FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

DEKALB BANKSHARES INC
CIK:**1267970**| IRS No.: **571116916** | State of Incorp.:**SC** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-50466** | Film No.: **04970087**
SIC: **6021** National commercial banks

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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 June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _________to_________

Commission File no. 000-50466

DEKALB BANKSHARES, INC.
(Exact name of small business issuer as specified in its charter)

South Carolina	61-1444253
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

631 West DeKalb Street
Camden, South Carolina 29020
(Address of principal executive offices)

(803) 432-7575
(Issuer's telephone number, including area code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 [ ]

State the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

609,060 shares of common stock, no par value, as of July 31, 2004

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

DEKALB BANKSHARES, INC.

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DEKALB BANKSHARES, INC.
Condensed Consolidated Balance Sheets

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements
<TABLE>
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	June 30, 2004 (Unaudited)	December 31, 2003
Assets:		
Cash and cash equivalents:		
<S>	<C>	<C>
Cash and due from banks	$ 583,216	$ 867,695
Federal funds sold	1,136,000	1,402,000
Total cash and cash equivalents	1,719,216	2,269,695
Time deposits with other banks	313,494	310,078
Securities available-for-sale	9,446,555	6,938,632
Nonmarketable equity securities	343,212	220,000
	9,789,767	7,158,632
Loans receivable	23,945,738	21,624,149
Less allowance for loan losses	(325,208)	(305,000)
Loans, net	23,620,530	21,319,149
Premises and equipment, net	1,377,486	1,410,202
Accrued interest receivable	120,425	111,817
Other assets	539,445	455,844
Total assets	$ 37,480,363	$ 33,035,417
Liabilities		
Deposits:		
Noninterest-bearing transaction accounts	$ 2,186,945	$ 2,314,452
Interest-bearing transaction accounts	3,285,204	2,901,206
Savings	4,403,058	3,702,360
Time deposits $100,000 and over	10,633,227	10,085,481
Other time deposits	4,826,159	4,843,043
	25,334,593	23,846,542
Advances from Federal Home Loan Bank	4,000,000	4,000,000
Securities sold under agreements to repurchase	3,000,000	-
Accrued interest payable	35,223	37,793
Other liabilities	80,707	39,236
Total liabilities	32,450,523	27,923,571
Shareholders' equity		
Common stock, no par value; 20,000,000 shares authorized, 609,060 shares issued and outstanding	5,866,807	5,866,807
Retained earnings (deficit)	(687,487)	(732,329)
Accumulated other comprehensive income (loss)	(149,480)	(22,632)
Total shareholders' equity	5,029,840	5,111,846
Total liabilities and shareholders' equity	$ 37,480,363	$ 33,035,417

</TABLE>

See notes to condensed financial statements.

DEKALB BANKSHARES, INC.
Condensed Consolidated Statements of Income
(Unaudited)

<TABLE>
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	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Interest income:				
<S>	<C>	<C>	<C>	<C>
Loans, including fees	$711,171	$646,799	$368,367	$335,595
Investment securities, taxable	167,064	70,748	82,153	29,563
FHLB interest and dividends	4,440	7,185	2,286	6,402
Federal funds sold	9,140	7,297	4,836	3,870
Time deposits with other banks	3,615	2,663	1,616	1,288
Total	895,430	734,692	459,258	376,718
Interest expense:				
Time deposits $100,000 and over	89,958	62,658	45,815	27,117
Other deposits	82,147	107,768	41,136	57,493
Other interest expense	82,585	44,623	43,560	21,490
Total	254,690	215,049	130,511	106,100
Net interest income	640,740	519,643	328,747	270,618
Provision for loan losses	39,000	51,000	21,500	23,500
Net interest income after provision for loan losses	601,740	468,643	307,247	247,118
Other operating income:				
Service charges on deposit accounts	73,834	54,504	41,919	28,429
Gain on sales of securities available for sale	-	24,019	-	-
Residential mortgage origination fees	42,649	67,850	24,317	43,108
Other service charges, commissions and fees	14,364	12,399	7,304	7,288
Total	130,847	158,772	73,540	78,825
Other operating expenses:				
Salaries and employee benefits	343,901	314,792	182,072	144,701
Occupancy expense	40,789	38,838	20,030	20,007
Furniture and equipment expense	23,028	24,048	11,547	11,854
Other operating expenses	253,607	239,954	125,645	126,654
Total	661,325	617,632	339,294	303,216
Income before income taxes	71,262	9,783	41,493	22,727
Income tax expense	26,420	3,778	15,158	8,523
Net income	$ 44,842	$ 6,005	$ 26,335	$ 14,204
Earnings per share				
Basic earnings per share	$ .07	$ .01	$ .04	$ .02
Diluted earnings per share	$ .07	$ .01	$ .04	$ .02

