

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

Financial Highlights

<u>At period end</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>% Change</u>
Assets	\$ 512,859,873	\$ 467,009,029	9.82%
Deposits	\$ 422,932,174	\$ 381,863,734	10.75%
Loans, net	\$ 257,398,448	\$ 243,241,704	5.82%
Total capital	\$ 83,221,659	\$ 79,781,215	4.31%
Book value per share	\$ 28.84	\$ 27.52	4.80%
Total capital to total assets	16.23%	17.08%	

<u>For the nine months ended</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>% Change</u>
Average assets	\$ 512,880,074	\$ 481,813,758	6.45%
Average equity	\$ 81,698,317	\$ 80,283,677	1.76%
Net interest income	\$ 11,215,268	\$ 10,341,199	8.45%
Net income	\$ 3,695,034	\$ 3,426,687	7.83%
Net income per share	\$ 1.28	\$ 1.18	8.47%
Return on average assets	0.96%	0.95%	
Return on average equity	6.03%	5.69%	

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

	(unaudited) September 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 77,134,794	\$ 41,169,588
Federal funds sold	14,380,402	13,755,231
Interest-bearing bank deposits	27,847,463	22,675,185
Investment securities available for sale	38,815,161	42,647,083
Investment securities held to maturity (approximate fair value of \$78,646,080 and \$85,598,972)	78,453,938	85,701,626
Loans, less allowance for loan losses of \$1,018,905 and \$889,072	257,398,448	243,241,704
Premises and equipment	7,740,727	6,794,012
Other real estate owned	194,822	355,000
Accrued interest receivable	1,123,188	1,253,911
Computer software	221,476	196,833
Bank owned life insurance	8,753,586	8,506,595
Prepaid expenses	455,518	401,061
Other assets	340,350	311,200
Total assets	<u>\$ 512,859,873</u>	<u>\$ 467,009,029</u>
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	\$ 146,209,108	\$ 119,011,175
Interest-bearing	<u>276,723,066</u>	<u>262,852,559</u>
Total deposits	422,932,174	381,863,734
Securities sold under agreements to repurchase	6,227,222	4,875,379
Accrued interest payable	19,191	20,937
Deferred income taxes	244,443	188,912
Other liabilities	<u>215,184</u>	<u>278,852</u>
Total liabilities	429,638,214	387,227,814
Stockholders' equity		
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 2,885,758 shares at September 30, 2016, and 2,899,412 shares at December 31, 2015	2,885,758	2,899,412
Additional paid-in capital	5,887,451	6,247,043
Retained earnings	<u>73,475,443</u>	<u>69,780,409</u>
Total tier 1 capital	82,248,652	78,926,864
Accumulated other comprehensive income, net of tax	<u>973,007</u>	<u>854,351</u>
Total stockholders' equity	<u>83,221,659</u>	<u>79,781,215</u>
Total liabilities and stockholders' equity	<u>\$ 512,859,873</u>	<u>\$ 467,009,029</u>

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

	For the nine months ended September 30,	
	2016	2015
Interest and dividend revenue		
Loans, including fees	\$ 10,109,902	\$ 9,576,845
U. S. Treasury and government agency securities	855,543	746,500
State and municipal securities	130,917	95,764
Federal funds sold and due from banks	193,326	85,932
Interest-bearing bank deposits	166,755	86,898
Equity securities	25,848	20,053
Total interest and dividend revenue	11,482,291	10,611,992
Interest expense		
Deposits	260,235	263,578
Borrowings	6,788	7,215
Total interest expense	267,023	270,793
Net interest income	11,215,268	10,341,199
Provision for loan losses	340,000	165,000
Net interest income after provision for loan losses	10,875,268	10,176,199
Noninterest revenue		
Service charges on deposit accounts	449,644	462,825
ATM and debit card	604,308	578,765
Increase in cash surrender value of bank owned life insurance	189,961	182,295
Loss on revaluation of other real estate owned	(22,800)	(85,500)
Miscellaneous	414,271	371,794
Total noninterest revenue	1,635,384	1,510,179
Noninterest expenses		
Salaries	2,901,126	2,772,814
Employee benefits	966,877	844,022
Occupancy	561,202	549,200
Furniture and equipment	354,912	341,149
Data processing	226,274	204,083
ATM and debit card	303,686	235,830
Deposit insurance premiums	145,727	158,413
Other operating	1,277,814	1,249,680
Total noninterest expenses	6,737,618	6,355,191
Income before income taxes	5,773,034	5,331,187
Income taxes	2,078,000	1,904,500
Net income	3,695,034	3,426,687
Other comprehensive income, net of tax		
Unrealized gains on available for sale investment securities arising during the period, net of taxes of \$55,531 and \$31,844	118,656	62,234
Comprehensive income	\$ 3,813,690	\$ 3,488,921
Earnings per common share - basic and diluted	\$ 1.28	\$ 1.18

