Annual Report
2014

CALVIN B. TAYLOR BANKSHARES, INC.

Parent Company of

CALVIN B. TAYLOR BANKING COMPANY
BERLIN, MARYLAND

Member FDIC

CALVIN B. TAYLOR BANKSHARES, INC.
AND SUBSIDIARY

Financial Highlights

	2014	2013	% Change
At Year End			
Assets	$ 451,042,947	$ 447,347,060	0.83%
Deposits	$ 366,303,211	$ 364,119,961	0.60%
Loans, net	$ 225,483,766	$ 222,098,060	1.52%
Total capital	$ 78,490,941	$ 77,463,832	1.33%
For the Year			
Average assets	$ 455,042,833	$ 446,300,938	1.96%
Average equity	$ 78,680,965	$ 78,132,852	0.70%
Net interest income	$ 13,772,700	$ 14,269,846	-3.48%
Net income	$ 4,506,454	$ 4,121,559	9.34%
Per Share Data			
Book value	$ 26.91	$ 26.24	2.55%
Net income	$ 1.53	$ 1.39	10.07%
Ratios			
Return on average assets	0.99%	0.92%	
Return on average equity	5.73%	5.28%	
Total capital to total assets	17.40%	17.32%	
Efficiency ratio	54.09%	53.71%	

CALVIN B. TAYLOR BANKSHARES, INC.

P. O. Box 5, 24 North Main Street, Berlin, Maryland 21811
(410) 641-1700

March 11, 2015

Dear Stockholder:

We are pleased to present the financial report of Calvin B. Taylor Bankshares, Inc., and its subsidiary, Calvin B. Taylor Bank. Our results of operations for 2014, as compared to those from 2013 and 2012, are presented in the reports and comments that follow.

Net income for 2014 increased 9.34% to $4,506,454 as compared to $4,121,559 in 2013. For the first time since 2008, the bank recorded no losses related to the sale or revaluation of other real estate owned. Concurrently, the bank experienced a decrease in expenses related to nonperforming loan collection activities. After experiencing several years of atypical loan losses and related expenses, we welcomed this trend reversal.

During 2014 our bank remained the 12th most profitable bank among 68 banks based in Maryland and we were ranked #1 in profitability among 14 banks headquartered on the Eastern Shore of Maryland. Our Efficiency Ratio, which is an industry measurement of expense control effectiveness, was ranked #5 among all banks based in Maryland in 2014, and #2 among all banks headquartered on the Eastern Shore of Maryland. This comparative data is based on FDIC regulatory filings.

In 2014 we experienced continued slowdown in deposit growth. As we have stated in prior years, the prevailing low interest rate environment has created deployment challenges due to the lack of safe and profitable loan and investment opportunities. During late 2014 the bank experienced an increase in quality loan opportunities which should help bolster our strategic mission that emphasizes earnings maximization over growth.

At December 31, 2014, our company remained well-capitalized with total capital of $78,490,941 or 17.40% of assets. This is more than four times the regulatory minimum to be considered adequately capitalized by our regulators, and a key measurement of our bank's safety and soundness. As we reach the bank's 125th Anniversary in 2015, we reflect on the core principles that have positioned Calvin B. Taylor Bank as one of the strongest banks in the country in terms of profitability, liquidity, and capital strength versus peers. Our conservative operating philosophy has proven to be timeless, relevant, and since 2008, stress tested during one of the most difficult economic periods the banking industry has faced in modern times. As a result, we believe we are well prepared for any challenges which lie ahead.

On behalf of the Directors, Officers, and Staff, thank you for your continued support. Please do not hesitate to contact me to discuss any of the information contained within this financial report, or your banking needs.

Sincerely,

Raymond M. Thompson
President and CEO

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

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ROWLES
& Company, LLP
Certified Public Accountants

The Board of Directors and Stockholders
Calvin B. Taylor Bankshares, Inc.
Berlin, Maryland

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Calvin B. Taylor Bankshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2014, 2013, and 2012, and the related consolidated statements of comprehensive income, changes in 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Bank's preparation and fair presentation of the consolidated 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 Bank'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calvin B. Taylor Bankshares, Inc. and Subsidiary as of December 31, 2014, 2013, and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rowles & Company, LLP

Baltimore, Maryland
March 11, 2015

8100 Sandpiper Circle, Suite 308, Baltimore, Maryland 21236
443-725-5395 FAX 443-725-5074
Website: www.Rowles.com

Consolidated Balance Sheets

	December 31, 2014	2013	2012
Assets			
Cash and due from banks	$ 37,937,508	$ 36,351,065	$ 23,587,107
Federal funds sold	12,752,587	24,700,637	20,842,304
Interest-bearing bank deposits	20,080,489	20,353,091	13,587,889
Investment securities available for sale	47,170,443	41,916,197	74,282,927
Investment securities held to maturity (approximate fair value of $91,292,681, $85,483,137, and $65,931,275)	91,386,521	85,395,290	65,792,282
Loans, less allowance for loan losses of $908,588, $907,821, and $780,493	225,483,766	222,098,060	227,346,558
Premises and equipment	5,458,034	5,748,926	5,988,294
Other real estate owned	410,500	410,500	1,440,900
Accrued interest receivable	1,093,821	1,187,112	1,152,721
Computer software	146,198	167,161	126,820
Bank owned life insurance	8,201,496	7,949,941	7,690,815
Prepaid expenses	433,781	387,899	781,417
Other assets	487,803	681,181	273,040
Total assets	$ 451,042,947	$ 447,347,060	$ 442,893,074
Liabilities and Stockholders' Equity			
Deposits			
Noninterest-bearing	$ 111,213,527	$ 102,435,574	$ 96,697,061
Interest-bearing	255,089,684	261,684,387	263,857,994
Total deposits	366,303,211	364,119,961	360,555,055
Securities sold under agreements to repurchase	5,702,986	5,407,921	5,230,572
Accrued interest payable	22,624	27,024	46,789
Deferred income taxes	285,213	141,782	62,582
Other liabilities	237,972	186,540	118,266
Total liabilities	372,552,006	369,883,228	366,013,264
Stockholders' equity			
Common stock, par value $1 per share; authorized 10,000,000 shares; issued and outstanding 2,917,119 shares at December 31, 2014, 2,951,828 shares at December 31, 2013 and 2,978,554 shares at December 31, 2012	2,917,119	2,951,828	2,978,554
Additional paid-in capital	6,697,024	7,543,333	8,216,785
Retained earnings	67,954,143	66,228,706	64,885,625
Total tier 1 capital	77,568,286	76,723,867	76,080,964
Accumulated other comprehensive income, net of tax	922,655	739,965	798,846
Total stockholders' equity	78,490,941	77,463,832	76,879,810
Total liabilities and stockholders' equity	$ 451,042,947	$ 447,347,060	$ 442,893,074

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

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2014	2013	2012
Interest and dividend revenue			
Loans, including fees	$ 13,048,887	$ 13,924,182	$ 14,246,423
U. S. Treasury and government agency securities	773,674	603,703	690,123
State and municipal securities	74,868	46,355	42,496
Federal funds sold and due from banks	138,216	82,671	44,270
Interest-bearing bank deposits	85,152	44,271	56,141
Equity securities	40,932	37,029	27,389
Total interest and dividend revenue	14,161,729	14,738,211	15,106,842
Interest expense			
Deposits	378,576	459,485	855,622
Borrowings	10,453	8,880	13,147
Total interest expense	389,029	468,365	868,769
Net interest income	13,772,700	14,269,846	14,238,073
Provision for loan losses	270,000	801,000	605,700
Net interest income after provision for loan losses	13,502,700	13,468,846	13,632,373
Noninterest revenue			
Service charges on deposit accounts	668,750	704,348	759,665
ATM and debit card	737,070	713,667	683,415
Increase in cash surrender value of bank owned life insurance	251,555	259,126	254,420
Gain (loss) on disposition of assets	4,019	1,250	(28,548)
Loss on sale and revaluation of other real estate owned and repossessed assets	-	(388,926)	(218,252)
Loss on other than temporary impairment of investment value	(16,650)	(199,389)	(31,904)
Miscellaneous	422,974	397,065	404,130
Total noninterest revenue	2,067,718	1,487,141	1,822,926
Noninterest expenses			
Salaries	3,724,530	3,806,244	3,756,183
Employee benefits	1,248,584	1,184,771	1,225,440
Occupancy	737,706	721,323	725,586
Furniture and equipment	429,965	445,086	458,670
Data processing	269,669	240,085	285,937
ATM and debit card	332,114	321,333	287,948
Deposit insurance premiums	210,106	206,008	201,101
Other	1,623,790	1,645,727	1,749,334
Total noninterest expenses	8,576,464	8,570,577	8,690,199
Income before income taxes	6,993,954	6,385,410	6,765,100
Income taxes	2,487,500	2,263,851	2,408,000
Net income	$ 4,506,454	$ 4,121,559	$ 4,357,100
Earnings per common share - basic and diluted	$ 1.53	$ 1.39	$ 1.46
Other comprehensive income (loss), net of tax			
Unrealized gains (losses) on available for sale investment securities arising during the period, net of taxes of $121,442, ($11,348), and $13,150	182,690	(58,881)	13,374
Comprehensive income	$ 4,689,144	$ 4,062,678	$ 4,370,474

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

Consolidated Statements of Changes in Stockholders' Equity

	Common stock Shares	Common stock Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net of tax	Total stockholders' equity
Balance, December 31, 2011	2,996,323	2,996,323	8,640,433	63,301,231	785,472	75,723,459
Net income	-	-	-	4,357,100	-	4,357,100
Other comprehensive income, net of tax	-	-	-	-	13,374	13,374
Common shares repurchased	(17,769)	(17,769)	(423,648)	-	-	(441,417)
Cash dividend, $0.93 per share	-	-	-	(2,772,706)	-	(2,772,706)
Balance, December 31, 2012	2,978,554	2,978,554	8,216,785	64,885,625	798,846	76,879,810
Net income	-	-	-	4,121,559	-	4,121,559
Other comprehensive loss, net of tax	-	-	-	-	(58,881)	(58,881)
Common shares repurchased	(26,726)	(26,726)	(673,452)	-	-	(700,178)
Cash dividend, $0.94 per share	-	-	-	(2,778,478)	-	(2,778,478)
Balance, December 31, 2013	2,951,828	2,951,828	7,543,333	66,228,706	739,965	77,463,832
Net income	-	-	-	4,506,454	-	4,506,454
Other comprehensive income, net of tax	-	-	-	-	182,690	182,690
Common shares repurchased	(34,709)	(34,709)	(846,309)	-	-	(881,018)
Cash dividend, $0.95 per share	-	-	-	(2,781,017)	-	(2,781,017)
Balance, December 31, 2014	2,917,119	$ 2,917,119	$ 6,697,024	$ 67,954,143	$ 922,655	$ 78,490,941

