
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003   Commission File number: 000-22054

COMMUNITY BANKSHARES, INC.
(Exact Name of Registrant as Specified in its Charter)

South Carolina	57-0966962
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

791 Broughton St., Orangeburg, South Carolina 29115
(Address of Principal Executive Office, Zip Code)

(803) 535-1060
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 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: 4,310,646 shares of common stock outstanding as of August 1, 2003.

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COMMUNITY BANKSHARES, INC. - CONSOLIDATED BALANCE SHEETS
$ amounts in thousands

ASSETS

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Federal funds sold ....

Total cash and cash equivalents ....
Interest bearing deposits in other banks ....
Securities available for sale, at fair value ....
Loans held for resale ....
Loans receivable ....
Less, allowance for loan losses ....

Net loans ....

Accrued interest receivable ....
Premises and equipment ....
Net deferred tax asset ....
Intangible assets ....
Other assets ....

Total assets ....

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:
Non-interest bearing ....
Interest bearing ....

Total deposits ....

Federal funds purchased and securities	
sold under agreements to repurchase	
Federal Home Loan Bank advances	
Lines of credit payable	
Other liabilities	
Total liabilities	
Shareholders' equity:	
Common stock	
No par, authorized shares 12,000,000, issued and outstanding 4,310,646 in 2003 and 4,304,384 in 2002	
Retained earnings	
Accumulated other comprehensive income	
Total shareholders' equity	
Total liabilities and shareholders' equity	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

COMMUNITY BANKSHARES, INC. - CONSOLIDATED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY
for the six months ended June 30, 2003 and 2002 (Unaudited)
(Amounts in thousands, except share data)

	Common Shares	Common Stock	Retaine Earning
Balances at Dec. 31, 2001	3,299,674	$ 17,208	$ 10,3
Comprehensive income:			
Net income			2,3
Other comprehensive income net of tax:			
Unrealized gain on securities			
Shares issued under stock options	4,710	40	
Expenses related to merger		(98)	
Dividends paid	-	-	(5
Balances at June 30, 2002	3,304,384	$ 17,150	$ 12,1
Balances at Dec. 31, 2002	4,304,384	$ 29,090	$ 14,5
Comprehensive income:			
Net income			2,7
Other comprehensive income net of tax:			
Unrealized gain on securities			
Shares issued under stock options	6,262	69	
Dividends paid	-	-	(7

Balances at June 30, 2003	4,310,646	$ 29,159	$ 16,5

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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COMMUNITY BANKSHARES, INC. - CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Six months ended June 2003 UNAUDITED	200 UNAUD
Interest and dividend income:		
Loans, including fees	$ 11,091	$ 8,9
Deposits with other financial institutions	9	
Debt securities	845	8
Dividends	40	
Federal funds sold	149	1
Total interest and dividend income	12,134	10,0
Interest expense:		
Deposits:		
Certificates of deposit of $100,000 or more	839	9
Other	2,198	2,2
Total deposits	3,037	3,1
Federal funds purchased and securities sold under agreements to repurchase	75	
Warehouse lines of credit	296	1
FHLB advances	553	5
Total interest expense	3,961	3,8
Net interest income	8,173	6,1
Provision for loan losses	543	3
Net interest income after provision for loan losses	7,630	5,8
Non-interest income:		
Service charges on deposit accounts	1,621	1,0
Securities gains (losses)	(252)	1
Mortgage banking income	2,825	1,6
Other	437	3
Total non-interest income	4,631	3,1
Non-interest expense:		
Salaries and employee benefits	5,031	3,3
Premises and equipment	806	6
Other	2,116	1,3

Total non-interest expense	7,953	5,3
Income before income taxes	4,308	3,6
Income tax expense	1,542	1,3
Net income	$ 2,766	$ 2,3

	Six months ended June 30, 2003 UNAUDITED	2002 UNAUDITED
Basic earnings per common share:		
Weighted average shares outstanding	4,306,742	3,299,834
Net income per common share	$ 0.64	$ 0.71
Diluted earnings per common share:		
Weighted average shares outstanding	4,420,316	3,404,733
Net income per common share	$ 0.63	$ 0.69

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

COMMUNITY BANKSHARES, INC. - CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

Cash flows from operating activities:

Net income ....

