COMMUNITY CAPITAL BANCSHARES INC
Form 10QSB
August 13, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT 1934
For the transition period from _______ to _______

Commission File Number: 000-25345

COMMUNITY CAPITAL BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Georgia	58-2413468
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification No.)

P.O. Drawer 71269, Albany, Georgia 31708
(Address of principal executive offices)

(229) 446-2265
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 30, 2002:
1,440,699 SHARES

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

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands)

	June 30,2002	December 3
ASSETS		
Cash and due from banks	$ 5,842	$
Federal funds sold	1,591	
Securities available for sale	20,561	
Loans	74,201	
Less allowance for loan losses	742	
Loans, net	73,459	
Premises and equipment	2,687	
Other assets	1,343	
	$ 105,483	$

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Non-interest bearing	$ 6,577	$
Interest bearing	79,827	
Total deposits	86,404	
Other borrowings	9,068	
Other liabilities	596	
TOTAL LIABILITIES	96,068	
Shareholders' equity:		
Preferred Stock, par value not stated; 2,000,000 shares authorized; no shares issued	$ - -	$
Common Stock, $1.00 par value, 10,000,000 shares authorized; 1,499,560 shares issued	1,500	
Capital surplus	8,085	
Retained earnings (deficit)	20	
Accumulated other comprehensive income	223	
Less cost of treasury stock, 58,861 shares as of June 30, 2002 and 52,690 shares as of December 31, 2001	(413)	
TOTAL SHAREHOLDERS' EQUITY	9,415	
	$ 105,483	$

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COMMUNITY CAPITAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Three months ended		Six months	
	June 30,	June 30,	June 30,	
	2002	2001	2002	
INTEREST INCOME				
Loans	1,324	1,098	2,619	
Taxable securities	254	245	435	
Tax exempt securities	10	- -	14	
Deposits in banks	6	27	11	
Federal funds sold	10	45	28	
TOTAL INTEREST INCOME	1,604	1,416	3,107	
INTEREST EXPENSE				
Deposits	567	685	1,106	
Other borrowed money	117	73	232	

TOTAL INTEREST EXPENSE	684	758	1,338	
NET INTEREST INCOME	920	658	1,769	
Provision for loan losses	248	86	320	
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	672	572	1,449	
OTHER INCOME				
Service charges on deposit accounts	90	74	171	
Financial service fees	35	88	50	
Mortgage origination fees	39	47	92	
Gain on sale of investment securities	42	- -	42	
Other service charges, commissions and fees	12	8	29	
TOTAL OTHER INCOME	218	217	384	
OTHER EXPENSES				
Salaries and employee benefits	289	348	705	
Equipment and occupancy expense	112	89	193	
Marketing expense	48	37	71	
Data processing expense	73	38	128	
Administrative expenses	113	89	210	
Other operating expenses	78	53	167	
TOTAL OTHER EXPENSES	713	667	1,474	
INCOME BEFORE INCOME TAXES	177	122	359	
Income tax expense	65	- -	126	
NET INCOME	112	122	233	
NET INCOME PER COMMON SHARE	$ 0.08	$ 0.08	$ 0.16	$
DILUTED NET INCOME PER COMMON SHARE	$ 0.08	$ 0.08	$ 0.16	$
WEIGHTED AVERAGE SHARES OUTSTANDING	1,442,609	1,462,193	1,444,343	

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
Three and six months ended June 30, 2001 and 2002
(Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
NET INCOME (LOSS)	$ 112	$ 122	$ 233	$ 203
Other comprehensive Income				
Net unrealized holding gains (losses) arising during period	290	18	108	107
Tax (expense) benefit on				

unrealized holding gains	(99)	(6)	(37)	(29)
Reclassification adjustment for gains included in net income, net of income taxes of $14	(28)	- -	(28)	- -
COMPREHENSIVE INCOME	$ 275	$ 134	$ 276	$ 281

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
Six Months ended June 30, 2001 and 2002
(Dollars in thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 233	$ 203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	89	79
Provision for loan losses	320	173
Provision for deferred taxes	(69)	- -
Increase in interest receivable	(46)	(73)
Net (gain) on sale of investments available for sale	(42)	- -
Other operating activities	(131)	(154)
Net cash provided by operating activities	354	228
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(176)	(48)
Net decrease (increase) in federal funds sold	2,892	(4,358)
Net (increase) in loans	(12,596)	(10,374)
Proceeds from maturities of securities available for sale	6,429	8,274
Proceeds for sale if securities	3,976	- -
Purchase of securities available for sale	(15,851)	(9,778)
Net cash used in Investing activities	(15,326)	(16,284)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	16,573	16,985
Proceeds from FHLB advances	- -	- -
Repayment of other borrowings	(183)	(183)
Treasury stock transactions, net	(47)	(14)
Net cash provided by financing activities	16,343	16,788

Net increase in cash	1,371	732
Cash and due from banks at beginning of period	4,471	3,392
Cash and due from banks at end of period	$ 5,842	$ 4,124
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 1,318	$ 1,494
Cash paid for income taxes	$ 91,128	$ - -
NON-CASH TRANSACTION		
Unrealized (gains) losses on securities available for sale	$ (65)	$ (107)

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Community Capital Bancshares, Inc. (the "Company") is a bank holding company whose business is conducted by its wholly-owned subsidiary, Albany Bank & Trust (the "Bank"). The Bank is a commercial bank located in Albany, Georgia. The Bank provides a full range of banking services in its primary market area of Dougherty County and the surrounding counties. The Bank commenced its banking operations on April 28, 1999.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany transactions and accounts are eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate and deferred taxes.

