

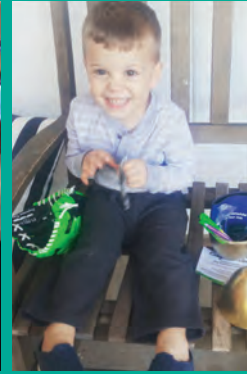
ANNUAL REPORT 2016



Quail Creek
BANCSHARES, INC AND SUBSIDIARY

Notice of Annual Meeting

The annual meeting of Quail Creek Bancshares, Inc., stockholders will be held at 8:30 a.m., Thursday, March 23, 2017 in the J. David Davenport Board Room, 2nd floor Quail Creek Bank, 12201 North May Avenue Oklahoma City, Oklahoma.



India Shrine Edmond FFA Parents Club Alzheimer's Association YMCA of Greater Oklahoma City Birth's Choice DCMS Baseball ENHS Balto El Reno Sportsman
City Care The Exchange Club of OKC Deer Creek Tennis Nami Oklahoma Susan G Komen Kings Gate Christian School First Tee Metro OKC EMHS Swine Week
OK Sheriff's & Peace Officers Association Newcastle Livestock Booster Club Bethlehem Star Baptist Church OPUBCO Communications Oklahoma DESHI Youth Association American Cancer Society Free to Live
Gems Production Oklahoma Foundation for Excellence Mustang Middle School PTSA UCO Accounting Club OCMSA Norman North POM OKC Jazz Fest OCCO Foundation Village Lions Club
ESCCO The Oklahoma City Police Association Western Heights High School Edmond Area Chamber of Commerce Center of Family Love D-Dent Sponsor a Veteran
OU Medical Center Hope Fund Oklahoma Restaurant Association South OKC Youth for Christ Oklahoma City University Theatre Sponsor Needs Foundation OKC Bea
Peppers Ranch Sha-Babb Club of Oklahoma City Teen Recovery Solutions OWMA Arts Council Oklahoma City Infant Crisis Services
Urban League of Greater Oklahaoma City USAO Foundation Oklahoma Christian Schools Jim Thorpe
The Printers of Oklahoma Community Outreach The Toby Keith Foundation Oklahoma Heart Hospital Whiz K

Committed to community.



The Salvation Army Women's Auxiliary The Care Center Hearts for Hearing Luther Public Schools Refresh Ministry The Pearl House
City Rescue Mission Sooners Helping Sooners Wondertorium Saint George Greek Orthodox Church Youth For Christ Catho
United Way of Central Oklahoma YMCA of Greater Oklahoma City St. Elijah Orthodox Christian Church Make-A-Wish Foundation The Lord's Harvest OMRF
Parent's Promise Payne County CASA Colour World National Arthritis Foundation St Jude Children's Hospital Oklahoma County Medical Society Pepper's Ranch
Reading is Fundamental Community After School Program Service For Sight Santa's Cause Warriors for Freedom Young Women's Christian Association Calm Waters Center for Children and Family

To our SHAREHOLDERS

As we look back at 2016 and welcome in 2017, we thank Steve Thompson for his 40 years of service with Quail Creek Bank. 2016 marked the final transition to our “next generation” of bank leadership as Mark Davenport has succeeded his father as the chairman of the board; in 2013 I transitioned into the President/CEO position along with John Workun as our Senior Lender and now Carol Fehrle rounds out our executive team as Chief Operating Officer.

The past several years have been an incredible time to be in our industry with “digitalization” causing sweeping changes to our delivery channels, customer habits and the status quo. Our single location strategy helps focus our energies as a forward-thinking bank, serving our customers in ways that are personalized and convenient for them.

The industry continues to trim the number of branches in the U.S. since it peaked in 2009. Brick and mortar is still important, but I believe the future of personal banking belongs to digital channels, primarily mobile, supplemented by online and, less and less by branches. As an example, mobile has become a primary way for many of our customers to interact with us. Over the past three years we have experienced growth in mobile banking of 123% and growth in mobile deposit of 325%. We are leading the way with financial technology to provide our customers a connection to better banking...anytime, anywhere.