Adjustments to reconcile net income to net cash provided (used) by operating activities:

- Depreciation and amortization ....
- Net amortization (accretion) of investment securities ....
- Provision for loan losses ....
- Net realized (losses) on sale of securities available for sale ....
- Proceeds from sales of real estate loans held for sale ....
- Originations of real estate loans held for sale ....
- Deferred income taxes ....

Changes in operating assets and liabilities:

- Accrued interest receivable ....
- Other assets ....
- Other liabilities ....

Net cash provided by operating activities ....

Cash flows from investing activities:
Net (increase) decrease in interest bearing deposits in banks ....
Purchases of investment securities available-for-sale ....
Proceeds from maturities of investment securities available-for-sale ....
Proceeds from sales of investment securities available-for-sale ....
Loan originations and principal collections, net ....
Proceeds from sale of other real estate owned ....
Purchases of premises and equipment ....

Net cash (used) in investing activities ....

Cash flows from financing activities:
Net increase in deposits ....
Net increase (decrease) in federal funds purchased
and securities sold under agreements to repurchase ....
Net increase (decrease) under line of credit arrangement ....
Proceeds from issuance of common stock ....
Costs incurred in business combination ....
Dividends paid ....

Net cash provided by financing activities ....

Net increase (decrease) in cash and cash equivalents ....
Cash and cash equivalents - beginning of period ....

Cash and cash equivalents - end of period ....

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

(Dollar amounts in thousands)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest ....

Cash payments for income tax ....

NON-CASH INVESTING ACTIVITIES
Transfer of loans receivable to other real estate owned ....

Summary of Significant Accounting Principles

A summary of significant accounting policies and the audited financial statements for 2002 are included in Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Principles of Consolidation

The consolidated financial statements include the accounts of Community Bankshares, Inc. (CBI), the parent company, and Orangeburg National Bank, Sumter National Bank, Florence National Bank, Community Resource Mortgage Inc., and the Bank of Ridgeway, its wholly owned subsidiaries. All significant intercompany items have been eliminated in the consolidated statements.

Management Opinion

The interim financial statements in this report are unaudited. In the opinion of management, all the adjustments necessary to present a fair statement of the results for the interim period have been made. Such adjustments are of a normal and recurring nature.

The results of operations for any interim period are not necessarily indicative of the results to be expected for an entire year. These interim financial statements should be read in conjunction with the annual financial statements and notes thereto contained in the 2002 Annual Report on Form 10-K.

Changes in Comprehensive Income Components

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. This Statement establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Disclosure as required by the Statement is as follows:

	Six months ended June 30, 2003	2002
	(Dollars in thousands)	
Unrealized holding gains on available for sale securities	$ 729	$ 373
Less: Reclassification adjustment for (losses) realized in income	(252)	(104)
Net unrealized gains	477	269
Tax effect	(162)	(97)
Net-of-tax amount	$ 315	$ 172

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as `forward looking statements' for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words "estimate," "project," "intend,", "expect," "believe," "anticipate," "plan," and similar expressions identify forward-looking statements. The Corporation (CBI) cautions readers that forward looking statements, including without limitation, those relating to the CBI's future business prospects, ability to successfully integrate recent acquisitions, revenues, adequacy of the allowance for loan losses, working capital, liquidity, capital needs, interest costs, and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the CBI's reports filed with the Securities and Exchange Commission.

Critical Accounting Policies

CBI has adopted various accounting policies, which govern the application of accounting principles generally accepted in the United States of America in the preparation of CBI's financial statements. The significant accounting policies of CBI are described in detail in the notes to CBI's audited consolidated financial statements included in CBI's Annual Report on Form 10-K.