</TABLE>

See notes to condensed financial statements.

DEKALB BANKSHARES, INC.
Condensed Consolidated Statements of Shareholders' Equity
and Comprehensive Income
For the Six months ended June 30, 2004 and 2003

(Unaudited)

<TABLE>
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	Common Stock Shares	Common Stock Amount	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2002	609,060	$ 5,866,807	$ (782,412)	$ 51,066	$ 5,135,461
Net income for the period			6,005		6,005
Other comprehensive income, net of tax $(11,090)				(18,883)	(18,883)
Comprehensive Income					(12,878)
Balance, June 30, 2003	609,060	$ 5,866,807	$ (776,407)	$ 32,183	$ 5,122,583
Balance, December 31, 2003	609,060	5,866,807	(732,329)	(22,632)	$ 5,111,846
Net income for the period			44,842		44,842
Other comprehensive income, net of tax $74,498				(126,848)	(126,848)
Comprehensive Income					(82,006)
Balance, June 30, 2004	609,060	$ 5,866,807	$ (687,487)	$ (149,480)	$ 5,029,840

</TABLE>

See notes to condensed financial statements.

DEKALB BANKSHARES, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>
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	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	$ 44,842	$ 6,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	39,000	51,000
Depreciation and amortization expense	55,340	63,341
Gain on sale of securities	-	(24,019)
Accretion and premium amortization	8,230	8,794
Deferred income tax provision (benefit)	(50,410)	2,349
(Increase) decrease in interest receivable	(8,608)	3,075
Decrease in interest payable	(2,570)	(4,111)
Increase in other assets	(33,191)	(8,289)
Increase (decrease) in other liabilities	41,471	(14,041)
Net cash provided by operating activities	94,104	84,104
Cash flows from investing activities:		
Net increase in loans made to customers	(2,340,381)	(3,669,361)
Purchases of securities available-for-sale	(4,814,984)	(1,025,938)
Sale, calls or maturities of securities available-for-sale	1,074,498	1,456,539
Payments received on mortgage backed securities	1,097,485	487,726
Sale (Purchase) of Federal Home Loan Bank stock	20,000	(50,000)
Purchase of The Bankers Bank stock	(143,212)	-
Purchases of premises and equipment	(22,624)	-

Maturities (purchases) of time deposits with other banks	(3,416)	3,267
Net cash used by investing activities	(5,132,634)	(2,797,767)
Cash flows from financing activities:		
Net increase in demand deposits, interest-bearing transaction accounts and savings accounts	957,189	440,400
Net increase in certificates of deposit and other time deposits	530,862	1,344,776
Increase in securities sold under agreements to repurchase	3,000,000	-
Increase in advances from the Federal Home Loan Bank	-	1,000,000
Net cash provided by financing activities	(4,488,051)	2,785,176
Net increase (decrease) in cash and cash equivalents	(550,479)	71,513
Cash and cash equivalents, beginning	2,269,695	2,758,871
Cash and cash equivalents, end	$ 1,719,216	$ 2,830,384
Cash paid during the period for:		
Interest	$ 257,260	$ 219,160

</TABLE>

See notes to condensed financial statements.

