

COMMUNITY CAPITAL BANCSHARES INC

Form 10-Q

November 14, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

- x **QUARTERLY REPORT UNDER SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

- o **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
(State or other jurisdiction of
Incorporation or organization)

58-2413468
(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) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (check one).

Large Accelerated Filer ____

Accelerated Filer ____

Non-Accelerated Filer X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 8, 2007:
3,060,341 shares

PART I - FINANCIAL INFORMATION

Page
No.

ITEM 1.	Financial Statements	
	Consolidated balance sheets as of December 31, 2006 and September 30, 2007 (unaudited)	3
	Consolidated statements of income (unaudited) for the three and nine months ended September 30, 2006 and 2007	4
	Consolidated statements of comprehensive income (unaudited) for the three and nine months ended September 30, 2006 and 2007	5
	Consolidated statements of cash flows (unaudited) for the nine months ended September 30, 2006 and 2007	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	14
Item 4.	Controls and Procedures	14

PART II - OTHER INFORMATION

ITEM 1.	Legal Proceedings	16
ITEM 1.A.	Risk Factors	16
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	16
ITEM 3.	Defaults upon Senior Securities	16
ITEM 4.	Submission of Matters to a Vote of Security Holders	16
ITEM 5.	Other Information	16
ITEM 6.	Exhibits	18

**Community Capital Bancshares, Inc.
and Subsidiaries**
Consolidated Balance Sheets
(Dollars in thousands)

	September 30, 2007 (unaudited)	December 31, 2006
<u>Assets</u>		
Cash and due from banks	\$ 7,489	\$ 7,408
Federal funds sold	19,364	6,400
Securities available for sale	50,981	36,524
Restricted equity securities	2,561	2,434
Loans	151,809	225,630
Less allowance for loan losses	5,381	5,507
Loans, net	146,428	220,123
Premises and equipment	6,657	6,758
Premises and equipment held for sale	-	3,022
Goodwill	2,334	2,334
Core deposit premium	212	240
Other assets	12,814	11,693
Total Assets	\$ 248,840	\$ 296,936
<u>Liabilities and Shareholders' Equity</u>		
Deposits		
Non-interest bearing	\$ 20,521	\$ 19,480
Interest bearing	170,040	218,073
Total deposits	190,561	237,553
Other borrowings	25,000	27,000
Guaranteed preferred beneficial interests in junior subordinated debentures	4,124	4,124
Other liabilities	1,961	1,467
Total Liabilities	221,646	270,144
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; 3,104,040 and 3,074,210 shares issued	3,104	3,074
Capital surplus	23,334	23,032
Retained earnings	1,503	1,654
Accumulated other comprehensive loss	(400)	(568)
Less cost of treasury stock, 46,761 and 53,475 shares as of September 30, 2007 and December 31, 2006 respectively	(347)	(400)
Total shareholders' equity	27,194	26,792
Total Liabilities and Shareholders' Equity	\$ 248,840	\$ 296,936