Certain accounting policies involve significant judgments and estimates by management, which have a material impact on the carrying value of certain assets and liabilities. Management considers such accounting policies to be critical accounting policies. The judgments and estimates used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations of CBI.

CBI is a holding company for community banks and a mortgage company and, as a financial institution, believes the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in preparation of its consolidated financial statements. Refer to the sections "Allowance for Loan Losses" and "Provision for Loan Losses" in the Annual Report on Form 10-K for 2002 for a detailed description of CBI's estimation process and methodology related to the allowance for loan losses.

RESULTS OF OPERATIONS: SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO JUNE 30, 2002 (all comparisons in this section are period to period, unless specified otherwise)

COMMUNITY BANKSHARES, INC. - AVERAGE BALANCE SHEETS, YIELDS, AND RATES

Six months ended June 30,	2003		
Assets	Average Balance	Interest Income/ Expense	Yields/ Rates
Interest bearing deposits in banks	$ 625	$ 9	2.88%
Investment securities taxable	42,526	709	3.33%
Investment securities--tax exempt	9,317	176	3.78%
Federal funds sold	26,001	149	1.15%
Loans receivable	336,889	11,091	6.58%
Total interest earning assets	415,358	12,134	5.84%
Cash and due from banks	14,098		
Allowance for loan losses	(3,706)		
Premises and equipment	6,742		
Goodwill	7,834		
Other assets	3,224		
Total assets	$443,550		
Liabilities and Shareholders' Equity			
Interest bearing deposits			
Savings	$ 67,394	$ 416	1.23%
Interest bearing transaction accounts	42,252	105	0.50%
Time deposits	185,852	2,515	2.71%
Total interest bearing deposits	295,498	3,036	2.05%
Short term borrowing	13,873	75	1.08%
Warehouse lines payable	17,725	296	3.34%
Other borrowings	20,298	554	5.46%
Total interest bearing liabilities	347,394	3,961	2.28%
Noninterest bearing demand deposits	49,071		
Other liabilities	1,837		
Shareholders' equity	45,248		
Total liabilities & shareholders' equity	$443,550		
Interest rate spread			3.56%
Net interest income and net yield on earning assets		$ 8,173	3.93%

Notes:
Yields and rates are annualized.

Earnings Performance, Six months ended June 30, 2003 compared to June 30, 2002

The 2003 period was influenced by three major factors: interest rates held stable at historically low levels, higher demand for mortgage loans generated by continuing low interest rates, and the July 2002 acquisition of the Bank of Ridgeway. The prime lending rate for the first half of 2003 was 4.25%, compared to 4.75% for the same period in 2002. At the end of June the prime rate declined further, to 4.0%. Low interest rates put continuing pressure on CBI's net interest margin, which declined slightly to 3.93% from 3.98%. The margin was somewhat protected by relatively high interest income at the mortgage company and the acquisition of the Bank of Ridgeway with its large dollar volume of relatively low cost deposits.

Immediately prior to its acquisition by CBI in July 2002 the Bank of Ridgeway's investment portfolio had a fair market value $675,000 in excess of its amortized cost. In connection with the acquisition CBI established a new amortized cost basis for those investments that equaled their market value. Because interest rates declined to historically low levels, many securities with call provisions have been called prior to maturity. Furthermore, since the Ridgeway investments were recorded at amounts in excess of their redemption values the proceeds of the redemptions (at par) were significantly less than the recorded amounts, resulting in a $322,000 write-down of the Ridgeway purchase premium in the second quarter of 2003. Management expects that the future effect of this amortization will be modest in view of the fact that almost all the callable securities in the Bank of Ridgeway's portfolio have been called.

The substantial dollar and percentage changes that are discussed throughout this report are due in large measure to the above factors.

CBI's net income was $2,766,000 or $.64 per basic share in 2003 compared to $2,336,000 or $.71 per basic share in 2002, an increase of $430,000 or 18.4%. Diluted earnings were $.63 per share, down from $.69. The decrease in earnings per basic share and earnings per diluted share was the result of a greater number of shares being outstanding in the 2003 period. Most of the additional outstanding shares were issued in connection with the Ridgeway acquisition.

