

**Calvin B. Taylor Bankshares, Inc.
and Subsidiary**

Financial Highlights

<u>At period end</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>% Change</u>
Assets	\$ 469,448,838	\$ 467,009,029	0.52%
Deposits	\$ 381,954,231	\$ 381,863,734	0.02%
Loans, net	\$ 254,308,841	\$ 243,241,704	4.55%
Total capital	\$ 80,877,212	\$ 79,781,215	1.37%
Book value per share	\$ 27.91	\$ 27.52	1.42%
Total capital to total assets	17.23%	17.08%	
<u>For the three months ended</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>% Change</u>
Average assets	\$ 465,960,777	\$ 449,347,676	3.70%
Average equity	\$ 79,617,711	\$ 78,197,254	1.82%
Net interest income	\$ 3,647,047	\$ 3,360,324	8.53%
Net income	\$ 1,015,517	\$ 1,099,130	-7.61%
Net income per share	\$ 0.35	\$ 0.38	-7.89%
Return on average assets	0.87%	0.98%	
Return on average equity	5.10%	5.62%	

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Balance Sheets

	(unaudited) March 31, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 35,218,985	\$ 41,169,588
Federal funds sold	13,757,766	13,755,231
Interest-bearing bank deposits	20,256,582	22,675,185
Investment securities available for sale	42,842,012	42,647,083
Investment securities held to maturity (approximate fair value of \$85,341,003 and \$85,598,972)	85,176,170	85,701,626
Loans, less allowance for loan losses of \$1,017,164 and \$889,072	254,308,841	243,241,704
Premises and equipment	7,165,096	6,794,012
Other real estate owned	40,000	355,000
Accrued interest receivable	1,223,388	1,253,911
Computer software	237,777	196,833
Bank owned life insurance	8,571,341	8,506,595
Prepaid expenses	339,605	401,061
Other assets	311,275	311,200
Total assets	<u>\$ 469,448,838</u>	<u>\$ 467,009,029</u>
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	\$ 116,437,774	\$ 119,011,175
Interest-bearing	<u>265,516,457</u>	<u>262,852,559</u>
Total deposits	381,954,231	381,863,734
Securities sold under agreements to repurchase	5,844,755	4,875,379
Accrued interest payable	21,203	20,937
Deferred income taxes	248,560	188,912
Other liabilities	<u>502,877</u>	<u>278,852</u>
Total liabilities	388,571,626	387,227,814
Stockholders' equity		
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,897,974 shares at March 31, 2016, and 2,899,412 shares at December 31, 2015	2,897,974	2,899,412
Additional paid-in capital	6,209,473	6,247,043
Retained earnings	<u>70,795,926</u>	<u>69,780,409</u>
Total tier 1 capital	79,903,373	78,926,864
Accumulated other comprehensive income, net of tax	<u>973,839</u>	<u>854,351</u>
Total stockholders' equity	<u>80,877,212</u>	<u>79,781,215</u>
Total liabilities and stockholders' equity	<u>\$ 469,448,838</u>	<u>\$ 467,009,029</u>

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (unaudited)