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

Consolidated Statements of Cash Flows

	Years Ended December 31, 2014	2013	2012
Cash flows from operating activities			
Interest and dividends received	$ 14,747,446	$ 14,971,438	$ 15,258,525
Fees and commissions received	1,636,146	1,825,086	1,616,708
Interest paid	(393,428)	(488,130)	(912,059)
Cash paid to suppliers and employees	(8,104,142)	(7,624,420)	(7,888,469)
Income taxes paid	(2,085,000)	(2,590,198)	(2,580,214)
Net cash from operating activities	5,801,022	6,093,776	5,494,491
Cash flows from investing activities			
Certificates of deposit purchased, net of maturities	263,454	(6,763,898)	(3,038,116)
Proceeds from maturities of investments available for sale	12,060,000	41,025,000	47,100,000
Purchase of investments available for sale	(17,092,596)	(8,988,741)	(72,324,120)
Proceeds from maturities of investments held to maturity	41,265,000	45,325,000	43,785,000
Purchase of investments held to maturity	(47,709,178)	(65,134,774)	(49,055,107)
Proceeds from sale of investments available for sale	30,530	-	-
Loans made, net of principal reductions	(3,655,706)	3,902,348	(418,119)
Proceeds from sale of premises and equipment	725	1,250	625
Purchases of premises, equipment, and computer software	(150,286)	(286,587)	(363,393)
Proceeds from sale of other real estate and repossessed assets, net	-	1,186,624	55,986
Purchase of bank owned life insurance	-	-	(2,000,000)
Net cash from investing activities	(14,988,057)	10,266,222	(36,257,244)
Cash flows from financing activities			
Net increase (decrease) in			
Time deposits	(8,816,651)	(9,783,634)	(5,717,224)
Other deposits	10,999,901	13,348,539	30,215,774
Securities sold under agreements to repurchase	295,065	177,348	1,232,404
Common shares repurchased	(881,018)	(700,178)	(441,417)
Dividends paid	(2,781,017)	(2,778,478)	(2,772,706)
Net cash from financing activities	(1,183,720)	263,597	22,516,831
Net increase (decrease) in cash and cash equivalents	(10,370,755)	16,623,595	(8,245,922)
Cash and cash equivalents at beginning of year	61,066,896	44,443,301	52,689,223
Cash and cash equivalents at end of year	$ 50,696,141	$ 61,066,896	$ 44,443,301

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

Consolidated Statements of Cash Flows (continued)

	Years Ended December 31, 2014	2013	2012
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 4,506,454	$ 4,121,559	$ 4,357,100
Adjustments to reconcile net income to net cash provided by operating activities			
Premium amortization and discount accretion	492,428	267,619	130,726
Loss on other than temporary impairment of investment value	16,650	199,389	31,904
Loss (gain) on disposition of investment securities	(4,179)	-	4,026
Provision for loan losses	270,000	801,000	605,700
Depreciation and amortization	461,256	485,614	490,865
Loss (gain) on disposition of premises, equipment, and software	160	(1,250)	24,522
Loss (gain) on sale of other real estate and repossessed assets	-	388,926	(108)
Loss on revaluation of other real estate	-	-	218,360
Decrease (increase) in			
Accrued interest receivable	93,291	(34,391)	20,957
Cash surrender value of bank owned life insurance	(251,555)	(259,126)	(254,420)
Other assets	(233,015)	402,274	98,467
Increase (decrease) in			
Accrued interest payable	(4,400)	(19,765)	(43,290)
Accrued and deferred income taxes	402,500	(326,347)	(172,214)
Other liabilities	51,432	68,274	(18,104)
Net cash from operating activities	$ 5,801,022	$ 6,093,776	$ 5,494,491

	2014	2013	2012
Composition of cash and cash equivalents			
Cash and due from banks	$ 37,937,508	$ 36,351,065	$ 23,587,107
Federal funds sold	12,752,587	24,700,637	20,842,304
Interest-bearing bank deposits, except for time deposits	6,046	15,194	13,890
Total cash and cash equivalents	$ 50,696,141	$ 61,066,896	$ 44,443,301

	2014	2013	2012
Supplemental cash flows information			
Non-cash transfers from loans to other real estate owned	$ -	$ 545,150	$ -

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

1. Summary of Significant Accounting Policies

The consolidated financial statements of Calvin B. Taylor Bankshares, Inc. (the Company) include the accounts of its wholly owned subsidiary, Calvin B. Taylor Banking Company of Berlin, Maryland (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies reflected in these financial statements conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Nature of operations

Calvin B. Taylor Bankshares, Inc. is a bank holding company. Its subsidiary, Calvin B. Taylor Banking Company of Berlin, Maryland, is a financial institution operating primarily in Worcester County, Maryland and Sussex County, Delaware. The Bank is a full-service commercial bank, offering deposit services and loans to individuals, small- to medium-sized businesses, associations and government entities.

Use of 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. These estimates and assumptions may affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing deposits except for time deposits. Federal funds are purchased and sold for one-day periods.

Investment securities

As securities are purchased, management determines if the securities should be classified as held to maturity or available for sale. Securities which management has the intent and ability to hold to maturity are recorded at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts to maturity. Securities classified as available-for-sale are recorded at fair value with adjustments recorded as other comprehensive income.

Purchase premiums and discounts are recognized in interest revenue using the effective interest rate method over the terms of the securities. Gains and losses on disposal are determined using the specific-identification method.

In estimating other than temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans

Loans are stated at their outstanding principal amounts less the allowance for loan losses. Interest on loans is accrued and credited to income based on contractual interest rates applied to principal amounts outstanding. A loan is considered to be past due when principal or interest due is not paid on or before the payment date agreed upon by the borrower and the Bank. The accrual of interest is discontinued when principal or interest is ninety days past due or when the loan is determined to be impaired, unless collateral is sufficient to discharge the debt in full and the loan is in process of collection. When a loan is placed in nonaccruing status, any interest previously accrued but unpaid is reversed from interest revenue. Interest payments received on nonaccrual loans are generally recorded as a reduction of principal, but may be recorded as cash basis income depending on management's judgment determined on a loan by loan basis. Accrual of interest may be restored when all principal and interest are current and management believes that future payments will be received in accordance with the loan agreement.

The Company does not defer loan origination fee income or related costs as management determined the amounts to be immaterial.

1. Summary of Significant Accounting Policies (continued)

Loans (continued)

Loans are considered impaired when, based on current information, management considers it unlikely that collection of all principal and interest payments will be made according to original contractual terms. Generally, loans are not reviewed for impairment until the accrual of interest has been discontinued, although management may categorize a performing loan as impaired based on knowledge of the borrower's financial condition, devaluation of collateral, agreement to a troubled debt restructuring or other circumstances that are deemed relevant to loan collection. Impaired loans may have specific reserves allocated to them in the allowance for loan losses or have been subject to partial charge-offs if the loans are deemed to be collateral dependent.

Allowance for loan losses

The allowance for loan losses represents an amount which management judges to be adequate to absorb identified and inherent losses in the loan portfolio as of the balance sheet date. Valuation of the allowance is completed no less than quarterly. The determination of the allowance is inherently subjective as it relies on estimates of potential loss related to specific loans, the effects of portfolio trends, and other internal and external factors.

In determining an adequate level for the allowance, management considers historical loss experience for major types of loans. However, historical data may not be an accurate predictor of loss potential in the current loan portfolio. Management reviews the current portfolio giving consideration to problem loans, delinquencies, the composition of the portfolio, concentrations of credit, and changes in lending products, processes, or staffing. Additionally, management monitors collateral adequacy and lien perfection. Management considers external factors such as the interest rate environment, competition, current local and national economic trends, and the results of recent independent reviews by auditors and banking regulators.

The allowance is increased by current period provisions recorded as expense and by recoveries of amounts previously charged-off. The allowance is decreased when loans are charged-off as losses, which occurs when they are deemed to be uncollectible. Provisions for loan losses are made to bring the balance in the allowance to the level established by application of management's allowance methodology, and may result in an increase or decrease to expense.

Premises and equipment

Premises and equipment are recorded at cost less accumulated depreciation. Depreciation is computed under both straight-line and accelerated methods over the estimated useful lives of the assets.

Other real estate owned

Other real estate owned is comprised of real estate acquired in satisfaction of a loan receivable either by foreclosure or deed taken in lieu of foreclosure. Other real estate owned is recorded at the lower of cost or net realizable value, which is fair value less estimated costs to sell the property. If net realizable value is less than the book value of the related loan at the time of foreclosure, a loan loss is recorded through the allowance for loan losses. Quarterly, the Company reviews net realizable value estimates and records declines in value through expense. Costs to maintain properties, such as maintenance, utilities, taxes and insurance are expensed as they are incurred. Gains or losses resulting from the sale of other real estate owned are included in noninterest revenue.

Computer software

The Company amortizes software costs over the estimated useful lives using the straight-line method.

Bank owned life insurance

The Company records increases in cash surrender value of bank owned life insurance as current period income based on projections provided by the underwriting company.

Advertising

Advertising costs are expensed during the period of the related marketing effort.

Income taxes

The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred income taxes are provided for the temporary differences between financial and taxable income. Tax expense and tax benefits are allocated to the Bank and Company based on their proportional share of taxable income.

Per share data

Earnings per common share are determined by dividing net income by the weighted average number of common shares outstanding for the period, which was 2,937,248, 2,961,688, and 2,989,264 for the years ended December 31, 2014, 2013, and 2012, respectively. There were no dilutive common share equivalents outstanding during the years ended December 31, 2014, 2013 and 2012.

