TAYLOR CALVIN B BANKSHARES INC
Form 10-Q
November 06, 2003

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, 2003

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

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 3,228,160 shares of common stock ($1.00 par) outstanding as of October 31, 2003.

Calvin B. Taylor Bankshares, Inc. and Subsidiaries
Form 10-Q
Index

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

	(unaudited) September 2003	December 2002
Assets		
Cash and due from banks	$ 21,315,902	$ 21,051,412
Federal funds sold	69,446,001	54,821,617
Interest-bearing deposits	1,807,183	1,432,205
Investment securities available for sale	9,160,989	8,390,550
Investment securities held to maturity (approximate fair value of $141,188,658 and $115,470,092)	140,643,424	114,181,749
Loans, less allowance for loan losses of $2,185,520 and $2,181,135	163,816,310	161,824,677
Premises and equipment	6,931,050	5,745,842
Accrued interest income	1,354,725	1,405,587
Bank owned life insurance	4,015,368	-
Other assets	475,156	389,307
	$418,966,108	$369,242,946
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 88,608,881	$ 73,289,541
Interest-bearing	259,866,056	228,205,925
	348,474,937	301,495,466
Securities sold under agreements to repurchase	5,463,827	4,029,100
Pending purchases of investment securities	131,655	2,990,830
Accrued interest payable	165,430	243,468
Note payable	185,644	198,912
Accrued income taxes	55,816	106,514
Other liabilities	277,767	163,370
	354,755,076	309,227,660
Stockholders' equity		
Common stock, par value $1 per share authorized 10,000,000 shares, issued and outstanding 3,240,000 shares at December 31, 2002, 3,228,260 shares at September 30, 2003	3,228,260	3,240,000
Additional paid in capital	16,879,375	17,290,000
Retained earnings	43,019,687	38,788,018
	63,127,322	59,318,018
Net unrealized gain on securities available for sale	1,083,710	697,268
	64,211,032	60,015,286

	$418,966,108	$369,242,946

See accompanying Notes to Consolidated Financial Statements

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

	(unaudited) September 2003	December 2002
	For the three months ended September 30	
	2003	2002
Interest and dividend revenue		
Loans, including fees	$ 3,042,068	$ 3,314,206
U.S. Treasury and Agency securities	667,572	875,517
State and municipal securities	57,325	50,190
Federal funds sold	154,312	297,203
Deposits with banks	10,924	10,996
Equity securities	2,333	5,143
Total interest and dividend revenue	3,934,534	4,553,255
Interest expense		
Deposit interest	468,017	983,556
Other	5,762	12,065
Total interest expense	473,779	995,621
Net interest income	3,460,755	3,557,635
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,460,755	3,557,635
Other operating revenue		
Service charges on deposit accounts	242,606	251,430
Miscellaneous revenue	142,521	130,279
Total other operating revenue	385,127	381,709
Other expenses		
Salaries and employee benefits	870,982	844,671
Occupancy	138,445	115,349
Furniture and equipment	148,602	143,871
Other operating	440,728	471,355
Total other expenses	1,598,757	1,575,246
Income before income taxes	2,247,125	2,364,097
Income taxes	818,000	872,100
Net income	$ 1,429,125	$ 1,491,997
Basic earnings per share	$ 0.44	$ 0.46

See accompanying Notes to Consolidated Financial Statements

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

	For the nine months ended September 30	
	2003	2002
Interest and dividend revenue		

Loans, including fees	$ 9,179,266	$ 9,954,324
U.S. Treasury and Agency securities	2,128,927	2,677,533
State and municipal securities	162,310	173,349
Federal funds sold	419,616	686,935
Deposits with banks	31,808	31,935
Equity securities	30,571	27,249
Total interest and dividend revenue	11,952,498	13,551,325
Interest expense		
Deposit interest	1,679,547	3,170,983
Other	16,886	31,483
Total interest expense	1,696,433	3,202,466
Net interest income	10,256,065	10,348,859
Provision for loan losses	-	-
Net interest income after provision for loan losses	10,256,065	10,348,859
Other operating revenue		
Service charges on deposit accounts	768,256	723,877
Miscellaneous revenue	405,892	362,833
Total other operating revenue	1,174,148	1,086,710
Other expenses		
Salaries and employee benefits	2,701,111	2,567,502
Occupancy	389,151	339,675
Furniture and equipment	412,407	420,676
Other operating	1,315,874	1,403,329
Total other expenses	4,818,543	4,731,182
Income before income taxes	6,611,670	6,704,387
Income taxes	2,380,000	2,392,300
Net income	$ 4,231,670	$ 4,312,087
Basic earnings per share	$ 1.31	$ 1.33

