

Jose Dávila, *Joint Effort* (2015)
San Andrés stone volumes, boulder, and ratchet strap
Photograph by Alex Marks



FINANCIAL SERVICES



Momentum, by Marko Kratochvil, located at the entrance to Kirkpatrick Bank on 15th Street in Edmond, Oklahoma

FINANCIAL SERVICES

KIRKPATRICK BANK

The year 2017 was another highly successful year for Kirkpatrick Bank. As a result, we were recently notified that Kirkpatrick Bank received another Five-Star rating from Bauer Financial.

Loans, deposits, home mortgages, and wealth services all grew nicely. It was a record year for earnings, with revenue and net income also up satisfactorily. Other key indicators of safety and soundness, including credit quality, total assets, capitalization, and liquidity, were also exemplary.

Our success this year, as in years past, continues to be the diligent implementation of growth strategies, driven by the daily execution of our long-standing business development and personalized customer service model.

—George Drew, PRESIDENT





FINANCIAL SERVICES

PEOPLE AND SERVICE

Other than interest rates, people are the most differentiating attribute of any bank. We have assembled the most high-performing team in the bank's history. Some have been with us for over 40 years and others have joined us recently. On average, our employee tenure is about 8 years. That means we know our customers, have helped them grow and meet challenges, and they know us. It's personal.

Everyone is significant, and we treat them that way. We give our customers a fair deal and keep their assets safe and sound. Every customer has unique needs, and we work to make our products fit the customer, not the other way around. Our senior officers are as accessible to customers as our universal bankers. The results speak for themselves, with 49% of total deposits having tenure in excess of 10 years.

EXCEPTIONAL CREDIT QUALITY

Average outstanding loans grew \$36 million during 2017 with classified assets representing only 11.99% of Risk-Based Capital. There were \$0 in net loan losses for the year and \$0 in non-performing assets

STRONG CAPITAL

Kirkpatrick Bank is well capitalized. Risk-based capital increased 12.97% during 2017, to \$89.423 million.

CUSTOMER FOCUSED

In 2017, we invested considerably in technology and products to better serve our customers. Some came from customer requests, such as: a more robust positive pay system which also includes features to help with fraud deterrents; adding an app to manage and safeguard debit cards; implementing Touch ID to log into accounts from mobile devices.

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 know from economic studies that nonprofits do a community good. They fill service gaps, meet needs, and enhance quality of life. They boost the local economy with good jobs. They purchase goods and services locally and sometimes host events that bring in visitors. But, it's a two-way street. 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.

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 8 years of increased profitability. We're proud to share some highlights from 2017.

1. Average assets were up \$76.3 million
2. Average gross loans were up \$35.8 million
3. Average deposits were up \$48.7 million
4. Revenues were up 15.2%
5. Net Income was up 63%

In 2017, we were successful in generating deposit growth across all of our channels – private banking, business banking, and personal banking. Year-end loans totaled \$564 million, a performance milestone. Growth in average loans outstanding, which was more than fully funded by deposits, was 6.75%.

Our Colorado market had a strong year. Both business loans and deposits grew nicely. Total loans outstanding peaked over \$200 million. Total deposits broke the \$200 million mark as well for the first time. At year-end, Colorado represented 35% of total loans and 28% of total deposits. We welcomed new members to our Advisory Board from the Denver community to help us build new and diversified relationships. Our Denver office opened in late 2015 and its loan production has more than doubled in two years.

We celebrated a number of milestones this year, including the tenth anniversary of Savings Square, our online-only bank which serves customers across the nation. Originally a savings account product, it now includes a checking account product as well. We initiated banking technology changes to improve function and convenience for our customers, including Touch ID for mobile banking and CardValet, which enables our mobile banking customers to activate or deactivate their debit cards as needed to prevent fraud or manage budget limits for minor accounts. Our mortgage department added a lender to our Colorado Springs office, with particular expertise in VA and FHA financing. Our headquarters banking location underwent a significant remodel, accompanied by the introduction of our universal banker concept. Customers can work with one individual for any of their banking services needs.

