AMERICAN COMMUNITY BANCSHARES INC
Form 10QSB
May 15, 2003

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-QSB

[X] Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2003

[ ] Transition Report Under Section 13
or 15(d) of the Exchange Act

For the transition period ended ________________________________

Commission File Number 000-30517

AMERICAN COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA	56-2179531
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2593 WEST ROOSEVELT BOULEVARD, MONROE, NORTH CAROLINA 28111

(Address of principal office)

(704) 225-8444

(Registrant's Telephone Number, Including Area Code)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 __

As of March 31, 2003, 2,824,376 shares of the issuer's common stock, no par value, were outstanding.

This report contains 14 pages.

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Part I. FINANCIAL INFORMATION

Item 1 - Financial Statements (Unaudited)

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PART I. FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

AMERICAN COMMUNITY BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, (Unaudit
ASSETS	
Cash and due from banks	$
Interest-earning deposits with banks	1
Investment securities available for sale at fair value	3
Investment securities held to maturity at cost	
Loans	17
Allowance for loan losses	(
NET LOANS	17
Accrued interest receivable	
Bank premises and equipment	
Foreclosed real estate	
Federal Home Loan Bank stock at cost	
Other assets	
TOTAL ASSETS	$ 23
LIABILITIES AND STOCKHOLDERS' EQUITY	

Deposits	
Demand	$ 2
Savings	
Money market and NOW	2
Time	12
TOTAL DEPOSITS	18
Borrowings	1
Securities sold under agreement to repurchase	
Capital lease obligation	
Accrued expenses and other liabilities	
Trust preferred securities	
TOTAL LIABILITIES	20
Stockholders' Equity	
Preferred stock, no par value, 1,000,000 shares authorized; none issued	
Common stock, $1 par value, 9,000,000 shares authorized; 2,824,376 issued and outstanding	
Additional paid-in capital	1
Retained earnings	
Accumulated other comprehensive income	
TOTAL STOCKHOLDERS' EQUITY	2
Commitments (Note B)	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 23

*Derived from audited financial statements

See accompanying notes.

AMERICAN COMMUNITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	Three months ended March 31, 2003
	(In Thousands, ex
INTEREST INCOME	
Loans	$ 2,751
Investments	260
Interest-earning deposits with banks	19

TOTAL INTEREST INCOME	3,030
INTEREST EXPENSE	
Money market, NOW and savings deposits	52
Time deposits	957
Borrowings	257
TOTAL INTEREST EXPENSE	1,266
NET INTEREST INCOME	1,764
PROVISION FOR LOAN LOSSES	365
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,399
NON-INTEREST INCOME	
Service charges on deposit accounts	467
Mortgage operations	140
Other	73
TOTAL NON-INTEREST INCOME	680
NON-INTEREST EXPENSE	
Salaries and employee benefits	854
Occupancy and equipment	297
Other	514
TOTAL NON-INTEREST EXPENSE	1,665
INCOME BEFORE INCOME TAXES (BENEFIT)	414
INCOME TAXES (BENEFIT)	151
NET INCOME	$ 263
BASIC AND DILUTED NET INCOME PER COMMON SHARE	$ .09
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	2,824,376
DILUTED	2,829,897
DIVIDEND DECLARED PER COMMON SHARE	$ 0.08

AMERICAN COMMUNITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	Three months ended March 31, 2003
	(In T
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 263
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	185
Provision for loan losses	365
Loss on sale of foreclosed real estate	28
Change in assets and liabilities	
(Increase) decrease in accrued interest receivable	(25
Increase in other assets	(446
Decrease in accrued expenses and other liabilities	(358
NET CASH PROVIDED BY OPERATING ACTIVITIES	12
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investment securities available for sale	(12,614
Purchases of investment securities held to maturity	(1,482
Proceeds from maturities, calls and principal re-payments of investment securities	8,031
Net increase in loans from originations and repayments	(9,219
Purchases of bank premises and equipment	(329
Proceeds from sale of foreclosed real estate	324
Purchase of Federal Home Loan Bank stock	(350
NET CASH USED BY INVESTING ACTIVITIES	(15,639
CASH FLOWS FROM FINANCING ACTIVITIES	
Net increase in demand deposits	5,234
Net increase in time deposits	2,809
Net increase in advances from Federal Home Loan Bank	6,945
Net increase in securities sold under agreement to repurchase	1,293
Proceeds from issuance of trust preferred securities	-
Cash paid for dividends	(226
Proceeds from common stock sold, net	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,055
NET INCREASE IN CASH AND CASH EQUIVALENTS	428
CASH AND CASH EQUIVALENTS, BEGINNING	16,838

