COMMUNITY CAPITAL BANCSHARES INC
Form 10QSB
May 14, 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 March 31, 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 March 31, 2002:
1,445,870 SHARES

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

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

	March 31,2002	December 3
ASSETS		
Cash and due from banks	$ 3,663	$
Federal funds sold	500	
Securities available for sale	17,981	
Loans	66,808	
Less allowance for loan losses	630	
Loans, net	66,178	
Premises and equipment	2,615	
Other assets	999	
	$ 91,936	$

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits		
Non-interest bearing	$ 6,725	$
Interest bearing	66,523	
Total deposits	73,248	
Other borrowings	9,159	
Other liabilities	349	
TOTAL LIABILITIES	82,756	
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	
Accumulated deficit	(92)	
Accumulated other comprehensive income	60	
Less cost of treasury stock, 53,690 shares as of March 31, 2002 and 52,690 shares as of December 31, 2001	(373)	
TOTAL SHAREHOLDERS' EQUITY	9,180	
	$ 91,936	$

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
Three months ended March 31, 2002 and 2001
(Dollars in thousands, except earnings per share)

	2002	2001
INTEREST INCOME		
Loans	$1,284	$ 998
Investment securities	185	267
Deposits in banks	5	10
Federal funds sold	18	29
TOTAL INTEREST INCOME	1,492	1,304
INTEREST EXPENSE		
Deposits	539	613
Other borrowed money	115	70
TOTAL INTEREST EXPENSE	654	683
NET INTEREST INCOME	838	621
Provision for loan losses	72	87
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	766	534

OTHER INCOME		
Service charges on deposit accounts	81	54
Financial service fees	15	35
Mortgage origination fees	53	36
Other service charges, commissions and fees	17	13
	166	138
OTHER EXPENSES		
Salaries and employee benefits	406	325
Equipment and occupancy expenses	82	80
Marketing expenses	22	17
Data processing expenses	55	34
Administrative expenses	97	84
Other expenses	89	51
TOTAL EXPENSES	751	591
INCOME (LOSS) BEFORE INCOME TAXES	181	81
Income tax expense	60	- -
NET INCOME	$ 121	$ 81
BASIC EARNINGS PER SHARE (weighted average shares used in calculation: 1,445,914 in 2002 and 1,463,778 in 2001)	$ .08	$ .06
DILUTED EARNINGS PER SHARE (weighted average shares used in calculation: 1,497,984 in 2002 and 1,471,237 in 2001)	$ .08	$ .05

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
Three months ended March 31, 2002 and 2001
(Dollars in thousands)

	2002	2001
NET INCOME	$ 121	$ 81
Other comprehensive loss		
Net unrealized holding gains (losses) arising during period, net of tax expense (benefit) of $(61,000) in 2002 and $30,000 in 2001	(120)	66
COMPREHENSIVE INCOME	$ 1	$ 147

COMMUNITY CAPITAL BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Three Months ended March 31, 2002 and 2001
(Dollars in thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 121	$ 81
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	43	39
Provision for loan losses	72	87
Decrease (increase) in interest receivable	19	(74)
Other operating activities	(76)	(57)
Net cash used in operating activities	179	76
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(58)	(4)
Net decrease (increase) in federal funds sold	3,983	(5,474)
Net increase in loans	(5,067)	(7,559)
Proceeds from maturities of securities available for sale	2,326	4,852
Purchase of securities available for sale	(5,488)	(5,889)
Net cash used in Investing activities	(4,304)	(14,084)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	3,417	14,810
Proceeds from advances under line of credit		
Repayment of other borrowings	(92)	(92)
Purchase of treasury stock	(8)	(17)
Net cash provided by financing activities	3,317	14,701
Net increase (decrease) in cash	(808)	693
Cash and due from banks at beginning of period	4,471	3,392
Cash and due from banks at end of period	$ 3,663	$ 4,085
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 675	$ 662
NON-CASH TRANSACTION		
Unrealized (gains) losses on securities available for sale	$ 180	$ 96

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 generally accepted accounting principles 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 March 31, 2002 are not necessarily indicative of the results of a full year's operations, and should be read in conjunction with the Company's annual report as filed on Form 10-KSB.

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(GAAP)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 March 31, 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 March 31, 2002 the Company's total assets were $91,936,000 representing an increase of $3,251,000 or 3.67% 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 March 31, 2002, Federal funds sold were $500,000 as compared to the year-end amount of $4,483,000. This is a decrease of $3,983,000.

