TAYLOR CALVIN B BANKSHARES INC
Form 10-Q
November 04, 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 SEPTEMBER 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 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 ______

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ____ NO X

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 October 31, 2005.

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

	(unaudited) September 30, 2005	December 31, 2004
Assets		
Cash and due from banks	$ 24,123,033	$ 21,901,546
Federal funds sold	33,915,275	32,692,233
Interest-bearing deposits	2,176,750	2,161,496
Investment securities available for sale	6,530,952	5,921,287
Investment securities held to maturity (approximate fair value of $134,813,100 and $155,107,698)	136,063,697	156,029,445
Loans, less allowance for loan losses of $2,193,108 and $2,177,926	195,943,991	161,510,157
Premises and equipment	6,691,963	6,891,238
Accrued interest receivable	1,598,148	1,415,775
Computer software	245,177	322,209
Bank owned life insurance	4,328,492	4,214,806
Other assets	235,876	272,790
	$ 411,853,354	$ 393,332,982
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 93,782,099	$ 78,542,414
Interest-bearing	238,129,545	241,229,944
	331,911,644	319,772,358
Securities sold under agreements to repurchase	7,477,165	5,933,466
Accrued interest payable	145,666	116,502
Note payable	147,205	162,161
Deferred income taxes	725,531	549,070
Other liabilities	116,864	101,857
	340,524,075	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 September 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	51,011,122	45,917,427
	69,657,013	65,312,910
Accumulated other comprehensive income	1,672,266	1,384,658
	71,329,279	66,697,568

	$ 411,853,354	$ 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 September 30	
	2005	2004
Interest and dividend revenue		
Loans, including fees	$ 3,315,873	$ 2,840,008
U.S. Treasury and government agency securities	871,838	708,673
State and municipal securities	66,927	72,835
Federal funds sold	378,846	177,937
Interest-bearing deposits	14,766	11,595
Equity securities	8,316	9,195
Total interest and dividend revenue	4,656,566	3,820,243
Interest expense		
Deposits	448,726	377,714
Borrowings	10,125	5,047
Total interest expense	458,851	382,761
Net interest income	4,197,715	3,437,482
Provision for loan losses	-	-
Net interest income after provision for loan losses	4,197,715	3,437,482
Noninterest revenue		
Service charges on deposit accounts	262,392	265,332
ATM and debit card revenue	137,509	94,575
Miscellaneous revenue	59,391	77,207
Total noninterest revenue	459,292	437,114
Noninterest expenses		
Salaries	768,349	751,872
Employee benefits	170,344	163,555
Occupancy	156,146	144,916
Furniture and equipment	147,460	141,103
Other operating	464,337	435,186
Total noninterest expenses	1,706,636	1,636,632
Income before income taxes	2,950,371	2,237,964
Income taxes	1,045,000	790,000
Net income	$ 1,905,371	$ 1,447,964
Earnings per common share	$ 0.60	$ 0.45

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 nine months ended September 30	
	2005	2004

Interest and dividend revenue		
Loans, including fees	$ 9,403,300	$ 8,652,638
U.S. Treasury and government agency securities	2,407,803	2,044,401
State and municipal securities	211,905	199,343
Federal funds sold	784,849	331,299
Interest-bearing deposits	39,629	35,109
Equity securities	39,976	34,108
Total interest and dividend revenue	12,887,462	11,296,898
Interest expense		
Deposits	1,189,036	1,156,169
Borrowings	19,763	13,350
Total interest expense	1,208,799	1,169,519
Net interest income	11,678,663	10,127,379
Provision for loan losses	-	-
Net interest income after provision for loan losses	11,678,663	10,127,379
Noninterest revenue		
Service charges on deposit accounts	784,588	786,822
ATM and debit card revenue	324,370	241,314
Miscellaneous revenue	252,703	294,590
Total noninterest revenue	1,361,661	1,322,726
Noninterest expenses		
Salaries	2,300,937	2,285,596
Employee benefits	553,555	535,520
Occupancy	472,641	433,847
Furniture and equipment	395,924	422,049
Other operating	1,416,572	1,346,252
Total noninterest expenses	5,139,629	5,023,264
Income before income taxes	7,900,695	6,426,841
Income taxes	2,807,000	2,265,000
Net income	$ 5,093,695	$ 4,161,841
Earnings per common share	$ 1.59	$ 1.29

