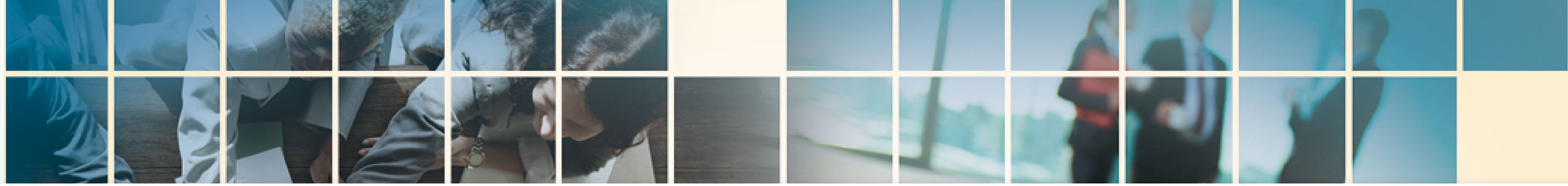


2016 ANNUAL REPORT

D·C·I

DATACENTERINC.COM

WORKING TOGETHER FOR BETTER BANKING

"DCI contributes to the success of our operation day after day, year after year. We couldn't do it without them."

— **Karen Pjesky**
VP & CFO
The Halstead Bank, KS

Community banks have trusted DCI to deliver advanced core banking technology for 54 years.

John Jones
President & CEO

Sarah Fankhauser
EVP & COO

But behind the hardware and award-winning iCore360° software is a company built around something more important—a family of people with a uniquely purpose-driven, collaborative and personal commitment focused on you.

Technology You Can Depend On... A Relationship You Can Trust.

Since 1963, DCI has been an independent company privately-owned by several of our client banks, with customers serving as board members and active user-group leaders, and employees with real-world banking experience. That means you have a real voice with people who truly understand you and care about you like family.

It means we have a personal stake in ensuring you have service and support that is proactive and attentive, actively listening to you and quick to respond. It means people you can trust to be more concerned about you and your success than their stock market returns. It means freedom from the uncertainty of corporate acquisitions and contractual shell games. It means you have a partner with the agility to quickly react to your needs and create banker-designed solutions with your input that are more useful and meaningful to you. It means you have a partner that knows you on a first-name basis and respects you with an unwavering commitment to fair, honest business practices and service. It means you have a technology partner focused on only one goal: helping you personally succeed as a banker.

At DCI our legacy of award-winning technology is simply the culmination of the trusted partnership we share with our customers. Like a family that knows it is only as strong and successful as each one of us, that foundation designed around people and relationships is still what makes DCI unique today because it is still what we value most.

And that's why, working together, we will continue to lead the way to better banking tomorrow…built on relationships people can trust.

MESSAGE TO SHAREHOLDERS

DCI finished 2016 with another productive year overall, with stable financial performance and promising progress in our products, infrastructure, and strategic leadership.

Financially, at $29.7 million in revenue, we maintained our performance from 2015 and posted a 1% increase in stockholder equity. Overall expense growth was held to 1% above 2015 and we remain debt-free. A highly competitive market continued to apply pressure on short-term income, but our focus on long-term growth and stability bolstered an aggressive sales and retention strategy that secured several prosperous client relationships for the future.

We welcomed several new core clients from Kansas, Missouri, Minnesota, Oregon and Virginia in 2016, and a dramatic increase in clients choosing to implement our eBanking solutions.

Key leadership changes included several executive promotions to succeed retiring members, including prominent Kansas banker R.A. Edwards, who retired as DCI board chairperson after 23 years of service, helping to lead DCI through some of our most prosperous and innovative periods of growth. We also welcomed new board members Wade Huckabay, president of All America Bank in Oklahoma; Mike Cearley, president of Centera Bank in Kansas; and Randolph Johnston, an IT expert and CEO of Network Management Group Inc. in Kansas. This new leadership group quickly began setting the strategic roadmap for the next chapter of our long history.

As usual, we continued our focus on innovative iCore360® developments, high customer satisfaction and strategic business initiatives for long term stability. This includes new product enhancements in payments, analytics and internet/mobile banking solutions, plus infrastructure improvements for next-level PCI security certification, resource consolidation and efficiency. We also made progress toward significant future projects to substantially streamline business processes and upgrade infrastructures to boost performance and customer service even further.

For example, we are optimistic about groundbreaking 2017 projects like:

- NetSuite Enterprise Resource Planning (ERP) to enhance internal efficiencies and customer service company-wide
- Significant investments in leading solid-state hardware and other technologies that will set a new bar in core performance and stability
- Ambitious plans for expanded Internet/mobile banking capabilities and next-generation iCore360 analytics to help DCI bankers stay competitive, agile and prosperous.

