



PUBLIC DISCLOSURE

June 1, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Quail Creek Bank, N.A.
Charter Number 16405

12201 North May Avenue
Oklahoma City, Oklahoma 73120

Office of the Comptroller of the Currency

The Harvey Parkway Building
301 NW 63rd Street, Suite 490
Oklahoma City, Oklahoma 73116

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

The major factors supporting the institution's rating include the following:

- A substantial majority of the bank's loans were originated within the bank's assessment area (AA).
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance.
- The bank's community development performance demonstrates excellent responsiveness to the community development needs of its AA. Levels of community development activities are high, especially the level of community development lending, which is exceptional for a community bank of this size.

Scope of Evaluation

A Data Integrity review commenced on March 30, 2015, to evaluate the bank's system of internal controls for collecting, verifying, and reporting data reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR), and to assess the bank's processes for identifying and recording the bank's qualified Community Development activities.

A sample of HMDA reportable loans originating in 2013 and 2014 was reviewed. The review determined that data the bank is required to collect and report to regulatory agencies, under the Community Reinvestment Act (CRA) and Home Mortgage Disclosure Act (HMDA), is materially accurate. Internal controls over the system to collect and report HMDA data are effective.

This Intermediate Small Bank 2015 CRA Performance Evaluation is based on 2010 US Census demographic information. Conclusions regarding the Lending Test are based on residential mortgage loans originated in 2013, 2014, and year-to-date March 31, 2015, and a sample of business loans originated during the same period. Conclusions regarding the Community Development Test are based on community development activities from July 9, 2012, through June 1, 2015.

Description of Institution

Quail Creek Bank, NA (QCB) is headquartered in Oklahoma City, Oklahoma. The bank is a wholly owned subsidiary of Quail Creek Bancshares, Incorporated, a one-bank holding company.

QCB's CRA AA encompasses all of Oklahoma and Canadian counties, located in central Oklahoma. The bank's only location is at 12201 North May Avenue in northwest Oklahoma City, which is located in an upper-income census tract. A drive-in facility is also at this location. The bank offers Internet and telephone banking, as well as remote and mobile deposit capture as alternative banking methods. QCB's primary focus is to provide financial services to commercial businesses and consumers in their AA, with a significant emphasis on small business lending. The bank meets these needs by providing a wide array of loans and deposit products and services. These include various commercial and consumer loans, including residential mortgage loan products, as well as bill pay, cash management, and financial planning services.

As of March 31, 2015, QCB's total assets equaled \$575 million, of which \$422 million, or 73 percent, were comprised of various types of loans to individuals and commercial businesses. The bank's loan portfolio segmentation is detailed below.

Loan Portfolio Composition		
<i>Loan Category</i>	\$ (000)	%
Commercial Real Estate Loans	\$298,814	71%
Commercial & Industrial Loans	\$26,400	6%
Residential Real Estate Loans	\$90,110	21%
Individual Loans	\$6,740	2%
Other Loans	\$195	<1%
Total	\$422,259	100%

Source: March 31, 2015 Uniform Bank Performance Report

There are no legal, financial, or other factors impeding management's ability to help meet the credit needs in its designated AA. The last review of the bank's performance under the Community Reinvestment Act was completed July 9, 2012, and a "*Satisfactory*" rating was assigned.

Description of Assessment Area

The AA adopted by QCB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. As of the examination, the bank's AA consisted of Oklahoma and Canadian counties. The composition of the AA meets the requirements of the CRA regulation and is comprised of 31 low-income census tracts, 80 moderate-income census tracts, 91 middle-income census tracts, 65 upper-income census tracts, and 3 census tracts designated as non-applicable.

Total population of the AA is 834,174. Of the 361,650 total housing units, 203,508, or 56 percent, are owner occupied. Households below the poverty level total 45,313, or 14 percent, and households that receive public assistance total 10,511, or 3 percent, of the total number of households.

Demographic and Economic Characteristics of the AA	
Population	
Number of Families	204,072
Number of Households	319,553
Geographies	
Number of Census Tracts/BNA	270
% Low-Income Census Tracts/BNA	11.48%
% Moderate-Income Census Tracts/BNA	29.63%
% Middle-Income Census Tracts/BNA	33.70%
% Upper-Income Census Tracts/BNA	24.07%
% NA Census Tracts/BNA	1.12%
Median Family Income (MFI)	
2000 MFI for AA	\$58,775
2013 HUD-Adjusted MFI	\$61,990
Economic Indicators	
Unemployment Rate	3.99%
2010 Median Housing Value	\$121,466
% of Households Below Poverty Level	14.00%

Source: 2000 Census data and 2011 HUD updated income data

The economy in the Oklahoma City metropolitan area is reasonably good and is supported by a robust oil and gas industry and a stable agricultural industry. Unemployment is low at 3.99 percent, which is well below the national levels that exceed 8 percent. Real estate values remained relatively stable through this recent recession, unlike many of the higher cost areas throughout the country.

