billion dollars annually with global partners like Citibank and had over 1,500 employees across the nation. He was also a founding partner in NACO Financial Services which was one of the largest government cooperatives in the U.S. with annual sales exceeding 2.6 billion dollars. It sold to Omnia Partners of Nashville in 2018.

Mark is a native of Oklahoma City, and son of J. David Davenport, who served on the board since 1976 and as chairman for 35 years. Mark is proud to continue his father's legacy as Chairman of the Board leading our community focused bank which serves as a cornerstone in northwest Oklahoma City.

BERT OLAH, JR.

VICE CHAIRMAN OF THE BOARD | BOARD MEMBER FOR 34 YEARS

Mr. Olah began his Oklahoma banking career in 1981 and joined the bank in 1983 serving as the President/CEO for 30 years. During his tenure, the bank experienced significant growth and financial success. While serving as the CEO, Bert also served in various industry leadership roles including Chairman of the Community Bankers Association of Oklahoma, Chairman of COCHA of Oklahoma, and Chairman of the OKC Chamber of Commerce Small Business Committee. He also held key roles on several boards including the Oklahoma Banker's Association and Trust Company of Oklahoma.

Mr. Olah continues to serve the bank as Vice Chairman, and believes our greatest strength is our employees. "From our personable and knowledgeable front line and back office employees, to a uniquely qualified officer staff, and an experienced Board of Directors, those are the keys to our long-term success."



DOUG FULLER

PRESIDENT & CHIEF EXECUTIVE OFFICER | BOARD MEMBER FOR 10 YEARS

Mr. Fuller began his career in banking at First National Bank of Oklahoma City in 1980 and has held key positions with a handful of banks in Oklahoma City since that time. His expertise centers around commercial and real estate lending including the launch of a small business lending division for Bank of Oklahoma. Doug joined the bank in 2009 as Chief Lending Officer and transitioned to the role of President in 2012.

Doug is a native of Ponca City, Oklahoma, but has called northwest Oklahoma City home for the past 39 years. He lives his life by the creed "Faith, Family, Future, Fun" and is particularly focused on reinvesting in his community through the deep roots the bank has planted in northwest Oklahoma City.

JAY W. MORTON

BOARD MEMBER FOR 37 YEARS

Mr. Morton has been a Quail Creek Bank director since 1981. He served as president and Chairman of the Board of United Engines for over 15 years and is currently owner of Lagniappe Properties, LLC and Lagniappe Holding, LLC which owns several properties in Oklahoma and Louisiana. United Engines provided new product, maintenance and repairs for several types of diesel engines and transmissions used on large vehicles, such as tractor-trailers, motor homes and buses in Oklahoma City, Tulsa, Shreveport, LA, and Little Rock, AR. The company was sold to another ownership group in 2000.

Mr. Morton is a graduate of the University of Oklahoma. Jay succeeded his father, Jerry W. Morton, in 1981 on the Quail Creek Bank board. Jerry Morton was one of the founders of the bank and long-time board members.



JAY WILKINSON

BOARD MEMBER FOR 9 YEARS

Jay Wilkinson served in executive management in the retirement savings industry for 37 years. Most notably, he served for 15 years as President of the Public Employee Benefit Services Corporation (PEBSICO), the nation's largest company specializing in voluntary public sector retirement savings programs. He is also the President and founder of Jay Wilkinson LLC, where he functions as an author and speaker.

Jay returned to Oklahoma City and joined the Quail Creek Bank Board in 2010. He contributes intuitive business insight and a creative perspective based on his experience from different sectors of the financial services industry. "It is the interpersonal culture at the bank that is the secret to our success. Employees are given autonomy and responsibility and treated with dignity and respect which results in superb quality and service!"