CASH AND CASH EQUIVALENTS, ENDING	$ 17,266

AMERICAN COMMUNITY BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BASIS OF PRESENTATION

In management's opinion, the financial information, which is unaudited, reflects all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the financial information as of and for the three month periods ended March 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of American Community Bancshares, Inc. (the "Company") and its wholly owned subsidiaries, American Community Bank (the "Bank") and American Community Capital Trust I ("Capital Trust I"). All significant inter-company transactions and balances are eliminated in consolidation. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2003.

The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the consolidated financial statements filed as part of the Company's 2002 annual report on Form 10-KSB. This quarterly report should be read in conjunction with such annual report.

NOTE B - COMMITMENTS

At March 31, 2003, loan commitments are as follows:

Undisbursed lines of credit	$ 29,887,211
Stand-by letters of credit	1,955,581

AMERICAN COMMUNITY BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - PER SHARE RESULTS

In January 2002, the Company effected an eleven for ten stock split in the form of a 10% stock dividend.

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the company relate solely to outstanding stock options and warrants and are determined using the treasury stock method.

	Three months ended March 31, 2003	2002
Weighted average number of common shares used in computing basic net income per share	2,824,376	1,820,697
Effective of dilutive stock options	5,521	-
Weighted average number of common shares and dilutive potential common shares used in computing diluted net income per share	2,829,897	1,820,697

NOTE D - ISSUANCE OF COMMON STOCK

On April 29, 2002 the Company completed the sale of 1,000,500 units at $9.00 per share in a public offering, with each unit sold consisting of one share of common stock and one warrant to purchase one share of common stock at a price of $10.50 per share at any time until April 30, 2005. This offering generated net proceeds to the Company of approximately $8.1 million.

AMERICAN COMMUNITY BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - COMPREHENSIVE INCOME

Total comprehensive income, consisting of net income and unrealized gains and losses on available for sale securities, net of taxes, was $178,000 and $218,000 for the three months ended March 31, 2003 and 2002.

NOTE F - STOCK COMPENSATION PLAN

Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the company's stock option plans have no intrinsic value at the grant date and, under Opinion No. 25, no compensation cost is recognized for them. The company has elected to continue with the accounting methodology in Opinion No. 25. Presented below are the pro forma disclosures of net income and earnings per share and other disclosures as if the fair value based method of accounting had been applied.

Three months ended
March 31,

	2003	2002
Net income:		
As reported	$ 263,000	$ 258,000
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(23,800)	(19,500)
Pro forma	$ 239,200	$ 238,500
Basic net income per share		
As reported	$ 0.09	$ 0.14
Proforma	0.08	0.13
Diluted net income per share		
As reported	0.09	0.14
Proforma	0.08	0.13

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-QSB may contain certain forward-looking statements consisting of estimates with respect to the financial condition, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, pricing, products, and services. There are no pending legal proceedings other than those incurred in the normal course of business to which the Bank or Bancshares is a party, or of which any of their property is the subject.