Reclassifications

Certain items in prior years' financial statements have been reclassified to conform to current presentation. Check sales income was previously netted against other operating expenses, and now is reported as miscellaneous noninterest revenue in the consolidated statements of comprehensive income.

Subsequent events

The Company has evaluated events and transactions subsequent to December 31, 2014 through March 11, 2015, the date these financials statements were available to be issued. No significant subsequent events were identified which would affect the presentation of the financial statements.

2. Cash and Due From Banks

The Company normally carries balances with other banks that exceed the federally insured limit. Average balances carried in excess of the limit, including unsecured federal funds sold to the same banks, were $18,013,005 for 2014, $29,323,545 for 2013, and $34,111,768 for 2012.

Banks are required to carry cash reserves at specified percentages of deposit balances. The Company's normal amount of cash on hand and on deposit with the Federal Reserve is sufficient to satisfy the reserve requirements.

3. Lines of Credit

The Company has available lines of credit, including overnight federal funds, reverse repurchase agreements and letters of credit, totaling $28,000,000 as of December 31, 2014. This includes $23,000,000 of unsecured lines and $5,000,000 of lines that will be secured by investment securities if utilized.

4. Investment Securities

Investment securities are summarized as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
December 31, 2014				
Available for sale				
U.S. Treasury	$ 43,897,969	$ 767,433	$ 17,111	$ 44,648,291
State and municipal	499,034	3,687	820	501,901
Equity	1,322,408	818,510	120,667	2,020,251
	$ 45,719,411	$ 1,589,630	$ 138,598	$ 47,170,443
Held to maturity				
U.S. Treasury	$ 55,958,752	$ 36,365	$ 52,827	$ 55,942,290
U.S. Government agency	24,996,405	5,949	109,021	24,893,333
State and municipal	10,431,364	29,175	3,481	10,457,058
	$ 91,386,521	$ 71,489	$ 165,329	$ 91,292,681
December 31, 2013				
Available for sale				
U.S. Treasury	$ 39,032,129	$ 749,253	$ 2,803	$ 39,778,579
State and municipal	369,644	7,146	-	376,790
Equity	1,367,524	604,256	210,952	1,760,828
	$ 40,769,297	$ 1,360,655	$ 213,755	$ 41,916,197
Held to maturity				
U.S. Treasury	$ 54,977,546	$ 88,677	$ 14,233	$ 55,051,990
U.S. Government agency	19,876,112	10,672	26,973	19,859,811
State and municipal	10,541,632	31,503	1,799	10,571,336
	$ 85,395,290	$ 130,852	$ 43,005	$ 85,483,137
December 31, 2012				
Available for sale				
U.S. Treasury	$ 71,098,759	$ 1,078,755	$ 4,174	$ 72,173,340
State and municipal	400,126	4,155	844	403,437
Equity	1,566,913	532,832	393,595	1,706,150
	$ 73,065,798	$ 1,615,742	$ 398,613	$ 74,282,927
Held to maturity				
U.S. Treasury	$ 51,979,332	$ 126,149	$ 661	$ 52,104,820
U.S. Government agency	9,000,000	3,600	1,800	9,001,800
State and municipal	4,812,950	12,049	344	4,824,655
	$ 65,792,282	$ 141,798	$ 2,805	$ 65,931,275

The debt securities in unrealized loss positions are issues of the U.S. Treasury, Federal Home Loan Bank (a U. S. Government agency), and highly rated obligations of states and municipalities. The Company has the ability and the intent to hold these securities until they are called or mature at face value. Fluctuations in fair value reflect market conditions and are not indicative of other than temporary impairment (OTTI) of the security.

Equity securities in unrealized loss positions are common stock investments in community banks or bank holding companies located in the same general geographic area as the Company. The Company recorded expense of $16,650, $199,389, and $31,904 in 2014, 2013, and 2012, respectively, related to OTTI of these community bank equity securities. Management believes that the remaining unrealized losses in equity securities as of December 31, 2014 reflect market conditions and are not indicative of an other than temporary impairment of the investment. Management continues to monitor the financial condition of the issuers.

4. Investment Securities (continued)

The table below shows the gross unrealized losses and fair value of securities that are in an unrealized loss position, aggregated by length of time that individual securities have been in a continuous unrealized loss position.

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
December 31, 2014						
U. S. Treasury	$ 39,833,040	$ 69,938	$ -	$ -	$ 39,833,040	$ 69,938
U. S. Government agency	17,532,452	100,561	1,991,540	8,460	19,523,992	109,021
State and municipal	2,140,906	4,301	-	-	2,140,906	4,301
Equity	194,041	959	606,243	119,708	800,284	120,667
	$ 59,700,439	$ 175,759	$ 2,597,783	$ 128,168	$ 62,298,222	$ 303,927
December 31, 2013						
U. S. Treasury	$ 4,980,860	$ 17,036	$ -	$ -	$ 4,980,860	$ 17,036
U. S. Government agency	10,178,591	26,973	-	-	10,178,591	26,973
State and municipal	1,079,527	1,799	-	-	1,079,527	1,799
Equity	4,760	7,940	539,588	203,012	544,348	210,952
	$ 16,243,738	$ 53,748	$ 539,588	$ 203,012	$ 16,783,326	$ 256,760
December 31, 2012						
U. S. Treasury	$ 12,977,100	$ 4,835	$ -	$ -	$ 12,977,100	$ 4,835
U. S. Government agency	998,200	1,800	-	-	998,200	1,800
State and municipal	1,243,020	1,188	-	-	1,243,020	1,188
Equity	12,428	7,167	726,565	386,428	738,993	393,595
	$ 15,230,748	$ 14,990	$ 726,565	$ 386,428	$ 15,957,313	$ 401,418

The amortized cost and estimated fair value of debt securities, by contractual maturity and the amount of pledged securities, follow. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Investments are pledged to secure deposits of state and local governments. Pledged securities also serve as collateral for repurchase agreements with our customers.

	December 31, 2014		December 31, 2013		December 31, 2012	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Available for sale						
Within one year	$ 19,276,189	$ 19,292,872	$ 12,060,689	$ 12,071,114	$ 41,027,015	$ 41,048,970
After one through five years	23,123,038	23,121,060	25,343,507	25,379,875	28,474,650	28,519,007
After five through ten years	1,997,776	2,736,260	1,997,577	2,704,380	1,997,220	3,008,800
	$ 44,397,003	$ 45,150,192	$ 39,401,773	$ 40,155,369	$ 71,498,885	$ 72,576,777
Held to maturity						
Within one year	$ 28,456,112	$ 28,478,172	$ 32,051,875	$ 32,087,789	$ 30,318,940	$ 30,346,374
After one through five years	62,930,409	62,814,509	53,343,415	53,395,348	35,473,342	35,584,901
	$ 91,386,521	$ 91,292,681	$ 85,395,290	$ 85,483,137	$ 65,792,282	$ 65,931,275
Pledged securities	$ 25,438,156	$ 25,427,186	$ 26,126,085	$ 26,165,297	$ 24,796,570	$ 24,894,038

5. Loans and Allowance for Loan Losses

Major classifications of loans	2014	2013	2012
Real estate mortgages			
Construction, land development, and land	$ 8,655,013	$ 12,155,069	$ 13,819,207
Residential 1 to 4 family, 1st liens	83,960,850	82,235,353	81,794,242
Residential 1 to 4 family, subordinate liens	1,901,925	1,955,924	1,932,743
Commercial properties	114,944,098	110,429,464	115,655,467
Commercial	15,470,054	14,300,916	12,946,639
Consumer	1,460,414	1,929,155	1,978,753
Total loans	226,392,354	223,005,881	228,127,051
Allowance for loan losses	908,588	907,821	780,493
Loans, net	$ 225,483,766	$ 222,098,060	$ 227,346,558

Rate repricing distribution of loans	2014	2013	2012
Immediately	$ 174,414,288	$ 204,363,599	$ 216,290,232
Within one year	2,776,195	3,716,506	764,956
After one year through five years	38,297,512	9,858,763	5,799,262
After five years	10,904,359	5,067,013	5,272,601
Total loans	$ 226,392,354	$ 223,005,881	$ 228,127,051

Nonperforming loans are loans past due 90 or more days and still accruing plus nonaccrual loans. Nonperforming assets are comprised of nonperforming loans combined with real estate acquired in foreclosure and held for sale (other real estate owned). The following table details the composition of nonperforming assets:

	2014	2013	2012
Loans 90 or more days past due and still accruing			
Residential 1 to 4 family	$ 432,273	$ 389,626	$ -
Commercial properties	-	684,422	684,422
Consumer	12,963	-	-
Total loans 90 or more days past due and still accruing	445,236	1,074,048	684,422
Nonaccruing loans			
Nonaccruing loans - current			
Construction, land development, and land	-	-	550,614
Residential 1 to 4 family	215,466	79,617	237,527
Total nonaccruing loans - current	215,466	79,617	788,141
Nonaccruing loans - past due 30 days or more			
Construction, land development, and land	362,974	316,822	325,966
Residential 1 to 4 family	422,561	452,363	668,794
Commercial properties	-	-	890,967
Total nonaccruing loans - past due 30 days or more	785,535	769,185	1,885,727
Total nonaccruing loans	1,001,001	848,802	2,673,868
Total nonperforming loans	1,446,237	1,922,850	3,358,290
Other real estate owned	410,500	410,500	1,440,900
Total nonperforming assets	$ 1,856,737	$ 2,333,350	$ 4,799,190
Interest not recognized on nonaccruing loans	$ 49,533	$ 144,011	$ 178,546

Interest revenue of $106,934 was recognized on a cash-basis during 2013 related to the full payoff of a nonaccrual loan. No interest revenue was recognized on a cash-basis on nonaccruing loans during 2014 or 2012. Other than previously noted, payments received on non accruing loans were applied as reductions of principal.

5. Loans and Allowance for Loan Losses (continued)

The following is a schedule of transactions in the allowance for loan losses by type of loan. The Company did not acquire any loans with deteriorated credit quality during the periods presented.