During 2015 and 2016, Oklahoma experienced its deepest downturn since the 1980's with oil prices hitting a 12-year low of \$26/barrel, which led to thousands of lost jobs and a sizable state deficit. It now appears our OKC metro economy is stabilizing, development of the downtown area continues and we are moving forward with cautious optimism.

2016 marked yet another high point for Quail Creek Bank. Loans increased to \$475 million, assets reached \$596 million and earnings for the year set an all-time record high of \$12.9 million. Our pre-tax return on average assets (ROA) was 2.2% and our return on average equity (ROE) was 20.9%.

For the 13th consecutive year we were selected as one of the “Top Performing Banks” in the nation by the ICBA Independent Banker. We are committed to maintaining local ownership and preserving the relationships formed over the 43 years since our doors opened.

Even with all the benefits of digitalization, Quail Creek Bank's success is still attributable to our loyal customers and our dedicated employees who consistently deliver personalized service.

With this in mind, I would like to dedicate this year's shareholders' letter to our employees and the culture that has been created in our little slice of life. There is no secret recipe. It's the little ingredients we add to our everyday activities that becomes engrained in the way we think and act that makes the final result so special.

Below is a recap of some of those ingredients that make Quail Creek Bank so special and unique:

- Our QCB entertainment committee coordinates all our holidays... no one misses the Halloween costume/departments contests & chili cook-off, the bank-wide egg hunt at Easter, or the summer picnic and Christmas employee parties.
- Communication
 - Q-munications and Quail Cash meetings: monthly celebration of anniversaries, rewards and recognition, as well as opportunities to learn what is happening in various areas of the bank.
 - Q-municator: monthly in-house newsletter with all the latest bank news and events.

"It's the little ingredients we add to our everyday activities that becomes engrained in the way we think and act that makes the final result so special." -Doug Fuller

- Quail Cash allows all employees to be rewarded for successfully taking care of customer's banking needs or thinking of cost savings ideas. The "Ritz" and "Shout Out" programs, along with the employee of the month, recognize and reward a job well done by Quail Creek Bank employees.
- Daily business casual dress and jeans on Fridays.
- Bank provided health insurance for our employees/families covering approximately 70% of the cost.
- Quail Career Builders - the bank's employee development program. This is a 2 year program, allowing employees to learn more about banking, leadership, and developing themselves both personally and professionally. Each selected participant also has an assigned mentor.
- Tuition assistance for qualified full-time employees in an approved degree program who wish to advance themselves in their career field.
- Fitness incentive of \$500 for employees who achieve 250,000 steps each month, or reimbursements for fitness center, personal trainer, exercise equipment, nutritionist, etc.
- Community service. Two significant ways Quail Creek Bank gives back to the community:
 - Since 2012, we have been the exclusive Dave Ramsey financial literacy sponsor for Oklahoma City and annually sponsor 19 metro schools, plus providing over a dozen employee volunteers who participate in school events and class room instruction.
 - Since 2009, our employees have held an annual fundraiser to benefit a local philanthropy (selected by the employees). The bank holds various friendly competitions between different teams over a week to raise funds. This past year we raised a total of \$12,512 along with over 1,700 donated items for Ronald McDonald House Charities of Oklahoma City.
- Also popular with our employees is our interest free loan for the purpose of buying/upgrading their personal technology devices

- One of the most popular items for customers is still cookies on Fridays.
- Scheduled food trucks providing an array of choices for employees, customers and the neighbors.
- Finally, birthdays are not missed and are always an occasion to celebrate here at Quail Creek Bank.

Separately, none of these are any one magic ingredient, but taken as a whole, it has been life-changing for our employees and the customers whose lives we touch. A culture has been created that allows our employees to excel and makes the difference between being just a place to go to work to an exciting place to come every day and our customers want to be a part.