Local banking competition is aggressive and includes several community, regional, and national banks and/or branches of these financial institutions.

Two community contacts have been performed in the area over the past year. The contacts indicated that area financial institutions are perceived as taking an active role in helping to address the housing and financial needs of the community. Contacts indicated that small loans to businesses were a critical lending need.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "*Satisfactory*". This Performance Evaluation assesses QCB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate QCB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 32 business loans and all 480 HMDA loans originated in 2013, 2014, and year-to-date March 31, 2015, were selected. The HMDA sample included all home purchase, home improvement, and home refinance loans originated by the bank in their AA during this period. Based on the analysis, and consistent with available resources and capabilities, QCB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

QCB's loan-to-deposit (LTD) ratio is satisfactory. The ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio at March 31, 2015, was 80.73 percent. The bank's average quarterly LTD ratio from September 30, 2012, through March 31, 2015, was 79.94 percent. This average was compared to the average of four similar banks located in QCB's assessment area or the surrounding counties, with total assets between \$331 million and \$619 million, for the same time-period. The QCB average LTD ratio is in line with the 79.97 percent average LTD Ratio of the comparable banks. These ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 12/31/14 (000's)	Average LTD Ratio
Valliance Bank	\$328,001	85.77%
First National Bank of Oklahoma, Oklahoma City, OK	\$331,604	85.16%
Quail Creek Bank, N.A. Oklahoma City, OK	\$575,221	79.94%
NBC Oklahoma, Oklahoma City, OK	\$619,677	76.60%
Republic Bank & Trust, Norman, OK	\$475,018	72.36%

Source: Institution Reports of Condition from September 30, 2012 to March 31, 2015.

Lending in Assessment Area

QCB's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number of residential mortgage and business loans were originated within the bank's AA. As depicted in the following table, 80.86 percent of the number and 77.23 percent of the dollar amount of total residential mortgage and business loans were originated in QCB's AA.

Table 1 - Lending in QCB AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home purchase	148	73.63	53	26.37	201	25,529	74.89	9,563	25.11	38,092
Refinance	210	85.02	37	14.98	247	32,356	82.76	6,742	17.24	39,098
Home Improvement	29	90.63	3	9.37	32	3,125	88.18	419	11.82	3,544
Business Loans	27	84.38	5	15.62	32	3,680	60.99	2,353	39.01	6,033
Totals	414	80.86	98	19.14	512	64,690	77.23	19,077	22.77	83,767

Source: HMDA data reported for 2013, 2014, & 1Q2015; Business loan sampling of loans originated in 2013, 2014, & 1Q2015.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

QCB's borrower distribution of business and home mortgage loans is satisfactory and meets the standard for satisfactory performance. QCB is primarily a small business lender and 77 percent of the lending portfolio is comprised of business loans (commercial real estate and commercial & industrial loans) compared to residential mortgage lending, which makes up 21 percent of the portfolio. Consequentially, much greater weight is placed on the bank's business lending performance.

Business Lending

QCB's borrower distribution of small business loans is excellent. Loans to businesses with revenues of \$1 million or less represented 78 percent of sampled business loans. This ratio significantly exceeds the 68 percent of area businesses that reported revenues of less than \$1 million. Note that 27.3 percent of the AA businesses did not report revenue data.

Table 2A - Borrower Distribution of Loans to Businesses in QCB AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.21	4.49	27.30	100%
% of Bank Loans in AA by #	77.78	22.22	N/A	100%
% of Bank Loans in AA by \$	63.60	36.40	NA	100%

Source: Business Loans sample 2013, 2014, & 1Q2015; Dunn & Bradstreet benchmark data. There are a large number of businesses in the AA where income information on the business was not available.

Residential Real Estate Lending

QCB's overall distribution of home mortgage loans to low- and moderate-income families is satisfactory in light of performance context issues. According to the 2010 US Census data, approximately 42 percent of households in the AA are on fixed income from social security or retirement; and 32 percent of the housing units in the AA are rental property. Seventeen (17) percent of the population in the bank's AA are below the poverty level or are on public assistance.

As discussed below, it is difficult for lower-income persons to qualify for home mortgage loans. In addition, QCB has only a single banking location in northwest Oklahoma City. The bank’s location is in an upper-income census tract, and in an affluent area of northwest Oklahoma City, geographically impedes the bank’s ability to lend to low- and moderate-income (LMI) individuals and families. Consideration of these mitigants is factored into the overall rating.