CAROL FEHRLE

EVP & CHIEF OPERATING OFFICER | BOARD MEMBER FOR 3 YEARS

Ms. Fehrle joined the bank in 1988 and has been an integral part of the bank's growth helping to manage nearly every operational aspect. She is a Certified Public Accountant, and was named the Chief Operating Officer of the bank in 2015. Carol also serves on the board of Heartline, and is a Community Investment Volunteer for the United Way of Central Oklahoma.

Carol is an Oklahoma City native and a proud supporter of the community. She appreciates the unique culture at the bank where "each employee is a valued part of our work family and everyone is encouraged to come together to help others in our community. Our customers also reap the benefits of our culture as most are known by name, and are also treated as extended family."

STEVEN R. THOMPSON

BOARD MEMBER FOR 37 YEARS

Mr. Thompson started his career with the bank in 1976, and served as the bank's Chief Operating Officer until 2016. During his tenure, the bank was restructured and recapitalized following the financial collapse of the Oklahoma banking industry during the 1980's. This was followed by significant financial success and expansion over the next 30 years. Steve joined the board in 1981 and remains on the board serving in a senior advisory capacity.

Steve is a native of Oklahoma City and a significant contributor to the long-term financial success of Quail Creek Bank. Steve was the leader in driving the bank's efficiency and one of the biggest proponents of having only one location while investing in our people and embracing technology.



JOHN A. WORKUN

EVP & CHIEF LENDING OFFICER | BOARD MEMBER FOR 6 YEARS

Mr. Workun joined the bank in 1993 as a Vice President in Commercial Lending after serving previously in similar roles with a few other local Oklahoma City banks. In 2013, John was promoted to Chief Lending Officer and also joined the Bank's Board of Directors. His banking career has centered primarily on business lending with a special emphasis in asset-based, real estate and construction loans.

John is a Canadian by birth, but because of his Oklahoma family ties, he attended & graduated from Oklahoma Baptist University in Shawnee, OK. After meeting his bride and then making the decision to call Oklahoma his "new home", he has been a fixture in the Oklahoma banking community. John enjoys calling the bank his "work home" primarily because of the positive influence the organization continues to bestow on the lives of the bank's customers, its employees, and the local community.

ROBERT N. COOKE, M.D.

BOARD MEMBER FOR 28 YEARS

Dr. Cooke received his medical degree from the OU College of Medicine in 1980 and completed his internship and residency at the Oklahoma Health Center. He practiced as a surgeon in Oklahoma City for 32 years until retiring in 2018. He also served as the president of the Oklahoma County Medical Society in 2011. Dr. Cooke succeeded his father, Everett Cooke, a long-time director on the Quail Creek Bank board.

Bob credits Quail Creek Bank's success to being a locally owned bank with a long history of a "family" atmosphere and is a primary reason the bank is so special. As he says "we treat all our customers with the respect they deserve".



JAMES L. SEIKEL

BOARD MEMBER FOR 12 YEARS

Mr. Seikel is a life-long entrepreneur specializing in the hospitality and mechanical contracting industry. From hotel ownership and day-to-day management, to hotel construction and project development design management, his commitment to the Oklahoma City hospitality industry spans many years. His vast knowledge of the industry has been instrumental in the bank's success, as the hospitality sector is an important part of the bank's loan portfolio.

Jim is a native of Oklahoma City & Norman, and son of Roy Seikel, who was a founding board member of the bank. He is proud to continue his father's legacy by serving on the Board and sharing his expertise in both hospitality and construction lending.

OUR 2018 QUAIL CREEK BANK FAMILY IN ORDER OF TENURE (LEFT TO RIGHT & TOP TO BOTTOM)