Investment securities consist of U.S. Government and Agency securities and municipal bonds. These investments are used to provide fixed maturities and as collateral for advances and large public fund deposits. During the first quarter, investment securities increased $2,982,000. All securities are classified as available for sale, 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 March 31, 2002 net loans were $66,178,000. The loan portfolio increased $4,995,000 or 8.16% during the first quarter. At March 31, 2002, the allowance for loan losses was $630,000 or 0.94% 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 first quarter of 2002, the provision for potential loan losses was $72,000 as compared to the 2001 amount of $87,000.

During the first quarter of 2002, the company reallocated its assets from lower earning overnight funds to higher yielding loans and investments. This reallocation should improve the company's net interest income over the remainder of the year.

Non-earning assets consist of premises and equipment, and other assets. Premises and equipment decreased during the quarter as a result of depreciation expense on these assets. Other assets consist primarily of accrued interest receivable and increased $50,000 as a result of the larger loan portfolio upon which to accrue interest and increases in the Company's deferred tax asset.

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 March 31, 2002, total deposits were $73,248,000 as compared to the year-end amount of $69,831,000. This is an increase of $3,417,000 or 4.89%.

Interest bearing deposits are comprised of the following categories:

	March 31, 2002	December 31, 2001
Interest bearing demand and savings	$ 22,676,000	$ 21,443,000
Certificates of deposit in denominations of $100,000 or greater	14,120,000	14,787,000
Other Certificates of deposit	29,727,000	27,498,000
Total	$ 66,523,000	$ 63,728,000

Other borrowings consist of Federal Home Loan Bank advances and are secured by investment securities and loans of the Company. No new advances were obtained during the current quarter.

CAPITAL ADEQUACY

The following table presents the Company's regulatory capital position as of March 31, 2002.

Tier 1 Capital Ratio, actual	13.51%
Tier 1 Capital minimum requirement	4.00%
Tier 2 Capital Ratio, actual	14.44%
Tier 2 Capital minimum requirement	8.00%
Leverage Ratio	10.09%
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 $121,000 as compared to the 2001 amount of $81,000. 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 $188,000 or 14.42% from the previous year. This was the result of increased interest income on loans, which increased $286,000. The increase in income was the direct result of the larger loan portfolio in the current year. This increase was in spite of the major reductions in interest rate levels during the past 12 months.

Interest expense for 2002 was $654,000. This is the major expense item for the Company and decreased $29,000 from the previous year. This decrease is the direct result of the overall current lower interest rate environment. The Company has been able to reprice its increased level of deposits in the current year at a lower interest than the previous year.

Net interest income after the provision for loan losses was $766,000 in 2002 as compared to the 2001 amount of $534,000. This is an increase of $232,000 or 43.45%. This increase is the combined result of the increased level of earning assets, and the lower cost of funds during the current year. The overall growth rate has declined from previous years. Management is currently emphasizing a better interest margin as opposed to the higher growth rate emphasis in previous years.

Other income increased $28,000 to $166,000 in 2002. Service charges on deposit accounts increased $27,000 or 50% due to the larger number of deposit accounts. Mortgage origination fees increased $17,000 over the previous year. These fees are generated by facilitating mortgage loans for customers which are sold in the secondary market. The low interest rate levels led to increases in this area of activity in the Bank.

Non-interest expense increased $160,000 to $751,000 in 2002. This is an increase of 27.07%. The largest area of increase was in the salary and employee benefits category. This expense item is $406,000 in the current year as compared to the 2001 amount of $325,000. This is an increase of $81,000 or 24.92%. The growth in this expense item is due to the increased staffing required to properly serve the Company's customers and slightly higher levels of pay during the current year.

Data processing expenses increased $21,000 or 61.76% over the previous year. This is the result of the larger size of the Company. Other expenses increased $38,000 to $89,000 in the current year. The majority of this increase is the result of increased expenses for the mortgage loan department.

Diluted earnings per share for the current year are $0.08 and increased $0.03 or 60% 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

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) REPORTS ON FORM 8-K

None

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.

May 14, 2002	/s/ Robert E. Lee
Date	Robert E. Lee, President
May 14, 2002	/s/ David J. Baranko
Date	David J. Baranko Chief Financial Officer (Duly authorized officer and principal financial / accounting officer)