The percentage of the number of home purchase loans made to low-income borrowers indicated poor penetration, although the percentage of the number of home purchase loans made to moderate-income borrowers indicates reasonable penetration to this income segment. Taken together, the percentage of home purchase loans made to LMI borrowers is somewhat lower than the combined LMI benchmark but still high enough to indicate reasonable penetration to these borrowers.

LMI families have difficulty qualifying for conventional home mortgage products without flexible terms or reduced closing costs. In QCB’s AA, a low-income person earns less than \$31,000 annually, while the average median housing cost in the bank’s AA is \$121,466. Consequently, many LMI families choose to rent rather than purchase homes.

The percentage of the number of home mortgage refinance loans made to low-income borrowers indicates reasonable penetration, while the percentage home mortgage refinance loans made to moderate-income borrowers indicates excellent penetration to this income segment. Taken together, the percentage of home mortgage refinance loans made to LMI borrowers is near to the combined LMI benchmark and indicates reasonable penetration to these borrowers.

No home improvement loans were made to LMI borrowers during the evaluation period. While this indicates very poor penetration to these LMI borrowers, it should be recognized the bank makes very few home improvement loans. In addition to the mitigating factors discussed above, the bank only made 32 home improvement loans during the entire two and one-quarter years of the 2015 CRA Lending Test evaluation period. Further, 46 percent (almost half) of the home improvement loans originated were made to borrowers residing in LMI census tracts. See Table 2 *Geographic Distribution of Residential Real Estate Loans in QCB AA* in the following table for details.

Table 2 - Borrower Distribution of Residential Real Estate Loans in QCB AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home purchase	22.87	6.12	17.88	16.33	20.12	18.37	39.13	59.18
Refinance	22.87	12.20	17.88	21.95	20.12	9.76	39.13	56.10
Home Improvement	22.87	0.00	17.88	0.00	20.12	50.00	39.13	50.00

Source: HMDA data reported for 2013, 2014, & 1Q2015; 2010 US Census data benchmarks.

Geographic Distribution of Loans

QCB’s overall geographic distribution of business and home mortgage loans in the bank’s AA is reasonable and meets the standard for satisfactory performance. QCB is primarily a small business lender and 77 percent of the lending portfolio is comprised of business loans

(commercial real estate and commercial & industrial loans) compared to residential mortgage lending, which makes up 21 percent of the portfolio. Consequentially, much greater weight is placed on the bank’s business lending performance.

Business Lending

The geographic distribution of business loans indicates excellent dispersion in LMI census tracts and exceeds the standard. The bank’s distribution by number of business loans nearly matches the percentage of AA businesses in each census tract income-level; however, in LMI census tracts, the bank’s business lending exceeds the percentage of AA businesses located in LMI tracts.

Table 3A - Geographic Distribution of Loans to Businesses in QCB AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	7.32	7.41	21.49	22.22	33.34	33.33	36.29	37.04

Source: Business Loans sample 2013, 2014, & 1Q2015; Dunn & Bradstreet benchmark data.

Residential Real Estate Lending

The overall geographic distribution of residential mortgage loans is satisfactory. According to the 2010 Census data, approximately 42 percent of households in the AA are on fixed income from social security or retirement; and 27 percent of the housing units in the AA are rental property. In addition, 14 percent of the households are living below poverty level. It is very difficult for these persons to qualify for home purchase loans. Consideration of these mitigants is factored into the overall rating.

The bank’s extension of home purchase loans in the low-income census tracts indicates very poor dispersion; however, home purchase lending in moderate-income census tracts indicates excellent dispersion in these areas and exceeds the standard. Taken together, home purchase lending in low- and moderate-income (LMI) census tracts is near to the combined LMI standard and is considered reasonable.

The bank’s extension of loans to refinance residential mortgages made in LMI census tracts exceeds the benchmark standards and indicates excellent lending dispersion in these tracts.

The bank’s extension of loans for home improvement lending in low-income census tracts indicates reasonable dispersion and meets the standard. However, home improvement lending in moderate-income census tracts substantially exceeds the standard and indicates excellent lending dispersion in these areas. Taken together, home improvement lending in LMI census tracts substantially exceeds the combined LMI standard and indicates excellent dispersion of this lending product among LMI tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in QCB AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home purchase	4.86	0.69	22.01	24.14	37.19	22.76	35.94	52.51
Refinance	4.86	5.53	22.01	34.67	37.19	33.67	35.94	26.13
Home Improvement	4.86	3.85	22.01	42.31	37.19	38.46	35.94	15.38

Source: HMDA data reported for 2013, 2014, & 1Q2015; 2010 US Census data benchmarks.