Community Capital Bancshares, Inc.
and Subsidiaries
Consolidated Statements of Operations (unaudited)
For the three and nine months ended September 30, 2007 and 2006
(Dollars in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Interest Income				
Loans	3,360	5,556	12,260	15,810
Investment securities	553	473	1,436	1,410
Deposits in banks	25	6	29	17
Federal funds sold	234	21	417	205
Total interest income	4,172	6,056	14,142	17,442
Interest expense				
Deposits	2,051	2,681	6,522	7,402
Other borrowed money	318	399	1,079	1,260
Total interest expense	2,369	3,080	7,601	8,662
Net interest income	1,803	2,976	6,541	8,780
Provision for loan losses	660	124	1,344	937
Net interest income after provision for loan losses	1,143	2,852	5,197	7,843
Other income				
Service charges on deposit accounts	229	303	695	958
Financial service fees	78	54	198	161
Mortgage origination fees	23	290	92	720
Loss on sale of investment securities		(59)		(59)
Loss on sale of foreclosed properties	(26)	(90)	(90)	(109)
Gain (loss) on sale of fixed assets	(15)	- -	206	- -
Increase in cash surrender value of company owned insurance policies	68	63	199	185
Other operating income	49	192	159	304
Total other income	406	753	1,459	2,160
Other expenses				
Salaries and employee benefits	1,199	1,456	3,573	4,175
Equipment and occupancy expense	311	354	894	989
Marketing expense	44	57	134	148
Data processing expense	152	175	464	516
Administrative expenses	233	230	627	833
Legal and professional	107	135	307	394
Directors fees	74	78	231	205
Amortization of intangible assets	9	10	27	32
Stationery and supply expense	31	63	99	177
Other operating expenses	100	192	338	549
Total other expense	2,260	2,750	6,694	8,018
Income (loss) before income taxes	(711)	855	(38)	1,985
Income tax expense (benefit)	(264)	285	(73)	643
Net Income (loss)	(447)	570	35	1,342
Basic earnings (loss) per share	\$ (0.15)	\$ 0.19	\$ 0.01	\$ 0.46
Diluted earnings (loss) per share	\$ (0.15)	\$ 0.18	\$ 0.01	\$ 0.44

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Weighted average common shares outstanding	3,057,282	2,996,578	3,039,250	2,947,298
Weighted average diluted common shares outstanding	3,057,282	3,074,149	3,039,250	3,030,709
Dividends declared per share	\$.02	\$.02	\$.06	\$.06

**Community Capital Bancshares, Inc.
and Subsidiaries**
Consolidated Statements of Comprehensive Income (unaudited)
Three and nine months ended September 30, 2007 and 2006
(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30, 2007	30, 2006	30, 2007	30, 2006
Net Income (loss)	\$ (447)	\$ 570	\$ 35	\$ 1,342
Other comprehensive income:				
Net unrealized holding gains arising during the period.	590	786	254	165
Tax expense on unrealized holding gains	(201)	(267)	(86)	(56)
Reclassification adjustment for losses included in net income	- -	59	- -	59
Tax benefit for losses included in net income		(20)		(20)
Total other comprehensive income	389	558	168	148
Comprehensive income (loss)	\$ (58)	\$ 1,128	\$ 203	\$ 1,490

**Community Capital Bancshares, Inc.
and Subsidiaries**
Consolidated Statements of Cash Flows (unaudited)
Nine Months ended September 30, 2007 and 2006
(Dollars in thousands)

	2007	2006
Cash Flows from operating activities:		
Net income	\$ 35	\$ 1,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	320	349
Amortization of core deposit premium	27	32
Provision for loan losses	1,344	937
Provision for deferred taxes	59	(58)
Stock option expense	76	-
(Increase) decrease in interest receivable	610	(173)
Gain on sale of fixed assets	(206)	-
Loss on sale of other real estate owned	90	-
Other operating activities	(2,148)	514
Net cash provided by operating activities	207	2,943
Cash Flows from Investing Activities:		
Purchase of property and equipment	(228)	(1,991)
Proceeds from sale of fixed assets	3,236	108
Net (increase) decrease in federal funds sold	(12,964)	1,790
Net (increase) decrease in loans	72,352	(13,720)
Proceeds from maturities of securities available for sale	3,893	1,551
Proceeds from sale of other real estate owned	676	-
Proceeds from sale of securities	-	4,234
Purchase of securities available for sale	(18,096)	(2,612)
Purchase of other securities	(128)	-
Net cash provided by (used in) investing activities	48,741	(10,640)
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	(46,992)	18,623
Dividends paid to shareholders	(185)	(182)
Proceeds from exercise of stock options	238	692
Net decrease in other borrowings	(2,000)	(6,000)
Treasury stock transactions, net	72	86
Net cash provided by (used in) financing activities	(48,867)	13,219
Net increase in cash	81	5,522
Cash and due from banks at beginning of period	7,408	6,931
Cash and due from banks at end of period	7,489	12,453
Supplemental Disclosure		
Cash paid for interest	\$ 7,723	\$ 8,604
Income taxes	\$ 440	\$ 711

