TAYLOR CALVIN B BANKSHARES INC
Form 10-Q
May 10, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 2005

Commission File Number: 000-50047

CALVIN B. TAYLOR BANKSHARES, INC.

I.R.S. Employer Identification No.: 52-1948274
State of incorporation: Maryland

Address of principal executive offices: 24 North Main Street, Berlin, Maryland 21811
Issuer's telephone number: (410) 641-1700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Exchange Act. YES X NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: The registrant had 3,202,856 shares of common stock ($1.00 par) outstanding as of April 30, 2005.

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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Part I - Financial Information
Consolidated Balance Sheets

	(unaudited) March 2005	December 2004
Assets		
Cash and due from banks	$ 29,187,591	$ 21,901,546
Federal funds sold	32,181,358	32,692,233
Interest-bearing deposits	2,192,289	2,161,496
Investment securities available for sale	6,181,148	5,921,287
Investment securities held to maturity (approximate fair value of $143,678,665 and $155,107,698)	145,357,473	156,029,445
Loans, less allowance for loan losses of $2,192,552 and $2,177,926	171,607,950	161,510,157
Premises and equipment	6,819,649	6,891,238
Accrued interest receivable	1,547,979	1,415,775
Computer software	300,263	322,209
Bank owned life insurance	4,252,618	4,214,806
Other assets	139,327	272,790
	$ 399,767,645	$ 393,332,982

Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 83,412,947	$ 78,542,414
Interest-bearing	241,687,979	241,229,944
	325,100,926	319,772,358
Securities sold under agreements to repurchase	4,923,490	5,933,466
Accrued interest payable	109,588	116,502
Note payable	157,250	162,161
Deferred income taxes	612,153	549,070
Other liabilities	748,568	101,857
	331,651,975	326,635,414
Stockholders' equity		
Common stock, par value $1 per share Authorized 10,000,000 shares, issued and outstanding 3,203,504 shares at March 31, 2005and 3,208,478 shares at December 31, 2004	3,203,504	3,208,478
Additional paid-in capital	16,012,915	16,187,005
Retained earnings	47,417,886	45,917,427
	66,634,305	65,312,910
Accumulated other comprehensive income	1,481,365	1,384,658
	68,115,670	66,697,568
	$ 399,767,645	$ 393,332,982

See accompanying Notes to Consolidated Financial Statements

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

	For the three months ended March 31, 2005	2004
Interest and dividend revenue		
Loans, including fees	$ 2,883,229	$ 2,906,027
U.S. Treasury and government agency securities	771,093	673,548
State and municipal securities	73,027	60,169
Federal funds sold	180,184	72,541
Interest-bearing deposits	12,162	12,070
Equity securities	21,456	18,767
Total interest and dividend revenue	3,941,151	3,743,122
Interest expense		
Deposit interest	356,595	398,564
Borrowings	4,419	3,973
Total interest expense	361,014	402,537
Net interest income	3,580,137	3,340,585
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,580,137	3,340,585
Noninterest revenue		
Service charges on deposit accounts	255,598	252,221
ATM and debit card revenue	76,172	65,691
Miscellaneous revenue	97,891	101,472
Total noninterest revenue	429,661	419,384
Noninterest expenses		
Salaries	766,179	773,931
Employee benefits	183,027	203,230
Occupancy	163,897	144,833
Furniture and equipment	121,711	127,250
Other operating	447,525	432,941
Total noninterest expenses	1,682,339	1,682,185
Income before income taxes	2,327,459	2,077,784
Income taxes	827,000	735,000
Net income	$ 1,500,459	$ 1,342,784
Earnings per common share	$ 0.47	$ 0.42