COMPARISON OF FINANCIAL CONDITION AT MARCH 31, 2003 AND DECEMBER 31, 2002

Total assets at March 31, 2003 increased by $15.9 million or 7.4% to $231.0 million compared to $215.1 million at December 31, 2002. The Company had earning assets of $219.9 million at month-end March 31, 2003 consisting of $174.0 million in gross loans, $34.1 million in investment securities and Federal Home Loan Bank (FHLB) stock and $11.8 million in overnight investments. Total deposits as of March 31, 2003 increased by $8.1 million or 4.6% to $182.4 million compared to $174.3 million at December 31, 2002. Total borrowed money as of March 31, 2003 increased by $8.2 million or 49.1% to $25.0 million compared to $16.8 million at December 31, 2002. Stockholders' equity was $23.0 million at March 31, 2003 compared to $23.1 million at December 31, 2002 for a decrease of $48,000 or 0.2%. The decrease resulted from the payment of a cash dividend in the amount of $226,000 combined with total comprehensive income of $178,000.

The Company recorded a $365,000 provision for loan losses for the quarter ended March 31, 2003, representing an increase of $224,000 or 159% over the $141,000 provision for the quarter ended March 31, 2002. Provisions for loan losses are charged to income to bring the allowance for loan losses to a level deemed appropriate by management. The Company has continued to provide provisions for loan losses principally as a result of the continued growth in the loan portfolio. Total loans receivable increased by $8.6 million during the quarter ended March 31, 2003. The allowance for loan losses at March 31, 2003 of $2.13 million equaled 1.22% of total loans outstanding and 3671% of non-performing loans. The allowance for loan losses at December 31, 2002 of $2.38 million equaled 1.44% of total loans outstanding and 409% of non-performing loans. The decrease in the allowance for loan losses as a percentage of total loans is attributable to the write off of a $552,000 loan for which $414,000 had been specifically reserved.

The Company had investment securities available for sale of $31.8 million at March 31, 2003. The portfolio increased by $4.4 million or 16.0% from the $27.4 million balance at December 31, 2002 as the Company continued to invest excess liquidity. In addition the Company had investment securities held to maturity of $1.5 million at March 31, 2003. No such securities were held at December 31, 2002.

Interest-earning deposits with banks at March 31, 2003 increased by $7.2 million or 154.0% to $11.8 million compared to $4.6 million at December 31, 2002. This increase was primarily a result of the decrease in cash and due from banks. The Company holds funds in interest-earning deposits with banks to provide liquidity for future loan demand and to satisfy fluctuations in deposit levels.

Non interest-earning assets at March 31, 2003 decreased by $6.3 million or 32.3% to $13.2 million compared to $19.5 million at December 31, 2002. The decrease is primarily attributable to a decrease of $6.7 million to $5.4 million in the cash and due from banks category. This primarily represents customer deposits that are in the process of collection and not available for overnight investment

combined with cash on hand in the branches. Accrued interest receivable increased $25,000 to $980,000 at March 31, 2003 as a result of the timing in the collection of interest income. Bank premises and equipment was $4.9 million at March 31, 2003, an increase of $224,000 from December 31, 2002. The net increase resulted from additions of $329,000 and depreciation of $105,000. Other real estate owned decreased by $352,000 as a result of the sale of two 1-4 family properties obtained through foreclosure. Other assets increased by $488,000 at March 31, 2003 to $1.8 million primarily as a result of the increase in prepaid expenses and other repossessed assets.

Total deposits increased $8.1 million or 4.6% from $174.3 million at December 31, 2002 to $182.4 million at March 31, 2003. The composition of the deposit base, by category, at March 31, 2003 is as follows: 13% non-interest bearing demand deposits, 3% savings deposits, 16% money market and interest bearing demand deposits and 68% time deposits. All deposit categories experienced increases over the three-month period. Dollar and percentage increases by category were as follows: non-interest bearing demand deposits, $1.7 million or 8%; savings deposits, $683,000 or 15%, money market and interest bearing demand deposits, $2.9 million or 11%, and time deposits, $2.8 million or 2%. Time deposits of $100,000 or more totaled $60.1 million, or 33% of total deposits at March 31, 2003. The composition of deposits at December 31, 2002 was 13% non-interest bearing demand deposits, 2% savings deposits, 15% money market and interest bearing demand deposits and 70% time deposits.

