Calvin B. Taylor Bankshares, Inc. and Subsidiary

Financial Highlights

	June 30,		Ι	December 31,	
At period end		2016		2015	% Change
Assets	\$	495,974,197	\$	467,009,029	6.20%
Deposits	\$	406,419,354	\$	381,863,734	6.43%
Loans, net	\$	264,498,995	\$	243,241,704	8.74%
Total capital	\$	82,329,537	\$	79,781,215	3.19%
Book value per share	\$	28.43	\$	27.52	3.31%
Total capital to total assets		16.60%		17.08%	
		June 30,		June 30,	
For the six months ended		2016		2015	% Change
Average assets	\$	474,348,908	\$	453,986,683	4.49%
Average equity	\$	80,660,520	\$	79,177,143	1.87%
Net interest income	\$	7,406,046	\$	6,821,379	8.57%
Net income	\$	2,327,842	\$	2,244,457	3.72%
Net income per share	\$	0.80	\$	0.77	3.90%
Return on average assets		0.98%		0.99%	
Return on average equity		5.77%		5.67%	

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

June 30, 2016 December 31, 2015 Assets Cash and due from banks \$ 49,320,20 \$ 141,169,888 Federal funds sold 15,321,989 13,755,231 Increst-bearing bank deposits 24,911,09 22,675,185 Investment securities available for sale 40,109,170 42,647,083 Investment securities available for sale 40,109,170 242,647,083 Investment securities available for sale 40,109,170 42,647,083 Investment securities available for sale 40,109,170 42,647,083 Investment securities available for sale 40,109,170 42,647,083 Investment securities sheld to maturity (approximate fair value of \$83,486,442 and \$85,598,972) 83,102,030 85,701,626 Loans, less allowance for loan losses of \$1,075,669 and \$889,072 264,498,995 243,241,04 Permises and equipment 7,696,315 6,794,012 Other as as a loquipment 329,362 18,352,00 Cacruel interest peach 38,363,075 8,506,595 Prepaid expenses 204,647 401,061 Other sasets 218,000,000 228,8		(unaudited)				
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Deposits Noninterest-bearing \$ 138,010,317 \$ 119,011,175 Interest-bearing 268,409,037 262,852,559 Total deposits 406,419,354 381,863,734 Securities sold under agreements to repurchase 6,693,213 4,875,379 Accrued interest payable 20,978 20,937 Deferred income taxes 353,155 188,912 Other liabilities 157,960 278,852 Total liabilities 413,644,660 387,227,814 Stockholders' equity 2,896,294 shares at June 30, 2016, and 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215						
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Securities sold under agreements to repurchase 6,693,213 4,875,379 Accrued interest payable 20,978 20,937 Deferred income taxes 353,155 188,912 Other liabilities 157,960 278,852 Total liabilities 413,644,660 387,227,814 Stockholders' equity 20,000,000 387,227,814 Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,896,294 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Interest-bearing		268,409,037		262,852,559	
Accrued interest payable 20,978 20,937 Deferred income taxes 353,155 188,912 Other liabilities 157,960 278,852 Total liabilities 413,644,660 387,227,814 Stockholders' equity 2000 2000 2000 Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Total deposits		406,419,354		381,863,734	
Deferred income taxes 353,155 188,912 Other liabilities 157,960 278,852 Total liabilities 413,644,660 387,227,814 Stockholders' equity Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Securities sold under agreements to repurchase		6,693,213		4,875,379	
Other liabilities 157,960 278,852 Total liabilities 413,644,660 387,227,814 Stockholders' equity Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Accrued interest payable		20,978		20,937	
Total liabilities 413,644,660 387,227,814 Stockholders' equity Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Deferred income taxes		353,155		188,912	
Stockholders' equity Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Other liabilities		157,960		278,852	
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Total liabilities		413,644,660		387,227,814	
authorized 10,000,000 shares; issued and outstanding 2,896,294 shares at June 30, 2016, and 2,899,412 shares at December 31, 2015 Additional paid-in capital Retained earnings Total tier 1 capital Accumulated other comprehensive income, net of tax Total stockholders' equity 2,896,294 2,899,412 4,899,412 6,165,205 6,247,043 72,108,251 69,780,409 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 79,781,215	Stockholders' equity					
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2,899,412 shares at December 31, 2015 2,896,294 2,899,412 Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	authorized 10,000,000 shares; issued and outstanding					
Additional paid-in capital 6,165,205 6,247,043 Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	2,896,294 shares at June 30, 2016, and					
Retained earnings 72,108,251 69,780,409 Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	2,899,412 shares at December 31, 2015		2,896,294		2,899,412	
Total tier 1 capital 81,169,750 78,926,864 Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Additional paid-in capital		6,165,205		6,247,043	
Accumulated other comprehensive income, net of tax 1,159,787 854,351 Total stockholders' equity 82,329,537 79,781,215	Retained earnings		72,108,251		69,780,409	
Total stockholders' equity 82,329,537 79,781,215	Total tier 1 capital		81,169,750		78,926,864	
	Accumulated other comprehensive income, net of tax		1,159,787		854,351	
	Total stockholders' equity	_	82,329,537	_	79,781,215	
	Total liabilities and stockholders' equity	\$	495,974,197	\$		