See accompanying Notes to Consolidated Financial Statements

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

For the three months ended

	March 31, 2005	March 31, 2004
Cash flows from operating activities		
Interest received	$ 3,766,288	$ 3,689,955
Fees and commissions received	466,133	350,871
Interest paid	(367,928)	(413,334)
Cash paid to suppliers and employees	(1,561,650)	(1,427,146)
Income taxes paid	(78,920)	(200,328)
	2,223,923	2,000,018
Cash flows from investing activities		
Purchase of investments available for sale	(100,000)	(50,000)
Proceeds from maturities of investments held to maturity	22,520,000	29,060,009
Purchase of investments held to maturity	(11,805,437)	(15,432,757)
Loans made, net of principal collected	(10,097,793)	(797,944)
Purchases of and deposits on premises, equipment,and computer software	(69,346)	(182,776)
	447,424	12,596,532
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(4,709,437)	(3,814,039)
Other deposits	10,038,004	(1,924,553)
Securities sold under agreements to repurchase	(1,009,976)	18,598
Payments on note payable	(4,911)	(4,626)
Common shares repurchased	(179,064)	(110,448)
Dividends paid	-	-
	4,134,616	(5,835,068)
Net increase (decrease) in cash and cash equivalents	6,805,963	8,761,482
Cash and cash equivalents at beginning of period	54,623,503	50,158,779
Cash and cash equivalents at end of period	$ 61,429,466	$ 58,920,261

See accompanying Notes to Consolidated Financial Statements

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

	For the three months ended March 31, 2005	2004
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 1,500,459	$ 1,342,784
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	162,880	157,861
Amortization of premiums and accretion of discount, net	(42,661)	(1,762)
(Gain) loss on disposition of assets	-	1,543
Decrease (increase) in		

Accrued interest receivable	(132,204)	(51,404)
Cash surrender value of bank owned life insurance	(37,812)	(40,390)
Other assets	133,463	138,408
Increase (decrease) in		
Accrued interest payable	(6,914)	(10,797)
Accrued income taxes	748,080	534,672
Other liabilities	(101,368)	(70,897)
	$ 2,223,923	$ 2,000,018

Composition of cash and cash equivalents		
Cash and due from banks	$ 29,187,591	$ 16,652,209
Federal funds sold	32,181,358	42,217,542
Interest-bearing deposits, except for time deposits	60,517	50,510
	$ 61,429,466	$ 58,920,261

See accompanying Notes to Consolidated Financial Statements

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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Notes to Financial Statements

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of financial position and results of operations have been made. These adjustments are of a normal recurring nature. Results of operations for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. For further information, refer to the audited consolidated financial statements and related footnotes for the Registrant's year ended December 31, 2004.

Consolidation has resulted in the elimination of all significant intercompany accounts and transactions.

Cash Flows

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.

Per share data

Earnings per common share are determined by dividing net income by the weighted average number of common shares outstanding, which was 3,207,262 and 3,227,366, for the quarters ended March 31, 2005 and 2004, respectively.

2. Comprehensive Income

Comprehensive income consists of:

	Three months ended March 31, 2005	2004
Net income	$ 1,500,459	$ 1,342,784
Unrealized gain (loss) on investment securities available for sale, net of income taxes	96,707	44,048
Comprehensive income	$ 1,597,166	$ 1,386,832

3. Loan commitments

Loan commitments are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Outstanding loan commitments and letters of credit consist of:

	March 31, 2005	December 31, 2004
Loan commitments	$ 32,826,105	$ 28,570,617
Standby letters of credit	$ 1,619,582	$ 1,535,210

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Part I. Financial Information
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements appear in a number of places in this Report and include all statements regarding the intent, belief or current expectations of the Company, its directors, or its officers with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the declaration and payment of dividends. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors discussed herein and those factors discussed in detail in the Company's filings with the Securities and Exchange Commission.

The following discussion of the financial condition and results of operations of the Registrant (the Company) should be read in conjunction with the Company's financial statements and related notes and other statistical information included elsewhere herein.

General

Calvin B. Taylor Bankshares, Inc. (Company) was incorporated as a Maryland corporation on October 31, 1995. The Company owns all of the stock of Calvin B. Taylor Banking Company (Bank), a commercial bank that was established in 1890 and incorporated under the laws of the State of Maryland on December 17, 1907. This bank operates nine banking offices in Worcester County, Maryland and one banking office in Ocean View, Delaware. The Bank's administrative office is located in Berlin, Maryland. The Bank is engaged in a general commercial and retail banking business serving individuals, businesses, and governmental units in Worcester County, Maryland, Ocean View, Delaware, and neighboring counties.