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

{ TC "Community Development Test" \f C \l "1" }

CD Loans, Qualified Investments, and CD Services Test

The bank's performance under the Community Development Test is rated **"Outstanding"**. QCB's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area. A majority of the assessment area is comprised of metropolitan, high-density areas that include Oklahoma City, Edmond, and Yukon.

QCB is active in the communities they serve. This is evidenced by their leadership roles in various civic and non-profit organizations that provide services to LMI individuals. The bank is also involved with, invests in, or lends to individuals or organizations whose focus is on affordable housing, community services, or economic development.

Community Development Loans

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation. QCB's level of community development loans indicates excellent responsiveness to the needs of the bank's AA.

The bank has originated or renewed 82 community development loans totaling \$72.5 million during the evaluation period. Ten loans totaling \$3 million provided affordable housing. Thirteen loans totaling \$5.4 million were extended in the Oklahoma City Empowerment Zone contributing to revitalization/stabilization or economic development. Fifty-nine loans totaling \$64.1 million were extended to businesses that promoted economic development by creating or maintaining LMI jobs. Following are details on some of the community development loans originated by the bank during the evaluation period.

During the evaluation period, QCB extended or renewed 10 loans to five different borrowers to develop affordable housing. Four loans, totaling \$1.5 million, were extended to finance two apartment complexes in the Oklahoma City Empowerment Zone. These apartment complexes are located near the Oklahoma City state capitol complex in an area comprised of LMI housing and industrial buildings. One complex includes 20 units and the other has 35 units. This financing allows for affordable housing near the Oklahoma City downtown area, which has experienced significant revitalization and job growth recently under the Oklahoma City downtown revitalization MAPS program.

QCB has also extended several loans in the Oklahoma City Empowerment Zone that provided revitalization/stabilization or economic development through job creation or retention. The bank extended two loans during the evaluation period totaling \$1.5 million to refinance and make improvements to a convenience store. The store is located in the Oklahoma City Empowerment Zone. The financing for the convenience store also provides LMI jobs.

QCB has taken a leadership role in supporting and funding economic development projects by extending or renewing 59 loans to 45 different borrowers that created or retained LMI jobs. The bank extended two loans totaling \$6.1 million to a borrower who redeveloped an 86,000 square foot retail shopping center located in a moderate-income census tract. A majority of the 27 retail spaces are occupied by businesses that primarily employ LMI persons. This financing provided renovation to a functionally obsolete retail center and created a significant number of LMI jobs.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation. QCB's level of community development investments indicates excellent responsiveness to the needs of the bank's AA.

During the evaluation period, community development investments and donations totaled \$4 million. The bank currently holds \$2.1 million in school bonds to fund capital improvements in Title 1 designated schools located in LMI census tracts or primarily serving LMI families. Of the \$2.1 million, \$1.3 million represents prior period investments in these types of bonds. The bank is credited with a \$1.7 million investment in Other Real Estate Owned by virtue of holding and maintaining an affordable housing multifamily property. The property was originally purchased with loan proceeds and renovation was begun by the original borrower. The bank has continued renovations and operates the property under a receivership while looking for a suitable buyer.

Additionally, the bank has extended 81 qualified donations totaling \$170,000 in their AA. Donations have been made to local non-profit organizations that provide social services, youth programs, homeless shelters, alcohol and drug recovery centers, and literacy programs that target LMI individuals.

Community Development Services

The level of qualified community development services indicates adequate responsiveness to the needs of the bank's AA. Several bank officers serve in leadership positions in organizations that provide community services to LMI families. They provide technical and financial assistance to these organizations. Bank officers also serve in leadership positions in organizations involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***Banking and Financial Literacy Program***
Bank officers have taught classes at several local public schools where the majority of the students are from LMI families. They provide class materials and assist participants in understanding basic banking and credit fundamentals.
- ***United Way Central Oklahoma***
Two bank officers serve on various committees of the United Way. One officer uses her financial expertise to review financial statements of agencies that are requesting United Way funding. The other officer provides his expertise to the Allocations Committee. The United Way provides support to many agencies that provide services to LMI individuals.
- ***Habitat For Humanity***
A bank officer provides financial advice to the Habitat for Humanity (Habitat) organization as Treasurer and Board member. Habitat is a housing ministry working to build simple, decent, affordable housing and to provide hope for responsible, hard-working, limited income families living in substandard conditions.
- ***OKC Chamber of Commerce***
A bank officer serves as Board member for the OKC Chamber of Commerce. The Chamber of Commerce promotes economic development in Oklahoma City and the surrounding communities. The Chamber of Commerce works to bring small business jobs to Oklahoma, including LMI jobs.
- ***Santa's Cause***
A bank officer is the founder and President of Santa's Cause. This organization provides clothing, shoes, toys, and other needs for children of LMI families.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.