TAYLOR CALVIN B BANKSHARES INC
Form 10-Q
August 08, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 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(a) 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 3,187,656 shares of common stock ($1.00 par) outstanding as of July 31, 2005.

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

	(unaudited) June 30, 2005	December 31, 2004
Assets		
Cash and due from banks	$ 18,594,369	$ 21,901,546
Federal funds sold	41,059,122	32,692,233
Interest-bearing deposits	2,150,017	2,161,496
Investment securities available for sale	6,557,865	5,921,287
Investment securities held to maturity (approximate fair value of $138,275,900 and $155,107,700)	139,321,506	156,029,445
Loans, less allowance for loan losses of $2,192,258 and $2,177,926	189,264,687	161,510,157
Premises and equipment	6,748,319	6,891,238
Accrued interest receivable	1,543,755	1,415,775
Computer software	296,437	322,209
Bank owned life insurance	4,290,242	4,214,806
Other assets	72,622	272,790
	$ 409,898,941	$ 393,332,982
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 86,759,752	$ 78,542,414
Interest-bearing	245,863,324	241,229,944
	332,623,076	319,772,358
Securities sold under agreements to repurchase	6,801,447	5,933,466
Accrued interest payable	114,498	116,502
Note payable	152,266	162,161
Deferred income taxes	730,971	549,070
Other liabilities	31,229	101,857
	340,453,487	326,635,414
Stockholders' equity		
Common stock, par value $1 per share authorized 10,000,000 shares, issued and outstanding 3,187,656 shares at June 30,2005 and 3,208,478 shares at December 31, 2004	3,187,656	3,208,478
Additional paid in capital	15,458,235	16,187,005
Retained earnings	49,105,752	45,917,427
	67,751,643	65,312,910
Accumulated other comprehensive income	1,693,811	1,384,658
	69,445,454	66,697,568
	$ 409,898,941	$ 393,332,982

See accompanying Notes to Consolidated Financial Statements
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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Statements of Income (unaudited)

	For the three months ended June 30, 2005	2004
Interest and dividend revenue		
Loans, including fees	$ 3,204,198	$ 2,906,603
U.S. Treasury and government agency securities	764,872	662,180
State and municipal securities	71,951	66,339
Federal funds sold	225,819	80,821
Interest-bearing deposits	12,701	11,444
Equity securities	10,204	6,146
Total interest and dividend revenue	4,289,745	3,733,533
Interest expense		
Deposits	383,715	379,891
Borrowings	5,219	4,330
Total interest expense	388,934	384,221
Net interest income	3,900,811	3,349,312
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,900,811	3,349,312
Noninterest revenue		
Service charges on deposit accounts	266,598	269,269
ATM and debit card revenue	110,689	81,048
Miscellaneous revenue	95,421	115,911
Total noninterest revenue	472,708	466,228
Noninterest expenses		
Salaries	766,409	759,793
Employee benefits	200,184	168,735
Occupancy	152,598	144,098
Furniture and equipment	126,753	153,696
Other operating	504,710	478,125
Total noninterest expenses	1,750,654	1,704,447
Income before income taxes	2,622,865	2,111,093
Income taxes	935,000	740,000
Net income	$ 1,687,865	$ 1,371,093
Earnings per common share	$ 0.53	$ 0.43

See accompanying Notes to Consolidated Financial Statements
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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Consolidated Statements of Income (unaudited)
(Continued)

	For the six months ended June 30, 2005	2004
Interest and dividend revenue		
Loans, including fees	$ 6,087,427	$ 5,812,630

U.S. Treasury and government agency securities	1,535,965	1,335,728
State and municipal securities	144,978	126,508
Federal funds sold	406,003	153,362
Interest-bearing deposits	24,863	23,514
Equity securities	31,660	24,913
Total interest and dividend revenue	8,230,896	7,476,655
Interest expense		
Deposits	740,310	778,455
Borrowings	9,638	8,303
Total interest expense	749,948	786,758
Net interest income	7,480,948	6,689,897
Provision for loan losses	-	-
Net interest income after provision for loan losses	7,480,948	6,689,897
Noninterest revenue		
Service charges on deposit accounts	522,196	521,490
ATM and debit card revenue	186,861	146,739
Miscellaneous revenue	193,312	217,383
Total noninterest revenue	902,369	885,612
Noninterest expenses		
Salaries	1,532,588	1,533,724
Employee benefits	383,211	371,965
Occupancy	316,495	288,931
Furniture and equipment	248,464	280,946
Other operating	952,235	911,066
Total noninterest expenses	3,432,993	3,386,632
Income before income taxes	4,950,324	4,188,877
Income taxes	1,762,000	1,475,000
Net income	$ 3,188,324	$ 2,713,877
Earnings per common share	$ 1.00	$ 0.84

