TAYLOR CALVIN B BANKSHARES INC
Form 10-Q
May 06, 2004

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, 2004

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 3,222,348 shares of common stock ($1.00 par) outstanding as of April 30, 2004.

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

Consolidated Balance Sheets

	(unaudited) March 2004	December 2003
Assets		
Cash and due from banks	$ 16,652,209	$ 20,482,866
Federal funds sold	42,217,542	29,525,781
Interest-bearing deposits	2,181,715	2,281,337
Investment securities available for sale	9,382,970	9,265,471
Investment securities held to maturity (approximate fair value of $137,226,363 and $150,075,210)	136,602,239	149,666,806
Loans, less allowance for loan losses of $2,187,860 and $2,187,277	163,040,952	162,243,008
Premises and equipment	7,056,180	7,064,970
Accrued interest receivable	1,396,017	1,344,613
Bank owned life insurance	4,094,425	4,054,035
Other assets	451,259	557,514
	$383,075,508	$386,486,401
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 67,950,589	$ 75,601,460
Interest-bearing	244,256,872	242,344,593
	312,207,461	317,946,053
Securities sold under agreements to repurchase	4,131,752	4,113,154
Pending purchases of investment securities	561,673	-
Accrued interest payable	134,247	145,044
Note payable	176,461	181,087
Deferred income taxes	378,324	355,632
Other liabilities	573,174	109,399
	318,163,092	322,850,369
Stockholders' equity		
Common stock, par value $1 per share; Authorized 10,000,000 shares, issued and outstanding 3,224,898 shares at March 31, 2004, and 3,227,966 shares at December 31, 2003	3,224,898	3,227,966
Additional paid-in capital	16,761,705	16,869,085
Retained earnings	43,734,147	42,391,363
	63,720,750	62,488,414
Accumulated other comprehensive income	1,191,666	1,147,618
	64,912,416	63,636,032

	$383,075,508	$386,486,401

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, 2004	2003
Interest and dividend revenue		
Loans, including fees	$ 2,906,027	$ 3,026,791
U.S. Treasury and Agency securities	673,548	756,863
State and municipal securities	60,169	49,045
Federal funds sold	72,541	133,640
Interest-bearing deposits	12,070	10,042
Equity securities	18,767	17,040
Total interest and dividend revenue	3,743,122	3,993,421
Interest expense		
Deposit interest	398,564	657,727
Other	3,973	5,830
Total interest expense	402,537	663,557
Net interest income	3,340,585	3,329,864
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,340,585	3,329,864
Non-interest revenue		
Service charges on deposit accounts	252,221	257,571
Miscellaneous revenue	167,163	115,485
Total non-interest revenue	419,384	373,056
Non-interest expenses		
Salaries	773,931	747,203
Employee benefits	203,230	174,117
Occupancy	144,833	128,638
Furniture and equipment	127,250	142,282
Other operating	432,941	424,175
Total non-interest expenses	1,682,185	1,616,415
Income before income taxes	2,077,784	2,086,505
Income taxes	735,000	734,000
Net income	$ 1,342,784	$ 1,352,505
Basic earnings per share	$ 0.42	$ 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, 2004	2003
Cash flows from operating activities		

Interest received	$ 3,689,955	$ 3,961,786
Fees and commissions received	350,871	372,813
Interest paid	(413,334)	(702,594)
Cash paid to suppliers and employees	(1,427,146)	(1,538,160)
Income taxes paid	(200,328)	(97,758)
	2,000,018	1,996,087
Cash flows from investing activities		
Purchase of investment securities available for sale	(50,000)	(25,000)
Proceeds from maturities of investment securities held to maturity	29,060,009	29,910,000
Purchase of investment securities held to maturity	(15,432,757)	(30,810,292)
Loans made, net of principal collected	(797,944)	(5,995,255)
Purchases of and deposits on premises, equipment, and intangibles	(182,776)	(531,356)
	12,596,532	(7,451,903)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	(3,814,039)	(1,346,600)
Other deposits	(1,924,553)	(6,644,863)
Securities purchased under agreements to repurchase	18,598	(532,258)
Payment on note payable	(4,626)	(4,357)
Purchases and retirement of common shares	(110,448)	-
	(5,835,068)	(8,528,078)
Net increase (decrease) in cash	8,761,482	(13,983,894)
Cash and equivalents at beginning of period	50,158,779	75,873,029
Cash and equivalents at end of period	$ 58,920,261	$ 61,889,135

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, 2004	2003
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 1,342,784	$ 1,352,505
Adjustments to reconcile net income to		

net cash provided by operating activities		
Depreciation and amortization	157,861	168,492
Security discount accretion, net of premium amortization	(1,762)	(34,702)
(Gain) loss on disposition of assets	1,543	-
Decrease (increase) in		
Accrued interest receivable	(51,404)	3,068
Cash surrender value of bank owned life insurance	(40,390)	-
Other assets	138,408	(17,978)
Increase (decrease) in		
Accrued interest payable	(10,797)	(39,036)
Accrued income taxes	534,672	636,242
Other liabilities	(70,897)	(72,504)
	$ 2,000,018	$ 1,996,087
Composition of cash and cash equivalents		
Cash and due from banks	$ 16,652,209	$ 18,128,997
Federal funds sold	42,217,542	43,560,048
Interest-bearing deposits, except for time deposits	50,510	200,090
	$ 58,920,261	$ 61,889,135

See accompanying Notes to Consolidated Financial Statements

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 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, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the audited consolidated financial statements and related footnotes for the Registrant's fiscal period ended December 31, 2003.

