

ANNUAL REPORT 2015

QUAIL CREEK BANCSHARES, INC
AND SUBSIDIARY



Quail Creek
BANCSHARES, INC AND SUBSIDIARY



ONE
LOCATION
MANY
WAYS TO
BANK



Notice of Annual Meeting

The annual meeting of Quail Creek Bancshares, Inc., stockholders will be held at 8:30 a.m., Thursday March 24, 2016 in the Board Room, 2nd Floor of Quail Creek Bank
12201 North May Avenue
Oklahoma City, Oklahoma.

To Our Shareholders

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015...We started with a celebration of our 40th anniversary but unfortunately ended the year with the passing of our chairman and the #1 supporter of the bank, J. David Davenport. We can never replace Dave, but fortunately the board has planned well for the future. All of our major shareholders are represented on the board with second generation family members. As of February 1, 2016 it was announced Mark Davenport will succeed his father and take over as the chairman of the board. The Board has complete confidence Mark will carry on adapting Quail Creek Bank to the technological needs of a new and younger customer, while maintaining our traditional and wonderfully loyal customer base. No one is more excited about the growth and future of our bank than Mark!

For the year, loans adjusted for reserves grew by 10.8% to end the year at \$449.6 million, deposits totaled \$528.0 million and shareholders' equity at \$60.7 million resulting in a very strong risk-based capital ratio of 13.7%. Total assets grew by 2.8% to \$590.5 million and earnings for the year totaled \$12.7 million. Our pre-tax return on average assets (ROA) was 2.2% and our return on average equity (ROE) was 22.1%.

Once again, we were named as one of the "best-performing" community banks by the ICBA Independent Banker. This marks our 12th consecutive year to be selected as one of the "Top Performing Banks" in the nation by the ICBA. We are humbled by this accomplishment, especially in light of the fact the total number of banks in the U.S. has consolidated by 60% over the last 30 years, from 15,000 banks and thrifts to 6,270 today. Much of this trend may be attributed to changes in technology.

Now is the time to embrace technology! We are positioned to provide the "Total Package" with both the latest in

customer services, but also the personal relationship our customers desire as they navigate different life events and financial needs. The best way to describe 2015 is to say "Innovation" and our goal was to provide our customers a connection to better banking...anytime, anywhere.

Our customers love technology and because we have only one location, our strategy has been to invest in technology. As a forward-thinking bank, we are leading the way in financial technology and staying "ahead of the curve" because we are small, nimble and able to implement quickly.

We also have a mission to be a leader in providing financial education and services to our next generation of customers who connect with the bank very differently. In fact, we are the top bank in the state on Facebook with 8,141 "likes" and the #2 bank on Twitter with 2,981 followers. We are also the exclusive financial literacy partner with Dave Ramsey's Foundations in Personal Finance program for 19 schools in Oklahoma City.

Below is a recap of the timeline and events leading up to this past year's technology transformation:

- 1996 - Online Banking
- 1998 - Bill Pay
- 2004 - Remote Deposit
- 2010 - Mobile Banking
- 2011 - Mobile Deposit
- 2014 - Online Account Opening

During 2015 Quail Creek Bank completely redesigned and updated our financial technology including the following:

- Online Account Opening – updated and expanded

- Online Banking - upgraded bill pay & a simple process to make P2P (person-to-person) payments
- Mobile Banking – new app, updated design, touch ID, mini PFM (personal finance management), account aggregation, combined mobile banking & mobile deposit into one app and P2P payments
- Website – redesigned and completely updated with a responsive design for any device
- Website - also changed URL to new "dot bank" domain of www.quailcreek.bank providing even more protection
- Apple Pay introduced in July for secure and one-touch payments from your iPhone 6 or Apple watch
- New EMV debit cards to all of our customers
- "Wearables" technology - designed our own Apple Watch app for our mobile banking customers. We were one of the first to the market and the only community bank in Oklahoma to offer such an app!

As part of the redesign, we also consolidated our personal account offering into a total of five choices. (3 checking and 2 savings)

- LINQ Checking – Your connection to better banking... anytime, anywhere
- Quail Classic Checking – For individuals 55 and over.
- Elite Checking – Combines the benefits of the LINQ account with the Premier Money Market
- Premier Money Market
- Savings

And best of all, e-statements, online banking, mobile banking, bill pay, mobile deposit, Apple Watch app, PFM, P2P are all free! Plus we auto rebate ATM fees up to \$25 every month and offer a \$30 match for anyone under thirty when opening an account.