DEKALB BANKSHARES, INC.
Notes to Condensed Financial Statements
(Unaudited)

Note 1 - Basis of Presentation

The accompanying financial statements have been prepared in accordance with the requirements for interim financial statements and, accordingly, they are consolidated and omit disclosures, which would substantially duplicate those contained in our Annual Report on Form 10-KSB. The financial statements as of June 30, 2004 and for the interim periods ended June 30, 2004 and 2003 are unaudited and, in our opinion, include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The financial information as of December 31, 2003, has been derived from the audited financial statements as of that date. For further information, refer to the financial statements and the notes included in DeKalb Bankshares, Inc.'s Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

Note 2 - Recently Issued Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Company:

In March 2004, the FASB issued an exposure draft on "Share-Based Payment". The proposed Statement addresses the accounting for transactions in which an enterprise receives employee services in exchange for a) equity instruments of the enterprise or b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees", and generally would require instead that such transactions be accounted for using a fair-value-based method. This Statement, if approved, will be effective for awards that are granted, modified, or settled in fiscal years beginning after a) December 15, 2004 for public entities and nonpublic entities that used the fair-value-based method of accounting under the original provisions of Statement 123 for recognition or pro forma disclosure purposes and b) December 15, 2005 for all other nonpublic entities. Earlier application is encouraged provided that financial statements for those earlier years have not yet been issued. Retrospective application of this Statement is not permitted. The adoption of this Statement, if approved, could have an impact on the Company's financial position or results of operations.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Note 3 - Earnings Per Share

A reconciliation of the numerators and denominators used to calculate basic and diluted earnings per share for the six month periods ended June 30, 2004 and 2003, and the three month periods ended June 30, 2004 and 2003 are as follows:

<TABLE>
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	Six Months Ended June 30, 2004		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share			
<S>	<C>	<C>	<C>
Income available to common shareholders	$44,842	609,060	$.07
Effect of dilutive securities			
Stock options	-	-	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$44,482	609,060	$.07

</TABLE>

Note 3 - Earnings Per Share - continued

<TABLE>
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	Six Months Ended June 30, 2003		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share			
<S>	<C>	<C>	<C>
Income available to common shareholders	$ 6,005	609,060	$.01
Effect of dilutive securities			
Stock options	-	-	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$ 6,005	609,060	$.01

</TABLE>

<TABLE>
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	Three Months Ended June 30, 2004		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share			
<S>	<C>	<C>	<C>
Income available to common shareholders	$26,335	609,060	$.04
Effect of dilutive securities			
Stock options	-	-	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$26,335	609,060	$.04

</TABLE>

<TABLE>
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Three Months Ended June 30, 2003

	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share			
Income available to common shareholders	$14,204	609,060	$.02
Effect of dilutive securities			
Stock options	-	-	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$14,204	609,060	$.02

Note 4 - Comprehensive Income

Comprehensive income includes net income and other comprehensive income, which is defined as nonowner related transactions in equity. The following table sets forth the amounts of other comprehensive income included in equity along with the related tax effect for the six month periods ended June 30, 2004 and 2003 and for the three month periods ended June 30, 2004 and 2003:

Note 4 - Comprehensive Income- continued

	Pre-Tax Amount	(Expense) Benefit	Net-of-tax Amount
For the Six-Months Ended June 30, 2004:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$(201,347)	$ 74,499	$(126,848)
Plus: reclassification adjustment for gains (losses) realized in net income	-	-	-
Net unrealized gains (losses) on securities	(201,347)	74,499	(126,848)
Other comprehensive income (loss)	$(201,347)	$ 74,499	$(126,848)

	Pre-Tax Amount	(Expense) Benefit	Net-of-tax Amount
For the Six-Months Ended June 30, 2003			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$ (5,954)	$ 2,203	$ (3,751)
Plus: reclassification adjustment for gains (losses) realized in net income	(24,019)	8,887	(15,132)
Net unrealized gains (losses) on securities	(29,973)	11,090	(18,883)
Other comprehensive income (loss)	$(29,973)	$ 11,090	$(18,883)

	Pre-Tax Amount	(Expense) Benefit	Net-of-tax Amount
For the Three Months Ended June 30, 2004			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$(283,010)	$ 104,714	$(178,296)
Plus: reclassification adjustment for gains (losses) realized in net income	-	-	-
Net unrealized gains (losses) on securities	(283,010)	104,714	(178,296)

Other comprehensive income (loss)	$(283,010)	$ 104,714	$(178,296)

For the Three Months Ended June 30, 2003	Pre-Tax Amount	(Expense) Benefit	Net-of-tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$ 31	$(11)	$ 20
Plus: reclassification adjustment for gains (losses) realized in net income	-	-	-
Net unrealized gains (losses) on securities	31	(11)	20
Other comprehensive income	$ 31	$(11)	$ 20

DEKALB BANKSHARES, INC.
Notes to Condensed Financial Statements
(Unaudited)

Note 4 - Comprehensive Income- continued

Accumulated other comprehensive income consists solely of the unrealized gain on securities available-for-sale, net of the deferred tax effects.