The increase in net income resulted from the operations of the subsidiaries, which are summarized in the following chart (dollars in thousands):

Net Income

For the periods ended June 30,	2003	2002
Orangeburg National Bank (ONB)	$ 1,376	$ 1,410
Sumter National Bank (SNB)	681	630
Florence National Bank (FNB)	266	155
Community Resource Mortgage, Inc.(CRM)	377	207
Bank of Ridgeway (RW)	182	0
Holding company costs and eliminations, net	(116)	(66
Consolidated totals for CBI	$ 2,766	$ 2,336

Net Income

As noted above, consolidated net income for 2003, increased from the prior year by 18.4% or $430,000. The major components of this increase are shown in the following table and discussed below.

Summary Income Statement for Six Month Periods ended June 30,

(Dollar amounts in thousands)	2003	2002	$ change	% change
Interest income	$ 12,134	$ 10,040	$ 2,094	20.86%
Interest expense	(3,961)	(3,870)	(91)	2.35%
Net interest income	8,173	6,170	2,003	32.46%
Provision for loan losses	(543)	(358)	(185)	51.68%
Noninterest income	4,631	3,161	1,470	46.50%
Noninterest expense	(7,953)	(5,323)	(2,630)	49.41%
Income tax expense	(1,542)	(1,314)	(228)	17.35%
Net income	$ 2,766	$ 2,336	$ 430	18.41%

Interest Income

Total average interest earning assets for 2003 increased $105,682,000 or 34.1% over 2002. The Bank of Ridgeway acquisition accounted for about $89 million or 84.7% of the increase. The acquisition also accounted for the majority of the increases in the volumes of specific earning assets. Thus, although the average yield on interest earning assets declined, interest income rose based on increased volumes.

Interest Expense

Total average interest bearing liabilities for 2003 increased $84,266,000 or 32% over 2002. The Bank of Ridgeway contributed $65 million or 77.4% of the increase. The acquisition also accounted for the majority of the increases in the volumes of specific interest bearing liabilities. Even though the volumes increased, rates declined enough to produce a 0.66% decrease in the average rate paid for interest bearing liabilities.

Net interest income

Net interest income is the amount by which interest and fees on interest earning assets exceeds the interest paid on interest bearing deposits and other interest bearing funds. For 2003 net interest income was up $2,003,000 or 32.5% over 2002, primarily as a result of the Bank of Ridgeway acquisition.

CBI's net interest margin was 3.93% for 2003 compared to 3.98% for 2002. The low interest rate environment has put pressure on the margins of the individual banks. This pressure has been mitigated somewhat by the relatively

low cost deposits at the Bank of Ridgeway and increased interest income at the mortgage company.

Provision for loan losses

The increase in the provision for loan losses was mostly due to the Bank of Ridgeway acquisition after the second quarter of 2002 and the establishment of a loan loss reserve by Community Resource Mortgage, also after the second quarter of 2002.

Non-Interest Income

Non-interest income for 2003 increased $1,470,000 over 2002. Most of the increase was due to mortgage banking income which increased $1,153,000, the vast majority of which was generated by Community Resource Mortgage. Service charges and other income from Bank of Ridgeway provided approximately $395,000 of the non-interest income.

Gains (losses) on sales of securities reflected a net loss of $252,000 in 2003. This is the result of a $322,000 pretax charge to income recognized in connection with the write-down on called securities of the investment portfolio for the Bank of Ridgeway, discussed above. In the first year of the merger with the Bank of Ridgeway, CBI has expensed approximately 47% of the acquired investment premiums in the Ridgeway portfolio, due mostly to the large number of securities being called prior to maturity. Management does not expect future amortization of the remaining premiums will have a significant impact on earnings, because there are very few remaining securities subject to early call.

