Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 619, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1550a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016

Report's Legal Entity Identifier (LEI) (20-Character LEI Code)
N/A

Report's Name, Street, and Mailing Address
Quanah Financial Corporation ESOP
Legal Title of Holding Company
P.O. Box 450
Street / P.O. Box
Quanah, TX 79252
City / State / Zip Code

Physical Location (if different from mailing address)
Third & Mercer, Quanah, TX

Person to whom questions about this report should be directed:
M. Craig Kelly
Name
CPA
Title
806-371-7661
Area Code / Phone Number / Extension
806-371-0529
Area Code / FAX Number
ckelly@amacpas.com
E-mail Address
www.fnbq.com
Address (URL) for the Holding Company's web page

For holding companies not registered with the SEC—Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-6 report
☐ will be sent under separate cover
☒ is not prepared

For Federal Reserve Bank Use Only
RSFID
C.I.

Is confidential treatment requested for any portion of this report submission? ☐ Yes ☑ No
1aYes 0

In accordance with the General Instructions for this report (check only one):
1. a letter justifying this request is being provided along with the report ☐ ☐
2. a letter justifying this request has been provided separately ☐ ☑

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential.

Public reporting burden for this information collection is estimated to vary from 1.3 to 1.0 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (1110-0297), Washington, DC 20503.

12/2016
For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

<table>
<thead>
<tr>
<th>Legal Title of Subsidiary Holding Company</th>
<th>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quanah Financial Corporation</td>
<td>123 Main St, Quanah, TX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P.O. Box 450</td>
<td></td>
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<tr>
<td>Quanah</td>
<td></td>
<td>Quanah TX 79252</td>
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<tr>
<td>Third &amp; Mercer Street, Quanah, TX</td>
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<td></td>
</tr>
</tbody>
</table>
ANNUAL REPORT OF BANK HOLDING COMPANIES
FR Y-6
of
QUANAH FINANCIAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
To the Board of Governors of the
Federal Reserve System
for
Year Ended December 31, 2016
INDEX

REPORT ITEM 1: ANNUAL REPORTS TO SHAREHOLDERS
NONE

REPORT ITEM 2a: ORGANIZATION CHART
SEE ATTACHED EXHIBIT I

REPORT ITEM 2b: DOMESTIC BRANCH LISTING
SEE ATTACHED EXHIBIT II

REPORT ITEM 3: SHAREHOLDERS - QUANAH FINANCIAL CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN
SEE ATTACHED EXHIBIT III

SHAREHOLDERS - QUANAH FINANCIAL CORPORATION
SEE ATTACHED EXHIBIT IV

REPORT ITEM 4: INSIDERS - QUANAH FINANCIAL CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN
SEE ATTACHED EXHIBIT V

INSIDERS - QUANAH FINANCIAL CORPORATION
SEE ATTACHED EXHIBIT VI
QUANAH FINANCIAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN

Organization Chart
Report Item 2a

Quanah Financial Corporation Employee Stock Ownership Plan
Quanah, Texas
29% of outstanding common stock

Quanah Financial Corporation
Quanah, Texas
Incorporated in Texas
100% of outstanding common stock

First Capital Bank
Quanah, Texas
Incorporated in Texas

First Assurance Company
Quanah, Texas
100% owned
Incorporated in Texas

LEI: None
Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

**Actions**
- **OK**: If the branch information is correct, enter ‘OK’ in the **Data Action** column.
- **Change**: If the branch information is incorrect or incomplete, revise the data, enter ‘Change’ in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
- **Close**: If a branch listed was sold or closed, enter ‘Close’ in the **Data Action** column and the sale or closure date in the **Effective Date** column.
- **Delete**: If a branch listed was never owned by this depository institution, enter ‘Delete’ in the **Data Action** column.
- **Add**: If a reportable branch is missing, insert a row, add the branch data, and enter ‘Add’ in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.

If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.