	For the three months ended March 31,	
	2016	2015
Interest and dividend revenue		
Loans, including fees	\$ 3,295,871	\$ 3,132,932
U. S. Treasury and government agency securities	287,105	246,935
State and municipal securities	46,217	19,073
Federal funds sold and due from banks	49,528	23,652
Interest-bearing bank deposits	46,158	24,203
Equity securities	10,714	5,136
Total interest and dividend revenue	3,735,593	3,451,931
Interest expense		
Deposits	86,484	89,531
Borrowings	2,062	2,076
Total interest expense	88,546	91,607
Net interest income	3,647,047	3,360,324
Provision for loan losses	332,000	80,000
Net interest income after provision for loan losses	3,315,047	3,280,324
Noninterest revenue		
Service charges on deposit accounts	153,542	157,466
ATM and debit card	178,071	169,158
Increase in cash surrender value of bank owned life insurance	64,746	61,819
Miscellaneous	89,503	83,673
Total noninterest revenue	485,862	472,116
Noninterest expenses		
Salaries	954,406	894,992
Employee benefits	278,644	256,613
Occupancy	194,130	188,356
Furniture and equipment	122,265	116,376
Data processing	68,698	65,569
ATM and debit card	122,126	70,369
Deposit insurance premiums	55,177	54,131
Other operating	444,446	396,904
Total noninterest expenses	2,239,892	2,043,310
Income before income taxes	1,561,017	1,709,130
Income taxes	545,500	610,000
Net income	\$ 1,015,517	\$ 1,099,130
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on available for sale investment securities arising during the period, net of taxes of \$59,648 and \$1,456	119,488	19,960
Comprehensive income	<u>\$ 1,135,005</u>	<u>\$ 1,119,090</u>
Earnings per common share - basic and diluted	\$ 0.35	\$ 0.38

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows (unaudited)

	For the three months ended March 31,	
	2016	2015
Cash flows from operating activities		
Interest and dividends received	\$ 3,961,739	\$ 3,572,060
Fees and commissions received	180,771	595,428
Interest paid	(88,280)	(91,954)
Cash paid to suppliers and employees	(1,830,853)	(1,908,587)
Income taxes paid	(302,475)	(29,029)
Net cash from operating activities	1,920,902	2,137,918
Cash flows from investing activities		
Certificates of deposit purchased, net of maturities	2,418,361	-
Proceeds from maturities of investments available for sale	2,000,000	6,025,000
Purchase of investments available for sale	(2,024,200)	(2,968,094)
Proceeds from sale of investments held for sale	10,486	-
Proceeds from maturities of investments held to maturity	3,910,000	7,375,000
Purchase of investments held to maturity	(3,584,955)	(3,898,094)
Loans made, net of principal reductions	(11,399,137)	(7,110,889)
Purchases of premises, equipment, and computer software	(535,588)	(177,425)
Proceeds from sale of other real estate and repossessed assets, net	315,200	-
Net cash from investing activities	(8,889,833)	(754,502)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(164,938)	(285,086)
Other deposits	255,434	5,252,871
Securities sold under agreements to repurchase	969,376	39,537
Common shares repurchased	(39,008)	(59,143)
Net cash from financing activities	1,020,864	4,948,179
Net increase in cash and cash equivalents	(5,948,067)	6,331,595
Cash and cash equivalents at beginning of period	54,930,872	50,696,141
Cash and cash equivalents at end of period	<u>\$ 48,982,805</u>	<u>\$ 57,027,736</u>

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows continued (unaudited)

	For the three months ended March 31,	
	2016	2015
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 1,015,517	\$ 1,099,130
Adjustments to reconcile net income to net cash provided by operating activities		
Premium amortization and discount accretion	195,623	104,611
Provision for loan losses	332,000	80,000
Depreciation and amortization	123,559	110,746
Loss on disposition of investment securities	2,953	-
Gain on sale of other real estate and repossessed assets	(200)	-
Decrease (increase) in		
Accrued interest receivable	30,523	15,517
Cash surrender value of bank owned life insurance	(64,746)	(61,819)
Other assets	(181,642)	304,156
Increase (decrease) in		
Accrued interest payable	266	(346)
Accrued income taxes	243,025	580,971
Other liabilities	224,024	(95,048)
Net cash from operating activities	<u>\$ 1,920,902</u>	<u>\$ 2,137,918</u>
Composition of cash and cash equivalents		
Cash and due from banks	\$ 35,218,985	\$ 40,744,641
Federal funds sold	13,757,766	16,277,047
Interest-bearing deposits, except for time deposits	<u>6,054</u>	<u>6,048</u>
Total cash and cash equivalents	<u>\$ 48,982,805</u>	<u>\$ 57,027,736</u>