The Company had advances from the Federal Home Loan Bank of Atlanta at March 31, 2003 of $15.9 million with maturity dates ranging from June 2003 through February 2013. The balance of Federal Home Loan Bank advances at December 31, 2002 was $9.0 million with maturity dates ranging from June 2003 through December 2011. These advances are secured by a blanket lien on 1-4 family real estate loans and certain commercial real property. Total securities sold under agreement to repurchase increased $1.3 million or 50.2% from $2.6 million at December 31, 2002 to $3.9 million at March 31, 2003. These borrowings are secured by certain of the Company's investment securities. The Company also maintained the capital lease for its main office. The recorded obligation under this capital lease at March 31, 2003 was $1.7 million. In addition, Capital Trust I maintained the Trust Preferred Securities in the amount of $3.5 million at a fixed rate of 9%. The Trust Preferred securities have a maturity date of March 1, 2032, are redeemable on or after March 1, 2007 at par value and are eligible for inclusion as Tier I capital.

Other liabilities decreased by $358,000 to $575,000 or 38.4% at March 31, 2003 from $933,000 at December 31, 2002. The decrease was primarily due to the payment of previously accrued income tax liabilities.

The Company began 2003 with total stockholders' equity of $23.1 million. Total equity decreased to $23.0 million at March 31, 2003. The decrease resulted from the payment of a cash dividend in the amount of $226,000 combined with total comprehensive income of $178,000.

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

Net Income The Company generated a net pre-tax profit for the three months ended March 31, 2003 of $414,000 compared to a net pre-tax profit for the three months ended March 31, 2002 of $201,000 an increase of 106%. The Company generated net income for the three months ended March 31, 2003 of $263,000 compared to a profit for the three months ended March 31, 2002 of $258,000. On a per share basis earnings were $.09 for 2003 compared to $.14 for 2002. Return on average assets was 0.48% and 0.55% and return on average equity was 4.61% and 7.51% for the three months ended March 31, 2003 and 2002, respectively. Earnings for the three months ended March 31, 2003 were positively impacted by strong growth in average earning assets and by increases in net interest income and non-interest income.

Net Interest Income. Net interest income increased $432,000 from $1.3 million for the three months ended March 31, 2002 to $1.8 million for the three months ended March 31, 2003. Total interest

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income benefited from growth in average earning assets that offset the lower asset yields resulting from the reductions in short-term rates during 2002. In addition, total interest expense benefited from the lower funding costs prevalent in 2003.

Total average earning assets increased $31.5 million or 18% from an average of $175.0 million during the first quarter of 2002 to an average of $206.5 during the first quarter of 2003. The Company experienced strong loan growth with average loan balances increasing by $27.3 million. The increase in average balances for investment securities and interest-earning deposits was $4.2 million. Average interest-bearing liabilities increased by $19.8 million during the first quarter of 2003 of which $13.0 million was attributable to deposits while borrowings increased $6.8 million.

Net interest margin is interest income earned on loans, securities and other earning assets, less interest expense paid on deposits and borrowings, expressed as a percentage of total average earning assets. The net interest margin for the quarter ended March 31, 2003 was 3.47% compared to 3.05% for the same quarter in 2002. The increase in net interest margin resulted primarily from the re-pricing of our interest bearing liabilities to lower prevailing rates. The interest rate spread, which is the difference between the average yield on earning assets and the cost of interest-bearing funds, increased 34 basis points from 2.63% in the quarter ended March 31, 2002 to 2.97% for the same quarter in 2003.

Provision for Loan Losses. The Company's provision for loan losses for the quarter ended March 31, 2003 was $365,000, representing a $224,000 or 159% increase over the $141,000 recorded for the quarter ended March 31, 2002. The increase was a result of the increase in loans outstanding combined with the charge-off of a loan in the amount of $138,000 for which no previous loan allowance had been recorded. Provisions for loan losses are charged to income to bring the allowance for loan losses to a level deemed appropriate by management.