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 six months ended June 30, 2005	2004
Cash flows from operating activities		
Interest received	$ 8,036,145	$ 7,461,114
Fees and commissions received	901,216	914,244
Interest paid	(751,952)	(807,810)
Cash paid to suppliers and employees	(3,085,257)	(3,032,817)
Income taxes paid	(1,730,920)	(1,696,328)
	3,369,232	2,838,403
Cash flows from investing activities		
Certificates of deposit purchased, net of maturities	(1,000)	(3)
Purchase of investments available for sale	(145,379)	(99,004)

Proceeds from maturities of investments held to maturity	44,845,000	54,450,084
Purchase of investments held to maturity	(28,070,433)	(52,057,988)
Loans made, net of principal collected	(27,754,530)	(854,089)
Purchases of and deposit on premises, equipment, and computer software	(154,869)	(243,441)
	(11,281,211)	1,195,559
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(7,697,384)	(6,821,176)
Other deposits	20,548,102	11,617,799
Securities sold under agreements to repurchase	867,981	1,453,519
Payment on note payable	(9,895)	(9,321)
Common shares repurchased	(749,592)	(259,848)
	12,959,212	5,980,973
Net increase (decrease) in cash and cash equivalents	5,047,233	10,014,935
Cash and cash equivalents at beginning of period	54,623,503	50,158,779
Cash and cash equivalents at end of period	$ 59,670,736	$ 60,173,714

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

	For the six months ended June 30, 2005	2004
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 3,188,324	$ 2,713,877
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	323,560	326,500
Amortization of premiums and accretion of discount, net	(66,772)	(927)
(Gain) loss on disposition of assets	-	12,815
Decrease (increase) in		
Accrued interest receivable	(127,980)	(14,614)
Cash surrender value of bank owned life insurance	(75,436)	(81,185)
Other assets	200,168	11,324
Increase (decrease) in		
Accrued interest payable	(2,004)	(21,052)
Other liabilities	(70,628)	(108,335)
	$ 3,369,232	$ 2,838,403
Composition of cash and cash equivalents		
Cash and due from banks	$ 18,594,369	$ 18,110,361
Federal funds sold	41,059,122	42,050,901
Interest-bearing deposits, except for time deposits	17,245	12,452
	$ 59,670,736	$ 60,173,714

See accompanying Notes to Consolidated Financial Statements
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Calvin B. Taylor Bankshares, Inc. and Subsidiary
Notes to Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 have been made. These adjustments are of a normal recurring nature. Results of operations for the six months ended June 30, 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 inter-company 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 for the period, as follows:

	2005	2004
Three months ended June 30	3,196,432	3,222,311
Six months ended June 30	3,201,817	3,224,838

2. Comprehensive Income

Comprehensive income consists of:

	Six months ended June 30,	
	2005	2004
Net income	$ 3,188,324	$ 2,713,877
Unrealized gain (loss) on investment securities available for sale, net of income taxes	309,154	(91,341)
Comprehensive income	$ 3,497,478	$ 2,622,536

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:

	June 30,	
	2005	2004
Loan commitments	$ 36,185,825	$ 29,012,919

Standby letters of credit	$ 1,608,631	$ 2,809,485

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

The following discussion contains certain forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of the Private Litigation Securities Reform Act of 1995.

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. (the "Company") was incorporated as a Maryland corporation on October 31, 1995. The Company owns all of the stock of Calvin B. Taylor Banking Company (the "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

Total assets of the Company increased $16.6 million from December 31, 2004 to June 30, 2005. Combined deposits and customer repurchase agreements increased $13.7 million during the same period. During the second quarter of the year, the Bank typically experiences a growth in deposits from seasonal business customers, summer residents and tourists.

During the first six months of 2005, the Bank's gross loan portfolio has increased $27.8 million. Funding for these loans was provided by growth in deposits and a reduction of the investment portfolio. This increase in loans does not negatively impact the Company's ability to meet liquidity demands.

Historically, the Company has low loan charge-offs. Based on a review of the consolidated loan portfolio, the Company determined that an allowance of 1.14% of gross loans was adequate as of June 30, 2005. At December 31, 2004, the allowance was 1.33% of gross loans. At June 30, 2005, loans delinquent ninety days or more totaled $562,768 or .29% of the portfolio. At December 31, 2004, loans delinquent ninety days or more totaled $391,676 or .24% of the portfolio. There were no non-accruing loans as of June 30, 2005 or December 31, 2004.

The Company makes loans to customers located primarily in the Delmarva region. Although the loan portfolio is diversified, its performance will be influenced by the economy of the region.

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 accelerate repayment of 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 61.24% for the second quarter of 2005 compared to 65.11% for the first quarter of 2005 and 65.41% for the second quarter of 2004. This decrease in liquidity is primarily due to the growth of the loan portfolio and the resultant reduction of the investment portfolio.