The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

*FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.*

<table>
<thead>
<tr>
<th>Data Action</th>
<th>Effective Date</th>
<th>Branch Service Type</th>
<th>Branch ID_RSSD*</th>
<th>Popular Name</th>
<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>Country</th>
<th>Country</th>
<th>FDIC UNINUM*</th>
<th>Office Number*</th>
<th>Head Office</th>
<th>Head Office ID_RSSD*</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td></td>
<td>Full Service (Head Office)</td>
<td>919568</td>
<td>FIRST CAPITAL BANK</td>
<td>120 WEST THIRD STREET</td>
<td>QUANAH</td>
<td>TX</td>
<td>79252</td>
<td>HARDEMAN</td>
<td>UNITED STATES</td>
<td>2213</td>
<td>0</td>
<td>FIRST CAPITAL BANK</td>
<td>919568</td>
<td></td>
</tr>
<tr>
<td>OK</td>
<td></td>
<td>Full Service</td>
<td>3663291</td>
<td>WICHITA NATIONAL BANK BRANCH</td>
<td>5030 STONE LAKE DR</td>
<td>WICHITA FALLS</td>
<td>TX</td>
<td>76310</td>
<td>WICHITA</td>
<td>UNITED STATES</td>
<td>464048</td>
<td>1</td>
<td>FIRST CAPITAL BANK</td>
<td>919568</td>
<td></td>
</tr>
</tbody>
</table>
**Report Item 3: Securities Holders**

<table>
<thead>
<tr>
<th>Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2016</th>
<th>Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)(a) Name &amp; Address (City, State, Country)</td>
<td>(1)(b) Country of Citizenship or Incorporation</td>
</tr>
<tr>
<td>Quanah Financial Corp. ESOP Kenneth L. Horton, Trustee Quanah, TX/USA</td>
<td>USA</td>
</tr>
</tbody>
</table>

* Voting rights with respect to shares of Company stock which are held by the Trustee and which have been allocated to Accounts of Participants shall be exercised by the Trustee in such manner as may be directed by the respective participants. Shares of Company stock allocated to participants’ accounts with respect to which participants have not been given voting directions shall be voted by the Trustee.
### Report Item 3: Securities Holders

<table>
<thead>
<tr>
<th>(1)(a)</th>
<th>(1)(b)</th>
<th>(1)(c) Number and Percentage of Each Class of Voting Securities</th>
<th>(2)(a)</th>
<th>(2)(b)</th>
<th>(2)(c) Number and Percentage of Each Class of Voting Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name &amp; Address (City, State, Country)</td>
<td>Country of Citizenship or Incorporation</td>
<td></td>
<td>Name &amp; Address (City, State, Country)</td>
<td>Country of Citizenship or Incorporation</td>
<td></td>
</tr>
<tr>
<td>Kenneth L. Horton Quanah, TX/USA</td>
<td>USA</td>
<td>11,834 - 35.310% Common Stock</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steve L. McSpadden Quanah, TX/USA</td>
<td>USA</td>
<td>3,482 - 10.388% Common Stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Barry Smith Fort Worth, TX/USA</td>
<td>USA</td>
<td>1,695 - 5.056% Common Stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quanah Financial Corp. ESOP Kenneth L. Horton, Trustee Quanah, TX/USA</td>
<td>USA</td>
<td>9,827 - 29% Common Stock *</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Voting rights with respect to shares of Company stock which are held by the Trustee and which have been allocated to Accounts of Participants shall be exercised by the Trustee in such manner as may be directed by the respective participants. Shares of Company stock allocated to participants’ accounts with respect to which participants have not been given voting directions shall be voted by the Trustee.
### Report Item 4: Insiders

(1)(a)(b)(c) and (2)(a)(b)(c)