Sadly, the DCI family said a final farewell to Donald Lindt in 2016, whose vital contributions as the company's first president and engineer helped lay the groundwork for what DCI has become today.

His legacy will be remembered with grateful appreciation as we look ahead with optimism, because we have never strayed from the principles that founded DCI 54 years ago and underpin our uniqueness to this day—a commitment to innovation built on personal integrity, collaborative relationships, and a promise to always place people before profits.

Kathleen Steward

Kathleen Steward
Chairperson of the Board
Chisholm Trail Financial Corp., KS

CUSTOMER CARE

> *"DCI people are simply amazing! They are knights in shining armor and are great to work with."*
>
> — **Nikki Nichols**
> *Manager*
> *Valley State Bank, KS*

DCI is defined and differentiated by our people and the personal relationships we share with our clients.

Out in front and behind the scenes, it is the selfless care that our 250 professionals provide, 24 hours a day, that separates DCI from our competition even more than our technology does.

Our support staff continues to ensure every customer call, email and online inquiry is received and answered by a live person, not a robot. As a result, in 2016 we maintained an average response time of seven minutes or less, and resolved 74% of inquiries on the first contact.

Always pursuing improvement, however, we enhanced our call center routing and contact management capabilities to even further streamline our reaction time, particularly for after-hours support.

We also initiated a major project to consolidate several currently separate business systems together, via a new NetSuite Enterprise Resource Planning (ERP) solution in 2017. Encompassing our entire customer support, sales, development, finance and technical support areas, this ERP project will interconnect DCI staff across all locations into a single hub of data and business functions to systematically support our strategic growth and service efficiency company-wide.

Still, it is the time we spend face-to-face with our customers that we value most. Our customer relationship managers continued to visit every core bank client at least once a quarter—often accompanied by DCI senior executives—to proactively listen and address questions, discuss service/product updates and offer strategic help at no charge. Along with additional on-site visits by technicians and trainers when needed, these one-on-one visits are designed to further ensure that every client is getting the service and support they need.

In other areas of customer care, our professional service team continued to manage dozens of new bank conversions, mergers and ancillary product installations while helping numerous clients improve their efficiency, service, and profitability through detailed operational reviews that streamline routine processes and maximize iCore360 features. These operational reviews continue to gain popularity among clients as a highly valuable resource for strategic improvement.

Furthermore, our professional educators continued to produce an impressive volume of detailed instructional training on all aspects of iCore360 functions, delivered to all users for free and on-demand via iCore360, plus free webinars on other topics such as new card transaction alerts, deposit account origination, and card fraud.

In addition to our user group meetings, DCI hosted nearly 300 customers, staff, business partners and a record number of prospective clients at our annual customer conference in September for a first-hand look at the latest DCI product updates, free training and a wealth of banking insight lead by DCI clients and other industry experts.

As a result of our focused customer care, we again celebrated a near 100% voluntary customer retention rate and a 98% increase in additional DCI products/services ordered by existing clients vs 2015.

Our annual customer satisfaction survey also generated another tremendously positive response, as 100% of core clients responded with an average satisfaction rating of 95%, continuing a decades-long record of consistently high scores. Survey results from eBanking clients also continue to impress, with 93% of respondents reporting that they are satisfied with their DCI relationship and nearly the same stating they would likely recommend DCI to a business associate. Results like those prove that our people make DCI the clear winner when it comes to overall customer satisfaction and loyalty.

Many industry experts predict a rapid rise of artificial intelligence "bots" to further automate banking and displace the need for human interactions. That may be, and if a technology helps our clients compete, we'll pursue it. But our highest calling will always be to treat our customers like family with the most personal attention "humanly" possible.

We simply value the one-on-one human connection we share with our customers too much to ever turn it over to a robot.

Greg Horning
VP of Customer Relationships

RESEARCH & DEVELOPMENT

"DCI is very open about the development of their software… good two-way feedback…. the best user group I've been to."

— **Jonathan Holmgren**
Farmers & Merchants State Bank

Year after year our research and development teams ambitiously pursue the most useful banking innovations possible for our clients.

Our 2016 results included an impressive list of new capabilities across iCore360 and other companion DCI products, all designed to truly enhance the user experience and produce better results for bankers and their customers.

Success Through Collaboration

The most meaningful developments we pursue, however, continue to come from the direct feedback we receive from customers during routine bank visits and semi-annual customer-led user group meetings, because they inspire achievements specifically targeted to the daily needs of our customers.