The Company currently engages in no business other than owning and managing the Bank.

Critical Accounting Policies

The Company's financial condition and results of operations are sensitive to accounting measurements and estimates of inherently uncertain matters. When applying accounting policies in areas that are subjective in nature, management uses its best judgment to arrive at the carrying value of certain assets. One of the most critical accounting policies applied is related to the valuation of the loan portfolio. Management estimates the appropriate allowance for loan losses, including the timing of loan charge-offs.

The allowance for loan losses represents a reserve for potential losses in the loan portfolio. It is one of the most difficult and subjective judgments. The adequacy of the allowance for loan losses is evaluated periodically based on a review of the loan portfolio, with a particular emphasis on non-accruing, past due, and other loans that management believes require attention. The determination of the reserve level relies on management's judgment about factors affecting loan quality, current trends in delinquencies and charge-offs, and anticipated changes in the composition and size of the portfolio. Management also considers external factors such as changes in the interest rate environment,the view of the Bank's regulators,economic conditions in the Bank's service area and beyond, and legislation that affects the banking industry.

Financial Condition

While total assets of the Company increased $6.4 million from December 31, 2004 to March 31, 2005, average total assets of the Company decreased $18.5 million from 4th quarter 2004 to 1st quarter 2005. Average deposits decreased $17.8 million from 4th quarter 2004 to 1st quarter 2005. Historically, during the first quarter of the year, the Bank experiences a decline in deposits since business customers are using their deposits to meet cash flow needs. Generally, this situation reverses late in the second quarter of the year as the Bank receives deposits from seasonal business customers, summer residents and tourists. This seasonal influx peaks in the third quarter and begins to fall off in the last quarter of each year.

During the first quarter of 2005, the Bank's gross loan portfolio has increased $10.1 million. Funding for these loans was provided primarily by a reduction in the Bank's investment portfolio. As loans earn at a higher rate than investments, this shift has a positive impact on earnings.

Historically, the Company has low loan charge-offs. Based on a review of the consolidated loan portfolio, the Company determined that an allowance of 1.26% of gross loans was adequate as of March 31, 2005. At December 31, 2004,the allowance was 1.33% of gross loans. At March 31, 2005, loans delinquent ninety days or more totaled $685,316 or .39% of the portfolio. There were no non-accruing loans as of March 31, 2005 or December 31, 2004.

Liquidity

The company's major sources of liquidity are loan repayments, maturities of short-term investments including federal funds sold, and increases in core deposits. Throughout the first quarter of the year, when the Bank typically experiences a decline in deposits, federal funds sold, and investment securities are primary sources of liquidity. During the second quarter of the year, additional sources of liquidity become more readily available as business borrowers start repaying loans, and the Bank receives seasonal deposits. Throughout the second and third quarters the Bank maintains a high liquidity level. Funds from seasonal deposits are generally invested in short-term U.S. Treasury Bills and overnight federal funds. Average liquid assets (cash and amounts due from banks, interest bearing deposits in other banks, federal funds sold, and investment securities) compared to average deposits were 65.11% for the first quarter of 2005, compared to 64.27% for the first quarter of 2004.

Results of Operations

Net income for the three months ended March 31, 2005, was $1,500,459 or $.47 per share, compared to $1,342,784 or $.42 per share for the first quarter of 2004. This represents an increase of $157,675.

Net interest income increased $239,552 in the first three months of 2005 compared to the first three months of 2004. This increase is attributable to the rise of market rates that began in mid-2004. The Company's overnight investment in federal funds sold has repriced with the market, while short-term debt securities are repricing more slowly. The Company's Management has implemented gradual increases to deposit rates. Net interest income is one of the most important factors in evaluating its financial performance. Management uses interest sensitivity analysis to determine the effect of rate changes. Net interest income is projected over a one-year period to determine the effect of an increase or decrease in the prime rate of 100 basis points. If prime were to decrease one hundred basis points, and all assets and liabilities maturing within that period were fully adjusted for the rate change, the Company would experience a decrease of less than two percent in net interest income. The sensitivity analysis does not consider the likelihood of these rate changes nor whether management's reaction to this rate change would be to reprice its loans or deposits.