The interim financial statements included herein are unaudited but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the interim period presented. All such adjustments are of a normal recurring nature. The results of operations for the period ended June 30, 2002 are not necessarily indicative of the results of a full year's operations.

The accounting principles followed by the Company and the methods of applying these principles conform with accounting principles generally accepted in the United States of America and with general practices within the banking industry.

INCOME TAXES

Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis of the various balance sheet assets and liabilities and gives current recognition to changes in the tax rates and laws.

The Company and the Bank file a consolidated income tax return. Each entity provides for income taxes based on its contribution to the income taxes (benefits) of the consolidated group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion is intended to assist in an understanding of the Company's financial condition and results of operations. This analysis should be read in conjunction with the financial statements and related notes appearing in Item 1 of the June 30, 2002 Form 10-QSB and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's Form 10-KSB for the year ended December 31, 2001.

FINANCIAL CONDITION

As of June 30, 2002 the Company's total assets were $105,483,000 representing an increase of $16,798,000 or 18.94% from December 31, 2001. Earning assets consist of federal funds sold, investment securities and loans. These assets provide the majority of the Company's earnings. The mix of earning assets is a reflection of management's philosophy regarding earnings versus risk.

Federal funds sold represent an overnight investment of funds and can be converted immediately to cash. At June 30, 2002, federal funds sold were $1,591,000 as compared to the year-end amount of $4,483,000. This is a decrease of $2,892,000, and represents an allocation of funds to higher yielding loans and investments.

Investment securities consist primarily of U.S. Government and Agency securities. These investments are used to provide fixed maturities and as collateral for advances and large public fund deposits. During the year, investment securities increased $5,562,000. During the second quarter, the Company sold approximately $3,700,000 in securities which management felt would be called. These sales generated gains of $42,000. All securities are classified as available for sale under FASB 115 and are carried at current market values.

The loan portfolio is the largest earning asset and is the primary source of earnings for the Company. At June 30, 2002 net loans were $73,459,000. The loan portfolio increased $12,276,000 or 20.06% during the year. At June 30, 2002, the allowance for loan losses was $742,000 or 1.00% of total loans. Management believes that this is an adequate but not excessive amount based upon the composition of the current loan portfolio and current economic conditions. The relationship of the allowance to total loans will vary over time based upon Management's evaluation of the loan portfolio. Management evaluates the adequacy of the allowance on a monthly basis and adjusts it accordingly by a monthly charge to earnings using the provision for loan losses. During the year, the provision for potential loan losses was $320,000 as compared to the 2001 amount of $173,000. The uncollectible loans in the current year were primarily the result of two unrelated customers. Management feels that these loans are not indicative of the overall quality of the loan portfolio. At June

30, 2002 loans past due 30 days or more were $158,000 or 0.21% of outstanding loans. There were no loans on non-accrual status.

Non-earning assets consist of premises and equipment, and other assets. Premises and equipment increased $87,000 during the year as a result of acquisitions of $176,000 and depreciation expense of $89,000. Other assets consist primarily of accrued interest receivable and increased $394,000 as a result of the larger amount of loans and investments upon which accrued interest is calculated.

The Company funds its assets primarily through deposits from customers. Additionally, it will borrow funds from other sources to provide longer term fixed rate funding for its assets. The Company must pay interest on the majority of these funds and attempts to price these funds competitively in the

market place but at a level that it can safely re-invest the funds profitably. At June 30, 2002, total deposits were $86,404,000 as compared to the year-end amount of $69,831,000. This is an increase of $16,573,000 or 23.73%. The Company is beginning to see a slowing of its growth in deposits. This is a result of the declining interest rate environment that is causing customers to seek higher yields in other areas of investments.

Interest bearing deposits are comprised of the following categories:

	June 30, 2002	December 31, 2001
Interest bearing demand and savings	$ 24,067,000	$ 21,443,000
Certificates of deposit in denominations of $100,000 or greater	16,181,000	14,787,000
Other Certificates of deposit	39,579,000	27,498,000
Total	$ 79,827,000	$ 63,728,000

Other borrowings consist of Federal Home Loan Bank advances and are secured by one to four family loans and investment securities owned by the Company. No new advances were obtained during the current year.

CAPITAL ADEQUACY

The following table presents the Company's regulatory capital position as of June 30, 2002.

Tier 1 Capital Ratio, actual	12.91%
Tier 1 Capital minimum requirement	4.00%
Tier 2 Capital Ratio, actual	13.93%
Tier 2 Capital minimum requirement	8.00%
Leverage Ratio	9.33%
Leverage Ratio minimum requirement	4.00%

The Company's ratios are well above the required regulatory minimums and provide a sufficient basis to support future growth of the Company.