As you can see, Quail Creek Bank is well-positioned to maintain a leadership role in our community. 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 and CEO



TOP 1%
Banks Nationwide

ICBA
Independent
Banker
June 2016

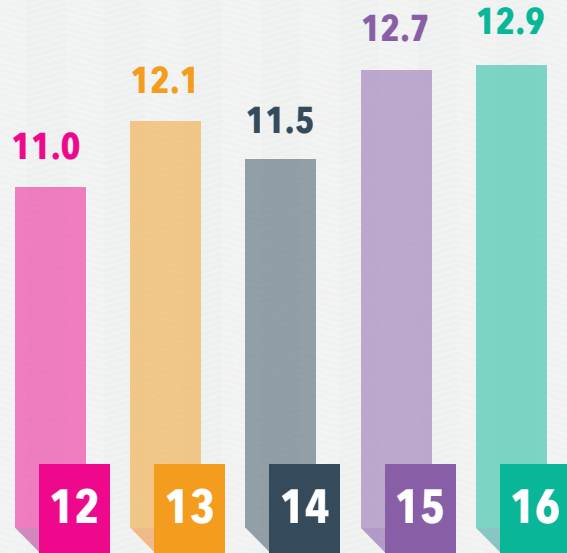
	Community Bank	Home Office	ROAA
1	Deerwood Bank	Deerwood, Minn.	4.38
2	Clayton Bank and Trust	Knoxville, Tenn.	3.52
3	The Yellowstone Bank	Laurel, Mont.	2.92
4	First Financial Bank	El Dorado, Ark.	2.76
5	Crockett National Park	San Angelo, Texas	2.53
6	Volunteer State Bank	Portland, Tenn.	2.41
7	St. Martin Bank and Trust Co.	St. Martinville, La.	2.40
8	Great Plains National Bank	Elk City, Okla	2.39
9	Charter Bank	Eau Claire, Wis.	2.37
10	CFG Community Bank	Baltimore, Md.	2.33
11	The Bank of Hemet	Hemet, Calif.	2.31
12	Armstrong Bank	Muskogee, Okla.	2.22
13	Quail Creek Bank	Oklahoma City, Okla	2.21
14	Pinnacle Bank - Wyoming	Cody, Wyo.	2.15
15	Morris Bank	Dublin, Ga.	2.10
16	BankWest	Pierre, S.D.	2.08
17	Citizens National Bank of Texas	Waxahachie, Texas	2.00
18	American State Bank	Sioux Center, Iowa	1.96
18	First Bank of Berne	Berne, Ind.	1.96
18	Five Star Bank	Sacramento, Calif.	1.96

	Community Bank	Home Office	ROAE
1	Deerwood Bank	Deerwood, Minn.	40.50
2	Crockett National Bank	San Angelo, Texas	27.01
3	Great Plains National Bank	Elk City, Okla.	26.15
4	St. Martin Bank and Trust Co.	St. Martinville, La.	24.87
5	Volunteer State Bank	Portland, Tenn.	24.31
6	First Financial Bank	El Dorado, Ark.	24.18
7	Pinnacle Bank - Wyoming	Cody, Wyo.	23.64
8	Dakota Community Bank & Trust	Hebron, N.D.	23.11
9	The Bank of Hemet	Hemet, Calif.	22.23
10	Five Star Bank	Sacramento, Calif.	22.14
11	Quail Creek Bank	Oklahoma City, Okla	21.97
12	First National Bank of Central Texas	Waco, Texas	21.82
13	Morris Bank	Dublin, Ga.	20.35
14	Citizens Alliance Bank	Clara City, Minn.	20.31
15	CFG Community Bank	Baltimore, Md.	20.26
16	BankWest	Pierre, S.D.	20.14
17	First Bank of Berne	Berne, Ind.	19.72
18	Clayton Bank and Trust	Knoxville, Tenn.	19.52
19	The Yellowstone Bank	Laurel, Mont.	18.95
20	The Citizens National Bank	Knoxville, Tenn.	18.80