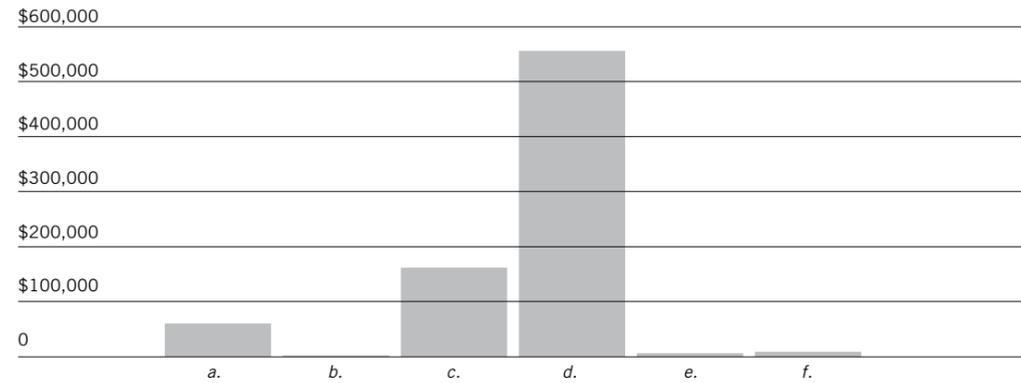
We launched a wellness program for employees in 2017. This includes an allowance available to defray the expense of fitness memberships. At-work programs include Lunch 'n Learns, wellness challenges and health tips, flu shot clinics, and blood drives.

KIRKPATRICK BANK

Kirkpatrick Bank's
office in Denver,
Colorado, located at
1850 Platte Street

KIRKPATRICK BANK

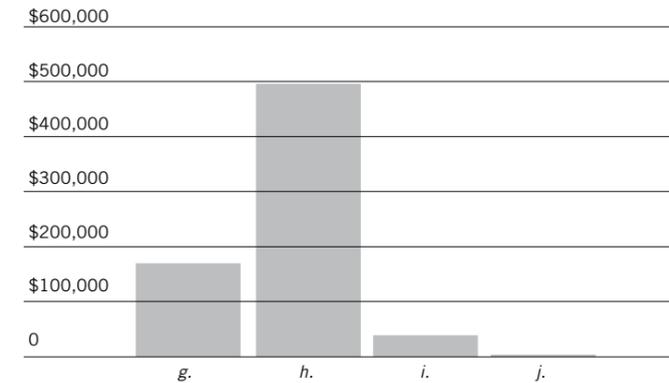
Condensed Statement Of Condition
as of December 31, 2017



ASSETS

a. Cash & Due from Banks	.....	\$60,138,000
b. Fed Funds Sold	.....	1,813,000
c. Securities & Investments	.....	161,199,000
d. Loans & Discounts, Net	.....	553,546,000
e. Premises, Furniture & Equipment	.....	6,426,000
f. Other Assets	.....	9,133,000

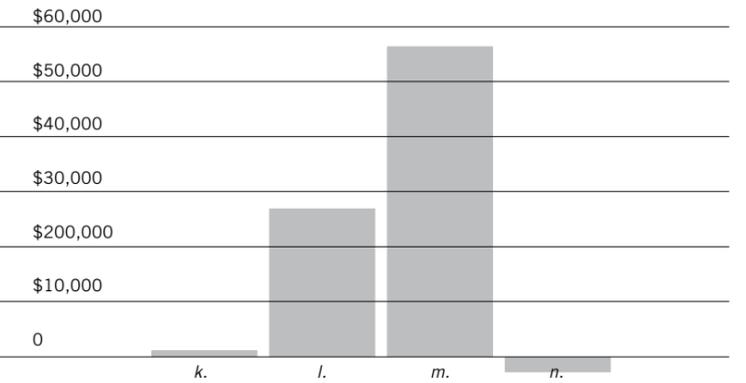
Total Assets **\$792,255,000**



LIABILITIES

g. Noninterest-bearing Deposits	.....	\$170,855,000
h. Interest-bearing Deposits	.....	498,935,000
i. Borrowings	.....	39,276,000
j. Other Liabilities	.....	3,838,000