RESULTS OF OPERATIONS

Net income for the current year is $233,000 as compared to the 2001 amount of

$203,000. The increased net income was a result of an overall increase in the Company's net interest income and increased non-interest income.

Total interest income increased $389,000 or 14.27% from the previous year. This was the result of increased interest income on loans, which increased $523,000. The increase in income was the result of the larger loan portfolio in the current year and loan income increased in spite of the significantly lower interest rate environment in the current year.

Interest expense for 2002 is $1,338,000. This is the major expense item for the Company and decreased $101,000 from the previous year. This decrease is the result of the lower rates paid on deposits. The amount of deposits increased from the previous year, yet the Company was able to reduce the overall amount of this expense item due to the declining rate environment.

The provision for loan losses in the current year is $320,000 as compared to the prior year's amount of $173,000. This increase is due to the charge off of uncollectible loans and the resulting increased provision to keep the Allowance for loan losses at an acceptable level. During the 2002 the Company had net charge offs of $197,000.

Net interest income after the provision for loan losses was $1,449,000 in 2002 as compared to the 2001 amount of $1,107,000. This is an increase of $342,000 or 30.89%.

Other income increased $29,000 to $384,000 in 2002. Service charges on deposit accounts increased $43,000 or 33.59% due to the larger number of deposit accounts. The other significant item is gain resulting from the sale of investment securities of $42,000. Financial service fees declined in the current year to $50,000 from the 2001 amount of $123,000. The decline is the result of current conditions in the financial markets. This decrease was offset in part by the increases in fees earned by originating long term mortgage loans. These fees increased $9,000 to $92,000 and relate to mortgage loans which are originated by bank personnel but funded by other firms for sale in the secondary market. During the current year, the Bank received approval to begin offering Trust services. It is anticipated that the Bank will begin offering these services during the third quarter of this year.

Non-interest expense increased $217,000 to $1,474,000 in 2002. This is an increase of 17.26%. The largest area of increase was in Data processing. These costs are paid to third party providers and the contracts are based upon the Company's size and total number of accounts. This expense item increased $56,000 to $128,000 in the current year.

Equipment and occupancy expense increased $25,000 over the prior year. A portion of this increase is attributable to the opening of two loan production offices during the second quarter of the current year. These offices should provide additional profitability to the Company in the future as volumes increase to cover fixed operating costs. Administrative expenses were $210,000 in the current year as compared to $172,000 in 2001. The increase in this area is the result of increases in supply expense and legal, audit and other professional costs during the current year. These increases are to be expected in a growth situation such as the Company is currently experiencing.

During 2002 the Company utilized the remainder of its tax loss carryovers generated during its start up period. Income tax expense for the current year is $126,000 and there was no income tax expense in the previous year.

Fully diluted net income per share for the current year is $0.16 and increased $0.02 from the previous year.

FORWARD-LOOKING STATEMENTS

This document contains statements that constitute "forward-looking statements" within the meaning of Sections 27A of the Securities Act of 1933, as amended, and Sections 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "estimate", "expect", "intend", "anticipate" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates that they were made. The Company undertakes no

obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Users are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties that the actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Users are therefore cautioned not to place undue reliance on these forward-looking statements.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On April 24, 2002, Community Capital granted 14 options to purchase 2,131 shares of its common stock, $1.00 par value, to selected directors as compensation for their services to Albany Bank & Trust and Community Capital.

Each option is exercisable upon the grant date at $8.15 per share and has a maximum term of ten years. Since the options were granted to directors, the option grants did not involve a public offering, and therefore were exempt from registration under Section 4(2) of the Securities Act of 1933.

Additionally, during fiscal year 2002, Community Capital has issued 1,641 shares to employees pursuant to purchases made by employees under the Community Capital Bancshares, Inc. Employee Stock Purchase Plan. The following table sets forth information regarding the shares purchased under this plan.

Date Purchased	Number of shares purchased	Purchase Price
April 5, 2002	817	$ 5,923.15
July 5, 2002	824	$ 5,883.91

Because these shares were sold to employees pursuant to an employee stock purchase plan, the transactions did not involve a public offering and therefore were exempt from registration under Section 4(2) of the Securities Act of 1933.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 22, 2002, the Company held its annual meeting of shareholders at which the following director nominees were elected to a three-year term by the votes indicated:

Directors	Votes For	Votes Withheld
Robert M. Beauchamp	1,457,808	41,752
Glenn A. Dowling	1,457,808	41,752

Mary Helen Dykes	1,457,808	41,752
Mark M. Shoemaker	1,457,808	41,752
Lawrence B. Willson	1,457,808	41,752

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) REPORTS ON FORM 8-K

None

(b) OTHER EXHIBITS

Certification by the Chief Executive Officer and Chief Financial Officer. See page 14.

SIGNATURES

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

COMMUNITY CAPITAL BANCSHARES, INC.

August 13, 2002	/s/ Robert E. Lee
Date	Robert E. Lee, President
August 13, 2002	/s/ David J. Baranko
Date	David J. Baranko Chief Financial Officer (Duly authorized officer and principal financial / accounting officer)