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

	F	For the six month	hs end	
		2016		2015
Interest and dividend revenue	Φ.	6.702.450	Φ	6 244 400
Loans, including fees	\$	6,702,450	\$	6,344,400
U. S. Treasury and government agency securities		574,260		489,429
State and municipal securities		89,814		53,641
Federal funds sold and due from banks		98,223		48,692
Interest-bearing bank deposits		97,543		50,653
Equity securities		20,440		14,597
Total interest and dividend revenue		7,582,730		7,001,412
Interest expense				
Deposits		172,606		175,710
Borrowings		4,078		4,323
Total interest expense		176,684		180,033
Net interest income		7,406,046		6,821,379
Provision for loan losses		390,000		165,000
Net interest income after provision for loan losses		7,016,046		6,656,379
Noninterest revenue				
Service charges on deposit accounts		302,770		314,990
ATM and debit card		384,961		368,610
Increase in cash surrender value of bank owned life insurance		129,480		123,958
Miscellaneous		224,235		211,246
Total noninterest revenue		1,041,446		1,018,804
Noninterest expenses				
Salaries		1,911,286		1,807,821
Employee benefits		622,707		575,049
Occupancy		370,674		372,493
Furniture and equipment		237,905		226,830
Data processing		139,078		130,455
ATM and debit card		205,138		150,455
Deposit insurance premiums		108,955		105,932
Other operating		846,907		820,691
Total noninterest expenses		4,442,650		4,189,726
Income before income taxes		3,614,842		3,485,457
Income taxes		1,287,000		1,241,000
Net income	\$	2,327,842	\$	2,244,457
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on available for sale investment securities arising				
during the period, net of taxes of \$164,244 and (\$31,717)		305,436		(42,558)
Comprehensive income	\$	2,633,278	\$	2,201,899
Earnings per common share - basic and diluted	\$	0.80	\$	0.77

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

	For the six mon	For the six months ended June 30,		
	2016	2015		
Cash flows from operating activities				
Interest and dividends received	\$ 7,877,679	\$ 7,154,775		
Fees and commissions received	715,765	1,173,426		
Interest paid	(176,643	(180,652)		
Cash paid to suppliers and employees	(4,120,207	(4,015,502)		
Income taxes paid	(1,170,631	(1,354,437)		
Net cash from operating activities	3,125,963	2,777,610		
Cash flows from investing activities				
Certificates of deposit purchased, net of maturities	(2,237,083	(743,604)		
Proceeds from maturities of investments available for sale	5,025,000	9,025,000		
Purchase of investments available for sale	(2,024,200	(5,909,024)		
Proceeds from sale of investments held for sale	10,486	-		
Proceeds from maturities of investments held to maturity	8,715,000	24,850,000		
Purchase of investments held to maturity	(6,484,018	(16,645,581)		
Loans made, net of principal reductions	(21,825,114	(9,695,379)		
Purchases of premises, equipment, and computer software	(1,192,555	(1,400,321)		
Proceeds from sale of premises and equipment	200	-		
Proceeds from sale of other real estate and repossessed assets, net	315,200	<u> </u>		
Net cash from investing activities	(19,697,084	(518,909)		
Cash flows from financing activities				
Net increase (decrease) in				
Time deposits	(1,327,875	(701,835)		
Other deposits	25,883,494	9,702,197		
Securities sold under agreements to repurchase	1,817,834	964,061		
Common shares repurchased	(84,956	(230,561)		
Net cash from financing activities	26,288,497	9,733,862		
Net increase in cash and cash equivalents	9,717,376	11,992,563		
Cash and cash equivalents at beginning of period	54,930,872	50,696,141		
Cash and cash equivalents at end of period	\$ 64,648,248	\$ 62,688,704		

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

	I	For the six months ended June 30,		
		2016		2015
Reconciliation of net income to net cash provided by				
operating activities				
Net income	\$	2,327,842	\$	2,244,457
Adjustments to reconcile net income to net cash				
provided by operating activities				
Premium amortization and discount accretion		363,863		257,893
Provision for loan losses		390,000		165,000
Depreciation and amortization		247,119		228,119
Loss (gain) on disposition of investment securities		1,362		(1,063)
Gain on disposition of premises and equipment		(200)		-
Loss on sale and revaluation of other real estate owned		5,800		-
Decrease (increase) in				
Accrued interest receivable		(68,914)		(104,529)
Cash surrender value of bank owned life insurance		(129,480)		(123,958)
Other assets		(6,947)		387,434
Increase (decrease) in				
Accrued interest payable		41		(619)
Accrued income taxes		116,369		(113,437)
Other liabilities		(120,892)		(161,687)
Net cash from operating activities	<u>\$</u>	3,125,963	\$	2,777,610
Composition of cash and cash equivalents	ф	40.220.202	ф	45 204 205
Cash and due from banks	\$	49,320,203	\$	45,394,297
Federal funds sold		15,321,989		17,288,358
Interest-bearing deposits, except for time deposits	<u> </u>	6,056		6,049
Total cash and cash equivalents	\$	64,648,248	\$	62,688,704