Non-Interest Expense

Approximately $1,157,000 or 44% of the $2,630,000 increase in non-interest expense was accounted for by the Bank of Ridgeway acquisition. The remaining increase was due to volume increases at Community Resource Mortgage, which has a commission based compensation system based on loan volume, and normal increases at the other banks.

Income Taxes

Income tax expense for 2003 increased $228,000 or 17.5% over 2002. The average tax rate for 2003 was 35.8%, slightly decreased from 2002 when it was 36%.

Profitability

A common way to review earnings is through the ROA (return on average assets) and the ROE (return on average equity). Based on operating results for the six months ended June 30, 2003 and 2002, the following table is presented.

	Period ended June 30, 2003	2002
	(dollars in thousands)	
Average assets	$443,550	$328,163

ROA	1.25%	1.42%
Average equity	$45,248	$28,666
ROE	12.23%	16.30%
Net income	$2,766	$2,336

The decline in ROA and ROE is primarily related to the increase in shareholders' equity resulting from the Bank of Ridgeway acquisition in July.

RESULTS OF OPERATIONS FOR THE QUARTERS ENDED JUNE 30, 2003 AND 2002 (all comparisons in this section are quarter to quarter, unless otherwise specified)

For the quarter ended June 30, 2003, CBI earned a consolidated profit of $1,185,000, compared to $1,211,000 for the comparable period of 2002, a decrease of 2.1% or $26,000. Basic earnings per share were $.28 in the 2003 quarter compared to $.37 for the 2002 quarter. The changes in the items comprising net income, which are discussed below, resulted from essentially the same factors discussed above regarding the results of operation for the six months ended June 30, 2003.

Summary Income Statement for Quarters ended June 30,

(Dollar amounts in thousands)	2003	2002	$ change	% change
Interest income	6,285	5,217	1,068	20.47%
Interest expense	(1,960)	(1,864)	(96)	5.15%
Net interest income	4,325	3,353	972	28.99%
Provision for loan losses	(279)	(189)	(90)	47.62%
Noninterest income	2,076	1,474	602	40.84%
Noninterest expense	(4,218)	(2,745)	(1,473)	53.66%
Income tax expense	(719)	(682)	(37)	5.43%
Net income	1,185	1,211	(26)	-2.15%

Interest Income

Interest income increased by over $1 million, or 20%, in the 2003 quarter compared to the 2002 quarter. The largest part of this increase was the interest income generated by the Bank of Ridgeway acquisition.

Interest expense

Interest expense increased only slightly in the 2003 quarter compared to the 2002 quarter. Even though the acquisition of the Bank of Ridgeway added significantly to interest bearing liabilities, the overall decline in market interest rates offset most of that change.

Provision for loan losses

The increase in the provision for loan losses was due to the Bank of Ridgeway acquisition after the second quarter of 2002 and the establishment of a loan loss reserve by CRM, also after the second quarter of 2002.

Non-Interest Income

Non-interest income for the 2003 quarter increased $602,000 over the 2002 quarter. Most of the increase was due to mortgage banking income which increased $598,000, the vast majority of which was generated by CRM.

Gains (losses) on sales of securities reflected a net loss of $298,000 in 2003. This is the result of the $322,000 pretax charge to income recognized in connection with the write-down of called securities in the investment portfolio for the Bank of Ridgeway, discussed above.

Non-Interest Expense

Approximately $574,000 or 39% of the $1,473,000 increase in non-interest expense was accounted for by the Bank of Ridgeway acquisition. The remaining increase was due to volume increases at Community Resource Mortgage, which has a commission based compensation system, and normal increases at the other banks.

Income Taxes

Income tax expense for the 2003 quarter increased $37,000 or 5.4% over the 2002 quarter.