Item 2. Management's Discussion and Analysis or Plan of Operation

The following is a discussion of our financial condition as of June 30, 2004 compared to December 31, 2003, and the results of operations for the three and six months ended June 30, 2004 and 2003. This discussion should be read in conjunction with our consolidated financial statements and accompanying notes appearing in this report and in conjunction with the financial statements and related notes and disclosures in our 2003 Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. This report contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on our beliefs, as well as assumptions made by and information currently available to us. The words "expect," "estimate," "anticipate," "plan," and "believe," as well as similar expressions, are intended to identify forward-looking statements. Our actual results may differ materially from the results discussed in the forward-looking statements, and the our operating performance each quarter is subject to various risks and uncertainties that are discussed in detail in our filings with the Securities and Exchange Commission.

Results of Operations

Net Interest Income
For the six months ended June 30, 2004, net interest income, the major component of our net income was $640,740, compared to $519,643 for the six months ended June 30, 2003, an increase of $121,097. For the three months ended June 30, 2004, net interest income was $328,747 compared to $270,618 for the comparable period of 2003. The improvements in the 2004 periods were primarily attributable to increased volume as we continued to build our loan portfolio. The average rate realized on interest earning assets decreased from 6.07% for the six months ended June 30, 2003 to 5.27% for the 2004 period. The average rate paid on interest bearing liabilities decreased from 2.21% to 1.77% during this same period. The net interest spread and net interest margin were 3.50% and 3.77%, respectively, for the six month period ended June 30, 2004, compared to 3.86% and 4.29% for the six months ended June 30, 2003. The net interest spread and net interest margin were 3.53% and 3.79%, respectively, for the three month period ended June 30, 2004, compared to 3.97% and 4.35% for the three months ended June 30, 2003.

Provision and Allowance for Loan Losses

The provision for loan losses is the charge to operating earnings that in management's judgment is necessary to maintain the allowance for loan losses at an adequate level. For the six months ended June 30, 2004 and 2003, the provision was $39,000 and $51,000, respectively. For the three months ended June 30, 2004 and 2003, the provision for loans losses was $21,500 and $23,500, respectively. There were $154,725 in nonperforming loans at June 30, 2004 and $151,509 in nonperforming loans at June 30, 2003. There were $173,824 in classified loans as of June 30, 2004 compared to $151,509 as of June 30, 2003.

Based on present information, we believe the allowance for loan losses is adequate at June 30, 2004 to meet probable losses inherent in the loan portfolio. The allowance for loan losses was 1.36% of total loans at June 30, 2004. There are risks inherent in making all loans, including risks with respect to the period of time over which loans may be repaid, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers, and, in the case of a collateralized loan, risks resulting from uncertainties about the future value of the collateral. We maintain an allowance for loan losses based on, among other things, historical experience, including management's experience at other institutions, an evaluation of economic conditions, and regular reviews of delinquencies and loan portfolio quality. Our judgment about the adequacy of the allowance is based upon a number of assumptions about future events, which we believe to be reasonable, but which may not prove to be accurate. Thus, there is a risk that charge-offs in future periods could exceed the allowance for loan losses or that substantial additional increases in the allowance for loan losses could be required. Additions to the allowance for loan losses would result in a decrease of the Bank's net income and, possibly, its capital.