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No provision for loan losses was charged to expense during the first quarters of 2005 or 2004. Net loan charge-offs (recoveries) were ($14,626) during the first quarter of 2005 versus ($583) during the first quarter of 2004.

Other noninterest revenues exceeds last year by $10,277 primarily due to increase usage of VISA debit cards.

Other noninterest expense variances include a decrease in salaries and employee benefits of $27,955. Management has implemented a strategy to reduce the number of year-round staff and employ more seasonal employees in the summer when the local resorts bring increased activity to branches. The Bank employed 93 full time equivalent employees as of March 31, 2005. The Bank hires seasonal employees during the summer. The Company has no employees other than those hired by the Bank.

Income taxes are $92,000 higher than last year, on a pre-tax income increase of $249,675. This is consistent with the Company's effective tax rate of approximately 35.5%.

Plans of Operation

The Bank offers a full range of deposit services including checking, NOW, Money Market, and savings accounts, and time deposits including certificates of deposit. The transaction accounts and time certificates are tailored to the

Bank's principal market areas at rates competitive to those offered in the area. In addition, the Bank offers certain retirement account services, such as Individual Retirements Accounts ("IRAs"). All deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum amount allowed by law (generally, $100,000 per depositor subject to aggregation rules). The Bank solicits these accounts from individuals, businesses, associations and organizations, and governmental authorities.

The Company, through the Bank, also offers a full range of short- to medium-term commercial and personal loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements), and purchase of equipment and machinery. Consumer loans include secured and unsecured loans for financing automobiles, home improvements, education, and personal investments. The Company originates commercial and residential mortgage loans and real estate construction and acquisition loans. These lending activities are subject to a variety of lending limits imposed by state and federal law. The Bank may not make any loans to any director or executive officer (except for commercial loans to directors who are not officers or employees) unless the Board of Directors of the Bank approves the loans. The Board of Directors must review any such loans every six months.

Other bank services include cash management services, 24-hour ATM's, debit cards, safe deposit boxes, travelers' checks, direct deposit of payroll and social security, and automatic drafts. The Bank offers bank-by-phone and Internet banking services, including electronic bill-payment, to both commercial and retail customers.

Capital Resources and Adequacy

Total stockholders' equity increased $1,418,102 from December 31, 2004 to March 31, 2005. This increase is attributable to the comprehensive income recorded during the period, as detailed in Note 2 of the Notes to Financial Statements, reduced by $179,064 used to purchase and retire 4,974 shares of common stock. Stock repurchases were at a price of $36.00 dollars per share.

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Under the capital guidelines of the Federal Reserve Board and the FDIC, the Company and Bank are currently required to maintain a minimum risk-based total capital ratio of 8%, with at least 4% being Tier 1 capital. Tier 1 capital consists of stockholders' equity less accumulated other comprehensive income. In addition, the Company and the Bank must maintain a minimum Tier 1 leverage ratio (Tier 1 capital to total assets) of at least 4%, but this minimum ratio is increased by 100 to 200 basis points for other than the highest-rated institutions.

Tier one risk-based capital ratios of the Company as of March 31, 2005 and 2004 were 40.25% and 40.68%, respectively. Both are substantially in excess of regulatory minimum requirements.

Website Access to SEC Reports

The Bank maintains an Internet website at www.taylorbank.com. The Company's periodic SEC reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, are accessible through this website. Access to these filings is free of charge. The reports are available as soon as practicable after they are filed electronically with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's principal market risk exposure relates to interest rates on interest-earning assets and interest-bearing liabilities. Unlike most industrial companies, the assets and liabilities of financial institutions such as the Company and the Bank are primarily monetary in nature. Therefore, interest rates have a more significant effect on the Company's performance than do the effects of changes in the general rate of inflation and change in prices. In addition, interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. As discussed previously, management monitors and seeks to manage the relationships between interest sensitive assets and liabilities in order to protect against wide interest rate fluctuations, including those resulting from inflation.