Results of Operations

Net income for the three months ended June 30, 2005, was $1,687,865 or $.53 per share, compared to $1,371,093 or $.43 per share for the second quarter of 2004. This represents an increase of $316,772 or 23.1% from the prior year. Year to date net income has increased $474,447 or $.16 per share to $3,188,324 or $1.00 per share in 2005 from $2,713,877 or $.84 per share in 2004. The key components of net income are discussed in the following paragraphs.

For the first six months of 2005 compared to 2004, net interest income increased $791,051. Net interest income increased $551,499 in the 2nd quarter of 2005 compared to the 2nd quarter of 2004. The yield on interest earning assets increased by 52 basis points from 4.26% for 2nd quarter 2004 to 4.78% in 2005, while the quarterly yield on interest-bearing liabilities remained at .64% for both years. These increases are attributable to growth in the loan portfolio and 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.

The Company's 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 five 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 six months of 2005 or 2004. Net loans charged-off (recovered) were ($14,332) during the first half of 2005 versus ($3,429) in the same period in 2004.

For the quarter ended June 30, 2005, noninterest revenue exceeds last year by $6,480 primarily due to increased usage of VISA debit cards. For the first six months of 2005, noninterest revenue exceeds last year by $16,757 also due, primarily, to increased usage of VISA debit cards.

For the first six months of 2005, the noninterest expense variance of $46,361 over 2004, includes an increase in salaries and employee benefits of $10,110. For the 2nd quarter of 2005, the noninterest expense variance of $46,207 over 2nd quarter 2004, includes a $38,065 increase in salaries and benefits which relates to the timing of cash basis monthly payments for group insurance. Stability of personnel costs is, in part, attributable to Management implementing 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 98 full time equivalent employees as of June 30, 2005. The Bank hires seasonal employees during the summer. The Company has no employees other than those hired by the Bank.

For the quarter ended June 30,2005, income taxes are $195,000 higher than the same quarter last year, on a pre-tax income increase of $511,722. For the first six months of 2005, income taxes are $287,000 higher than last year, on a pre-tax income increase of $761,447.

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, 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 loan 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.

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Capital Resources and Adequacy

Total stockholders' equity increased $2,747,886 from December 31, 2004 to June 30, 2005. This increase is attributable to comprehensive income recorded during the period, as detailed in Note 2 of the Notes to Financial Statements, reduced by $749,592 used to repurchase and retire 20,822 shares of the Company's common stock. Stock repurchases were at a price of $36.00 per share.

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 100-200 basis points for other than the highest-rated institutions.

Tier one risk-based capital ratios of the Company as of June 30, 2005 and December 31, 2004 were 36.9% and 41.7%, 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 June 30, 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 16.05%, 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.

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Item 4. Controls and procedures

Disclosure Controls and procedures are designed and maintained by the Company to ensure that information required to be disclosed in the Company's publicly filed reports is recorded, processed, summarized and reported in a timely manner. Such information must be available to management, including the Chief Executive Officer (CEO) and Treasurer, to allow them to make timely decisions about required disclosures. Even a well-designed and maintained control system can provide only reasonable, not absolute, assurance that its objectives are achieved. Inherent limitations in any system of controls include flawed judgment, errors, omissions, or intentional circumvention of controls.

The Company's management, including the CEO and Treasurer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2005. Based on that evaluation, the Company's management, including the CEO and Treasurer, has concluded that the Company's disclosure controls and procedures are effective. 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.

Changes in Internal Controls

During the quarter ended on the date of this report, there were no significant changes in the Company's internal control over financial reporting that have had or are reasonably likely to have a material affect on the Company's internal control over financial reporting. As of June 30, 2005, the Company's management, including the CEO and Treasurer, has concluded that the Company's internal controls over financial reporting are effective.

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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

(c) 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.

(a) Total	(b) Average	(c) Total number of Shares Purchased	(d) Maximum Number of Shares that may

Period	Number of Shares	Price Paid per Share	as Part of a Publicly Announced Program	yet be Purchased Under the Program
April	648	$36.00	648	315,226
May	15,000	$36.00	15,000	300,226
June	200	$36.00	200	300,026
Totals	15,848	$36.00	15,848	

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
The Company held its annual meeting on May 11, 2005, during which the items detailed in the proxy statement dated March 15, 2005, were approved. This includes the reelection of the Board of Directors.

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 15 and 16, 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 17.
b) Reports on Form 8-K
   There were no reports on Form 8-K filed for the quarter ended June 30, 2005.

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Exhibit 31.1
Certification - 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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the most recent fiscal quarter that has or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Calvin B. Taylor Bankshares, Inc.

Date: August 5, 2005_______

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

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Exhibit 31.2
Certification - 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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the most recent fiscal quarter that has or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Calvin B. Taylor Bankshares, Inc.

Date: August 5, 2005_______

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

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Exhibit 32 - 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 June 30, 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: August 5, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer

Date: August 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: August 5, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer

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

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