

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

**Financial Highlights**

<u>At period end</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>% Change</u>
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%	

<u>For the six months ended</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>% Change</u>
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**

	(unaudited)	
	June 30, 2016	December 31, 2015
<b>Assets</b>		
Cash and due from banks	\$ 49,320,203	\$ 41,169,588
Federal funds sold	15,321,989	13,755,231
Interest-bearing bank deposits	24,911,695	22,675,185
Investment securities available for sale	40,109,170	42,647,083
Investment securities held to maturity (approximate fair value of \$83,486,442 and \$85,598,972)	83,102,303	85,701,626
Loans, less allowance for loan losses of \$1,075,669 and \$889,072	264,498,995	243,241,704
Premises and equipment	7,696,315	6,794,012
Other real estate owned	211,822	355,000
Accrued interest receivable	1,322,825	1,253,911
Computer software	239,965	196,833
Bank owned life insurance	8,636,075	8,506,595
Prepaid expenses	204,647	401,061
Other assets	398,193	311,200
Total assets	<u>\$ 495,974,197</u>	<u>\$ 467,009,029</u>
<b>Liabilities and Stockholders' Equity</b>		
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		
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 liabilities and stockholders' equity	<u>\$ 495,974,197</u>	<u>\$ 467,009,029</u>

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

	For the six months ended June 30,	
	2016	2015
<b>Interest and dividend revenue</b>		
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
<b>Interest expense</b>		
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
<b>Provision for loan losses</b>	390,000	165,000
Net interest income after provision for loan losses	7,016,046	6,656,379
<b>Noninterest revenue</b>		
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
<b>Noninterest expenses</b>		
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
<b>Income before income taxes</b>	3,614,842	3,485,457
Income taxes	1,287,000	1,241,000
<b>Net income</b>	\$ 2,327,842	\$ 2,244,457
<b>Other comprehensive income (loss), net of tax</b>		
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)
<b>Comprehensive income</b>	<u>\$ 2,633,278</u>	<u>\$ 2,201,899</u>
<b>Earnings per common share - basic and diluted</b>	\$ 0.80	\$ 0.77

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

	For the six months ended June 30,	
	2016	2015
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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	-
Net cash from investing activities	(19,697,084)	(518,909)
<b>Cash flows from financing activities</b>		
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
<b>Net increase in cash and cash equivalents</b>	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	<u>\$ 64,648,248</u>	<u>\$ 62,688,704</u>

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

	For the six months ended June 30,	
	2016	2015
<b>Reconciliation of net income to net cash provided by operating activities</b>		
Net income	\$ 2,327,842	\$ 2,244,457
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
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>\$ 3,125,963</u>	<u>\$ 2,777,610</u>
<b>Composition of cash and cash equivalents</b>		
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	6,056	6,049
Total cash and cash equivalents	<u>\$ 64,648,248</u>	<u>\$ 62,688,704</u>