At March 31, 2005, the Company's interest rate sensitivity, as measured by gap analysis, showed the Company was asset-sensitive with a one-year cumulative gap of 7.94%, as a percentage of interest-earning assets. Generally asset-sensitivity indicates that assets reprice more quickly than liabilities and, in a rising rate environment, net interest income typically increases. Conversely, if interest rates decrease, net interest income would decline. The Bank has classified its demand mortgage and commercial loans as immediately repriceable. Unlike loans tied to prime, these rates do not necessarily change as prime changes since the decision to call the loans and change the rates rests with management.

Item 4. Controls and procedures

Within the ninety days prior to the date of this report, the Company's management performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures and its internal controls and procedures for financial reporting. Disclosure Controls are procedures that are designed to ensure that information required to be disclosed in the Company's publicly filed reports is reported in a timely manner. As part of these controls, Management reviews information gathered through systems developed for that purpose to determine the nature of required disclosure.

Internal controls are procedures designed to provide management with reasonable assurance that assets are safeguarded, and that transactions are properly authorized, executed, and recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal controls, errors or irregularities may occur and not be detected. The projection of an evaluation of controls to future periods is subject to the risk that procedures may become inadequate due to changes in conditions including the degree of compliance with procedures.

The Chief Executive Officer and the Treasurer of the Company have concluded, based on the evaluation of disclosure controls and internal controls that the financial information and disclosures included in periodic SEC filings and the Company's financial statements are fairly presented in conformity with generally accepted accounting principles.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls, including corrective actions with regard to significant deficiencies and material weaknesses.

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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Part II. Other Information

Item 1 Legal Proceedings
Not applicable

Item 2 Changes in Securities and Use of Proceeds
e) The following table presents information about the Company's repurchase of its equity securities during the calendar quarter ended on the date of this Form 10-Q.

Period	(a) Total Number of Shares	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of a Publicly Announced Program	(d) Maximum Number of Shares that may yet be Purchased Under the Program
January	306	$36.00	306	320,542
February	588	$36.00	588	319,954
March	4,080	$36.00	4,080	315,874
Totals	4,974	$36.00	4,974	n/a

The Company publicly announced on August 14, 2003, that it would repurchase up to 10% of its outstanding equity stock at that time, which equated to a total of 324,000 common shares available for repurchase. As of January 1, 2005, this plan was renewed, by public announcement, making up to 10% of the Company's outstanding equity stock at that time, which equates to a total of 320,848 common shares, available for repurchase in 2005. There is no expiration date for this program. No other stock repurchase plan or program existed or exists simultaneously, nor has any other plan or program expired during the period covered by this table. Common shares repurchased under this plan are retired.

Item 3 Defaults Upon Senior Securities
Not applicable

Item 4 Submission of Matters to a Vote of Security Holders
There were no matters submitted to security holders for a vote during the quarter ended March 31, 2005.

Item 5 Other information
Not applicable.

Item 6 Exhibits and Reports on Form 8-K
a) Exhibits
2. Proxy Statement dated March 15, 2005, is incorporated by reference.
31. Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are presented on pages 14 and 15, respectively.
32. Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is presented on page 16.
b) Reports on Form 8-K
There were no reports on Form 8-K filed for the quarter ended March 31, 2005.

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Exhibit 31
Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Reese F. Cropper, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calvin B. Taylor Bankshares, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of the quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in the quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Calvin B. Taylor Bankshares, Inc.

Date: May 5, 2005_______

By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31
Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jennifer G. Hawkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calvin B. Taylor Bankshares, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of the quarterly report (the "Evaluation Date"); and
   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in the quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Calvin B. Taylor Bankshares, Inc.

Date: May 5, 2005_______

By:/s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer
(Principal Financial Officer)

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Exhibit 32
Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

We, the undersigned, certify that to the best of our knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended March 31, 2005 of the Registrant (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Calvin B. Taylor Bankshares, Inc.

Date: May 5, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2005_______ By:/s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer
(Principal Financial Officer)

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SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Calvin B. Taylor Bankshares, Inc.

Date: May 5, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2005_______ By:/s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer

(Principal Financial Officer)