



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 9, 2012

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

ADC-OKLAHOMA CITY Field Office
The Harvey Parkway Building 301 NW 63rd Street, Suite 490
Oklahoma City, OK. 73116-7908

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 "Satisfactory"

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

- A majority of the bank's loans were originated within the bank's assessment area (AA).
- The loan-to-deposit ratio is outstanding and exceeds 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.
- Quail Creek Bank, N.A.'s community development performance demonstrates excellent responsiveness to the community development needs of the AA.

SCOPE OF EXAMINATION

A Data Integrity review commenced on January 31, 2012, 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).

A sample of HMDA loans were reviewed originating in 2010 and 2011. The review determined 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 Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of residential mortgage and small business loans originated in 2010 and 2011. Conclusions regarding the Community Development Test are based on community development activities from March 6, 2008 through July 9, 2012.

DESCRIPTION OF INSTITUTION

Quail Creek Bank, N.A. (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 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, 2012, QCB's total assets equaled \$473 million, of which \$376 million, or 80 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)	%
Real Estate Loans	\$344,633	92%
Commercial Loans	\$24,337	7%
Individual Loans	\$7,535	2%
Other Loans	\$462	<1%
Agricultural Loans	0	0%
Total	\$376,067	100%

Source: March 31, 2012 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 March 6, 2008 and an "***Outstanding***" 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 21 low-income census tracts, 85 moderate-income census tracts, 81 middle-income census tracts, and 60 upper-income census tracts.

Total population of the AA is 748,145. Of the 328,989 total housing units, 186,012, or 56 percent, are owner occupied. Households below the poverty level total 40,250, or 13 percent, and households that receive public assistance total 14,160, or 5 percent, of the total number of households.

Demographic and Economic Characteristics of the AA	
Population	
Number of Families	196,364
Number of Households	298,546
Geographies	
Number of Census Tracts/BNA	251
% Low-Income Census Tracts/BNA	8.37%
% Moderate-Income Census Tracts/BNA	33.86%
% Middle-Income Census Tracts/BNA	32.27%
% Upper-Income Census Tracts/BNA	23.90%
Median Family Income (MFI)	
2000 MFI for AA	\$44,898
2011 HUD-Adjusted MFI	\$60,600
Economic Indicators	
Unemployment Rate	4.80%
2000 Median Housing Value	\$78,122
% of Households Below Poverty Level	13.00%

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 4.80 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.

Several community contacts have been performed in the area over the past few months. 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 21 small business loans and 198 HMDA loans originated in 2010 and 2011 were selected. The HMDA sample included all home purchase, home improvement, home refinance, and multi-family loans originated by the bank in their AA in 2010 and 2011. 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 outstanding and exceeds the standard for satisfactory performance. The bank's LTD ratio at March 31, 2012 was 87.82 percent. The bank's average quarterly LTD ratio from June 30, 2008 through March 31, 2012 was 95.08 percent. This average was compared to the average of four similar banks located in QCB's AA or the surrounding counties, with total assets between \$200 million and \$600 million, for the same time period. These average LTD ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 3/31/12 (000's)	Average LTD Ratio
<i>Quail Creek Bank, N.A. Oklahoma City, OK</i>	<i>\$472,830</i>	<i>95.08%</i>
NBC Oklahoma, Oklahoma City, OK	\$482,968	89.44%
First National Bank of Oklahoma, Oklahoma City, OK	\$266,393	80.24%
First Commercial Bank, Edmond, OK	\$304,541	86.23%
Kirkpatrick Bank, Edmond, OK	\$592,221	69.58%

Source: Institution Reports of Condition from June 30, 2008 to March 31, 2012

Lending in Assessment Area

QCB's lending in its AA meets the standard for satisfactory performance. A majority of the number of residential mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 71.80 percent of the number and 66.97 percent of the dollar amount of loans were originated in QCB's AA.

LENDING IN AA										
	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		\$	%	\$	%	
Residential Mortgages	198	72.00%	77	28.00%	275	\$34,578	64.39%	\$19,121	35.61%	\$53,699
Business	21	70.00%	9	30.00%	30	\$7,457	88.22%	\$1,607	11.78%	\$9,064
Totals	219	71.80%	86	28.20%	305	\$42,035	66.97%	\$20,728	33.03%	\$62,763

Source: Sample of loans used to determine CRA performance

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

QCB's borrower distribution of small business and home mortgage loans is satisfactory and meets the standard for satisfactory performance. For this analysis, the bank's small business lending performance was given slightly more weight than home mortgage lending. Small business lending is a primary focus for the bank.