Noninterest Income

Total noninterest income for the six months ended June 30, 2004 was $130,847, a decrease of $27,925, compared to $158,772 for the six months ended June 30, 2003. There were no gains on sales of securities during the six months ended June 30, 2004 as compared to $24,019 for the same period in 2003. Total noninterest income for the quarter ended June 30, 2004 was $73,540 compared to $78,825 for the comparable period of 2003. Service charges on deposit accounts increased from $28,429 for the three months ended June 30, 2003 to $41,919 for the three months ended June 30, 2004. Service charges on deposit accounts increased from $54,504 for the six months ended June 30, 2003 to $73,834 for the six months ended June 30, 2004. The increase during these comparable periods is due to an in increase in deposit accounts. Residential mortgage origination fees decreased from $43,108 for the three months ended June 30, 2003 to $24,317 for the comparable 2004 period. Residential mortgage origination fees were down due to a smaller amount of new loan originations during the six months ended June 30, 2004 when compared to the six months ended June 30, 2003.

Noninterest Expense

Total noninterest expense for the first six months of 2004 was $661,325, an increase of $43,693, when compared to the six months ended June 30, 2003. For the quarter ended June 30, 2004, noninterest expense was $339,294, an increase of $36,078 over the comparable period of 2003.

The primary component of noninterest expense is salaries and benefits, which were $343,901 and $314,792 for the six months ended June 30, 2004 and 2003, respectively. Salaries and benefit expense totaled $182,072 and $144,701 for the three months ended June 30, 2004 and 2003, respectively. Other operating expense increased from $239,954 for the six months ended June 30, 2003 to $253,607 for the six months ended June 30, 2004, due to the overall growth in the Bank. Other operating expenses for the three month periods ended June 30, 2004 and 2003 totaled $125,645 and $126,654 respectively.

Net Income

Net income for the six months ended June 30, 2004 totaled $44,842 compared to $6,005 for the comparable 2003 period. The net earnings are after the recognition of an income tax expense of $26,420 and $3,778 for the six months ended June 30, 2004 and 2003, respectively. The net earnings for the quarter ended June 30, 2004 were $26,335 compared to $14,204 for the quarter ended June 30, 2003. The net earnings were after the recognition of income tax expense in the amount of $15,158 and $8,523 for the three months ended June 30, 2004 and 2003, respectively.

Assets and Liabilities

During the first six months of 2004, total assets increased $4,444,946, or 13.46%, when compared to December 31, 2003. The primary growth in assets was composed of an increase in securities available for sale of $2,507,923, or 36.14%. Loans receivable increased by $2,321,589 when compared to December 31, 2003. Deposits increased $1,488,051 during the first six months of 2004. During the first quarter of 2004, we entered into a leveraged transaction with The Bankers Bank to borrow funds through securities sold under agreements to repurchase totaling $3,000,000. We then invested these funds in a mortgage-backed security.

Investment Securities

Investment securities totaled $9,789,767 as of June 30, 2004, compared to $7,158,632 at December 31, 2003. All investments in the portfolio were designated as available-for-sale except for nonmarketable equity securities, consisting of stock in the Federal Home Loan Bank of Atlanta, which totaled $200,000, and stock in The Bankers Bank, which totaled $143,212 as of June 30, 2004. As discussed earlier we purchased a $3,000,000 security as part of a leveraged transaction during the first quarter of 2004.

Loans

Gross loans increased $2,321,589 during the six months ended June 30, 2004. The largest increase in loans was in real estate mortgage loans which increased $918,816 to $9,768,623 as of June 30, 2004. Balances within the major loans receivable categories as of June 30, 2004 and December 31, 2003 are as follows:

	June 30, 2004	December 31, 2003
Mortgage loans on real estate:		
Real estate 1- 4 family	$ 9,768,623	$ 8,849,807
Commercial	7,187,270	7,038,179
Construction	1,610,353	1,162,574
Second mortgages	102,744	105,743
Equity lines of credit	1,583,076	1,359,870
Total mortgage loans	20,252,066	18,516,173
Commercial and industrial	2,741,641	1,831,844
Consumer and other	952,030	1,276,132
Total gross loans	$23,945,738	$21,624,149

Risk Elements in the Loan Portfolio

The following is a summary of the risk elements in the loan portfolio:

	June 30, 2004	June 30, 2003
Loans: Non-accrual	$154,725	$134,156
Accruing loans more than 90 days past due	$ -	$ 17,353
Loans identified by internal review mechanism:		
Criticized	$ 19,098	$ -
Classified	$173,823	$151,509

Activity in the Allowance for Loan Losses is as follows:

	June 30, 2004	June 30, 2003
Balance, January 1, ...	$ 305,000	$ 245,000
Provision for loan losses for the period	39,000	51,000
Net loans (charged-off) recovered for the period..	(18,792)	-
Balance, end of period	$ 325,208	$ 296,000
Gross loans outstanding, end of period	$23,945,737	$20,289,156
Allowance for loan losses to loans outstanding ...	1.36%	1.46%

Deposits

Total deposits increased $1,488,051, or 6.24%, from December 31, 2003 to $25,334,593 at June 30, 2004. The largest increase was in savings accounts, which increased $700,698, or 18.93%, to $4,403,058 at June 30, 2004. Expressed in percentages, noninterest-bearing deposits decreased 5.5% and all other interest-bearing deposits increased 7.50%.

Balances within the major deposit categories as of June 30, 2004 and December 31, 2003 are as follows:

	June 30, 2004	December 31, 2003
Noninterest-bearing transaction accounts	$ 2,186,945	$ 2,314,452
Interest-bearing transaction accounts	3,285,204	2,901,206
Savings	4,403,058	3,702,360
Time deposits $100,000 and over	10,633,227	10,085,481
Other time deposits	4,826,159	4,843,043
Total deposits	$25,334,593	$23,846,542

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank totaled $4,000,000 at June 30, 2004, and December 31, 2003. One of the advances totaling $500,000 is a ten year convertible advance with a one year call. It currently has a fixed interest rate of 3.23% and matures on September 6, 2011. Another advance of $1,000,000 was entered into on July 23, 2002 with an interest rate of 3.87% and a maturity date of July 23, 2012. This advance has a "knockout" provision beginning on July 23, 2003, that allows the Federal Home Loan Bank of Atlanta to convert the advance to an adjustable rate advance if the 3 Month LIBOR rate exceeds 7.00%. Another advance totaling $400,000 has an adjustable interest rate of 1.47% as of June 30, 2004. We also borrowed $2,100,000 under the daily rate credit program with a rate of 1.70% as of June 30, 2004 that is subject to change daily.

Securities Sold Under Agreements to Repurchase

We obtained securities sold under agreements to repurchase during the first quarter of 2004 totaling $3,000,000. The agreement has an interest rate of 2.95% and matures January 20, 2007.

Liquidity

Our Company meets its liquidity needs through cash and short-term investments, and scheduled maturities of loans on the asset side and through pricing policies on the liability side for interest-bearing deposit accounts. As of June 30, 2004, our Company's primary sources of liquidity included federal funds sold totaling $1,136,000 and securities available-for-sale totaling $9,446,555. The Company also has lines of credit available with correspondent banks to purchase federal funds totaling $1,400,000 at June 30, 2004. In addition, the Company also has borrowing capacity available through the Federal Home Loan Bank. At June 30, 2004, the Company's ability to borrow funds from the Federal Home Loan Bank totaled $7,495,200, of which the Company had borrowed $4,000,000 as of June 30, 2004.

Critical Accounting Policies

We have adopted various accounting policies which govern the application of accounting principles generally accepted in the United States in the preparation of our financial statements. Our significant accounting policies are described in the notes to the consolidated financial statements at December 31, 2003 as filed in our Annual Report on Form on Form 10-KSB. Certain accounting policies involve significant judgments and assumptions by us which have a material impact on the carrying value of certain assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgments and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Because of the nature of the judgments and assumptions we make, actual results could differ from these judgments and estimates which could have a material impact on our carrying values of assets and liabilities and our results of operations.

We believe the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates

used in preparation of our consolidated financial statements. Refer to the portions of this discussion and the discussion in our 2003 Annual Report on Form 10-KSB that addresses our allowance for loan losses for a description of our processes and methodology for determining our allowance for loan losses.