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 of shares outstanding for the period. The weighted average of common shares outstanding was 3,191,910 and 3,240,000 shares outstanding, for the quarters ended March 31, 2004 and 2003, respectively.

2. Comprehensive Income

Comprehensive income consists of:

	Three months ended March 31, 2004	2003
Net income	$ 1,342,784	$ 1,352,505
Unrealized gain (loss) on investment securities available for sale, net of income taxes	44,048	(17,331)
Comprehensive income	$ 1,386,832	$ 1,335,174

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, 2004	December 31, 2003
Loan commitments	$ 27,510,634	$ 25,532,081
Standby letters of credit	$ 3,307,773	$ 2,957,508

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.

Financial Condition, Liquidity and Sources of Capital

Total assets of the Company decreased $3.4 million from December 31, 2003 to March 31, 2004. During the first quarter of the year, the Bank typically experiences a decline in deposits since business customers are using their deposits to meet cash flow needs. This reduction of deposits reuslts in reductions in either federal funds sold or investments in securities. 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.

During the first quarter of 2004, the Bank's loan portfolio increased $.8 million. Funding for these loans was provided primarily by a reduction in overnight federal funds sold. As loans earn at a higher rate than federal funds sold, this shift has a positive impact on earnings.

The allowance for loan losses represents a reserve for potential losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, 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 and anticipated changes in the composition and size of the portfolio, as well as assumptions about the economy. Historically, the Company has low loan charge-offs. The Bank's target levels for the allowance as a percentage of gross loans range from approximately 1.00% to 1.35%. Based on review of the Bank's loan portfolio, the Company determined that an allowance of 1.32% of gross loans was adequate as of March 31, 2004. At December 31, 2003, the allowance was 1.33% of gross loans. At March 31, 2004, there were no non-accruing loans and loans delinquent ninety days or more, excluding non-accruing loans, totaled $659,976 or .40% of the portfolio.

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 64.27% for the first quarter of 2004, compared to 62.54% for the first quarter of 2003. The Bank's liquidity levels have remained atypically high since mid-2001 when the Bank experience an influx of deposits as a result of general economic conditions. Management believes that the deposit growth in late 2001 through 2003 was based in part in depositors' lack of confidence in the stock market and their flight to the relative safety of insured deposits.

Results of Operations

Net income for the three months ended March 31, 2004, was $1,342,784 or $.42 per share, compared to $1,352,505 or $.42 per share for the first quarter of 2003. This represents a decrease of $9,721.

While earnings decreased slightly, net interest income increased by $10,721 in the first quarter of 2004 compared to the first quarter of 2003 due an improved interest spread resulting from deposit rate reductions made early in 2003 which continue to offset declining yields on earning assets. Net interest income is one of the most important factors in evaluating the financial performance of the Company. The Company 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 made in the first quarters of 2004 or 2003. Net loan charge-offs(recoveries) were ($583) during the first quarter of 2004 versus ($1,530) during the first quarter of 2003.

Other operating revenues exceed last year primarily due to increases in the cash surrender value of Bank Owned Life Insurance. The Bank invested $4.0 million in life insurance in August 2003. The increase in cash surrender value during the first quarter of 2004 was $40.4 thousand.

Other expense variances include an increase in salaries and employee benefits of $55.8 thousand, of which $26.8 thousand is increased salaries and $38.1 thousand is group insurance. The Bank employed 100 full time equivalent employees as of March 31, 2004. The Bank hires seasonal employees during the summer. The Company has no employees other than those hired by the Bank.

Income taxes are $1,000 higher than last year, on a pre-tax income decrease of $8,721.

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 $1,276,384 from December 31, 2003 to March 31, 2004. 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 $110,448 used to purchase and retire 3,068 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 the 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 common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less certain intangibles. In addition, the Company and the Bank must maintain a minimum Tier 1 leverage ratio (Tier 1 capital to total assets) of at least 3%, 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, 2004 and 2003 were 40.68% and 38.89%, 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, 2004, the Company's interest rate sensitivity, as measured by gap analysis, showed the Company was asset-sensitive with a one-year cumulative gap of 11.15%, 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.

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	none	n/a	none	311,966
February	500	$36.00	500	311,466
March	2,568	$36.00	2,568	308,898
Totals	3,068	$36.00	3,068	n/a

c

The Company publicly announced on August 14, 2003, that it would repurchase up to 10% of its outstanding equity stock at that time, which equates to a total of 324,000 common shares available for repurchase. There is no expiration date for this program. No other stock repurchase plan or program exists at this time, nor has any other plan or program expired during the period covered by this table.

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, 2004.

Item 5 Other information
Not applicable.

Item 6 Exhibits and Reports on Form 8-K
a) Exhibits
Proxy Statement dated March 15, 2004, is incorporated by reference.

b) Reports on Form 8-K
There were no reports on Form 8-K filed for the quarter ended March 31, 2004.

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, 2004_______

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, 2004_______

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

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, 2004 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, 2004_______

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

Date: May 5, 2004_______

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

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, 2004_______ By: /s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.
Chairman & Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2004_______ By: /s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer
(Principal Financial Officer)