QCB's borrower distribution of small business loans is reasonable. Loans to businesses with revenues of \$1.0 million or less represented 71.00 percent of sampled business loans, which exceeds the 63.42 percent of area businesses that reported revenues of less than \$1 million. Note that 33.53 percent of the AA businesses did not report revenue data.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.42%	3.05%	33.53%	100%
% of Bank Loans in AA by #	71.00%	29.00%	N/A	100%
% of Bank Loans in AA by \$	89.00%	11.00%	N/A	100%

Source: Sample of 21 loans used to determine CRA performance and 2011 Business Geo-demographic Data

QCB's distribution of home mortgage loans to low- and moderate-income families is satisfactory in light of performance context issues. The percentage of the number of loans made to low- and moderate-income families is lower than the percentage of low- and moderate-income families in the AA. Low- and moderate-income 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 thousand annually, while the average median housing cost in the Oklahoma City MSA for the first quarter of 2012 was \$141 thousand according to the National Association of Realtors. Additionally, 18 percent of the population in the bank's AA are below the poverty level or are on public assistance. Furthermore, the bank's location 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 individuals and families.

BORROWER DISTRIBUTION OF RESIDENTIAL MORTGAGES IN 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
Residential Mortgages	21.19%	11.11%	18.22%	8.47%	21.13%	12.70%	39.47%	67.72%

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

QCB's geographic distribution of small business and home mortgage loans in the bank's AA is reasonable and meets the standard for satisfactory performance.

The geographic distribution of small business loans is excellent. The bank's distribution of small business loans by number to both low- and moderate-income census tracts exceeds the percentage of small businesses located in those tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN 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	4.00%	19.00%	22.00%	48.00%	32.00%	19.00%	39.00%	14.00%

Source: 2011 Business Geo-demographic Data/2% of the census tracts had an income designation of N/A

The geographic distribution of residential mortgage loans is satisfactory. The bank's extension of loans in the low-income census tract exceeds the percentage of owner-occupied housing in the low-income tracts. The distribution of residential mortgage loans located in moderate-income census tracts is near to the percentage of owner-occupied housing in those tracts.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL MORTGAGE LOANS IN 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
Residential Mortgage	2.53%	4.04%	25.33%	22.73%	36.37%	28.28%	35.77%	44.95%

Source: Loan sample; U.S. Census data.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

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 AA.

Opportunities for qualified community development loans and investments are limited in the bank's AA. A majority of the AA is comprised of metropolitan, high-density areas to include Oklahoma City, Edmond, and Yukon.

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

The bank has originated or renewed 32 community development loans totaling \$29.7 million during the evaluation period. Twenty-one loans totaling \$16.4 million provided affordable housing. Eleven loans totaling \$13.3 million were extended in the Oklahoma City Empowerment Zone contributing to revitalization/stabilization or economic development. Below are details on some of the community development loans originated by the bank during the evaluation period.

Throughout the evaluation period, QCB has extended or renewed loans to 18 different borrowers providing affordable multi-family housing. In aggregate, the bank originated or renewed 21 loans totaling \$16.4 million for affordable housing.

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 or renewed 7 loans totaling \$12.2 million to three different hotels in the Empowerment Zone. These loans provide hotel rooms for events and activities in Bricktown, a designated revitalization area. These loans also support jobs to low- and moderate-income individuals. The bank also made a loan to a restaurant in the Empowerment Zone that supports jobs to low- and moderate-income individuals. The bank made 3 loans totaling \$988 thousand to 3 different borrowers that purchased and renovated buildings in the downtown Empowerment Zone.

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 is good.

During the evaluation period, the bank made a large commitment and equity investment in a Small Business Investment Company (SBIC) for community development purposes. The bank also made investments in local school bonds that provided funding for needed capital improvements. Specific examples of the bank's more significant investments are described below.

QCB made a \$5.0 million dollar commitment to a SBIC that is involved in community or economic development projects within the state using New Markets Tax Credits as a funding source. Currently, the commitment is unfunded. Additionally, the bank has recently renewed their investment of \$163 thousand in the same SBIC, which invests in projects and businesses that create quality jobs, affordable housing, and other direct benefits to disadvantaged individuals and distressed geographic areas. School bonds totaling \$1.3 million were qualified to fund capital improvements to Title 1 designated schools located in low- and moderate-income census tracts. QCB has a prior period school bond with an outstanding balance of \$320 thousand for capital improvements to a Title 1 school located in a low-income census tract.

Additionally, the bank has extended 100 qualified donations totaling \$156 thousand 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 low- and moderate-income individuals.

Community Development Services

The level of qualified community development services is satisfactory. Bank officers have served in leadership positions in organizations that provide community services to low- and moderate-income families and provided technical expertise 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 Fundamentals***
Bank officers have taught classes at local public and private schools, which assist participants in understanding basic banking and credit fundamentals.
- ***Santa's Cause***
A bank officer is the founder and director of Santa's Cause. This is an organization that provides clothing, shoes, toys, and other needs for children from low-and moderate-income families.

- ***Habitat For Humanity***
A bank officer serves as a director for Habitat for Humanity (Habitat). 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.

- ***Regional Food Bank***
A bank officer served on the Steering Committee of the Regional Food Bank. This organization's mission is to help the charitable community effectively feed people in need.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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