	Real estate mortgages						
December 31, 2014	Construction and land	Residential	Commercial	Commercial	Consumer	Unallocated	Total
Beginning balance	$ 106,836	$ 219,108	$ 298,400	$ 200,893	$ 58,015	$ 24,569	$ 907,821
Loans charged off	(21,478)	(176,913)	-	(88,361)	(11,232)		(297,984)
Recoveries	9,831	14,760	-	230	3,930		28,751
Provision expense	(68,547)	207,350	55,423	101,024	(9,742)	(15,508)	270,000
Ending balance	$ 26,642	$ 264,305	$ 353,823	$ 213,786	$ 40,971	$ 9,061	$ 908,588
Individually evaluated:							
Balance in allowance	$ -	$ -	$ -	$ -	$ -		$ -
Related loan balance	$ 362,974	$ 4,282,121	$ 4,333,468	$ -	$ 12,894		$ 8,991,457
Collectively evaluated:							
Balance in allowance	$ 26,642	$ 264,305	$ 353,823	$ 213,786	$ 40,971	$ 9,061	$ 908,588
Related loan balance	$ 8,292,039	$ 81,580,654	$ 110,610,630	$ 15,470,054	$ 1,447,520		$ 217,400,897
December 31, 2013							
Beginning balance	$ 119,036	$ 161,984	$ 250,781	$ 168,033	$ 55,595	$ 25,064	$ 780,493
Loans charged off	-	(315,200)	(368,816)	(178)	(13,385)		(697,579)
Recoveries	12,000	6,629	-	600	4,678		23,907
Provision expense	(24,200)	365,695	416,435	32,438	11,127	(495)	801,000
Ending balance	$ 106,836	$ 219,108	$ 298,400	$ 200,893	$ 58,015	$ 24,569	$ 907,821
Individually evaluated:							
Balance in allowance	$ -	$ -	$ -	$ -	$ -		$ -
Related loan balance	$ 316,822	$ 4,106,897	$ 4,827,844	$ -	$ -		$ 9,251,563
Collectively evaluated:							
Balance in allowance	$ 106,836	$ 219,108	$ 298,400	$ 200,893	$ 58,015	$ 24,569	$ 907,821
Related loan balance	$ 11,838,247	$ 80,084,380	$ 105,601,620	$ 14,300,916	$ 1,929,155		$ 213,754,318
December 31, 2012							
Beginning balance	$ 160,392	$ 42,064	$ 193,570	$ 197,353	$ 60,487	$ 18,395	$ 672,261
Loans charged off	(45,081)	(239,043)	(206,707)	(18,559)	(14,253)		(523,643)
Recoveries	-	16,843	-	103	9,229		26,175
Provision expense	3,725	342,120	263,918	(10,864)	132	6,669	605,700
Ending balance	$ 119,036	$ 161,984	$ 250,781	$ 168,033	$ 55,595	$ 25,064	$ 780,493
Individually evaluated:							
Balance in allowance	$ -	$ -	$ -	$ -	$ -		$ -
Related loan balance	$ 878,029	$ 4,116,048	$ 6,307,478	$ -	$ -		$ 11,301,555
Collectively evaluated:							
Balance in allowance	$ 119,036	$ 161,984	$ 250,781	$ 168,033	$ 55,595	$ 25,064	$ 780,493
Related loan balance	$ 12,941,178	$ 79,610,937	$ 109,347,989	$ 12,946,639	$ 1,978,753		$ 216,825,496

5. Loans and Allowance for Loan Losses (continued)

The table below shows the relationship of net charged-off loans and the balance in the allowance to gross loans and average loans.

	2014	2013	2012
Net loans charged-off	$ 269,233	$ 673,672	$ 497,468
Allowance for loan losses at the end of the period	$ 908,588	$ 907,821	$ 780,493
Gross loans outstanding at the end of the period	$ 226,392,354	$ 223,005,881	$ 228,127,051
Allowance for loan losses to gross loans outstanding	0.40%	0.41%	0.34%
Average loans outstanding during the period	$ 223,221,834	$ 230,748,927	$ 229,923,024
Net charge-offs as a percentage of average loans	0.12%	0.29%	0.22%

Loans are considered past due when either principal or interest is not paid by the date on which payment is due. The following table is an analysis of past due loans by days past due and type of loan.

	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due or Greater	Total Past Due	Current	Total Loans	90 Days Past Due or Greater and Accruing
December 31, 2014							
Real estate mortgages							
Construction, land development, and land	$ -	$ -	$ 362,974	$ 362,974	$ 8,292,039	$ 8,655,013	$ -
Residential 1-4 family, 1st liens	320,069	369,345	640,319	1,329,733	82,631,117	83,960,850	432,273
Residential 1-4 family, sub. liens	-	-	-	-	1,901,925	1,901,925	-
Commercial properties	-	-	-	-	114,944,098	114,944,098	-
Commercial	887	-	-	887	15,469,167	15,470,054	-
Consumer	-	3,832	12,963	16,795	1,443,619	1,460,414	12,963
Total	$ 320,956	$ 373,177	$ 1,016,256	$ 1,710,389	$ 224,681,965	$ 226,392,354	$ 445,236
December 31, 2013							
Real estate mortgages							
Construction, land development, and land	$ -	$ -	$ 316,822	$ 316,822	$ 11,838,247	$ 12,155,069	$ -
Residential 1-4 family, 1st liens	1,184,135	488,429	841,989	2,514,553	79,720,800	82,235,353	389,626
Residential 1-4 family, sub. liens	-	-	-	-	1,955,924	1,955,924	-
Commercial properties	1,243,614	395,911	684,422	2,323,947	108,105,517	110,429,464	684,422
Commercial	-	-	-	-	14,300,916	14,300,916	-
Consumer	18,100	-	-	18,100	1,911,055	1,929,155	-
Total	$ 2,445,849	$ 884,340	$ 1,843,233	$ 5,173,422	$ 217,832,459	$ 223,005,881	$ 1,074,048
December 31, 2012							
Real estate mortgages							
Construction, land development, and land	$ 327,415	$ -	$ -	$ 327,415	$ 13,491,792	$ 13,819,207	$ -
Residential 1-4 family, 1st liens	2,325,354	783,618	648,693	3,757,665	78,036,577	81,794,242	-
Residential 1-4 family, sub. liens	-	-	-	-	1,932,743	1,932,743	-
Commercial properties	519,766	-	1,575,389	2,095,155	113,560,312	115,655,467	684,422
Commercial	-	-	-	-	12,946,639	12,946,639	-
Consumer	17,441	1,544	-	18,985	1,959,768	1,978,753	-
Total	$ 3,189,976	$ 785,162	$ 2,224,082	$ 6,199,220	$ 221,927,831	$ 228,127,051	$ 684,422

5. Loans and Allowance for Loan Losses (continued)

Credit quality is measured based on an internally designed grading scale. The grades correspond to regulatory rating categories of pass, special mention, substandard, and doubtful. Evaluation of grades assigned to individual loans is completed no less than quarterly. Pass credits are secured or unsecured loans with satisfactory payment history and supporting documentation. Special mention loans are those with satisfactory payment history that have a defect in supporting documentation which is defined by the Bank as a critical defect. This may include missing financial data or improperly executed collateral documents. Substandard credits are those with a weakness that may jeopardize repayment, such as deteriorating collateral value, or for which the borrower's ability to meet payment obligations is questionable. Doubtful credits are loans in which the borrower's ability to repay the loan in full is improbable and some loss is expected. Loans graded as doubtful are most likely to result in the loss of principal or loss of revenue due to placement in nonaccrual status. Management evaluates loans graded as doubtful individually and provides for anticipated losses through adjustment of the allowance for loan losses and charges to current earnings.

Credit quality, as measured by internally assigned grades, is an important component in the calculation of an adequate allowance for loan losses. The following table summarizes the recorded investment in loans by credit quality indicator.

	2014	2013	2012
Real Estate Credit Risk Profile by Internally Assigned Grade			
Construction, land development, and land			
Pass	$ 8,292,039	$ 11,838,247	$ 12,941,178
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	362,974	316,822	878,029
Total	$ 8,655,013	$ 12,155,069	$ 13,819,207
Residential 1-4 family			
Pass	$ 81,813,667	$ 80,144,528	$ 79,274,541
Special Mention	-	-	469,715
Substandard			
Less than 90 days past due and accruing	2,978,808	3,125,143	3,077,858
Nonperforming: 90 days or more past due and/or non-accruing	324,850	-	-
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	745,450	921,606	904,871
Total	$ 85,862,775	$ 84,191,277	$ 83,726,985
Commercial properties			
Pass	$ 112,707,531	$ 107,719,890	$ 111,573,888
Substandard	2,236,567	2,025,152	2,118,552
Doubtful			
Less than 90 days past due and accruing	-	-	387,638
Nonperforming: 90 days or more past due and/or non-accruing	-	684,422	1,575,389
Total	$ 114,944,098	$ 110,429,464	$ 115,655,467
Commercial Credit Risk Profile by Internally Assigned Grade			
Pass	$ 15,470,054	$ 14,298,806	$ 12,946,639
Special Mention	-	2,110	-
Total	$ 15,470,054	$ 14,300,916	$ 12,946,639
Consumer Credit Risk Profile by Internally Assigned Grade			
Pass	$ 1,447,451	$ 1,906,925	$ 1,950,758
Nonperforming: 90 days or more past due and/or non-accruing	69	-	-
Special Mention	-	7,192	27,995
Substandard	-	15,038	-
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	12,894	-	-
Total	$ 1,460,414	$ 1,929,155	$ 1,978,753

5. Loans and Allowance for Loan Losses (continued)

Loans are considered impaired when management considers it unlikely that collection of all principal and interest payments will be made according to contractual terms. Troubled debt restructurings are considered impaired since all principal and interest payments according to the original contractual terms will not be collected under the modified terms of the restructuring. A performing loan may be categorized as impaired based on knowledge of circumstances that are deemed relevant to loan collection. Not all impaired loans are past due nor are losses expected for every impaired loan. If a loss is expected, an impaired loan may have specific reserves allocated to it in the allowance for loan losses or result in a charge-off if the loan is deemed to be collateral dependent. There were no impaired loans with specific reserves in the periods presented as loans with impairments were deemed to be collateral dependent and charge-offs were taken to reduce the recorded investment to the fair value of the collateral. The following table details impaired loans at each period end.

	Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With An Allowance	Related Allowance	Average Recorded Investment	Interest Income Recognized During Impairment
December 31, 2014						
Real estate mortgages						
Construction, land development, and land	$ 424,442	$ 362,974	$ -	$ -	$ 380,527	$ -
Residential 1-4 family, 1st liens	4,332,685	4,171,539	-	-	4,299,067	172,751
Residential 1-4 family, subordinate liens	110,582	110,582	-	-	112,345	5,690
Commercial properties	4,333,700	4,333,468	-	-	4,351,576	250,457
Consumer	12,894	12,894	-	-	13,966	1,406
Total	$ 9,214,303	$ 8,991,457	$ -	$ -	$ 9,157,481	$ 430,304
December 31, 2013						
Real estate mortgages						
Construction, land development, and land	$ 344,794	$ 316,822	$ -	$ -	$ 322,119	$ -
Residential 1-4 family, 1st liens	4,041,007	3,992,789	-	-	4,129,431	136,371
Residential 1-4 family, subordinate liens	114,108	114,108	-	-	115,779	5,871
Commercial properties	4,827,941	4,827,844	-	-	4,862,295	315,995
Total	$ 9,327,850	$ 9,251,563	$ -	$ -	$ 9,429,624	$ 458,237
December 31, 2012						
Real estate mortgages						
Construction, land development, and land	$ 920,967	$ 878,029	$ -	$ -	$ 921,869	$ -
Residential 1-4 family, 1st liens	4,168,606	3,998,598	-	-	4,082,975	182,756
Residential 1-4 family, subordinate liens	117,450	117,450	-	-	118,983	6,055
Commercial properties	7,485,238	6,307,478	-	-	6,468,862	348,590
Total	$ 12,692,261	$ 11,301,555	$ -	$ -	$ 11,592,689	$ 537,401

The modification or restructuring of terms on a loan is considered a troubled debt restructuring if it is done to accommodate a borrower who is experiencing financial difficulties. The lender may forgive principal, lower the interest rate or payment amount, or may modify the payment due dates or maturity date of a loan for a borrower experiencing financial difficulties.

Troubled debt restructurings are evaluated for impairment at the time of restructuring and each subsequent reporting period. An identified loss is recorded as a specific reserve in the allowance for loan losses or charged-off if the loan is deemed to be collateral dependent. No losses were recorded as part of restructures completed in 2014. Losses of $260,614 were recorded as part of restructurings completed during 2013 while a loss of $26,054 was recorded as part of a restructuring completed in 2012. Troubled debt restructurings may require additional restructuring to accommodate changes in the borrower's financial position and are included as restructurings in the table below. Other restructured loans have been collected with no loss of principal, returned to their original contractual terms, refinanced at market rates and terms, or paid in full. Payment defaults on restructured loans have occurred within 12 months of the restructuring and are disclosed in the table below for the year in which the payment default occurred. Restructured loans that become 90 days past due or greater, require an additional restructuring, or have a charge-off recorded are considered to have a payment default.

5. Loans and Allowance for Loan Losses (continued)

The following table details information about troubled debt restructurings or payment defaults occurring within the periods presented.

	At the time of restructuring			Within 12 months of restructuring		
	Number of contracts	Balance prior to restructuring	Balance after restructuring	Number of defaults	Defaults on restructures	Losses recognized upon default
December 31, 2014						
Real estate mortgages						
Residential 1-4 family, 1st liens	3	$ 360,984	$ 360,984	-	$ -	$ -
Commercial properties	1	222,863	222,863	-	-	-
Total	4	$ 583,847	$ 583,847	-	$ -	$ -
December 31, 2013						
Real estate mortgages						
Residential 1-4 family, 1st liens	3	$ 1,504,381	$ 1,287,000	-	$ -	$ -
Commercial properties	1	528,233	485,000	-	-	-
Total	4	$ 2,032,614	$ 1,772,000	-	$ -	$ -
December 31, 2012						
Real estate mortgages						
Residential 1-4 family, 1st liens	3	$ 957,304	$ 940,603	-	$ -	$ -
Commercial properties	3	1,254,402	1,254,402	1	604,997	206,707
Total	6	$ 2,211,706	$ 2,195,005	1	$ 604,997	$ 206,707

Troubled debt restructurings with outstanding principal balances as of December 31 were as follows:

	Total		Paying as agreed under modified terms		Past due 30 days or more or non-accruing	
	Number of contracts	Current Balance	Number of contracts	Current Balance	Number of contracts	Current Balance
December 31, 2014						
Real estate mortgages						
Construction, land development, and land	1	$ 304,822	-	$ -	1	$ 304,822
Residential 1-4 family, 1st liens	10	3,245,029	7	2,815,048	3	429,981
Residential 1-4 family, subordinate liens	2	110,582	2	110,582	-	-
Commercial properties	7	4,333,468	7	4,333,468	-	-
Total	20	$ 7,993,901	16	$ 7,259,098	4	$ 734,803
December 31, 2013						
Real estate mortgages						
Construction, land development, and land	1	$ 316,822	-	$ -	1	$ 316,822
Residential 1-4 family, 1st liens	10	3,301,101	8	2,720,169	2	580,932
Residential 1-4 family, subordinate liens	2	114,108	2	114,108	-	-
Commercial properties	6	4,143,518	3	2,503,993	3	1,639,525
Total	19	$ 7,875,549	13	$ 5,338,270	6	$ 2,537,279
December 31, 2012						
Real estate mortgages						
Construction, land development, and land	1	$ 327,415	-	$ -	1	$ 327,415
Residential 1-4 family, 1st liens	13	3,331,253	9	1,607,262	4	1,723,991
Residential 1-4 family, subordinate liens	2	117,450	2	117,450	-	-
Commercial properties	8	5,623,057	6	4,212,324	2	1,410,733
Total	24	$ 9,399,175	17	$ 5,937,036	7	$ 3,462,139

6. Loan Commitments

Loan commitments are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates at current market rates, fixed expiration dates, and may require payment of a fee. Letters of credit are commitments issued to guarantee the performance of a customer to a third party. Loan commitments and letters of credit are made on the same terms, including collateral, as outstanding loans. The Company's exposure to loss in the event of nonperformance by the borrower is represented by the contract amount of the commitment.

Outstanding loan commitments (including the unutilized portion of lines of credit) and letters of credit as of December 31 were as follows:

	2014	2013	2012
Loan commitments (including unutilized portion of lines of credit)			
Construction, land development, and land	$ 4,605,051	$ 6,072,641	$ 5,486,662
Other	24,152,369	16,644,574	22,177,291
Total loan commitments	$ 28,757,420	$ 22,717,216	$ 27,663,953
Standby letters of credit	$ 1,197,232	$ 1,145,016	$ 1,506,289

7. Other Real Estate Owned

Changes in other real estate owned during the year were as follows:

	2014	2013	2012
Beginning balance	$ 410,500	$ 1,440,900	$ 1,715,138
Net realizable value of foreclosed properties	-	545,150	-
	410,500	1,986,050	1,715,138
Proceeds from sales, net of selling expenses	-	(1,186,624)	(55,986)
Gain (loss) on sale	-	(388,926)	108
Revaluation loss	-	-	(218,360)
Ending balance	$ 410,500	$ 410,500	$ 1,440,900

The following table presents the number of and types of property in other real estate owned at December 31:

	2014		2013		2012	
	Number	Balance	Number	Balance	Number	Balance
Construction, land development, and land	1	$ 410,500	1	$ 410,500	2	$ 574,300
Residential 1-4 family, 1st liens	-	-	-	-	1	866,600
Total other real estate owned	1	$ 410,500	1	$ 410,500	3	$ 1,440,900

8. Premises, Equipment, and Computer Software

A summary of premises and equipment and the related depreciation is as follows:

	Estimated useful life	2014	2013	2012
Land		$ 2,094,624	$ 2,087,011	$ 2,087,011
Premises	5 - 50 years	7,278,309	7,517,020	7,250,793
Furniture and equipment	3 - 20 years	3,472,421	3,410,751	3,558,647
		12,845,354	13,014,782	12,896,451
Accumulated depreciation		7,387,320	7,265,856	6,908,157
Net premises and equipment		$ 5,458,034	$ 5,748,926	$ 5,988,294
Depreciation expense		$ 421,398	$ 447,277	$ 445,198

On June 6, 2014, the Company entered into an agreement to purchase approximately 1.88 acres of land along US Route 50 east of Berlin, Maryland for purposes of building a new branch. The purchase price of the land is $1,000,000 including a $100,000 deposit which remains in escrow as of December 31, 2014. The contract requires the seller to meet certain requirements prior to closing which include providing electricity, sewer, and water to the site. The Company expects that the seller will complete the requirements of the contract so closing can occur in 2015.

A summary of capitalized computer software and the related amortization is as follows:

	Estimated useful life	2014	2013	2012
Computer software	2 - 10 years	$ 926,691	$ 1,001,208	$ 922,530
Accumulated amortization		780,493	834,047	795,710
Net computer software		$ 146,198	$ 167,161	$ 126,820
Amortization expense		$ 39,858	$ 38,337	$ 45,667

9. Lease Commitments

The Company leases a parcel of land east of Berlin, Maryland and operates a branch on the property. Rent expense for this lease was $24,415, $23,417, and $22,417 for the years ended December 31, 2014, 2013, and 2012, respectively. The lease was extended on February 20, 2014 and will now expire August 31, 2019. The lease currently in effect requires the following minimum payments:

Period	Minimum payments
2015	$ 25,332
2016	26,336
2017	27,332
2018	28,332
2019	19,336
	$ 126,668

10. Interest-bearing Deposits

Major classifications of interest-bearing deposits are as follows:

	2014	2013	2012
NOW	$ 69,618,149	$ 69,089,720	$ 71,663,157
Money market	55,448,242	56,077,332	53,087,483
Savings	66,259,622	63,937,013	56,743,398
Time deposits of $100,000 or more	25,521,559	30,216,977	36,051,044
Time deposits of less than $100,000	38,242,112	42,363,345	46,312,912
	$ 255,089,684	$ 261,684,387	$ 263,857,994

The maturity distribution of time deposits follows:

	2014	2013	2012
Three months or less	$ 24,870,413	$ 27,709,397	$ 28,969,146
Over three through twelve months	29,773,136	36,231,280	38,534,236
Over one through two years	9,120,122	8,639,645	14,860,574
	$ 63,763,671	$ 72,580,322	$ 82,363,956

11. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase represent overnight borrowings from customers. The U.S. Government securities that collateralize these agreements are owned by the Company but maintained in the custody of an unaffiliated bank designated by the Company. Additional information for repurchase agreements follows:

	2014	2013	2012
Maximum month-end amount outstanding	$ 8,530,386	$ 7,742,758	$ 7,621,281
Average amount outstanding	$ 6,732,909	$ 5,927,085	$ 5,705,269
Average rate paid during the year	0.16%	0.15%	0.23%
Investment securities underlying the agreements at year end			
Carrying value	$ 12,564,077	$ 12,836,200	$ 12,403,941
Estimated fair value	$ 12,557,803	$ 12,855,644	$ 12,466,438

12. Profit Sharing Plan

In 1999, the Company adopted a defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of the employees and allows discretionary contributions by the Company. The plan provides for a matching contribution by the Company equal to 50% of an employee's contributions each pay period. The matching contribution by the Company does not apply to employee contributions over 6% of the employee's wages each pay period. Annually, the Board of Directors determines if a discretionary contribution will be made which is based upon the overall performance of the Company.