30 YEARS OR MORE



25 - 29 YEARS



15 - 19 YEARS



10 - 14 YEARS





20 - 24 YEARS



5 - 9 YEARS



0 - 4 YEARS



CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018

2018

2017

ASSETS

CASH AND DUE FROM BANKS	\$ 6,107,923	6,986,666
INTEREST-BEARING DEPOSITS WITH BANKS	94,615,148	13,248,903
SECURITIES AVAILABLE FOR SALE	76,177,500	94,021,916
LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES OF \$5,761,941 AND \$5,995,188 AT DECEMBER 31, 2018 AND 2017, RESPECTIVELY	503,015,668	508,376,800
PREMISES AND EQUIPMENT, NET	5,251,291	5,666,725
OTHER REAL ESTATE OWNED, NET	-	101,697
INTEREST RECEIVABLE AND OTHER ASSETS	3,257,180	3,744,203
	<u>688,424,710</u>	<u>632,146,910</u>
TOTAL ASSETS	\$ 688,424,710	632,146,910

LIABILITIES AND STOCKHOLDERS' EQUITY

DEPOSITS:		
NONINTEREST-BEARING	\$ 78,912,507	72,919,392
INTEREST-BEARING	541,069,331	474,825,551
TOTAL DEPOSITS	<u>619,981,838</u>	<u>547,744,943</u>
BORROWINGS	-	15,902,000
INTEREST PAYABLE AND OTHER LIABILITIES	2,367,645	1,903,753
TOTAL LIABILITIES	<u>622,349,483</u>	<u>565,550,696</u>
STOCKHOLDERS' EQUITY:		
COMMON STOCK	98,266	98,266
ADDITIONAL PAID-IN CAPITAL	1,910,651	1,910,651
RETAINED EARNINGS	65,009,752	64,450,961
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(450,722)	629,056
TREASURY STOCK AT COST	(492,720)	(492,720)
TOTAL STOCKHOLDERS' EQUITY	<u>66,075,227</u>	<u>66,596,214</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 688,424,710	632,146,910

CONSOLIDATED STATEMENTS OF INCOME

DECEMBER 31, 2018

2018

2017

INTEREST INCOME:

LOANS	\$ 26,349,028	25,412,075
SECURITIES (INCLUDES \$(26,400) AND \$(61,353) IN 2018 AND 2017, RESPECTIVELY, IN COMPREHENSIVE INCOME RECLASSIFICATION FOR REALIZED NET (LOSS)/GAIN ON SECURITIES AVAILABLE FOR SALE)	2,006,959	2,042,626
OTHER	905,804	177,092
TOTAL INTEREST INCOME	<u>29,261,791</u>	<u>27,631,793</u>

INTEREST EXPENSE:

DEPOSITS	3,825,101	1,838,960
BORROWINGS	105,331	140,409
TOTAL INTEREST EXPENSE	<u>3,930,432</u>	<u>1,979,369</u>

NET INTEREST INCOME	<u>25,331,359</u>	<u>25,652,424</u>
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PROVISION FOR POSSIBLE LOAN LOSSES	<u>850,000</u>	<u>600,000</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	<u>24,481,359</u>	<u>25,052,424</u>

NONINTEREST INCOME:

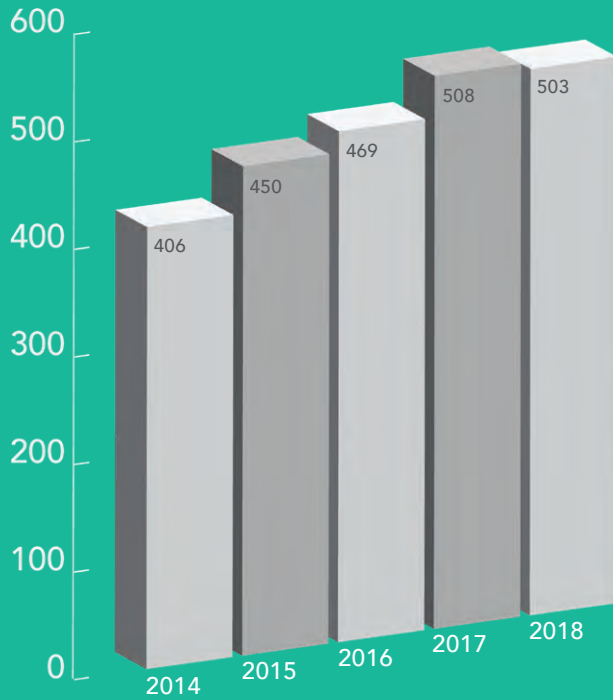
SERVICE CHARGES ON DEPOSIT ACCOUNTS	698,689	693,215
OTHER SERVICE CHARGES AND FEES	1,094,374	1,215,229
TOTAL NONINTEREST INCOME	<u>1,793,063</u>	<u>1,908,444</u>