Item 2. Management's Discussion And Analysis or Plan of Operation - continued

Capital Resources

Total shareholders' equity decreased $82,006 to $5,029,840 at June 30, 2004. This is the result of net earnings for the period of $44,842, which was partially offset by a negative adjustment of $126,848 for the unrealized gain on securities available for sale.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios of Tier 1 and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk weights ranging from 0% to 100%. Tier 1 capital of the Bank consists of common stockholders' equity, excluding the unrealized gain or loss on securities available-for-sale, minus certain intangible assets. Tier 2 capital consists of the allowance for loan losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital. The regulatory minimum requirements are 4% for Tier 1 and 8% for total risk-based capital.

We are also required to maintain capital at a minimum level based on adjusted quarterly average assets, which is known as the leverage ratio. The Federal Reserve applies its guidelines on a bank only basis for bank holding companies with less than $150 million in consolidated assets. Only the strongest banks are allowed to maintain capital at the minimum requirement of 3%. All others are subject to maintaining ratios 1% to 2% above the minimum.

The following table summarizes the Company's risk-based capital at June 30, 2004:

Shareholders' equity	$ 5,022,885
Less: unrealized losses on available-for-sale securities	(149,480)
Tier 1 capital	5,172,365
Plus: allowance for loan loss includable in Tier 2 capital(1)	304,000
Total risk-based capital	$ 5,476,365
Risk-weighted assets	$ 24,321,000
Risk-based capital ratios	
Tier 1 capital (to risk-weighted assets)	21.27%
Total risk-based capital (to risk-weighted assets)	22.52%
Tier 1 capital (to total average assets)	13.89%

(1) Limited to 1.25% of risk-weighted assets

Off-Balance Sheet Risk

Through its operations, the Company has made contractual commitments to extend credit in the ordinary course of its business activities. These commitments are legally binding agreements to lend money to the Bank's customers at predetermined interest rates for a specified period of time. At June 30, 2004, the Company had issued commitments to extend credit of $4,418,363 and standby letters of credit of $150,000 through various types of lending arrangements. Approximately $2,347,000 of these commitments to extend credit had variable rates.

Item 2. Management's Discussion And Analysis or Plan of Operation - continued

The following table sets forth the length of time until maturity for unused commitments to extend credit and standby letters of credit at June 30, 2004.

<TABLE>
<CAPTION>

	After One	After Three

(Dollars in thousands)	Within One Month	Through Three Months	Through Twelve Months	Within One Year	Greater Than One Year	Total
Unused commitments to extend credit	$ -	$ 531	$ 504	$ 1035	$ 3,383	$ 4,418
Standby letters of credit	-	-	118	118	32	150
Total	$ -	$ 531	$ 622	$ 1,153	$ 3,415	$ 4,568

</TABLE>

Based on historical experience, many of the commitments and letters of credit will expire unfunded. Accordingly, the amounts shown in the table above do not necessarily reflect the Company's need for funds in the periods shown.

The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on its credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate.

Item 3. Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures, as of the end of the period covered by this quarterly report, was adequate.

No disclosure is required under 17 C.F.R. Section 228.308(c).

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 31 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.

(b) Reports on Form 8-K - No reports on Form 8-K were filed during the quarter ended June 30, 2004

SIGNATURE

In accordance with 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.

s/William C. Bochette, III
By: --
William C. Bochette, III
Chief Executive Officer, President, and
Chief Financial Officer

Date: August 10, 2004

DEKALB BANKSHARES, INC.

Exhibit Index

31 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.

DEKALB BANKSHARES, INC.

Exhibit 31

CERTIFICATIONS

I, William C. Bochette, III, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of DeKalb Bankshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee

of the small business issuer's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 10, 2004

/s/William C. Bochette, III

William C. Bochette, III
Chief Executive Officer and Chief Financial Officer

DEKALB BANKSHARES, INC.

Exhibit 32

Certifications Pursuant to 18 U.S.C. Section 1350

The undersigned, who is the chief executive officer and the chief financial officer of DeKalb Bankshares, Inc., hereby certifies that, to the best of his knowledge, the accompanying Form 10-QSB of the issuer fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: August 10, 2004

/s/William C. Bochette, III

William C. Bochette, III
Chief Executive Officer and Chief
Financial Officer