The total cost of the profit sharing plan including matching and discretionary contributions for 2014, 2013, and 2012, was $190,146, $168,665, and $163,198, respectively.

13. Other Noninterest Expenses

The components of other noninterest expenses follow:

	2014	2013	2012
Advertising	$ 160,062	$ 162,595	$ 172,477
Armored car service	99,260	95,854	84,687
Deposit product services	57,917	59,934	93,738
Correspondent bank fees	53,941	57,551	62,358
Courier service	45,180	45,180	45,180
Director fees	222,200	150,900	155,300
Dues, donations, and subscriptions	78,174	61,225	81,392
Liability insurance	40,841	39,771	31,696
Postage	146,510	145,810	147,146
Professional fees	103,911	323,615	307,219
Stationery and supplies	121,299	111,351	104,032
Telecommunications	169,242	170,062	174,440
Miscellaneous	325,253	221,879	289,669
	$ 1,623,790	$ 1,645,727	$ 1,749,334

14. Related Party Transactions

The executive officers and directors of the Company enter into loan transactions with the Bank in the ordinary course of business. The terms of these transactions are similar to the terms provided to other borrowers entering into similar loan transactions. Executive officers and directors make deposits in the Bank, and provide overnight borrowings to the Bank that are recorded as securities sold under agreements to repurchase (repurchase agreements). They receive the same rates and terms on insured deposit accounts and repurchase agreements as other customers with similar accounts.

	2014	2013	2012
Related party loan activity			
Beginning balance	$ 17,220,958	$ 16,620,902	$ 22,319,996
Advances	17,994,770	13,406,048	8,303,049
Repayments	(16,599,834)	(12,713,447)	(13,658,741)
Other decreases	-	(92,545)	(343,402)
Ending balance	$ 18,615,894	$ 17,220,958	$ 16,620,902
Unfunded loan commitments	$ 4,303,649	$ 1,196,115	$ 5,050,899
Deposits and repurchase agreements	$ 5,657,112	$ 7,541,226	$ 7,789,024

The Company obtains legal services from a law firm in which one of the principal attorneys is also a member of the Board of Directors. Fees charged for these services are at similar rates charged by unrelated law firms for similar legal work. Amounts paid to this related party totaled $36,411, $34,163, and $50,040 during the years ended December 31, 2014, 2013, and 2012, respectively.

15. Income Taxes

The components of income tax expense are as follows:	2014	2013	2012
Current income tax expense			
Federal	$ 2,024,978	$ 1,750,911	$ 2,124,566
State	440,533	422,392	457,585
Total current income tax expense	2,465,511	2,173,303	2,582,151
Deferred tax expense (benefit)	21,989	90,548	(174,151)
Total income tax expense	$ 2,487,500	$ 2,263,851	$ 2,408,000

The components of the deferred tax expense (benefit) follows:	2014	2013	2012
Nonaccrual loan interest	$ (3,737)	$ 112,689	$ (26,841)
Provision for loan losses	5,881	(28,324)	(45,115)
Provision for impairment of investment value	7,752	(78,648)	31,197
Other real estate owned	58,170	64,888	(136,545)
Employee benefit	2,795	2,810	8,294
Depreciation	(60,333)	19,207	(21,256)
Discount accretion	12,792	5,035	16,115
State loss carryforwards	(1,331)	(7,109)	-
Total deferred income tax expense (benefit)	$ 21,989	$ 90,548	$ (174,151)

The components of the net deferred tax liability follows:	2014	2013	2012
Deferred tax assets			
Nonaccrual loan interest	$ 10,967	$ 7,230	$ 119,919
Allowance for loan losses	84,028	89,909	61,585
Other than temporary impairment of investment value	114,248	122,000	43,352
Other real estate owned	143,777	201,947	266,835
Employee benefit	2,780	5,575	8,385
State loss carryforwards	8,440	7,109	-
Total deferred tax assets	364,240	433,770	500,076
Deferred tax liabilities			
Depreciation	87,134	147,467	128,260
Discount accretion	33,942	21,150	16,115
Unrealized gain on available for sale securities	528,377	406,935	418,283
Total deferred tax liabilities	649,453	575,552	562,658
Net deferred tax liability	$ (285,213)	$ (141,782)	$ (62,582)

A reconciliation of income tax expense on income from the statutory federal income tax rate to the effective income tax rate follows:

	2014	2013	2012
Statutory federal income tax rate	34.00 %	34.00 %	34.00 %
Increase (decrease) in tax rate resulting from			
Tax-exempt income	(2.62)	(2.88)	(2.92)
Non-deductible expenses	0.03	0.03	0.05
State income taxes net of federal income tax benefit	4.16	4.30	4.46
Effective income tax rate	35.57 %	35.45 %	35.59 %

There were no unrecognized tax benefits during any of the reported periods. The Company and its subsidiary file income tax returns in the U.S. federal and state jurisdictions. The Company and its subsidiary are no longer subject to U.S. federal and state income tax examinations for tax years prior to 2011. Certain loss carrybacks have been filed for years prior to 2011 which allow federal and state tax authorities to examine those years to the extent of the carryback amount.

16. Other Comprehensive Income (Loss)

The tax expense (benefit) allocated to each component of other comprehensive income (loss) were as follows:

	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
December 31, 2014			
Securities available for sale:			
Change in net unrealized gain/loss during the period	$ 284,383	$ 113,652	$ 170,731
Reclassification of net (gains) losses on sale included net income	3,099	1,222	1,877
Reclassification of loss on other than temporary impairment of investment value included in net income	16,650	6,568	10,082
Total other comprehensive income (loss)	$ 304,132	$ 121,442	$ 182,690
December 31, 2013			
Securities available for sale:			
Change in net unrealized gain/loss during the period	$ (269,618)	$ (89,997)	$ (179,621)
Reclassification of loss on other than temporary impairment of investment value included in net income	199,389	78,649	120,740
Total other comprehensive income (loss)	$ (70,229)	$ (11,348)	$ (58,881)
December 31, 2012			
Securities available for sale:			
Change in net unrealized gain/loss during the period	$ (5,380)	$ (2,667)	$ (2,713)
Reclassification of loss on other than temporary impairment of investment value included in net income	31,904	15,817	16,087
Total other comprehensive income (loss)	$ 26,524	$ 13,150	$ 13,374

Activity in accumulated other comprehensive income, net of tax, was as follows:

	Securities Available for Sale	Accumulated Other Comprehensive Income/(Loss)
Balance January 1, 2014	$ 739,965	$ 739,965
Other comprehensive income (loss) before reclassification	170,731	170,731
Net (gains) losses reclassified from accumulated other comprehensive income	1,877	1,877
Loss on other than temporary impairment of investment value reclassified from accumulated other comprehensive income (loss)	10,082	10,082
Net other comprehensive income (loss) during the period	182,690	182,690
Balance December 31, 2014	$ 922,655	$ 922,655
Balance January 1, 2013	$ 798,846	$ 798,846
Other comprehensive income (loss) before reclassification	(179,621)	(179,621)
Loss on other than temporary impairment of investment value reclassified from accumulated other comprehensive income (loss)	120,740	120,740
Net other comprehensive income (loss) during the period	(58,881)	(58,881)
Balance December 31, 2013	$ 739,965	$ 739,965
Balance January 1, 2012	$ 785,472	$ 785,472
Other comprehensive income (loss) before reclassification	(2,713)	(2,713)
Loss on other than temporary impairment of investment value reclassified from accumulated other comprehensive income (loss)	16,087	16,087
Net other comprehensive income (loss) during the period	13,374	13,374
Balance December 31, 2012	$ 798,846	$ 798,846

17. Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market for such asset or liability. The fair value hierarchy established in the Financial Accounting Standards Board accounting standards codification topic titled *Fair Value Measurements* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets or liabilities. Level 2 inputs are based on significant observable inputs other than those in Level 1, either directly or indirectly. Level 3 inputs are based on significant unobservable inputs. The level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Financial assets measured at fair value on a recurring basis include investment securities classified as available for sale. U.S. Treasury securities and an equity investment in an actively traded public utility are valued utilizing Level 1 inputs. Municipal debt securities and equity investments in community banks are valued using Level 2 inputs. The Company has no financial assets measured at fair value on a recurring basis that are valued with Level 3 inputs. The fair values for available for sale investment securities measured on a recurring basis were established as follows:

	Total Fair Value	Level 1 Inputs	Level 2 Inputs
December 31, 2014			
Securities available for sale:			
U.S. Treasury	$ 44,648,291	$ 44,648,291	$ -
State and municipal	501,901	-	501,901
Equity	2,020,251	543,840	1,476,411
Total assets measured on a recurring basis	$ 47,170,443	$ 45,192,131	$ 1,978,312
December 31, 2013			
Securities available for sale:			
U.S. Treasury	$ 39,778,579	$ 39,778,579	$ -
State and municipal	376,790	-	376,790
Equity	1,760,828	413,336	1,347,492
Total assets measured on a recurring basis	$ 41,916,197	$ 40,191,915	$ 1,724,282
December 31, 2012			
Securities available for sale:			
U.S. Treasury	$ 72,173,340	$ 72,173,340	$ -
State and municipal	403,437	-	403,437
Equity	1,706,150	401,632	1,304,518
Total assets measured on a recurring basis	$ 74,282,927	$ 72,574,972	$ 1,707,955

17. Fair Value Measurements (continued)

The Company measures and reports certain financial and non-financial assets at fair value on a non-recurring basis. Financial assets measured and reported at fair value on a non-recurring basis include impaired loans that are deemed by management to be collateral dependent and have been recorded at the fair value of the underlying collateral by recording partial charge-offs. Non-financial assets measured and reported on a non-recurring basis included other real estate owned acquired through foreclosure.