We also formed a new user group meeting specifically focused on the unique needs of our eBanking clients and their customers. Our first meeting in 2016 was a huge success, with bankers and developers collaborating to set an aggressive development agenda for 2017 and beyond.

A Focus on Workflows and User Experience

Among our most significant 2016 improvements were several upgrades to give users even quicker, customized access to the role-specific information they need on key customer, account, and bank details. New tools like our innovative Financial Dashboard, Associated Relationships and Home Page upgrades help aggregate information and customer relationship dynamics to streamline role-based user workflows across the bank with focused, quick-view access and analysis. Other upgrades included easier budgeting, reporting, interactive GL management and loan management lifecycles, including detailed, yet easy tracking of documents, exceptions and key information.

We also implemented upgrades to support our new fully DCI-controlled and operated solution for ATM/Card processing, driving and management, including new email and text alerts to combat eBanking and ATM/debit card fraud. Additional progress was made on enhancing electronic signatures and automatic document imaging and management capabilities, as well as numerous regulatory requirements and the implementation of several new third party features, including bill pay, geocoding, online check ordering and more.

Daren Fankhauser
SVP & CTO/Chief Architect

In 2016, nearly half of the enhancements in our two major iCore360 releases were direct user group requests to enrich their everyday workflow, and are just the latest of nearly 600 user requests we've implemented in the past several years.

iCore360 Highlights

- New Home Page controls and Account Profile updates for more personal user workflow
- Financial Dashboard for customized user views of organized financial information
- Associated Relationships controls for quick access to total customer relationship details and analysis
- Updated ATM network and card processing operations exclusively controlled and driven by DCI
- Real-time card transaction alerts for heightened security and fraud protection
- Account Origination options for eSignatures and document imaging
- Groundwork for extensive 2017 visual design and user experience makeovers across iCore360 and companion solutions

eBanking Highlights

- Enhanced online statements and documents
- Enhanced bill pay options
- New wire controls and interfaces to iCore360
- Extended mobile deposit integration
- Cash Management approvals and limits
- New secondary user controls
- Single sign-on to iCore360 Inter@ct Positive Pay
- Advanced administrator console controls
- Debit card blocking, activation and real-time alerts
- New flexible loan payment options

2017 Initiatives

In 2016 we laid the groundwork for dramatic visual design makeovers to be widespread across our iCore360, ancillary and eBanking applications in 2017 for a stunningly modern appearance and intuitive user experience to go along with new upcoming features for branch capture, online check ordering, personal financial management tools, risk based security controls and fingerprint log-on for mobile banking.

Other notable features being developed for 2017 include:

- Custom statement/notice design options
- Simplified loan controls for payoff statements, account number updates, delinquent loans, bill record updates and collateral record reporting
- New pop-up screen alerts for Customer/Account Messages
- New DCI-designed Branch Capture 21 solution
- New controls to automate mobile deposit approvals and eBanking bill pay holds/releases
- Extensive mobile banking feature upgrades
- External account transfer controls
- New remote deposit interfaces and options
- ACH file automation
- Multi-format NACHA file import/export

DCI bankers have a lot to look forward to in 2017 and beyond, as our development professionals continue to collaborate with users and focus on technologies that raise the bar for the most advanced, valuable tools our clients need to help them succeed.

SALES & MARKETING

"We felt the need for a core change and the DCI products, bank ownership, and people are a perfect fit."

— **Harry Wahlquist**
President, CEO & Chairman
Star Bank, MN

The DCI sales and marketing teams hit the ground running in 2016, vigorously introducing the DCI difference to community bankers nationwide, and with great success.

This effort included additional sales professionals and product specialists hired to cover wider territories and increased demand. As a result, this expanded and energized sales force built perhaps our richest-ever pipeline of prospective core clients nationwide, bringing several new banks into the DCI family, including clients from Kansas, Minnesota, Missouri, Oregon and Virginia, with extended long-term contracts.

In 2016 we also enjoyed increased cross sales with iCore360 companion upgrades and our non-core ancillary and Internet/mobile eBanking lines of business. Several outreach efforts and educational demos paid off as more and more iCore360 clients upgraded to add DCI Internet/mobile eBanking services. Similar outreach and exclusive eBanking user group meetings also expect to produce an increase in non-core eBanking customers making the switch to iCore360.

We supplemented our routine marketing exposure with new advertising channels, client testimonials, press releases and case studies with wide media coverage, plus dozens of industry tradeshow appearances, including as hosts of an exclusive banker panel on core banking for the California Bankers Association (CBA).