NONINTEREST EXPENSE:

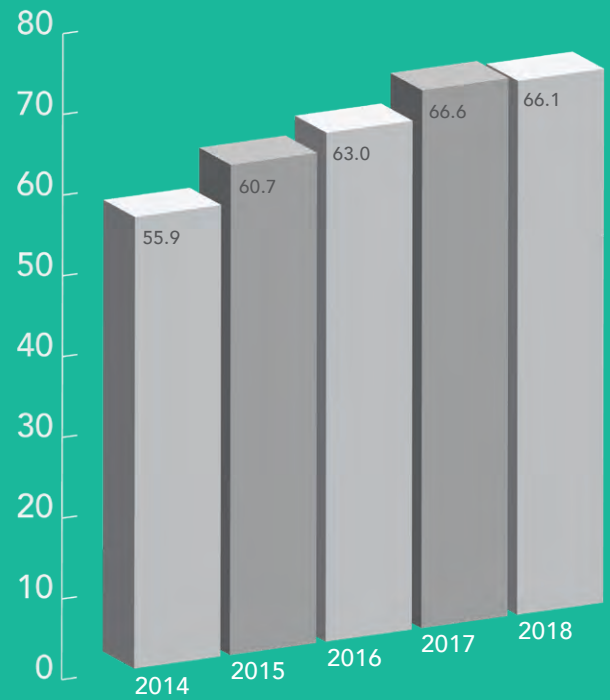
SALARIES AND EMPLOYEE BENEFITS	8,933,811	8,304,303
OCCUPANCY	416,720	419,200
FURNITURE AND EQUIPMENT	500,095	638,719
OTHER REAL ESTATE OWNED	35,791	71,060
COMPUTER SERVICES	674,576	637,884
OTHER	3,559,241	3,346,695
TOTAL NONINTEREST EXPENSE	<u>14,120,234</u>	<u>13,417,861</u>

NET INCOME	<u>\$ 12,154,188</u>	<u>13,543,007</u>
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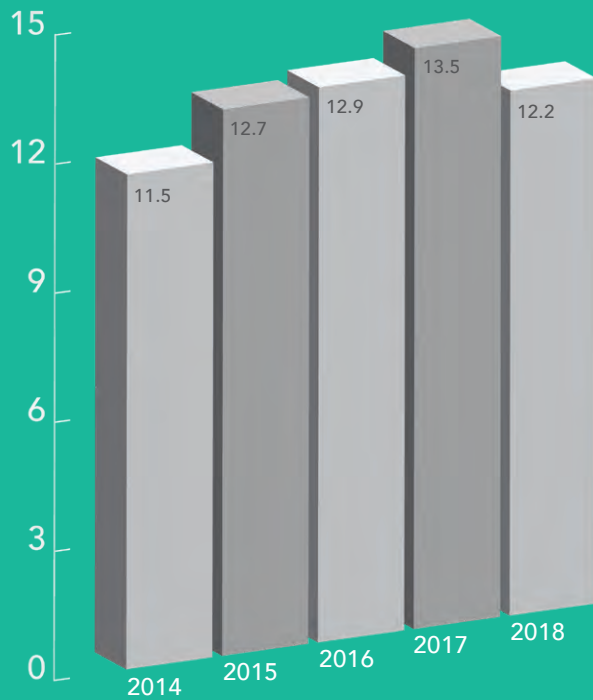
TOTAL NET LOANS
(IN MILLIONS)



