



KIRKPATRICK
BANK

ANNUAL REPORT 2018

2018 ANNUAL REPORT

Kirkpatrick Bank is a privately owned business bank serving Oklahoma and Colorado. Chartered in 1970, the bank will celebrate its fiftieth anniversary next year. Through the commitment and loyalty of our long-standing client base and the good works of our dedicated staff, Kirkpatrick Bank was able to record another solid year of success in 2018. As a result, we were recently notified by independent bank rating service Bauer Financial, Inc. that they were again awarding a Five-Star rating to Kirkpatrick Bank.

While total asset growth moderated in 2018, improvements in both net interest income and non-interest income combined with improved operating efficiencies provided for a solid earnings year, allowing our core capital ratio to climb above 11%. Other key indicators of safety and soundness, including net loan losses, loan loss allowance to total loans and liquidity, were also exemplary.

George Drew
President & CEO

PERFORMANCE AND PRODUCTION

We closed 2018 at \$803.4 million in total assets, placing us as the twelfth largest bank in Oklahoma. Our mortgage division enhanced the quality of life for 175 individuals and families during 2018 by providing residential mortgage loans totaling \$48.9 million during the year, an increase of 20% over the prior year. Treasury Management saw a 13.5% growth in fee income, with an addition of 19 new customer relationships. Average loans per lender increased as well to \$51.4 million. At the same time our full time equivalent employee count has remained steady at 114, and our performance resulted in an efficiency ratio of 58.76%.

To ensure the level and quality of service for our customers, we have invested heavily in software programs designed to streamline commercial lending and banking services at every level. Our goal is to develop and strengthen a nimble commercial banking platform with best in class talent and products. This strategy relies on effort and environment - doing whatever it takes to serve customers professionally and personally while providing tools and technology to leverage capability and response time.

COMMUNITY COMMITMENT

We are passionate about our community, whether helping local businesses grow, helping people buy their dream home, or helping with business transition to the next generation. We recognize the important role that nonprofits play in their community. They fill service gaps, meet needs, and enhance quality of life, provide good jobs and purchase goods and services locally. We know the strength of nonprofits depends on the strength and support of the community. Our team averages 700 hours annually volunteering to support community nonprofits, either at events or through service on boards and committees. Fully 47% of our marketing funds are deployed as sponsorships annually. We also extend our appreciation to other businesses and philanthropists for their support.

SOLID BUSINESS MODEL

Kirkpatrick Bank has a straightforward business model: execute the basics reliably every day, put our duty to our customers first, and look for exceptional opportunities. We have delivered 9 years of solid profitability. We're proud to share some highlights from 2018.

1. Average assets reached \$802.6 million
2. Average gross loans were \$552.1 million
3. Average deposits totaled \$661.2 million
4. Net Income at \$11.7 million, exceeded plan by \$1.7 million

In 2018, we were successful in generating deposit growth across all of our channels – private banking, business banking, and personal banking. Year-end total deposits were \$679.6 million, up 1.5% or \$9.8 million. Total loans outstanding finished 2018 at \$559.3 million. At year end 2018, Oklahoma accounted for 66% of our total assets, 71% of deposits and 61% of total loans, based on averages for December, with our Colorado market representing 39% of total loans and 29% of total deposits.

CONDENSED STATEMENT OF CONDITION AS OF DECEMBER 31, 2018

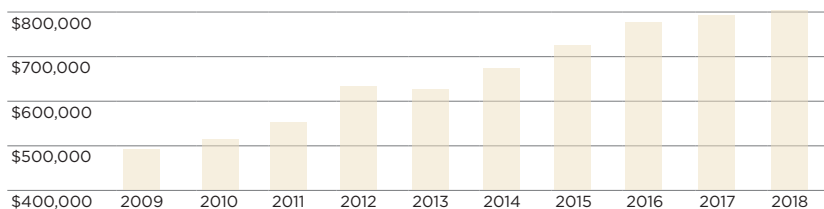
ASSETS

Cash & Due from Banks	\$	76,919,000
Fed Funds Sold		2,331,000
Securities & Investments		164,075,000
Loans & Discounts, Net		547,962,000
Premises, Furniture & Equipment		5,886,000
Other Assets		6,187,000
TOTAL ASSETS	\$	803,360,000

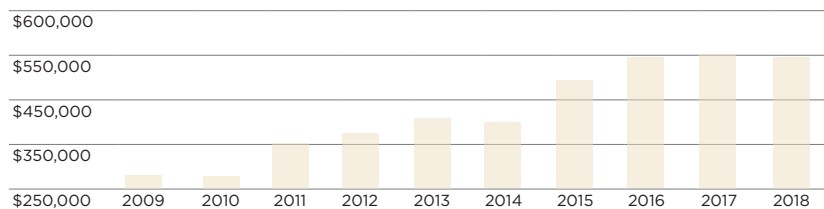
LIABILITIES & EQUITY

Noninterest-bearing Deposits	\$	192,275,000
Interest-bearing Deposits		487,357,000
Borrowings		34,261,000
Other Liabilities		4,443,000
Total Liabilities		718,336,000
Common Stock		1,152,000
Paid-in Capital		26,168,000
Retained Earnings		60,650,000
Accumulated other Comprehensive Income		(2,946,000)
Total Equity		85,024,000
TOTAL LIABILITIES & EQUITY	\$	803,360,000

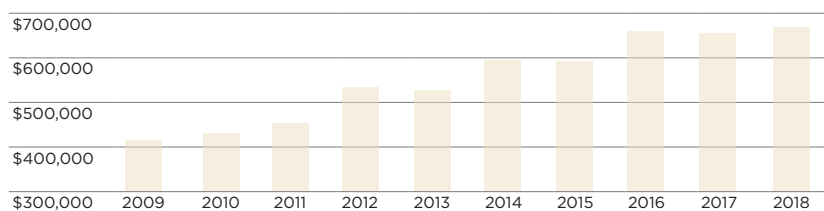
TOTAL ASSETS



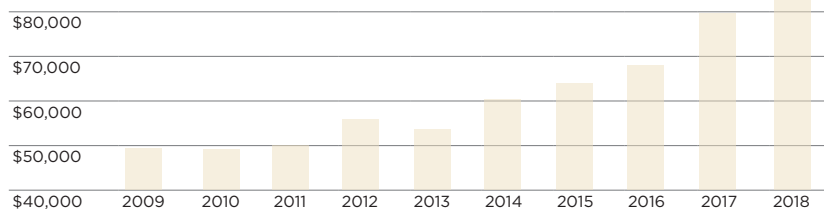
TOTAL LOANS, NET



TOTAL DEPOSITS



TOTAL EQUITY





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