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

	For the nine months ended September 30,	
	2016	2015
Cash flows from operating activities		
Interest and dividends received	\$ 12,132,860	\$ 10,997,411
Fees and commissions received	1,231,799	1,661,618
Interest paid	(268,769)	(271,444)
Cash paid to suppliers and employees	(6,481,063)	(6,080,118)
Income taxes paid	(1,870,156)	(2,054,437)
Net cash from operating activities	4,744,671	4,253,030
Cash flows from investing activities		
Certificates of deposit purchased, net of maturities	(5,174,698)	(3,108,511)
Proceeds from maturities of investments available for sale	6,025,000	19,275,000
Purchase of investments available for sale	(2,024,200)	(11,140,115)
Proceeds from sale of investments held for sale	10,486	46,895
Proceeds from maturities of investments held to maturity	19,160,000	34,000,000
Purchase of investments held to maturity	(12,435,481)	(30,710,271)
Loans made, net of principal reductions	(14,674,566)	(9,491,703)
Purchases of premises, equipment, and computer software	(1,346,236)	(1,521,673)
Proceeds from sale of premises and equipment	200	-
Proceeds from sale of other real estate and repossessed assets, net	315,200	-
Purchase of bank owned life insurance	(57,031)	(57,031)
Net cash from investing activities	(10,201,326)	(2,707,409)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(3,910,310)	(776,402)
Other deposits	44,978,750	31,271,407
Securities sold under agreements to repurchase	1,351,843	1,973,656
Common shares repurchased	(373,246)	(318,184)
Net cash from financing activities	42,047,037	32,150,477
Net increase in cash and cash equivalents	36,590,382	33,696,098
Cash and cash equivalents at beginning of period	54,930,872	50,696,141
Cash and cash equivalents at end of period	\$ 91,521,254	\$ 84,392,239

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

	For the nine months ended September 30,	
	2016	2015
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 3,695,034	\$ 3,426,687
Adjustments to reconcile net income to net cash provided by operating activities		
Premium amortization and discount accretion	519,847	441,775
Provision for loan losses	340,000	165,000
Depreciation and amortization	374,878	351,678
Loss (gain) on disposition of investment securities	569	(8,627)
Gain on disposition of premises and equipment	(200)	-
Loss on sale and revaluation of other real estate owned	22,800	85,500
Decrease (increase) in		
Accrued interest receivable	130,723	(56,356)
Cash surrender value of bank owned life insurance	(189,960)	(182,295)
Other assets	(291,448)	262,961
Increase (decrease) in		
Accrued interest payable	(1,746)	(651)
Accrued income taxes	207,843	(149,937)
Other liabilities	(63,669)	(82,705)
Net cash from operating activities	<u>\$ 4,744,671</u>	<u>\$ 4,253,030</u>
Composition of cash and cash equivalents		
Cash and due from banks	\$ 77,134,794	\$ 71,529,207
Federal funds sold	14,380,402	12,856,982
Interest-bearing deposits, except for time deposits	6,058	6,050
Total cash and cash equivalents	<u>\$ 91,521,254</u>	<u>\$ 84,392,239</u>