See accompanying Notes to Consolidated Financial Statements

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

	For the nine months ended September 30	
	2005	2004
Cash flows from operating activities		
Interest received	$ 12,536,294	$ 11,288,221
Fees and commissions received	1,322,259	1,327,427
Interest paid	(1,179,635)	(1,189,360)
Cash paid to suppliers and employees	(4,783,172)	(4,657,504)
Income taxes paid	(2,690,920)	(2,290,678)
	5,204,826	4,478,106
Cash flows from investing activities		

Certificates of deposit purchased,		
net of maturities	(1,864)	(3)
Purchase of investments available for sale	(145,379)	(164,504)
Proceeds from maturities of investments		
held to maturity	65,215,000	77,740,084
Purchase of investments held to maturity	(45,080,673)	(86,908,942)
Loans made, net of principal collected	(34,433,834)	3,954,014
Purchases of and deposits on premises,		
equipment, and computer software	(218,595)	(287,086)
	(14,665,345)	(5,666,437)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(6,464,506)	(6,759,292)
Other deposits	18,603,792	26,533,917
Securities sold under agreements		
to repurchase	1,543,699	2,256,148
Payment on note payable	(14,956)	(14,088)
Common stock repurchased	(749,592)	(590,688)
	12,918,437	21,425,997
Net increase in cash and cash equivalents	3,457,918	20,237,666
Cash and equivalents at beginning of period	54,623,503	50,158,779
Cash and equivalents at end of period	$ 58,081,421	$ 70,396,445

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

	For the nine months ended September 30	
	2005	2004
Reconciliation of net income to		
net cash provided by operating activities		
Net income	$ 5,093,695	$ 4,161,841
Adjustments to reconcile net income to		
net cash provided by operating activities		
Depreciation and amortization	492,740	491,434
Amortization of premiums and accretion		
of discounts, net	(168,795)	(38,048)
(Gain) loss on disposition of assets	2,162	12,899
Decrease (increase) in		
Accrued interest receivable	(182,373)	28,812
Cash surrender value of bank owned		
life insurance	(113,686)	(121,327)
Other assets	36,914	61,388
Increase (decrease) in		
Accrued interest payable	29,164	(19,841)
Other liabilities	15,005	(99,052)
	$ 5,204,826	$ 4,478,106
Composition of cash and cash equivalents		
Cash and due from banks	$ 24,123,033	$ 22,363,881
Federal funds sold	33,915,275	47,816,193
Interest-bearing deposits, except		
for time deposits	43,113	216,371
	$ 58,081,421	$ 70,396,445

See accompanying Notes to Consolidated Financial Statements

Calvin B. Taylor Bankshares, Inc. and Subsidiary
Notes to Consolidated 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 nine months ended September 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 Company'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 for the period, as follows:

	2005	2004
Three months ended September 30	3,187,656	3,216,586
Nine months ended September 30	3,197,045	3,222,068

2. Comprehensive Income

Comprehensive income consists of:

	For the nine months ended September 30, 2005	2004
Net income	$ 5,093,695	$ 4,161,841
Unrealized gain on investment securities available for sale, net of income taxes	287,608	123,966
Comprehensive income	$ 5,381,303	$ 4,285,807

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:

	September 30, 2005	2004

Loan commitments	$ 36,501,237	$ 28,387,145
Standby letters of credit	$ 1,277,488	$ 1,843,425

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. The Bank operates nine branches in Worcester County, Maryland and one branch 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 $18.5 million from December 31, 2004 to September 30, 2005. Combined deposits and customer repurchase agreements increased $13.7 million during the same period. During the first quarter of the
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year, the Bank typically 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. The seasonal influx of deposits in the third quarter results in an increase in asset size.

During the first nine months of 2005, the Bank's gross loan portfolio increased $34.4 million. As the historically low interest rate market of the past few years begins to reverse, the Bank's fixed rate loans have become more competitive.