See accompanying Notes to Consolidated Financial Statements

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

	2003	2002
Cash flows from operating activities		
Interest received	$ 11,941,280	$ 13,838,534
Fees and commissions received	1,158,902	979,903
Interest paid	(1,774,472)	(3,405,454)
Cash paid to suppliers and employees	(4,515,229)	(4,311,990)
Income taxes paid	(2,430,698)	(2,235,847)
	4,379,783	4,865,146
Cash flows from investing activities		
Proceeds from maturities of investment securities	86,215,000	67,142,815
Purchase of investment securities held to maturity	(115,658,517)	(95,108,703)
Certificates of deposit purchased, net of redemptions	(374,978)	(200,205)
Purchases of premises, equipment, and		

intangibles	(1,659,344)	(497,903)
Loans made, net of principal collected	(1,991,634)	2,794,505
Purchases of bank owned life insurance	(4,000,000)	-
	(37,469,473)	(25,869,491)
Cash flows from financing activities		
Net change in time deposits	1,522,793	(5,765,467)
Net change in other deposits	45,456,679	49,813,468
Net change in repurchase agreements	1,434,727	1,088,151
Payment on note payable	(13,269)	(12,498)
Purchase and retirement of common stock	(422,366)	-
Dividend paid	-	(1,944,000)
	47,978,564	43,179,654
Net increase (decrease) in cash	14,888,874	22,175,309
Cash and equivalents at beginning of period	75,873,029	72,786,922
Cash and equivalents at end of period	$ 90,761,903	$ 94,962,231
Reconciliation of net income to net cash provided from operating activities		
Net income	$ 4,231,670	$ 4,312,087
Adjustments		
Depreciation and amortization	472,945	469,571
Deferred income tax	-	-
Provision for loan losses	-	-
Security discount accretion, net of premium amortization	(62,082)	(98,721)
Increase in cash value of bank owned life insurance	(15,368)	-
(Gain) loss on disposition of assets	2,140	5,183
Decrease (increase) in accrued interest receivable and other assets	(35,934)	353,157
Increase (decrease) in accrued interest payable and other liabilities	(213,588)	(176,131)
	$ 4,379,783	$ 4,865,146

See accompanying Notes to Consolidated Financial Statements

Calvin B. Taylor Bankshares, Inc. and Subsidiaries
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 have been made. These adjustments are of a normal recurring nature. Results of operations for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the audited consolidated financial statements and related footnotes for the Registrant's fiscal period ended December 31, 2002.

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 and overnight investments in federal funds sold.

Per share data

Earnings per common share are determined by dividing net income by the weighted average of shares outstanding. The weighted average of common shares outstanding is 3,235,776 and 3,240,000 shares, for the nine months ending September 30, 2003 and 2002, respectively, and 3,235,110 and 3,240,000 shares, for the quarter ending September 30, 2003 and 2002, respectively.

2. Comprehensive Income

Comprehensive income consists of:

	For the nine months ended September 30	
	2003	2002
Net income	$ 4,231,670	$ 4,312,087
Unrealized gain (loss) on investment securities available for sale, net of income taxes	386,443	200,086
Comprehensive income	$ 4,618,113	$ 4,512,173

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, 2003	December 31, 2002
Loan commitments	$ 24,224,769	$ 22,253,644
Standby letters of credit	$ 2,525,518	$ 1,733,677

Calvin B. Taylor Bankshares, Inc. and Subsidiaries
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 "Maryland 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 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 Maryland 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 Maryland Bank.

Financial Condition

Total assets of the Company increased $49.7 million from December 31, 2002 to September 30, 2003. Combined deposits and customer repurchase agreements increased $48.4 million during the same period. 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. Generally, this situation reverses late in the second quarter of the year as the Bank receives loan repayments from seasonal business customers, and deposits from summer residents and tourists. During first the nine months of 2002 and 2003, this traditional pattern has not applied. Management believes that adverse conditions in the stock markets have contributed to unusually large increases in deposits throughout the first halves of this year and last year.

During the first nine months of 2003, the Bank's gross loan portfolio has increased $2.0 million. Funding for these loans was provided by growth in deposits. This increase in loans does not negatively impact the Company's ability to meet liquidity demands.

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 rests upon 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 level for its allowance as a percentage of gross loans ranges from approximately 1.00% to 1.35%. Based on a review of the consolidated loan portfolio, the Company determined that an allowance of 1.32% of gross loans was adequate as of September 30, 2003 as compared to 1.33% of gross loans at December 31, 2002. At September 30, 2003, there were no non-accruing loans. Loans delinquent ninety days or more totaled $279,875 or .17% of the portfolio.

Liquidity

The Company's major sources of liquidity are loan repayments, maturities of short-term investments including federal funds sold, and increases in core deposits. Throughout the first quarter of the year, when the Bank typically experiences a decline in deposits, federal funds sold and investment securities are primary sources of liquidity. During the second quarter of the year, additional sources of liquidity become more readily available as business borrowers start repaying loans, and the Bank receives seasonal deposits. Throughout the second and third quarters the Bank maintains a high liquidity level. Funds from seasonal deposits are generally invested in short-term U.S. Treasury Bills and overnight federal funds. Average liquid assets (cash and amounts due from banks, interest bearing deposits in other banks, federal funds sold, and investment securities) compared to average deposits were 67.47% for the third quarter of 2003 compared to 63.94% for the third quarter of 2002. This increase in liquidity is primarily due to the rapid growth in deposits, which has not been accompanied by a corresponding increase in demand for loans.