We realize 2016 will be a challenging year for Oklahoma. As I write this letter, Moody's rating service has revised

our outlook from stable to negative and the price of oil has fallen to the mid \$20 per barrel range. The state finance office is estimating \$900 million less in gross receipts than certified for the current fiscal year and since June 2014, Oklahoma has lost 11,600 energy jobs and 60% of its active oil and gas rigs. Mark Snead with RegionTrack says the latest outlook on domestic crude production is not encouraging with domestic oil production expected to bottom in September 2016. This is especially hard on Oklahoma which has the distinction of having the largest share of total household earnings coming directly from the oil and gas industry at 13.9% for all of 2014. (Texas is 9.3%, Wyoming 8.9%, North Dakota 8.3%, Alaska 7.1%, and Louisiana 6.0%).

Fortunately having lived through the 1980's bust, Quail Creek Bank is well positioned to manage this economic downturn with minimal direct exposure to the oil & gas industry. Strategically during 2016 our focus will be on continuing to diversify our loan portfolio while exploring new lending niches and maintaining our leadership role in financial technology.

In closing, I would like to thank our valued shareholders, board of directors, employees and customers for their support of and loyalty to Quail Creek Bank.



Doug Fuller
President & CEO

Consolidated Balance Sheets

YEARS ENDED DECEMBER 31,	2015	2014
Assets		
Cash and due from banks	\$ 4,125,138	5,618,202
Interest-bearing deposits with banks	33,645,793	71,630,652
Securities available for sale	93,873,743	80,478,805
Loans, net of allowance for possible loan losses of \$5,571,096 and \$5,326,293 at December 31, 2015 and 2014, respectively	449,634,490	405,800,538
Premises and equipment, net	6,128,667	6,395,421
Other real estate owned, net	100,000	1,765,831
Interest receivable and other assets	3,034,302	2,777,289
Total Assets	\$ 590,542,133	574,466,738
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	\$ 60,161,075	62,971,875
Interest-bearing	467,823,340	453,791,726
Total Deposits	527,984,415	516,763,601
Interest payable and other liabilities	1,821,568	1,814,479
Total Liabilities	529,805,983	518,578,080
Stockholder's equity:		
Common stock	98,266	98,266
Additional paid-in capital	1,690,917	1,632,796
Retained earnings	58,171,812	53,551,454
Accumulated other comprehensive income (loss)	1,359,685	1,211,070
Treasury stock at cost	(584,530)	(604,928)
Total Stockholders' Equity	60,736,150	55,888,658
Total Liabilities and Stockholders' Equity	\$ 590,542,133	574,466,738

Consolidated Statements of Income

YEARS ENDED DECEMBER 31,	2015	2014
Interest income:		
Loans	\$ 23,292,062	22,309,590
Securities (includes \$47,639 and \$(78,210) in 2015 and 2014, respectively in comprehensive income reclassification for realized net gain/(loss) on securities available for sale)	1,802,365	1,659,147
Other	135,618	191,135
Total interest income	25,230,045	24,159,872
Interest expense:		
Deposits	1,261,226	1,589,414
Borrowings	74	38
Total interest expenses	1,261,300	1,589,452
Net interest income	23,968,745	22,570,420
Provision for possible loan losses	300,000	650,000
Net interest income after provisions for possible loan losses	23,668,745	21,920,420
Noninterest income:		
Service charges on deposit accounts	619,533	534,068
Other service charges and fees	1,059,094	967,972
Total noninterest income	1,678,627	1,502,040
Noninterest expenses:		
Salaries and employee benefits	7,964,316	7,486,220
Occupancy	350,342	387,910
Furniture and equipment	499,193	481,757
Other real estate owned	159,302	(3,301)
Computer services	537,637	506,593
Other	3,110,289	3,091,695
Total noninterest expense	12,621,079	11,950,874
Net income	\$ 12,726,293	11,471,586

ICBA's Top Performing Community Banks

ROA Subchapter S Banks \$500 Million - \$1 Billion in Asset

	Institution Name	City, State	ROA
1	Clayton Bank and Trust	Knoxville, Tenn.	3.33
2	Great Plains National Bank	Elk City, Okla.	3.02
3	Charter Bank Eau Claire	Eau Claire, Wis.	2.82
4	First Financial Bank	El Dorado, Ark.	2.59
5	Armstrong Bank	Muskogee, Okla.	2.53
6	The Yellowstone Bank	Laurel, Mont.	2.51
7	Choice Financial Group	Grand Forks, N.D.	2.51
8	Plains Commerce Bank	Aberdeen, S.D.	2.40
9	St. Martin Bank and Trust Co.	St. Martinville, La.	2.32
10	Morris Bank	Dublin, Ga.	2.21
11	First Bank of Berne	Berne, Ind.	2.20
12	First Bank & Trust Co.	Duncan, Okla	2.15
13	Security Bank	Midland, Texas	2.11
14	Bank West Inc.	Pierre, S.D.	2.10
15	Five Star Bank	Rocklin, Calif.	2.07
16	Quail Creek Bank	Oklahoma City, Okla.	2.04
17	American State Bank	Sioux Center, Iowa	1.97
18	The Paducah Bank and Trust Co.	Paducah, Ky.	1.95
19	The First National Bank of Bemidji	Bemidji, Minn.	1.93
20	Dakota Community Bank & Trust, N.A.	Hebron, N.D.	1.92