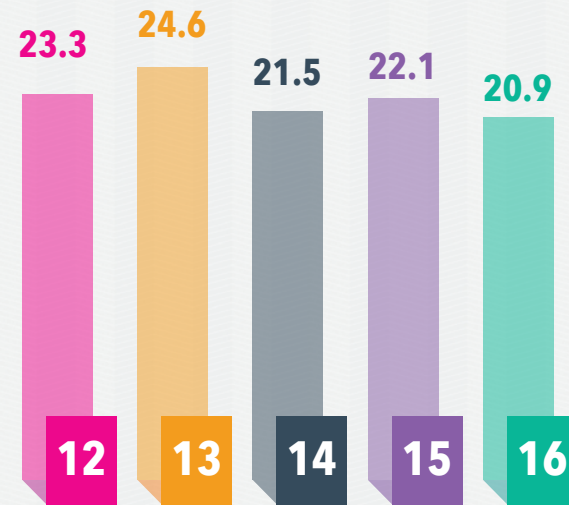
**Subchapter S
Banks**
\$500 Million -
\$1 Billion in Assets

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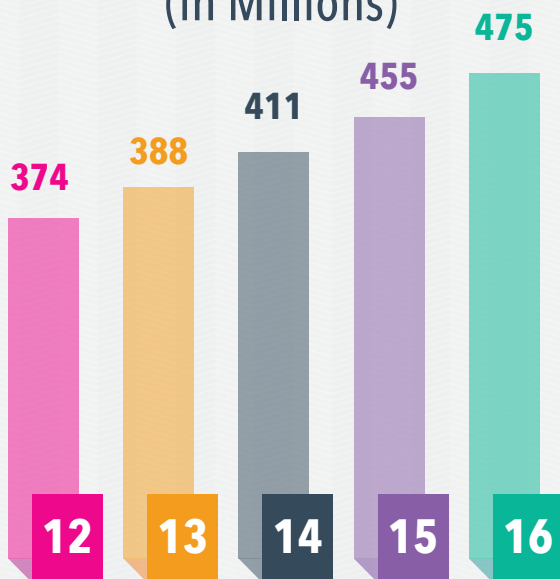
Net Income (in Millions)



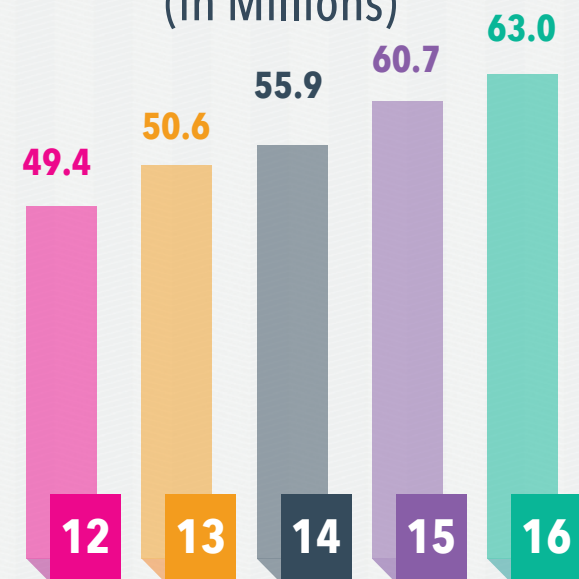
Return on Average Equity (Percentage)



Total Loans (in Millions)



Capital (in Millions)



Consolidated Balance Sheets

DECEMBER 31,

2016

2015

Assets

Cash and due from banks	\$	5,155,666	4,125,138
Interest-bearing deposits with banks		13,128,957	33,645,793
Securities available for sale		99,445,658	93,873,743
Loans, net of allowance for possible loan losses of \$5,657,075 and \$5,571,096 at December 31, 2016 and 2015, respectively		469,117,844	449,634,490
Premises and equipment, net		5,788,132	6,128,667
Other real estate owned, net		-	100,000
Interest receivable and other assets		3,312,124	3,034,302
TOTAL ASSETS	\$	595,948,381	590,542,133

Liabilities and Stockholders' Equity

Deposits:

Noninterest-bearing	\$	65,014,355	60,161,075
Interest-bearing		466,099,812	467,823,340
Total Deposits		531,114,167	527,984,415
Interest payable and other liabilities		1,865,864	1,821,568
Total Liabilities		532,980,031	529,805,983
Stockholders' equity:			
Common stock		98,266	98,266
Additional paid-in capital		1,837,493	1,690,917
Retained earnings		62,082,157	58,171,812
Accumulated other comprehensive (loss) income		(531,457)	1,359,685
Treasury stock at cost		(518,109)	(584,530)
Total Stockholder's Equity		62,968,350	60,736,150
Total Liabilities and Stockholders' Equity	\$	595,948,381	590,542,133

Consolidated Statements of Income

YEARS ENDED DECEMBER 31,		2016	2015
Interest Income:			
Loans	\$	24,483,746	23,292,062
Securities (includes \$17,684 and \$47,639 in 2016 and 2015, respectively, in comprehensive income reclassification for realized net gain on securities available for sale)		1,926,385	1,802,365
Other		127,776	135,618
Total interest income		<u>26,537,907</u>	<u>25,230,045</u>
Interest Expense:			
Deposits		1,775,017	1,261,226
Borrowings		-	74
Total interest expense		<u>1,775,017</u>	<u>1,261,300</u>
Net interest income		<u>24,762,890</u>	<u>23,968,745</u>
Provision for possible loan losses		450,000	300,000
Net interest income after provision for possible loan losses		24,312,890	23,668,745
Noninterest Income:			
Service charges on deposit accounts		704,662	619,533
Other service charges and fees		1,001,870	1,059,094
Total noninterest income		<u>1,706,532</u>	<u>1,678,627</u>
Noninterest Expense:			
Salaries and employee benefits		8,237,894	7,964,316
Occupancy		321,541	350,342
Furniture and equipment		593,809	499,193
Other real estate owned		43,718	159,302
Computer services		630,313	537,637
Other		3,276,521	3,110,289
Total noninterest expense		<u>13,103,796</u>	<u>12,621,079</u>
Net Income	\$	<u>12,915,626</u>	<u>12,726,293</u>



Front Row - Left to Right

Doug Fuller

President
Chief Executive Officer

Mark Davenport

Chairman of the Board

Bert Olah, Jr

Vice Chairman of the Board

Back Row - Left to Right

Jay W. Morton

Investments

Robert N. Cooke, M.D.

Physician

Jay Wilkinson

President / Owner
Jay Wilkinson, LLC

Carol Fehrle

Executive Vice President / COO

James L. Seikel

Investments

John A. Workun

Executive Vice President &
Senior Lending Officer

Steven R. Thompson

Investments



Board of Directors

Officers

Doug Fuller

President
Chief Executive Officer

John A. Workun

Executive Vice President &
Senior Lending Officer

Carol Fehrle

Executive Vice President / COO

James Griffith

Senior Vice President / CFO

Erin Batey

Senior Vice President

Steve Boyd

Senior Vice President

Randy Corp

Senior Vice President

Pam Korth

Senior Vice President

Richard Malone

Senior Vice President

Jeffrey Massad

Senior Vice President

Martha McCuddy

Senior Vice President

Kenton Owens

Senior Vice President

Michael Spann

Senior Vice President

Phil Thompson

Senior Vice President
& Auditor

Alan Webb

Senior Vice President

Lacey Biffle

Vice President

Derek Briggs

Vice President

Julie Crowell

Vice President

L.D. Ferguson

Vice President

Phyllis Ford

Vice President

Randy Hook

Vice President

Diane Kimberlin

Vice President

Laura Nunnery

Vice President

Bryan Petty

Vice President

Ellen Robison

Vice President

Bryan Scott

Vice President

Mike Thagard

Vice President

Jim Trent

Vice President

Summer Blades

Assistant Vice President

Jerika Coffman

Assistant Vice President

John Crabtree

Assistant Vice President

Carole Johnson

Assistant Vice President

Dianna Pritchett

Assistant Vice President



Quail Creek Bank
Member FDIC

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