CHANGES IN FINANCIAL POSITION

Investment portfolio

The investment portfolio is comprised of available for sale securities. CBI and its banks usually purchase short-term issues (ten years or less) of U. S Treasury and U. S. Government agency securities for investment purposes. At June 30, 2003 the available for sale portfolio totaled $52,791,000 compared to $53,066,000 at December 31, 2002, a decrease of 0.5% or $275,000. The following chart summarizes the aggregate investment portfolios at June 30, 2003 and December 31, 2002.

	June 30, 2003	
Available for sale	Amortized Cost	Fair Value
(Dollar amounts in thousands)		
U.S. Government and federal agencies	$39,421	$39,648
State and local governments	8,106	8,828
Mortgage backed securities	2,610	2,619
Other equity securities	1,696	1,696
Total	$51,833	$52,791

December 31, 2002

Available for sale	Amortized Cost	Fair Value
(Dollar amounts in thousands)		
U.S. Government and federal agencies	$41,488	$41,531
State and local governments	9,514	9,625
Other equity securities	1,910	1,910
Total	$52,912	$53,066

Loan portfolio

The loan portfolio is primarily consumer, and small and medium size business oriented. At June 30, 2003 the loan portfolio was $318,217,000 compared to $306,484,000 at December 31, 2002, a 3.8% or $11,733,000 increase. This increase was attributable to normal growth of the banks in a low interest rate environment. The following chart summarizes the loan portfolio at June 30, 2003 and December 31, 2002.

	June 30, 2003	Dec. 31, 2002
	(Dollar amounts in thousands)	
Commercial	$80,045	$78,210
Real estate	200,570	191,844
Loans to individuals	37,602	36,430
Total	$318,217	$306,484

Loans held for sale

The above loan portfolio table does not include loans held for sale. Loans held for sale are loans originated by CBI's banks or mortgage company for sale to others and are held pending completion of the sale. The vast majority of such loans are originated by Community Resource Mortgage and are one-to-four family residential mortgage loans. At June 30, 2003 loans held for sale totaled $26,657,000 compared to $24,664,000 at December 31, 2002, an 8.1% or $1,993,000 increase. The amount of loans held for sale is subject to significant fluctuation depending on current conditions.

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Past Due and Non-Performing Assets

CBI closely monitors past due loans and loans that are in non-accrual status and other real estate owned. Below is a summary of past due and non-performing assets at June 30, 2003 and December 31, 2002.

	June 30, 2003	Dec. 31, 2002
	(Dollar amounts in thousands)	
Past due 90 days + and still accruing loans	$ 548	$1,740
Non-accrual loans	$2,300	$ 796
Impaired loans (included in nonaccrual)	$2,300	$ 796
Other real estate owned	$ 236	$ 219

The amount of non-accruing loans at June 30, 2003 is mostly attributable to one loan, in the approximate amount of $1.3 million. The loan involves principals who are having a legal dispute with one another. Management believes that CBI's collateral position is sufficient so that no loss is expected.

Management considers the past due and non-accrual amounts at June 30, 2003 to be reasonable in relation to the size of the portfolio and manageable in the normal course of business.

CBI had no restructured loans during any of the above listed periods.

Allowance for Loan Losses

The allowance for loan losses is increased by the provision for loan losses, which is a direct charge to expense. Losses on specific loans are charged against the allowance in the period in which management determines that such loans become uncollectible. Recoveries of previously charged-off loans are credited to the allowance.

Management reviews its allowance for loan losses in three broad categories: commercial, real estate and loans to individuals. The combination of a relatively short operating history and relatively high asset quality precludes management from establishing a meaningful specific loan loss percentage for the computation of the allowance for each category. Instead management assigns an estimated percentage factor to each in the computation of the overall allowance. These estimates are not, however, intended to restrict CBI's ability to respond to losses. CBI charges losses from any segment of the portfolio to the allowance, regardless of the allocation. In general terms, the real estate portfolio is subject to the least risk, followed by the commercial loan portfolio, followed by the loans to individuals portfolio. The banks' internal and external loan review programs from time to time identify loans that are subject to specific weaknesses and such loans are reviewed for a specific loan loss allowance.