<table>
<thead>
<tr>
<th>Names &amp; Address (City, State, Country)</th>
<th>Principal Occupation if other than with Bank Holding Company</th>
<th>Title &amp; Position with Bank Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Title &amp; Position with Other Businesses (include names of other businesses)</th>
<th>Percentage of Voting Securities in Bank Holding Company</th>
<th>Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenneth L. Horton</td>
<td>N/A</td>
<td>Trustee</td>
<td>N/A</td>
<td>N/A</td>
<td>29%</td>
<td>64% (Quanah Financial Corporation)</td>
</tr>
</tbody>
</table>

* Voting rights with respect to shares of Company stock which are held by the Trustee and which have been allocated to Accounts of Participants shall be exercised by the Trustee in such manner as may be directed by the respective participants. Shares of Company stock allocated to participants' accounts with respect to which participants have not been given voting directions shall be voted by the Trustee. (29% held as trustee and 35% held personally)
## Report Item 4: Insiders

(1)(a)(b)(c) and (2)(a)(b)(c)

**Form FR Y-6**  
*Quanah Financial Corporation*  
*Quanah, Texas*  
**Fiscal Year Ending December 31, 2016**

<table>
<thead>
<tr>
<th>Names &amp; Address (City, State, Country)</th>
<th>Principal Occupation if other than with Bank Holding Company</th>
<th>Title &amp; Position with Bank Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Title &amp; Position with Other Businesses (include names of other businesses)</th>
<th>Percentage of Voting Securities in Bank Holding Company</th>
<th>Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)</th>
<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</th>
</tr>
</thead>
</table>
| Kenneth L. Horton  
Quanah, TX/USA | Banker | Director & President | Director & CEO (First Capital Bank) | N/A | 35% | None | N/A |
| Steve L. McSpadden  
Quanah, TX/USA | Banker | Director & Vice President | Director & President (First Capital Bank) | N/A | 10% | - | N/A |
| James J. Herring  
Wichita Falls, TX/USA | Banker | Director | Director & President (First Capital Bank) | N/A | 1% | - | N/A |
| Quanah Financial Corporation Employee Stock Ownership Plan  
Kenneth L. Horton, Trustee  
Quanah, TX/USA | USA | N/A | N/A | N/A | 29% | None | N/A |

* Voting rights with respect to shares of Company stock which are held by the Trustee and which have been allocated to Accounts of Participants shall be exercised by the Trustee in such manner as may be directed by the respective participants. Shares of Company stock allocated to participants' accounts with respect to which participants have not been given voting directions shall be voted by the Trustee.
### Report Item 4: Insiders

(1)(a)(b)(c) and (2)(a)(b)(c)

<table>
<thead>
<tr>
<th>Names &amp; Address (City, State, Country)</th>
<th>Principal Occupation if other than with Bank Holding Company</th>
<th>Title &amp; Position with Bank Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Percentage of Voting Securities in Bank Holding Company</th>
<th>Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)</th>
<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Brinkerhoff Quanah, TX/USA</td>
<td>Attorney</td>
<td>Director &amp; Chairman (First Capital Bank)</td>
<td>N/A</td>
<td>1%</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owner (David K. Brinkerhoff, Attorney)</td>
<td>None</td>
<td>None</td>
<td>David K. Brinkerhoff, Attorney (100%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owner (Hardeman Abstract &amp; Title, Inc.)</td>
<td>None</td>
<td>None</td>
<td>Hardeman Abstract &amp; Title, Inc. (100%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Partner (Bell, Brinkerhoff &amp; Bell Partnership)</td>
<td>None</td>
<td>None</td>
<td>Bell, Brinkerhoff &amp; Bell Partnership (33%)</td>
</tr>
<tr>
<td>William Barry Smith Fort Worth, TX/USA</td>
<td>Clothier</td>
<td>Director (First Capital Bank)</td>
<td>N/A</td>
<td>5%</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owner (Distinctive Apparel)</td>
<td>None</td>
<td>None</td>
<td>Distinctive Apparel (100%)</td>
</tr>
</tbody>
</table>