Non-Cash Transaction

Other real estate acquired in settlement of loans	\$	1,561		-	-
Unrealized losses on securities available for sale	\$	254	\$		165

6

**Community Capital Bancshares, Inc.
and Subsidiaries
Notes to Financial Statements**

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Business

Community Capital Bancshares, Inc. (the “Company”) is a multi-bank holding company whose principal activity is the ownership and management of its wholly-owned bank subsidiaries, Albany Bank and Trust, N.A, and AB & T National Bank, collectively referred to as “the Banks.” Albany Bank and Trust’s main office is located in Albany, Dougherty County, Georgia, with one additional full service branch in Albany and one full service branch in Leesburg, Georgia. AB&T National Bank’s main office is located in Dothan, Houston County, Alabama and has a full service branch located in Auburn, Alabama. The Banks provide a full range of banking services to individual and corporate customers in their primary market areas.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and 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, goodwill, intangible assets, deferred tax assets and contingent assets and liabilities. The determination of the adequacy of the allowance for loan losses is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and the valuation of foreclosed real estate, management obtains independent appraisals for significant collateral. Intangible assets, primarily goodwill and core deposit premiums, are evaluated annually for impairment.

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 periods ended September 30, 2007 and 2006 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 for the year ended December 31, 2006 as filed on Form 10-K.

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 its subsidiaries 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.

Stock Compensation Plans

At September 30, 2007, the Company had two fixed stock option plans under which it had granted options to its employees and directors to purchase common stock at the fair market price on the date of the grant. Both plans provide for "incentive stock options" and "non-qualified stock options". The incentive stock options are intended to qualify under Section 442 of the Internal Revenue Code for favorable tax treatment.

On March 11, 1999, the Company's shareholders approved the 1998 Stock Incentive Plan under which options to purchase 303,574 shares of its common stock may be granted to directors, officers and employees. Both incentive stock options and nonqualified stock options may be granted under the plan. At September 30, 2007, there were 103,647 shares available under the plan.

On April 24, 2000, the Board of Directors adopted the 2000 Outside Directors Stock Option Plan under which nonqualified stock options to purchase up to 21,429 shares of the Company's common stock may be granted to directors who are not employees of the Company or any of its affiliates and to the Chairman of the Board of Directors, regardless of whether he is an employee of the Company. The plan provides for an annual grant of a nonqualified stock option to purchase 142 shares of the Company's common stock to each existing non-employee director and a nonqualified stock option to purchase 285 shares of the Company's common stock to the Chairman of the Board of Directors as of the date of each annual shareholders' meeting. Options granted pursuant to this plan are generally nontransferable except by will or the laws of descent and distribution unless otherwise permitted by the Board of Directors. These options are fully vested and exercisable immediately, subject to any restriction imposed by the primary federal regulator of the Company. The exercise price of these options must be equal to the fair market value of the common stock on the date the option is granted. The term of the options may not exceed ten years from the date of grant. At September 30, 2007 there were 4,381 shares available for issuance under this plan.

The Company has issued non-qualified stock options to its Chairman and members of senior management in previous years totaling 71,428 shares. Additionally 302,420 warrants were issued to founding directors of the Company. These options and warrants are described in more detail in the Annual Report on Form 10-K for the year ended December 31, 2006.

As of September 30, 2007 there was \$214,000 in unrecognized compensation expense which will be recognized over 2.5 years.

Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS 157, Fair Value Measurements. The standard provides guidance for using fair value to measure assets and liabilities. It defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which

the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact the adoption of this statement could have on its financial condition, results of operations and cash flows.