Total Liabilities **\$712,904,000**



EQUITY

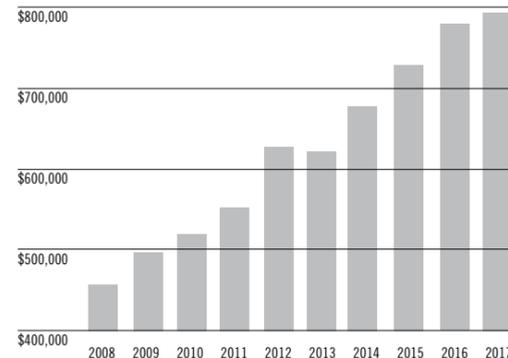
k. Common Stock	.....	\$1,152,000
l. Paid-in Capital	.....	26,168,000
m. Retained Earnings	.....	54,779,000
n. Accumulated other Comprehensive Income	.....	(2,748,000)

Total Equity **\$79,351,000**

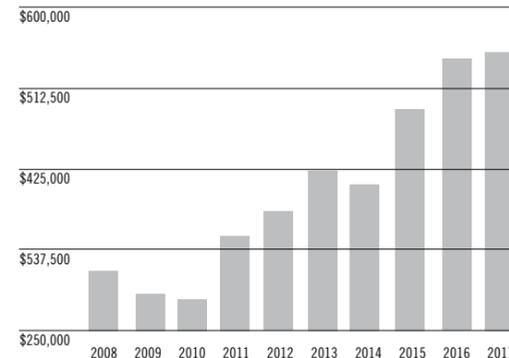
Total Liabilities & Equity **\$792,255,000**

TEN YEARS OF GROWTH

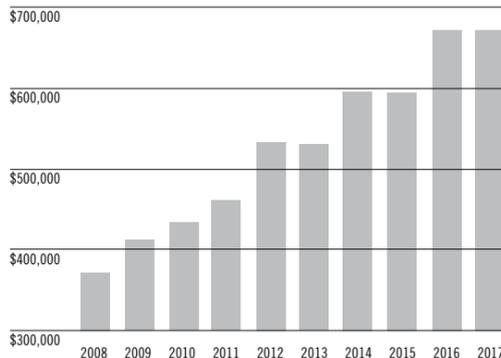
TOTAL ASSETS



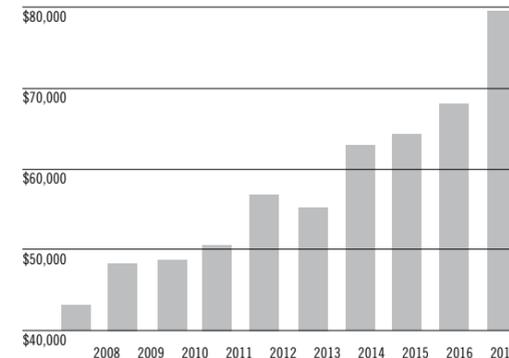
TOTAL LOANS, NET



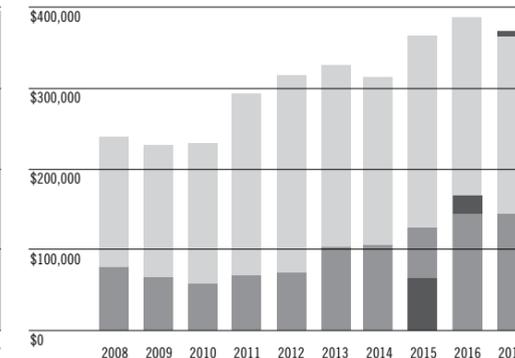
TOTAL DEPOSITS



TOTAL EQUITY



LOANS BY MARKET



DEPOSITS BY MARKET