DCI also gained repeat recognition nationwide as one of the 2016 *IDC Financial Insights* FinTech Rankings Top 100 financial technology providers worldwide, augmenting our late-2015 FinTech Forward Top 100 recognition and *BankNews* Innovative Solutions Award. And we added to our number of exclusive state banking association endorsements along with that of the California Bankers Association affirmed in 2015. These recognitions boost our marketing efforts to affirm our leadership, innovation and stability in the banking community.

For 2017 we will continue to expand on our normal outreach efforts through advertising, media and events, along with new projects for a completely new corporate website design and greatly expanded marketing, prospecting and sales management initiatives as part of our company-wide NetSuite ERP project.

With this expanding focus, tools and talent, we start 2017 with several new core customers already committed and our best pipeline of prospective clients in years, promising great sales growth in the years ahead.

Clay Hamlet
VP of Sales & Marketing

SYSTEMS & OPERATIONS

"DCI is a strong and innovative company with longevity and excellent customer service."

— **Stacy Ryder**
Officer
First National Bank of Hutchinson, KS

Our network, systems and operations technicians completed their complex redesign of our entire network and system infrastructure to secure official PCI 3.1 DDS certification for DCI.

The Pinnacle of Security

We're proud of the high security and stability we've built into our systems to further protect our clients and their customers.

This vast two-year process toward PCI certification involved a series of complex technology designs and system architectures to physically and virtually isolate sensitive bank data and processes into specially confined, secure data and processing citadels, encompassing all new hardware/software systems, including new multi-tiered Firewalls, controllers, servers, storage and an entirely new 10Gb fabric expansion to enhance overall processing stability, efficiency and performance and security of all DCI services.

This includes the addition of new higher-integrity, automated cryptographic key lifecycle management and encryption tools into the company's iCore360 core software infrastructure to ensure data security that not only exceeds PCI compliance requirements but also prepares DCI for future security requirements and countermeasures.

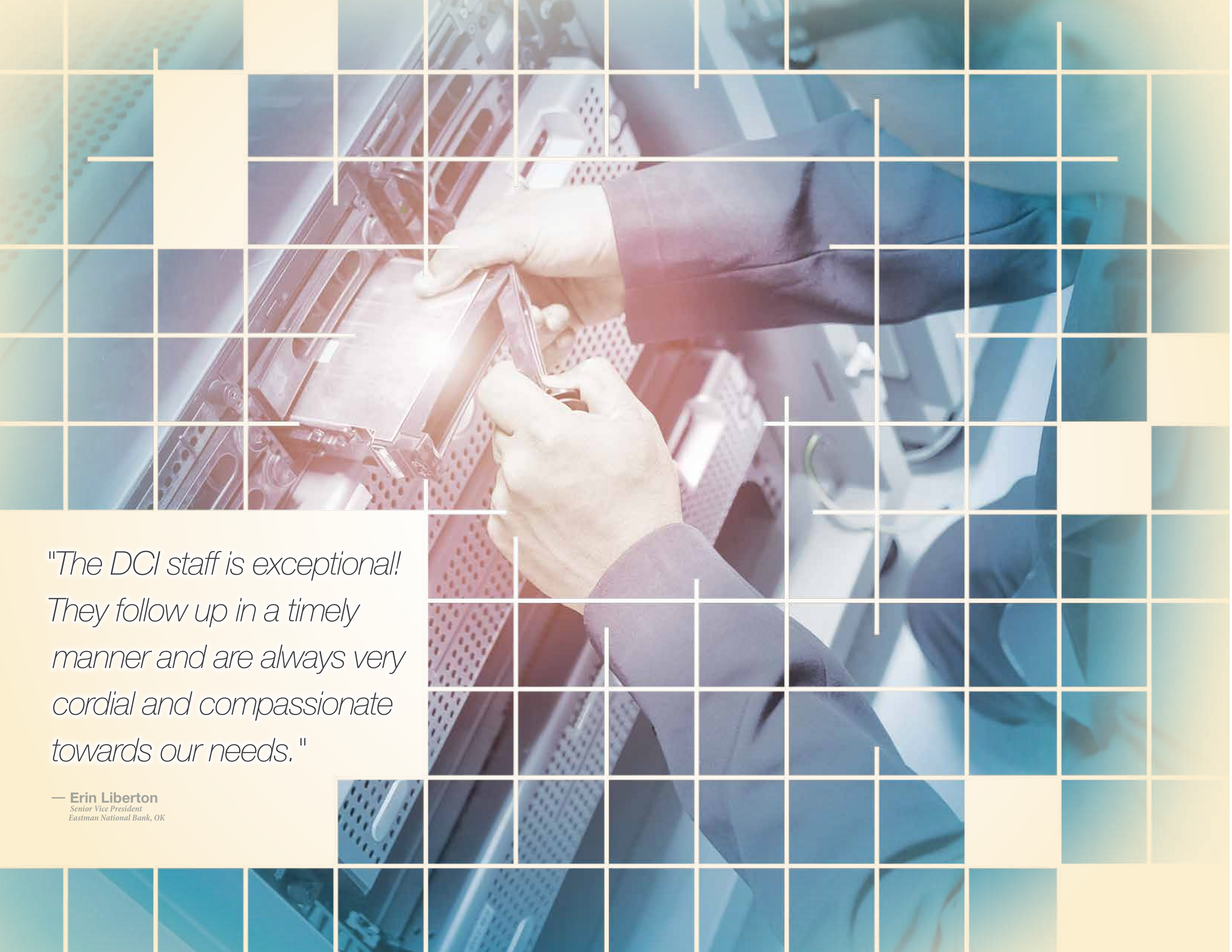
DCI customers can be proud of our significant investment in PCI 3.1 certification because we made the effort to do it right without taking any shortcuts or loopholes, confirming that DCI provides an elite status of technical stability, performance and data security. Best of all, we completed this project with no impact on service or cost to our customers.