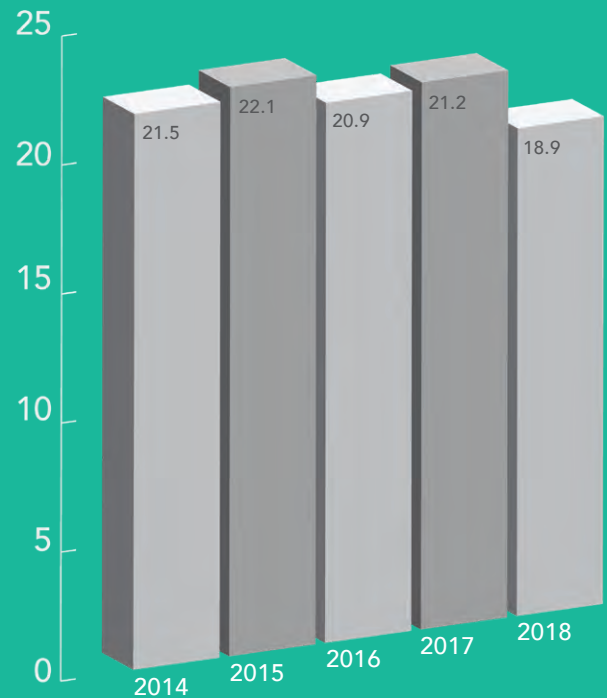
CAPITAL
(IN MILLIONS)



NET INCOME
(IN MILLIONS)



RETURN ON AVERAGE EQUITY
(PERCENTAGE)



OFFICERS

Doug Fuller
PRESIDENT & CHIEF EXECUTIVE OFFICER

John A. Workun
EXECUTIVE VICE PRESIDENT / CLO

Carol Fehrle
EXECUTIVE VICE PRESIDENT / COO

James Griffith
SENIOR VICE PRESIDENT / CFO

Erin D. Batey
SENIOR VICE PRESIDENT / CCIO

Steve Boyd
SENIOR VICE PRESIDENT

Randy Corp
SENIOR VICE PRESIDENT

Pamela Korth
SENIOR VICE PRESIDENT

Richard Malone
SENIOR VICE PRESIDENT

Jeffrey Massad
SENIOR VICE PRESIDENT

Martha McCuddy
SENIOR VICE PRESIDENT

Kenton Owens
SENIOR VICE PRESIDENT

Michael D. Spann
SENIOR VICE PRESIDENT

Michael Thagard
SENIOR VICE PRESIDENT

Phil Thompson
SENIOR VICE PRESIDENT

Alan Webb
SENIOR VICE PRESIDENT

Lacey L. Biffle
VICE PRESIDENT

Summer Blades
VICE PRESIDENT

Derek Briggs
VICE PRESIDENT

Jerika Coffman
VICE PRESIDENT

Julie Crowell
VICE PRESIDENT

L.D. Ferguson
VICE PRESIDENT

Phyllis Ford
VICE PRESIDENT

Randy Hook
VICE PRESIDENT

Diane Kimberlin
VICE PRESIDENT

Derek Lutz
VICE PRESIDENT

Laura Nunnery
VICE PRESIDENT

Bryan Petty
VICE PRESIDENT

Dianna Pritchett
VICE PRESIDENT

Ellen Robison
VICE PRESIDENT

Bryan Scott
VICE PRESIDENT

Jim Trent
VICE PRESIDENT

John Crabtree
ASSISTANT VICE PRESIDENT

Stephanie Crawford
ASSISTANT VICE PRESIDENT

Carole Johnson
ASSISTANT VICE PRESIDENT

Elisabeth Acosta
OPERATIONS OFFICER

Regan Robinett
TECHNOLOGY OFFICER

Tyler Stroud
MORTGAGE LOAN OFFICER



Quail Creek Bank
MEMBER FDIC

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