Non-interest Income. Non-interest income increased by $234,000 or 52% to $680,000 for the three months ended March 31, 2003 compared with $446,000 for the same period in the prior year. Non-interest income as a percentage of total revenue (defined as net interest income plus non-interest income) increased to 28% for the three months ended March 31, 2003 from 25% for the same period in the prior year. The largest components of non-interest income were service charges on deposit accounts of $467,000 for the quarter ended March 31, 2003 as compared to $235,000 for the same period in 2002 or a 99% increase and fees from mortgage banking operations of $140,000 in 2003 as compared to $126,000 in 2002 or an 11% increase. Service charge income increased primarily as a result of the introduction of an overdraft privilege program in the fourth quarter of 2002. Fees from mortgage banking operations increased due to the favorable mortgage interest rate environment in 2003.

Non-interest Expense. Total non-interest expense increased from $1.4 million for the three months ended March 31, 2002 to $1.7 million for the same period in 2003. This 16% increase was primarily due to increased expenses associated with the opening of permanent facilities at two of our current locations combined with the addition of our eighth branch location.

Provision for Income Taxes. The Company had income tax expense in the amount of $151,000 for the three months ended March 31, 2003 which equates to a 36.5% effective tax rate. The Company had an income tax benefit in the amount of $57,000 for the three months ended March 31, 2002. This difference is principally due to adjustments to the valuation allowance associated with deferred tax assets in 2002. As the Company became profitable and continued to demonstrate a sustained pattern of profitability, the valuation allowance was adjusted accordingly with the benefit reflected in net income.

ASSET QUALITY

No material changes have occurred in the Company's asset quality since December 31, 2002.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report (the Evaluation Date), the Company's President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, carried out an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15(d)-14(c)). Based on that evaluation, these officers have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company and the Company's consolidated subsidiaries would be made known to them by others within those entities.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls, or to the Company's knowledge, in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date.

Part II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

99.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

During the first quarter of fiscal year 2003, the Registrant filed a report on Form 8-K regarding the Registrant's declaration of its first cash dividend in an amount equal to $.08 per share which was to be paid to shareholders on March 17, 2003 to shareholders of record on February 28, 2003. Registrant indicated this was an annual dividend to reward shareholders for its financial results in 2002.

The Registrant also announced unaudited net income for the year ended December 31, 2002 of $1.3 million representing a 74.3% increase over results for the year ended December 31, 2001. At December 31, 2002 Registrant's assets were $215.2 million, loans receivable were $165.4 million, deposits were $174.3 million and stockholders' equity was $23.1 million.

Also during the first quarter of fiscal year 2003, the Registrant filed a report on Form 8-K regarding the Registrant's presentation to certain financial consultants of the investment banking firm of Ryan Beck & Co., Inc. During the course of the presentation, the Registrant presented certain information regarding the Registrant's recent financial performance.

SIGNATURES

Under 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.

AMERICAN COMMUNITY BANCSHARES, INC.

Date: April 28, 2003 By: /s/ Randy P. Helton

Randy P. Helton
President and Chief Executive Officer

Date: April 28, 2003 By: /s/ Dan R. Ellis, Jr.

Dan R. Ellis, Jr.
Senior Vice President and Chief Financial Officer

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Randy P. Helton, certify that:

(1) I have reviewed this quarterly report on Form 10-QSB of American Community Bancshares, Inc., a North Carolina bank (the "registrant");

(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 officer 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 have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, 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 officer 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 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 officer 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: April 28, 2003 By: /s/ Randy P. Helton

Randy P. Helton
President and Chief Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dan R. Ellis, Jr., certify that:

(1) I have reviewed this quarterly report on Form 10-QSB of American Community Bancshares, Inc., a North Carolina bank (the "registrant");

(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 officer 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 have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, 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 officer 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 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 officer 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: April 28, 2003 By: /s/ Dan R. Ellis, Jr.

Dan R. Ellis, Jr.
Senior Vice President and Chief Financial Officer

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