The Company utilizes appraisals from independent 3rd party licensed appraisers to determine the fair value of collateral underlying impaired loans that are deemed collateral dependent and other real estate owned. The vast majority of appraisals utilize the market approach valuation technique due to the nature of the underlying properties. Due to the significance of adjustments made to observable market prices of similar properties and lack of similarities between comparable properties, the Company considers the appraisals used in determination of fair value for collateral dependent impaired loans and other real estate owned to be Level 3 inputs. Management does not make adjustments to the independent appraised values except for the adjustment related to estimated selling costs. The valuation process includes a review of the appraisal by the Bank's loan department, which is experienced in appraisal review procedures set forth by bank regulatory guidance.

Financial and non-financial assets measured and reported at fair value on a non-recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy used to measure fair value are detailed in the following table.

	Total Fair Value	Level 3 Inputs
December 31, 2014		
Impaired loans recorded at fair value of collateral:		
Construction, land development, and land	$ 59,152	$ 59,152
Residential 1-4 family	2,263,047	2,263,047
Commercial mortgages	376,599	376,599
Total impaired loans recorded at fair value of collateral	2,698,798	2,698,798
Other real estate owned recorded at fair value of collateral:		
Construction, land development, and land	410,500	410,500
Total other real estate owned recorded at fair value of collateral	410,500	410,500
Total assets measured on a non-recurring basis	$ 3,109,298	$ 3,109,298
December 31, 2013		
Impaired loans recorded at fair value of collateral:		
Residential 1-4 family	$ 2,173,442	$ 2,173,442
Commercial mortgages	384,493	384,493
Total impaired loans recorded at fair value of collateral	2,557,935	2,557,935
Other real estate owned recorded at fair value of collateral:		
Construction, land development, and land	410,500	410,500
Total other real estate owned recorded at fair value of collateral	410,500	410,500
Total assets measured on a non-recurring basis	$ 2,968,435	$ 2,968,435
December 31, 2012		
Impaired loans recorded at fair value of collateral:		
Residential 1-4 family	$ 785,464	$ 785,464
Commercial mortgages	1,278,605	1,278,605
Total impaired loans recorded at fair value of collateral	2,064,069	2,064,069
Other real estate owned recorded at fair value of collateral:		
Residential 1-4 family	866,600	866,600
Construction, land development, and land	574,300	574,300
Total other real estate owned recorded at fair value of collateral	1,440,900	1,440,900
Total assets measured on a non-recurring basis	$ 3,504,969	$ 3,504,969

17. Fair Value Measurements (continued)

The estimated fair values of the Company's financial assets and liabilities, including those assets and liabilities that are not measured and reported at fair value on a recurring or non-recurring basis are summarized in the table below. The fair value of cash and due from banks, federal funds sold, accrued interest receivable, bank owned life insurance, noninterest-bearing deposits, securities sold under agreements to repurchase, and accrued interest payable approximately equals their carrying value. These financial assets and financial liabilities are excluded from the table below. The fair values of a significant portion of the financial assets and financial liabilities presented in the table below are estimates derived using present value techniques prescribed by the Financial Accounting Standards Board and may not be indicative of the net realizable or liquidation values. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

The fair value of interest-bearing deposits with other financial institutions is estimated based on quoted interest rates for certificates of deposit with similar remaining terms.

The fair value of fixed-rate loans is estimated to be the present value of scheduled payments discounted using interest rates currently in effect for loans of the same class and term. Variable-rate loans, including loans with a demand feature, have an estimated fair value equal to their carrying amount. The carrying amount and fair value of loans presented in the table below is net of the allowance for loan losses. Impaired loans that are deemed by management to be collateral dependent and have been recorded at the fair value of the underlying collateral are valued utilizing Level 3 inputs. The fair value of outstanding loan commitments, letters of credit and unused lines of credit are considered to be the same as the contractual amounts, and are not included in the table below.

The fair value of interest-bearing checking, savings, and money market deposit accounts approximates the carrying value. The fair value of fixed-rate time deposits is estimated by discounting future cash flows using interest rates currently offered for deposits of similar remaining maturities.

	December 31, 2014		December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Level 1 inputs						
Investment securities	$ 126,147,288	$ 126,027,754	$ 115,045,573	$ 115,103,716	$ 133,554,304	$ 133,681,592
Level 2 inputs						
Interest-bearing deposits	$ 20,080,489	$ 20,133,547	$ 20,353,091	$ 20,376,425	$ 13,587,889	$ 13,603,933
Investment securities	$ 12,409,676	$ 12,435,370	$ 12,265,914	$ 12,295,618	$ 6,520,905	$ 6,532,610
Loans, net	$ 222,784,968	$ 223,116,143	$ 219,540,125	$ 219,496,117	$ 225,282,489	$ 225,273,328
Level 3 inputs						
Loans, net	$ 2,698,798	$ 2,698,798	$ 2,557,935	$ 2,557,935	$ 2,064,069	$ 2,064,069
Financial liabilities						
Level 2 inputs						
Interest-bearing deposits	$ 255,089,684	$ 255,107,603	$ 261,684,387	$ 261,716,195	$ 263,857,994	$ 263,972,110

18. Regulatory Capital Standards

The Federal Reserve Board and the Federal Deposit Insurance Corporation have adopted risk-based capital standards for banking organizations. These standards require ratios of capital to assets for minimum capital adequacy and to be classified as well capitalized under prompt corrective action provisions. The capital ratios of the Company and the Bank and the minimum capital adequacy requirements of the Bank are as follows:

	Company Actual		Bank Actual		To be well capitalized	Minimum adequacy
(in thousands)	Amount	Ratio	Amount	Ratio	Ratio	Ratio
December 31, 2014						
Total risk-based capital (to risk weighted assets)	$ 78,791	36.3%	$ 75,294	35.2%	10.0%	8.0%
Tier 1 capital (to risk-weighted assets)	$ 77,568	35.8%	$ 74,385	34.8%	6.0%	4.0%
Tier 1 capital (to average fourth quarter assets)	$ 77,568	16.7%	$ 74,385	16.1%	5.0%	4.0%
December 31, 2013						
Total risk-based capital (to risk weighted assets)	$ 77,809	36.0%	$ 74,110	34.7%	10.0%	8.0%
Tier 1 capital (to risk-weighted assets)	$ 76,724	35.5%	$ 73,202	34.3%	6.0%	4.0%
Tier 1 capital (to average fourth quarter assets)	$ 76,724	16.8%	$ 73,202	16.2%	5.0%	4.0%
December 31, 2012						
Total risk-based capital (to risk weighted assets)	$ 76,924	35.4%	$ 73,022	34.0%	10.0%	8.0%
Tier 1 capital (to risk-weighted assets)	$ 76,081	35.0%	$ 72,242	33.7%	6.0%	4.0%
Tier 1 capital (to average fourth quarter assets)	$ 76,081	17.1%	$ 72,242	16.4%	5.0%	4.0%

Tier 1 capital consists of common stock, additional paid-in capital, and retained earnings. Total risk-based capital includes limited amounts of the allowance for loan losses and a portion of net unrealized gains on available for sale equity securities. In calculating risk-weighted assets, specific risk percentages are applied to each category of assets and off-balance sheet items. Failure to meet the capital requirements could affect the Company's ability to pay dividends and accept deposits, and may significantly affect the operations of the Company. In the most recent regulatory report, the Company was determined to be well capitalized. Management has no plans that should change the classification of the capital adequacy.

The Company's primary regulator, the Federal Reserve, and the Bank's primary regulator, the Federal Deposit Insurance Corporation (FDIC), have adopted a final rule that revises the risk-based and leverage capital requirements for their supervised institutions. The final rule implements the Basel III capital standards as established by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new regulatory capital requirements within the rule became effective January 1, 2015, subject to a phase-in period, and established higher minimum regulatory capital ratios, added a new Common Tier 1 regulatory capital ratio, established capital conservation buffers, and significantly revised the rules for calculating risk weighted assets. The Company is not currently subject to the new regulatory capital requirements since its total assets are less than $500 million as of the effective date. The Bank is subject to the new regulatory capital requirements and management believes that, as of December 31, 2014, the Bank would exceed all requirements to be well capitalized under the new regulatory framework on a fully phased-in basis as if such requirements were currently in effect. The Company may become subject to the new capital requirements in future periods if total assets exceed $500 million.