Based on the current levels of non-performing and other problem loans, management believes that loan charge-offs in 2003 will be less than the 2002 levels as such loans progress through the collection, foreclosure, and repossession process. Management believes that the allowance for loan losses, as

of June 30, 2003, is sufficient to absorb the inherent losses that remain in the loan portfolio. Management will continue to closely monitor the levels of non-performing and potential problem loans and address the weaknesses in these credits to enhance the amount of ultimate collection or recovery of these assets. Management considers the levels and trends in non-performing and past due loans in determining how the provision for loan losses is adjusted.

The aggregate allowance for loan losses of the banks and the mortgage company and the aggregate activity with respect to the allowance are summarized in the following table.

(Dollar amounts in thousands)	Six months ended June 30, 2003	D

Allowance at beginning of period	$ 3,572
Provision expense	543
Net charge offs	(193)
Allowance at end of period	$ 3,922
Allowance / outstanding loans	1.23%

Intangible assets

CBI adopted FASB No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002. As of June 30, 2003 intangible assets totaled $7,773,000, compared to $7,896,000 at December 31, 2002, a decrease of $123,000. The decrease represented amortization of the core deposit intangible acquired in conjunction with the Bank of Ridgeway acquisition.

Deposits

Deposits at June 30, 2003 were $18,750,000 or 5.6%, higher than at December 31, 2002. This increase was the result of normal business growth for the banks.

Time deposits greater than $100,000 at June 30, 2003 were $1,256,000 or 1.8% greater than December 31, 2002.

Liquidity

Liquidity is the ability to meet current and future obligations through liquidation or maturity of existing assets or the acquisition of additional liabilities. Adequate liquidity is necessary to meet the requirements of customers for loans and deposit withdrawals in a timely and economical manner. The most manageable sources of liquidity are composed of liabilities, with the primary focus of liquidity management being the ability to attract deposits within the Banks' service areas. Core deposits (total deposits less certificates of deposit of $100,000 or more) provide a relatively stable funding base. Certificates of deposit of $100,000 or more are generally more sensitive to changes in rates, so they must be monitored carefully. Asset liquidity is provided by several sources, including amounts due from banks, federal funds sold, and investments available-for-sale.

As of June 30, 2003 the loan to deposit ratio was 89.4% compared to 90.9% at December 31, 2002 and 93.9% at June 30, 2002. The Ridgeway acquisition in July 2002 provided a significant amount of additional liquidity to the

company as a whole, which has been used in meeting the overall demand for loans since the acquisition.

In the opinion of management, CBI's current and projected liquidity position are adequate.

Capital resources

As summarized in the table below, CBI maintains a strong capital position.

	June 30, 2003
Tier 1 capital to average total assets	8.67%
Tier 1 capital to risk weighted assets	11.85%
Total capital to risk weighted assets	13.00%

In the opinion of management, the Company's current and projected capital positions are adequate. In each case the ratios exceed by a substantial margin the regulatory requirement for being considered well capitalized.

Dividends

CBI declared and paid a quarterly cash dividend of nine cents per share during the second quarter of 2003 bringing the total dividends paid for the year to eighteen cents per share. The total amount of these dividends was $775,000.

Accounting and Reporting Changes

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative contracts embedded in other contracts and loan commitments that relate to the origination of mortgage loans held for sale, and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material effect on financial condition or operating results of the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or as an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on the financial condition or operating results of the Company.

Off-Balance-Sheet Activities:

The Banks are parties to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Banks' exposure to credit loss is represented by the contractual amount of these commitments. The Banks use the same credit policies in making commitments as they do for on-balance-sheet instruments.

At June 30, 2003, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amounts June 30, 2003
Commitments to grant loans	$19,979
Unfunded commitments under lines of credit	17,113
Standby letters of credit	4,176

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include personal residences, accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support private borrowing arrangements. All letters of credit are short-term guarantees. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks generally hold collateral supporting those commitments if deemed necessary. Since many of the standby letters of credit are expected to expire without being drawn upon, the total letter of credit amounts do not necessarily represent future cash requirements.