Results of Operations

Net income for the three months ended September 30, 2003, was $1,429,125 or $.44 per share, compared to $1,491,997 or $.46 per share for the third quarter of 2002. This represents a decrease of $62,872 or 4.21% from the prior year. Year to date net income decreased $80,417 per share from $4,312,087 or $1.33 per share in 2002 to $4,231,670 or $1.31 per share in 2003. Significant reasons for the year to date decrease in net income are lower net interest income and higher non-interest expenses, offset in part by increased other operating revenue.

Net interest income decreased $92,794 in the first nine months of 2003 as compared to the first nine months of 2002. Net interest income decreased $96,879 in the three months ended September 30, 2003 as compared to the three months ended September 30, 2002. This decrease, both year-to-date and for the most recent quarter, is attributable to declining yields on earning assets, particularly the Bank's investment security portfolio and federal funds sold. 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 four 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 three quarters of 2003 or 2002. Net charge-offs/(recoveries) were ($2,255) during the third quarter of 2003, and ($4,385) for the year-to-date. Net charge-offs/ (recoveries) during the third quarter of 2002, and the year-to-date, were ($2,839) and $25,456, respectively.

Other operating revenue, including service charges on deposit accounts, increased $3.4 thousand from third quarter 2002 to third quarter 2003. For the year to date, other operating revenue has increased $87.4 thousand from 2002 to 2003. Revenue increases are primarily due to deposit services charges assessed against a larger deposit base and fee increases placed in effect in May 2002. Additionally, the Bank purchased Bank Owned Life Insurance policies at a cost of $4.0 million in August 2003. An increase in cash surrender value of $15.4 thousand on these policies is included in other operating revenue.

Personnel expenses are higher for the nine months ended September 30, 2003 compared to the same period in 2002 due to general increases in salaries as well as increased health care costs. The bank, which hires seasonal employees during the summer, employed 97 full time equivalent employees as of September 30, 2003. The Company has no employees other than those hired by the bank.

The Company's occupancy expense increased $23.1 thousand from first three quarters of 2002 to 2003, and $49.5 thousand for the comparative years-to-date. Notable factors contributing to this increase are increased landscaping and grounds maintenance costs incurred to improve the appearance of Bank properties and costs related to the ongoing construction project at the Berlin, Maryland office.

Other expense variances also include quarterly and year-to-date decreases of $30.6 thousand and $87.5 thousand, respectively, in other operating expenses. Examination assessments are down $23.7 thousand due to the elimination of $28.3 thousand in fees assessed by the Delaware Bank

Commissioner in 2002. Legal fees are down $35.4 thousand due to the attorneys' fees for the merger of the Delaware and Maryland subsidiary banks in September 2002.

Third quarter income taxes are $54.1 thousand less than last year, on a pre-tax income decrease of $117.0 thousand. Year-to date income taxes are $12.3 thousand less than last year, on a pre-tax income decrease of $92.7 thousand. This is partially due to an increase in the Company's effective tax rate resulting from tax-favored income becoming a smaller percentage of total revenues.

Plans of Operation

The Bank conducts general commercial banking businesses in its service area of Worcester County, Maryland and Sussex County, Delaware, while emphasizing the banking needs of individuals and small- to medium-sized businesses and professional concerns. The Bank offers a full range of federally insured deposit services that are typically available in most banks and savings and loan associations, including checking accounts, NOW accounts, savings accounts and time deposits of various types ranging from daily money market accounts to longer-term certificates of deposit.

The Company, through the Bank, offers a full range of short- to medium-term commercial and personal loans, and originates mortgage loans, including real estate construction and acquisition loans. The Bank has the intent and the ability to hold loans that it originates in its portfolio.

Other bank services include cash management services, 24-hour ATM's, credit cards, debit cards, safe deposit boxes, travelers' checks, direct deposit of payroll and social security checks, and automatic drafts for various accounts. 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 $4,195,746 from December 31, 2002 to September 30, 2003. 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 $422,367 used to purchase and retire 11,740 shares of common stock. Stock repurchases were at prices of $35.75 to $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 September 30, 2003 and 2002 were 36.75% and 38.57%, 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 September 30, 2003, the Company's interest rate sensitivity, as measured by gap analysis, showed the Company was asset-sensitive with a one-year cumulative gap of 11.26%, 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 Subsidiaries
Part II. Other Information

Item 1 Legal Proceedings
Not applicable

Item 2 Changes in Securities and Use of Proceeds
Not applicable

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 7, 2003, during which the items detailed in the proxy statement dated March 18, 2003, 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 18, 2003, is incorporated by reference.
31. Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are presented on pages 14 and 15, respectively.
32. Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is presented on page 16.

b) Reports on Form 8-K
There were no reports on Form 8-K filed for the quarter ended September 30, 2003.

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: November 6, 2003 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: November 6, 2003 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 June 30, 2003 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 6, 2003 By: /s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.,
Chairman & Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2003 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: November 6, 2003 By: /s/ Reese F. Cropper, Jr.
Reese F. Cropper, Jr.,
Chairman & Chief Executive Officer

Date: November 6, 2003 By: /s/ Jennifer G. Hawkins
Jennifer G. Hawkins
Treasurer