Improved ATM Processing

We further improved the performance, security and responsiveness of our ATM network and card processing services by eliminating the involvement of third-parties and giving DCI experts greater control, which also improves the operating efficiency, profitability and cardholder satisfaction for our client banks.

Another large-scale project enabled real-time email/SMS fraud alerts to customers via iCore360 for sensitive ATM/card-related transactions, with plans to include deposit transactions and bank employee alerts in 2017.

Sencer Tasan
SVP of Network/Technical Services & CIO



"The DCI staff is exceptional! They follow up in a timely manner and are always very cordial and compassionate towards our needs."

— **Erin Liberton**
Senior Vice President
Eastman National Bank, OK

Other Performance Improvements

In late summer we consolidated select remote data center operations into our headquarters data center to increase overall efficiency and economy with no disruption to customers. Additional consolidations planned in 2017 will further enhance productivity and disaster recovery capabilities while reducing overall costs.

We also set in motion an expansion of our Oracle enterprise systems bringing significant benefits—both immediate and long-term—across multiple business areas including system performance gains, operational cost savings, increased data encryption, and exciting possibilities for future iCore360 capabilities, such as Analytics and Financial Dashboard.

Initiatives for 2017

For 2017, our systems technicians will continue to focus on overall security measures, including quarterly PCI-certified vulnerability assessments, disaster readiness, managed file transfer performance and an expanded vigilance on risk metrics, threats and controls.

Other improvement goals for 2017 include greatly expanding capabilities for customized bank statements and notices, automail statement enhancements, additional file transfer security measures and new permit mailing methods and equipment upgrades to support new postal features and gain even more workflow efficiencies in our backroom operations.

Additionally, we'll be consolidating several currently separate business systems into a new NetSuite Enterprise Resource Planning (ERP) solution this spring. This ERP solution will interconnect DCI staff across all locations into a single hub of data and business functions. With over 700 technical support tickets processed each year, this new ERP solution will enhance the response and management of those requests and increase the efficiency of our routine system administration overall.

Gerald Rempe
SVP of Operations

INDEPENDENT AUDITOR'S REPORT

The Board of Directors — Data Center, Inc.

Dennis Queal
SVP & CFO

Report on the Financial Statements

We have audited the accompanying financial statements of Data Center, Inc. which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Data Center, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wichita, Kan.
January 18, 2017

Allen, Gibbs & Houlik, L.C.

Balance Sheets

ASSETS

	2016	2015
Current Assets		
Cash	$ 8,269,639	$ 9,297,784
Accounts receivable	3,235,669	3,533,141
Other receivables and prepaid expenses	2,681,427	2,446,991
Income taxes receivable	214,698	947,664
Inventory	45,083	58,058
Total current assets	14,446,516	16,283,638
Property & Equipment		
Land	254,787	254,787
Building	4,272,219	4,479,385
Equipment	8,915,960	10,372,077
	13,442,966	15,106,249
Less: accumulated depreciation and amortization	10,635,611	11,814,536
Total property and equipment	2,807,355	3,291,713
Other Assets & Software		
Other receivables and prepaid expenses	1,256,549	875,425
Other assets	10,000	--
Software, less accumulated amortization of $6,864,057 and $5,952,894	11,464,792	12,451,639
Total other assets and software	12,731,341	13,327,064
Total assets	$29,985,212	$ 32,902,415