Historically, the Company has low loan charge-offs. Based on a review of the consolidated loan portfolio, the Company determined that an allowance of 1.11% of gross loans was adequate as of September 30, 2005. At December 31, 2004, the allowance was 1.33% of gross loans. At September 30, 2005, there were no non-accruing loans, and loans delinquent ninety days or more, and still accruing interest, totaled $54,102 or .03% of the portfolio. There were no non-accruing loans as of December 31, 2004, and loans delinquent ninety days or more totaled $391,676 or .24% of the portfolio.

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 62.48% for the third quarter of 2005 compared to 69.85% for the third quarter of 2004. This decrease in liquidity is primarily due to growth in the loan portfolio, which has been funded by a decrease in investment securities. This shift in earning assets is considered to be favorable to earnings, as average loan rates are higher than average rates on the investment portfolio.

Results of Operations

Year to date net income increased $931,854 or $.30 per share from $4,161,841 or $1.29 per share in 2004 to $5,093,695 or $1.59 per share in 2005. Net income for the three months ended September 30, 2004, was $1,447,964 or $.45 per share, compared to $1,905,371 or $.60 per share for the third quarter of 2005. This represents an increase of $457,407 or 31.6% from the prior year.

The key components of net income are discussed in the following paragraphs.

For the first nine months of 2005 compared to 2004, net interest income increased $1,551,284. Net interest income increased $760,233 in the 3rd quarter of 2005 compared to the 3rd quarter of 2004. Increasing rates paid on federal
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funds sold and investment securities, coupled with consistent yields on higher loan balances have increased interest revenues. On the liability side, management has repriced time deposit rates to retain core deposits.

The yield on interest earning assets increased by 86 basis points from 4.02% for 3rd quarter 2004 to 4.88% in 2005. During this same period, the yield on interest bearing liabilities increased by 12 basis points from .62% to .74%. Management expects to see gradual upward repricing of all earnings assets and liabilities as the current market rate trend continues.

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.

No provision for loan losses was charged to expense during the first three quarters of 2005 or 2004. Net loans charged-off (recovered) were $2,393 during the first nine months of 2004, versus ($15,182) during the same period in 2005.

Noninterest revenue, including service charges on deposit accounts, increased $22,178 from third quarter 2004 to third quarter 2005. For the year to date, noninterest revenue has increased $38,935. Increases for the quarter and year-to-date are primarily due to increased customer use of ATM and debit cards.

Salaries were up slightly in both the third quarter and the year-to date of 2005 versus 2004. Throughout the year, the Bank has made an effort to streamline the employee roster, increasing production per employee. Employee benefit costs for these same periods are up only slightly with no individually notable variances.

The Bank, which hires seasonal employees during the summer, employed 96 full time equivalent employees as of September 30, 2005. The Company has no employees other than those hired by the Bank.

The Company's occupancy expense increased $11,230 from third quarter 2004 to third quarter 2005. For the year to date, occupancy expense has increased $38,794. About half of this increase is caused by accounting reclassification of building insurance previously reported in other operating expenses.

Third quarter income taxes are $255,000 more than last year, on a pre-tax income increase of $712,406. Year-to-date income taxes are $542,000 more than last year, on a pre-tax income increase of $1,473,853. These increases reflect the Company's effective tax rate of approximately 35.8%.

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 ATMs, 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 $4,631,711 from December 31, 2004 to September 30, 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 $749,592 used to repurchase and retire 20,822 shares of common stock. Stock repurchases were at a price of $36.00 dollars 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 to 200 basis points for other than the highest-rated institutions.

Tier one risk-based capital ratios of the Company as of September 30, 2005 and December 31, 2004 were 37.0% 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.

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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 September 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 22.70%, 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

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 September 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 September 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.

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
July	None	N/A	None	300,026
August	None	N/A	None	300,026
September	None	N/A	None	300,026
Totals	None	N/A	None	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 - Not applicable

Item 5 Other information
a) Reports on Form 8-K
There were no reports on Form 8-K filed for the quarter ended September 30, 2005.

Item 6 Exhibits
a) Exhibits
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.

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: November 4, 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: November 4, 2005_______ By:/s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer (Principal Financial Officer)

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Exhibit 32
Certification - 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 September 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: November 4, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer

Date: November 4, 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: November 4, 2005_______ By:/s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer

Date: November 4, 2005_______ By:/s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer (Principal Financial Officer)

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