19. Parent Company Financial Information

Balance Sheets	December 31, 2014	2013	2012
Assets			
Cash and due from banks	$ 37,612	$ 54,671	$ 29,080
Interest-bearing bank deposits	471,047	755,369	952,097
Investment securities available for sale	2,020,251	1,760,828	1,706,150
Investment in subsidiary bank	74,883,307	73,701,833	72,954,989
Premises and equipment	1,044,647	1,055,178	1,082,066
Deferred income taxes	-	81,766	94,184
Other assets	80,285	54,187	61,244
Total assets	$ 78,537,149	$ 77,463,832	$ 76,879,810
Liabilities and Stockholders' Equity			
Deferred income taxes	$ 46,208	$ -	$ -
Total liabilities	46,208	-	-
Common stock, par value $1 per share	2,917,119	2,951,828	2,978,554
Additional paid-in capital	6,697,024	7,543,333	8,216,785
Retained earnings	67,954,143	66,228,706	64,885,625
Accumulated other comprehensive income, net of tax	922,655	739,965	798,846
Total stockholders' equity	78,490,941	77,463,832	76,879,810
Total liabilities and stockholders' equity	$ 78,537,149	$ 77,463,832	$ 76,879,810

Statements of Comprehensive Income	Years Ended December 31, 2014	2013	2012
Interest revenue	$ 2,883	$ 4,504	$ 9,267
Dividend revenue	40,932	37,029	27,389
Dividends from subsidiary	3,312,922	3,278,467	3,214,147
Loss on other than temporary impairment of investment value	(16,650)	(199,389)	(31,904)
Gain (loss) on disposition of investment security	2,063	-	(4,026)
Equity in undistributed income of subsidiary	1,183,199	959,574	1,174,728
Rental income	43,200	43,200	37,200
Total revenue	4,568,549	4,123,385	4,426,801
Occupancy	38,413	37,211	32,631
Other	36,182	54,764	66,070
Total expenses	74,595	91,975	98,701
Income before income taxes	4,493,954	4,031,410	4,328,100
Income taxes	(12,500)	(90,149)	(29,000)
Net income	$ 4,506,454	$ 4,121,559	$ 4,357,100
Other comprehensive income (loss), net of tax			
Unrealized gains (losses) on available for sale securities arising during the period, net of taxes of $121,442, ($11,348), and $13,150	182,690	(58,881)	13,374
Comprehensive income	$ 4,689,144	$ 4,062,678	$ 4,370,474

19. Parent Company Financial Information (continued)

Statements of Cash Flows	Years Ended December 31, 2014	2013	2012
Cash flows from operating activities			
Interest and dividends received	$ 3,351,072	$ 3,320,356	$ 3,251,033
Rental payments and fees received	43,200	43,200	37,200
Cash paid for operating expenses	(57,290)	(68,697)	(71,332)
Income tax refunds received	9,342	12,661	17,588
Net cash from operating activities	3,346,324	3,307,520	3,234,489
Cash flows from investing activities			
Certificates of deposit purchased, net of maturities	275,177	198,030	(7,313)
Proceeds from sale of investments available for sale	30,530	-	-
Purchases of premises and equipment	(16,201)	-	(4,180)
Net cash from investing activities	289,506	198,030	(11,493)
Cash flows from financing activities			
Common shares repurchased	(881,018)	(700,178)	(441,417)
Dividends paid	(2,781,017)	(2,778,478)	(2,772,706)
Net cash from financing activities	(3,662,035)	(3,478,656)	(3,214,123)
Net increase (decrease) in cash and cash equivalents	(26,205)	26,894	8,873
Cash and cash equivalents at beginning of year	69,864	42,970	34,097
Cash and cash equivalents at end of year	$ 43,659	$ 69,864	$ 42,970
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 4,506,454	$ 4,121,559	$ 4,357,100
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed net income of subsidiary	(1,183,199)	(959,574)	(1,174,728)
Depreciation	26,732	26,888	27,370
Loss on other than temporary impairment of investment value	16,650	199,389	31,904
Loss (gain) on disposition of investment securities	(2,063)	-	4,026
Decrease (increase) in			
Accrued interest receivable	(97)	357	230
Prepaid expenses	(9,428)	(3,610)	-
Accrued dividends	(5,567)	-	-
Increase (decrease) in			
Deferred and accrued income taxes	(3,158)	(77,489)	(11,413)
Net cash from operating activities	$ 3,346,324	$ 3,307,520	$ 3,234,489
Composition of cash and cash equivalents			
Cash and due from banks	$ 37,612	$ 54,671	$ 29,080
Interest-bearing deposits, except for time deposits	6,047	15,193	13,890
Total cash and cash equivalents	$ 43,659	$ 69,864	$ 42,970

20. Quarterly Results of Operations (unaudited)

	Three months ended			
	December 31	September 30	June 30	March 31
2014				
Interest and dividend revenue	$ 3,558,457	$ 3,540,866	$ 3,564,497	$ 3,497,909
Interest expense	97,063	98,102	95,730	98,134
Net interest income	3,461,394	3,442,764	3,468,767	3,399,775
Provision for loan losses	90,000	7,000	50,000	123,000
Net income	1,100,911	1,211,597	1,185,473	1,008,473
Comprehensive income	1,161,201	1,215,398	1,225,974	1,086,571
Earnings per share	$ 0.36	$ 0.42	$ 0.40	$ 0.34
2013				
Interest and dividend revenue	$ 3,605,872	$ 3,671,980	$ 3,745,208	$ 3,715,151
Interest expense	105,430	111,189	119,823	131,923
Net interest income	3,500,442	3,560,791	3,625,385	3,583,228
Provision for loan losses	131,000	261,000	64,000	345,000
Net income	770,026	1,150,722	1,188,062	1,012,749
Comprehensive income	831,625	1,193,737	1,111,757	925,559
Earnings per share	$ 0.26	$ 0.39	$ 0.40	$ 0.34
2012				
Interest and dividend revenue	$ 3,661,056	$ 3,759,869	$ 3,866,624	$ 3,819,293
Interest expense	157,223	191,997	242,893	276,656
Net interest income	3,503,833	3,567,872	3,623,731	3,542,637
Provision for loan losses	102,000	206,200	105,000	192,500
Net income	912,135	1,124,243	1,264,041	1,056,681
Comprehensive income	919,899	1,111,960	1,315,068	1,023,547
Earnings per share	$ 0.31	$ 0.38	$ 0.42	$ 0.35

CALVIN B. TAYLOR BANKSHARES, INC.
CALVIN B. TAYLOR BANKING COMPANY

2014

BOARD OF DIRECTORS

James R. Bergey, Jr.
John H. Burbage, Jr.
Todd E. Burbage
Charlotte K. Cathell
Thomas K. Coates
Reese F. Cropper, III
Hale Harrison
M. Dean Lewis
William H. Mitchell
Joseph E. Moore
Louis H. Taylor
Raymond M. Thompson

DIRECTORS EMERITI

Richard L. Bunting
Reese F. Cropper, Jr., Chairman Emeritus
John L. Donaway
Michael L. Quillin, Sr.
Hugh F. Wilde, Sr.

EXECUTIVE COMMITTEE

Tina B. Kolarik
Raymond M. Thompson
Peggy Zellman-Welsh
Outside Directors* (3)

*Outside directors, those directors who are not officers of the Bank or Company, serve as rotating members of the Executive Committee. All outside directors serve as a rotating member of the Executive Committee during the year.

CALVIN B. TAYLOR BANKING COMPANY

Officers and Managers

EXECUTIVE OFFICERS

Raymond M. Thompson	President and Chief Executive Officer
Peggy Zellman-Welsh	Senior Vice President and Chief of Branch Administration
Tina B. Kolarik	Senior Vice President and Chief Operating Officer
M. Dean Lewis	Assistant Vice President and Chief Financial Officer

BRANCH MANAGEMENT

Margaret M. Mudron	Assistant Vice President, Manager of Fenwick Branch
Raymond I. Robinson, Jr.	Assistant Vice President, Manager of 20th Street Branch, Security Officer
Lori A. Simon	Assistant Vice President, Manager of Ocean Pines Branch
C. Ray Daisey	Manager of Pocomoke Branch
Jennifer Figgs	Manager of West Ocean City Branch
Lynne A. Nicodemus	Manager of Ocean View, Delaware Branch
Casey E. Robinson	Manager of 91st Street Branch
Jennifer W. Scott	Manager of Main Office Branch
Jamie N. Hill	Manager of Snow Hill Branch

LENDING AND BUSINESS DEVELOPMENT

D. Kenneth Bates	Senior Vice President and Senior Loan Officer
V. Wesley McCabe, III	Vice President, Loan and Business Development Officer
James R. Simon	Vice President, Loan and Business Development Officer
Lee I. Chisholm	Loan and Business Development Officer
Cory B. Walsh	Loan and Business Development Officer
Scott P. Williams	Loan Operations Supervisor and Credit Analyst

OPERATIONS AND ADMINISTRATION

Sandra H. Duncan	Assistant Vice President and Account Processing Manager
Alysson E. DuPont	Assistant Vice President and Human Resources Manager
Kathleen J. Allam	IT/Electronic Services Manager
Carl A. Vandivier	Information Systems Administrator
Stacy L. Schaffer	Marketing Officer

COMPLIANCE / AUDIT

Donna E. Weaver	Compliance Officer and Internal Auditor

CALVIN B. TAYLOR BANKING COMPANY

Branch Locations

MARYLAND

BERLIN

Main Office:		
24 N. Main Street	Phone:	410-641-1700
Berlin, MD 21811	Fax:	410-641-0543
East Berlin Branch:		
10524 Old Ocean City Boulevard	Phone:	410-641-1728
Berlin, MD 21811	Fax:	410-641-2078
Ocean Pines Branch:		
11103 Cathell Road	Phone:	410-641-5111
Berlin, MD 21811	Fax:	410-641-6084

OCEAN CITY

20th Street Branch:		
100 20th Street	Phone:	410-289-8171
Ocean City, MD 21842	Fax:	410-289-6507
North Ocean City/Fenwick Branch:		
14200 Coastal Highway	Phone:	410-250-1405
Ocean City, MD 21842	Fax:	410-250-1379
Mid-Ocean City Branch:		
9105 Coastal Highway	Phone:	410-723-2044
Ocean City, MD 21842	Fax:	410-723-3870
West Ocean City Branch:		
9923 Golf Course Road	Phone:	410-213-1700
Ocean City, MD 21842	Fax:	410-213-2887

POCOMOKE

2140 Old Snow Hill Road	Phone:	410-957-3200
Pocomoke, MD 21851	Fax:	410-957-2125

SNOW HILL

108 West Market Street	Phone:	410-632-1700
Snow Hill, MD 21863	Fax:	410-632-1524

DELAWARE

OCEAN VIEW

50 Atlantic Avenue	Phone:	302-541-0500
Ocean View, DE 19970	Fax:	302-541-0665

Market for Common Stock and Related Matters

Stock Listing Information

The Company's common stock is traded in the "over the counter" (OTC) market under the ticker symbol TYCB. Stock quotes, trade prices, and volume information can be found on the OTCQX marketplace which is an electronic inter-dealer quotation system registered with the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA).

There were 927 stockholders of record at December 31, 2014.

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Phone (800) 937-5449, toll free

Additional Information

The following officers of the Company can provide additional information:

Mr. Raymond M. Thompson, President and Chief Executive Officer
(410) 641-1700
Email: rthompson@taylorbank.com

Mr. M. Dean Lewis, Treasurer
(410) 641-1700
Email: mlewis@taylorbank.com