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
Current Liabilities		
Accounts payable	$ 810,706	$ 756,660
Accrued expenses	790,332	509,474
Accrued savings and retirement plan contribution	207,000	378,000
Deferred compensation, short term	--	67,167
Deferred revenue	1,432,789	1,760,489
Total current liabilities	3,240,827	3,471,790
Other Liabilities		
Deferred compensation, long term	--	96,833
Deferred income taxes	897,000	843,000
Total liabilities	4,137,827	4,411,623
Stockholders' Equity		
Common stock, $1 par value; authorized 500,000 shares, 106,304 shares outstanding in 2016 and 120,091 shares outstanding in 2015, net of shares held in treasury	421,768	421,768
Additional paid-in capital	3,326,673	3,326,673
Retained earnings	36,155,595	35,528,175
	39,904,036	39,276,616
Less treasury stock at cost; 315,464 shares in 2016 and 301,677 shares in 2015	14,056,651	10,785,824
Total stockholders' equity	25,847,385	28,490,792
Total liabilities and stockholders' equity	$29,985,212	$32,902,415

The accompanying notes are an integral part of these financial statements.

Statements of Income

	2016	2015
Data processing revenue, net	$29,667,328	$ 29,740,825
Operating expenses:		
Salaries and payroll tax	16,684,321	15,764,300
Other employee expense and benefits	3,908,585	3,621,225
Maintenance and processing	2,480,098	2,160,934
Occupancy	1,388,410	1,347,902
Depreciation and amortization	2,301,428	2,275,790
Administrative	1,179,600	1,285,831
Total operating expenses	27,942,442	26,455,982
Operating income	1,724,886	3,284,843
Other income (expense):		
Interest income, net	25,272	9,003
Rental income	112,748	110,120
Loss on disposal of equipment	(458)	(2,795)
Total other income	137,562	116,328
Income before income taxes	1,862,448	3,401,171
Provision for income taxes	708,000	902,000
Net income	$ 1,154,448	$ 2,499,171

Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2014	$ 421,768	$ 3,326,673	$ 33,811,396	$(10,685,496)	$26,874,341
Purchase of 450 shares				(100,328)	(100,328)
Dividend to shareholders			(782,392)		(782,392)
Net income			2,499,171		2,499,171
Balance at December 31, 2015	421,768	3,326,673	35,528,175	(10,785,824)	28,490,792
Purchase of 13,787 shares				(3,270,827)	(3,270,827)
Dividend to shareholders			(527,028)		(527,028)
Net income			1,154,448		1,154,448
Balance at December 31, 2016	$ 421,768	$ 3,326,673	$ 36,155,595	$(14,056,651)	$25,847,385

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	2016	2015
Cash flows from operating activities:		
Net income	$1,154,448	$ 2,499,171
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	2,301,428	2,275,790
Gain on sale of investments	--	(100,033)
Loss on disposal of equipment	458	2,795
Deferred income taxes	54,000	701,000
Changes in operating assets and liabilities:		
Accounts receivable	297,472	(842,367)
Other receivables and prepaid expenses	(625,560)	285,551
Income taxes	732,966	(405,254)
Inventory	12,975	(28,545)
Accounts payable	54,046	295,837
Accrued expenses	280,858	247,039
Accrued savings and retirement plan contribution	(171,000)	(156,000)
Deferred compensation	(164,000)	(2,430,000)
Deferred revenue	(327,700)	103,279
Net cash flow from operating activities	3,600,391	2,448,263
Cash flows from investing activities:		
Proceeds from sale of equipment	5,000	--
Proceeds from sale of investments	--	150,033
Purchase of property and equipment	(344,377)	(143,695)
Purchase of software	(491,304)	(426,819)
Net cash flow from investing activities	(830,681)	(420,481)
Cash flows from financing activities:		
Acquisition of treasury stock	(3,270,827)	(100,328)
Dividend to shareholders	(527,028)	(782,392)
Net cash flow from financing activities	(3,797,855)	(882,720)
Net change in cash	(1,028,145)	1,145,062
Cash at beginning of year	9,297,784	8,152,722
Cash at end of year	$8,269,639	$ 9,297,784
Supplemental disclosures of cash flow information:		
Income tax payments, net of refunds	$(78,966)	$ 606,254

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Operations – Data Center, Inc. (Company) is incorporated under the laws of the State of Kansas. The Company's primary business is to provide data processing services to financial institutions. The Company conducts business in approximately 40 states and extends credit to all customers. The Company's shareholders are financial institutions; most of which are also customers.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash accounts.