To reduce credit risk related to the use of credit-related financial instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Banks' credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. CBI's market risk arises principally from interest rate risk inherent in its lending, deposit and borrowing activities. Management actively monitors and manages its interest rate risk exposure. Although CBI manages other risks, such as credit quality and liquidity risk in the normal course of business, management considers interest rate risk to be its most significant market risk and this risk could potentially have the largest material effect on CBI's financial condition and results of operations. Other types of market risks such as foreign currency exchange risk and commodity price risk do not arise in the normal course of community banking activities.

CBI's Asset/Liability Committee uses a simulation model to assist in achieving consistent growth in net interest income while managing interest rate risk. According to the model as of June 30, 2003, CBI is positioned so that net interest income would increase $441,000 and net income would increase $293,000 in the next twelve months if interest rates rose 100 basis points. Conversely, net interest income would decline $441,000 and net income would decline $293,000 in the next twelve months if interest rates declined 100 basis points. In the current interest rate environment, it is unlikely that there will be any large rate decreases in the immediate future. Computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates and loan prepayment, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions CBI and its customers could undertake in response to changes in interest rates.

As of June 30, 2003 there was no significant change in the interest rate sensitivity analysis for the various changes in interest rates calculated as of December 31, 2002. The foregoing disclosures related to the market risk of CBI should be read in connection with Management's Discussion and Analysis of Financial Position and Results of Operations included in the 2002 Annual Report on Form 10-K.

Item 4. Controls and Procedures

(a) Based on their evaluation of the issuer's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-14(c) and 240.15d-14(c)) as of a date within 90 days prior to the filing of this quarterly report, the issuer's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures was adequate.

(b) There were no significant changes in the issuer's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II--Other Information

Item 4. Submission of Matters to a Vote of Security Holders.

CBI held an Annual Meeting of Shareholders on May 19, 2003.

The following persons were elected to the Board for terms of three years:

E. J Ayers, Jr., Alvis J. Bynum, J. Otto Warren, Jesse A. Nance, and J. V. Nicholson. The following person was elected to the Board for a term of two years: Thomas B. Edmunds. The following person was elected to the Board for a term of one year: William A. Harwell.

The vote tally was as follows:

	Total number	Voting for	Voting	Abstaining	P

	of shares eligible to vote ----	----------	against or to withhold authority ---------	----------	me n --
Election of directors					
E. J Ayers, Jr.,	4,305,614	3,054,590	2,880	0	
Alvis J. Bynum	4,305,614	3,056,690	780	0	
J. Otto Warren	4,305,614	3,054,590	2,880	0	
Jesse A. Nance	4,305,614	3,054,590	2,880	0	
J. V. Nicholson	4,305,614	3,056,690	780	0	
Thomas B. Edmunds	4,305,614	3,056,340	1,130	0	
William A. Harwell	4,305,614	3,054,590	2,880	0	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

b) Reports on Form 8-K. Form 8-K filed April 28, 2003, pursuant to Item 9 of that Form with respect to the information provided pursuant to Item 12 of that Form.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: August 13, 2003

COMMUNITY BANKSHARES, INC.

By: s/ E. J. Ayers, Jr.,

E. J. Ayers, Jr.,
Chief Executive Officer

By: s/ William W. Traynham

William W. Traynham
President and Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATIONS

I, E. J. Ayers, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community 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 subsidiaries, 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 this 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 registrant's board of directors (or persons performing the equivalent functions):

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 this 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.

Date: August 13, 2003 s/E. J. Ayers, Jr.

E. J. Ayers, Jr.

Chairman and CEO

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CERTIFICATIONS

I, William W. Traynham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community 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 subsidiaries, 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 this 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 registrant's board of directors (or persons performing the equivalent functions):

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 this 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.

Date: August 13, 2003

s/William W. Traynham

William W. Traynham
President and CFO