ROE Subchapter S Banks \$500 Million - \$1 Billion in Assets

	Institution Name	City, State	ROE
1	Great Plains National Bank	Elk City, Okla	36.92
2	Choice Financial Group	Grand Forks, N.D.	25.23
3	Dakota Community Bank & Trust N.A.	Hebron, N.D.	25.09
4	First Financial Bank	El Dorado, Ark.	24.44
5	Five Star Bank	Rocklin, Calif	23.99
6	First Bank of Berne	Berne, Ind.	22.66
7	St. Martin Bank and Trust Co.	Saint Martinville, La.	22.61
8	First National Bank of Central Texas	Waco, Texas	22.33
9	BankWest. inc	Pierre, S.D.	21.82
10	Quail Creek Bank	Oklahoma City, Okla.	21.54
11	Morris Bank	Dublin, Ga.	20.96
12	Charter Bank Eau Claire	Eau Claire, Wis.	20.36
13	Farmers State Bank	Waterloo, Iowa	19.88
14	Security Bank	Midland, Texas	19.69
15	Pioneer Bank & Trust	Spearfish, S.D.	19.06
16	Clayton Bank and Trust	Knoxville, Tenn.	18.94
17	Citizens National Bank	Bluffton, Ohio	18.89
18	First Bank & Trust Co.	Lubbock, Texas	18.87
19	The Citizens Bank	Farmington, N.M.	18.74
20	Armstrong Bank	Muskogee, Okla.	18.27

1936-2015

In Loving
Memory...

John David Davenport has been an important part of Quail Creek Bank since the 1970s. An oustanding leader, mentor and visionary, he inspired and nurtured all who came into contact with him...and his values and commitment to our bank and community have left a lasting mark. He will be greatly missed by all of his Quail Creek Bank Family!



John David Davenport
Chairman of the Board, Quail Creek Bank



Quail Creek Bank

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Board of Directors

Front Row - Left to Right

- Bert Olah, Jr.**
Vice Chairman of the Board
- J. David Davenport**
Chairman of the Board
Investments
(Deceased)
- Doug Fuller**
President &
Chief Executive Officer



Mark Davenport
Investments

Back Row - Left to Right

- Jay W. Morton**
Investments
- Jay Wilkinson**
President / Owner
Jay Wilkinson, LLC
- James L. Seikel**
Investments
- John A. Workun**
Executive Vice President &
Senior Lending Officer
- Steven R. Thompson**
Executive Vice President
- Robert N. Cooke, M.D.**
Physician

Officers

- | | | |
|---|--|---|
| Doug Fuller
President
Chief Executive Officer | Pam Korth
Senior Vice President | Jim Trent
Vice President |
| John A. Workun
Executive Vice President &
Senior Lending Officer | Phil Thompson
Senior Vice President
& Auditor | Bryan Petty
Vice President |
| Steven R. Thompson
Executive Vice President | Erin Batey
Senior Vice President | Duggan Roberts
Vice President |
| Carol Fehrle
Senior Vice President / COO | Kenton Owens
Senior Vice President | Sue Adams
Assistant Vice President |
| James Griffith
Senior Vice President / CFO | Randy Hook
Vice President | Bryan Scott
Assistant Vice President |
| Martha McCuddy
Senior Vice President | Phyllis Ford
Vice President | Lacey Biffle
Assistant Vice President |
| Randy Corp
Senior Vice President | Mike Thagard
Vice President | Julie Crowell
Assistant Vice President |
| Richard Malone
Senior Vice President | Gary Houghton
Vice President | John Crabtree
Assistant Vice President |
| Alan Webb
Senior Vice President | L.D. Ferguson
Vice President | Ellen Robison
Assistant Vice President |
| Jeffrey Massad
Senior Vice President | Derek Briggs
Vice President | Dianna Pritchett
Assistant Vice President |
| Michael Spann
Senior Vice President | Laura Nunnery
Vice President | Carole Johnson
Credit Officer |
| Steve Boyd
Senior Vice President | Diane Kimberlin
Vice President | Jerika Coffman
Credit Officer |



Quail Creek Bank

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