Accounts Receivable and Revenue Recognition – Accounts receivable are carried at original invoice amount. Receivables are written off against the allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are considered past due after 30 days. Interest is not normally charged on past due amounts. Management believes that the Company's customers are creditworthy and all receivables are collectible; therefore, the Company does not have an allowance for doubtful accounts as of December 31, 2016 and 2015. Generally, the Company enters into data processing contracts of three to seven years in length. The Company generates revenue through the sale of data processing services, equipment and supplies, maintenance contracts, software, ebusiness services and other service products. The Company also records revenue under certain contracts for postage, telecommunication, supplies, certain travel and hardware costs, net of the related expenses that are passed on directly to the customer. Such expense amounts were $5,579,520 and $5,420,530 for 2016 and 2015, respectively. Revenues are recognized when applicable services are provided. Deconversion revenues are recognized when a contract with a customer has been terminated (such revenues are approximately $703,000 and $778,000 in 2016 and 2015, respectively.) Amounts received in advance of when services are provided are reflected as deferred revenue until such services are provided to the customer.

Other Receivables and Prepaid Expenses – Prepaid expenses primarily consist of postage costs and maintenance fees; other receivables primarily consist of advances made to customers to repay contractual, one-time charges due to the Company over the life of the contract. Such receivables, which are $1,330,704 and $961,424 at December 31, 2016 and 2015, respectively, are generally unsecured, non-interest bearing and have repayment terms of up to 120 months. At December 31, 2016, no receivables were past due, impaired or on non-accrual status and there is no allowance for credit losses for those receivables.

Inventory – Inventories primarily consist of equipment, software and licenses purchased and held for resale and are stated at the lower of cost or market. Cost is generally determined on the specific identification method.

Property and Equipment – Property and equipment assets are recorded at cost and are depreciated over their estimated useful lives using the straight line method, as follows:

Building and improvements: 15 – 25 years
Equipment: 3 – 10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Software Costs – Costs to acquire software products are capitalized and amortized over economic useful lives ranging between 3 and 15 years. Research and development costs and other normal maintenance costs are expensed when incurred.

Impairment of Long-Lived Assets – Whenever events or changes in circumstances occur that indicate the carrying amount of long-lived assets may not be recoverable, management reviews the assets for possible impairment. Management's review of long-lived assets indicate that, at this time, there is no impairment.

Deferred Compensation – Costs associated with the deferred compensation plans are recognized as the benefits are earned and over the estimated service period of the participant. As allowed under accounting principles generally accepted in the United States of America, the Company records the expected obligation without using present value techniques.

Income Taxes – Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and loss carryforwards; deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the financial effects of a tax position only when it believes it can more likely than not support the position upon an examination by the relevant tax authority. As of December 31, 2016 and 2015, the Company believes it does not have any material uncertain tax positions.

Accounting Policies not yet Adopted:
Revenue Recognition – The FASB issued a new accounting standard, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. accounting principles. The core principle of the new standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new accounting standard defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. accounting principles. The standard is first effective for the Company with its 2019 year.

Advances and receivables made to customers to pay contractual, one-time charges are generally non-interest bearing. The new revenue recognition policy will require the Company to recognize the existence of a financing component and reflect the non-interest bearing receivables using net present value techniques. The Company is also evaluating other possible impacts of the pending adoption of the new standard.

Leases – The FASB issued a new accounting standard, Leases, which will eliminate the concept of operating leases, among other things. This new standard will include substantial changes for accounting by lessees; existing operating leases and all new leases, unless immaterial, will require balance sheet recognition (right to use asset and lease liability). The standard is expected to be effective for the Company with its 2020 year. The Company is currently evaluating the impact of the pending adoption of the new standard.

Credit Losses – The FASB issued a new standard, Financial Instruments – Credit Losses, (also known as CECL) that requires the measurement of expected credit losses (allowance for doubtful accounts) that is based on historical experience and current conditions and reasonable and supportable forecasts that affect collectability of reported amounts. The standard is expected to be effective for the Company with its 2021 year. At this time, the Company does not believe it will have a material impact on its financial statements.

Reclassification – Certain amounts in the 2015 financial statements have been reclassified to conform with the current year presentation.

Subsequent Events – Subsequent events have been evaluated through January 18, 2017, which is the date that these audited financial statements were available to be issued.

2. DEFERRED AND DISCRETIONARY COMPENSATION

The Company has a Performance Incentive Plan (PIP) for key employees. Awards are based on threshold and target performance, as defined, and are payable within 2 ½ months after the date a participant becomes entitled to receive payment. In addition to the PIP, the board of directors, from time-to-time, may approve discretionary bonus payments to key employees. Compensation costs for the PIP and discretionary bonuses (included in other employee expense and benefits) were $48,167 and $164,000 for 2016 and 2015.

3. INCOME TAXES

Deferred tax assets (liabilities) consist of the following at December 31, 2016 and 2015:

	2016	2015
Prepaid expenses	$(677,000)	$(644,000)
Deferred compensation	--	30,000
Property, equipment and other assets	(669,000)	(687,000)
Acquisition costs	28,000	31,000
Kansas net operating loss carryforward	--	13,000
Tax credits carryforward	421,000	414,000
Deferred tax assets (liabilities)	$(897,000)	$(843,000)

As of December 31, 2016, the Company has Kansas High Performance Incentive Program credits of $421,000 (begin to expire in 2030). Realization of the tax credits is dependent upon future taxable income during the period prior to when the credits are scheduled to expire. Management believes the credits will be utilized prior to expiration; therefore, no valuation allowance is provided.

Income tax expense (benefit) for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Current	$ 654,000	$ 201,000
Deferred	54,000	701,000
Total	$ 708,000	$ 902,000

The income tax provision differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pretax income because of state taxes, federal and state tax credits, nondeductible expenses and changes in estimates from prior year tax accruals.

4. OPERATING LEASES

The Company leases office space and equipment from unrelated parties. Lease terms vary in duration and include various option periods. The leases generally require the Company to pay taxes, maintenance and insurance. Future minimum lease payments under noncancelable operating leases, with initial terms in excess of one year, as of December 31, 2016, are as follows:

2017	$425,738
2018	407,786
2019	184,995
2020	17,906

Total rental expense for all operating leases was $495,845 and $464,071 for the years ended December 31, 2016 and 2015, respectively.

The Company also leases space in its corporate headquarters to an unrelated party under a long-term lease agreement expiring in 2017. Additionally, the Company leases a building it owns to a third party. Future minimum lease receipts under noncancelable operating leases, with initial terms in excess of one year, as of December 31, 2016, are as follows:

2017	$138,120
2018	33,600
2019	33,600
2020	2,800

5. PROFIT SHARING PLAN

The Company has a profit sharing plan, which includes a salary reduction feature, under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Benefits vest to individual participants at varying rates with full vesting after the sixth year of service. The Company's profit sharing contribution is determined annually by the Board of Directors. The Company will match the employee's salary reduction contribution to the plan up to 4% of the employee's annual compensation. Company contributions to the plan were $734,848 and $757,510 for the years ended December 31, 2016 and 2015, respectively.

OFFICERS

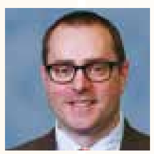
JOHN JONES
President
CEO

SARAH FANKHAUSER
Executive Vice President
COO

DENNIS QUEAL
Senior Vice President
CFO

SENCER TASAN
Senior Vice President
Network/Technical Services, CIO

GERALD REMPE
Senior Vice President
Operations



DAREN FANKHAUSER
Senior Vice President
Chief Architect, CTO

CONCHA DUARTE
Vice President
Backroom Services

CLAY HAMLET
Vice President
Sales & Marketing

GREG HORNING
Vice President
Customer Relationships

ALAN KRUSE
Vice President
Industry Analyst

SANDRA SCHMITT
Vice President
Application Development

SUSAN FLORES
Vice President
Customer/Professional Services

MARK HARRIS
Vice President
Marketing

JAMES KITSON
Vice President
Operations

KAROL SAUER
Vice President
Human Resourses/Business Continuity

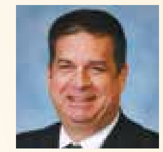
JAMES WEST III
Vice President
Conversions

EDWARD WILD
Vice President
Ancillary Applications

DIRECTORS

KATHLEEN STEWARD
Chairperson of the Board
Chisholm Trail Financial Corp., Wichita, KS

DOUGLAS BRIGGS
Chairman & CEO
First State Bank & Trust Co., Larned, KS

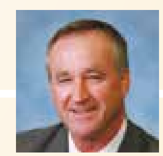


JEFFREY BALL
President & CEO
Friendly Hills Bank, Whittier, CA

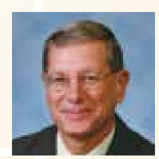
MICHAEL CEARLEY
President
Centera Bank, Sublette, KS

WADE HUCKABAY
President
All America Bank, Mustang, OK

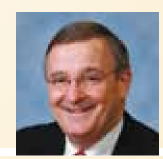
JOHN JONES
President & CEO
Data Center, Inc, Hutchinson, KS



KEITH HUGHES
CEO
First National Bank, Hutchinson, KS



TIM KOHART
President & CEO
Valley State Bank, Syracuse, KS



RANDALL JOHNSTON
CEO
Network Management Group, Inc., Hutchinson KS

In Memoriam

Dedicated with gratitude to our first president and engineer who helped lay the groundwork for what DCI has become today.

Don Lindt

DCI President, 1963-1977