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 this Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's Form 10-K for the year ended December 31, 2006.

Financial Condition

As of September 30, 2007 the Company's total assets were \$248,840,000 representing a decrease of \$48,096,000, or 16.20%, from December 31, 2006. Earning assets consist of federal funds sold, investment securities and loans. These assets provide the majority of the Company's earnings.

Federal funds sold represent an overnight investment of funds and can be converted immediately to cash. At September 30, 2007, the Company had \$19,364,000 in federal funds sold. At December 31, 2006, the Company had federal funds sold of \$6,400,000. The \$12,964,000 increase in federal funds sold during the first three quarters was a result of the payoff of loans in the Company's former loan production office in Charleston, South Carolina. Loans originated by the former Charleston office decreased \$32,067,000 during the first nine months of 2007 and have not yet been replaced by other loans. The majority of these payoffs occurred during the second quarter of 2007.

Investment securities consist of U.S. Government and Agency securities and municipal bonds. These investments are used to utilize excess liquidity, provide fixed maturities and as collateral for advances and large public fund deposits. From December 31, 2006 to September 30, 2007, investment securities increased by \$14,457,000. This increase was due to the increased liquidity available from the loan reductions late in the second quarter of 2007. 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 September 30, 2007 net loans were \$146,428,000. The loan portfolio decreased \$73,695,000 or 33.48% since December 31, 2006. This decrease is primarily the result of repayments from the loans originated in the Charleston market. At September 30, 2007, the allowance for loan losses was \$5,381,000 or 3.54% of total loans. Management believes this is an adequate but not excessive amount based upon the composition of the current loan portfolio in terms of past due and non-performing loans as well as current economic conditions in its markets. 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 quarterly basis and adjusts it accordingly by a periodic charge to earnings using the provision for loan losses. During the first three quarters of 2007, the provision for potential loan losses was \$1,344,000 as compared to the 2006 amount of \$937,000. The reserve was based upon management's estimate to provide for potential loan losses in the current portfolio and to replenish the reserve for \$1,470,000 of net charge offs during the first three quarters. During the third quarter of 2007, the Company had net charge offs of \$1,095,000. Due to these charge offs, an additional provision of \$660,000 was necessary to replenish the allowance to the level deemed adequate by management.

Non-earning assets consist of premises and equipment, and other assets. Premises and equipment decreased during the year as a result of the Company's separation from the Charleston office and depreciation expense during the first three quarters. Other assets consist primarily of bank-owned life insurance, other real estate owned, and accrued interest receivable. Bank-owned life insurance and other real estate owned increased \$181,000 and \$1,250,000 respectively over the year end amount. Accrued interest receivable decreased \$610,000 over the previous year end amount as a result of a smaller loan portfolio upon which to accrue interest.

The Company funds its assets primarily through deposits from customers. Additionally, it borrows 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 at which it can safely re-invest the funds profitably. At September 30, 2007, total deposits were \$190,561,000 as compared to the year-end amount of \$237,553,000. This is a decrease of \$46,992,000 or 19.78%. The decreased deposits were primarily a result of maturing wholesale certificates of deposit of \$28,534,000 and maturing brokered deposits of \$13,948,000 during the first three quarters of 2007 which were not replaced.

Interest bearing deposits are comprised of the following categories:

	September 30, 2007	December 31, 2006
Interest bearing demand and savings	\$ 55,351,000	\$ 61,242,000
Certificates of deposit in denominations of \$100,000 or greater	62,130,000	96,977,000
Other certificates of deposit	52,559,000	59,854,000
Total	\$ 170,040,000	\$ 218,073,000

Other borrowings consist of Federal Home Loan Bank advances and are secured by investment securities and loans of Albany Bank & Trust. During the third quarter, a \$7,000,000 advance matured and \$5,000,000 in new borrowings occurred.

Capital Adequacy

The following table presents the Company's regulatory capital position as of September 30, 2007.

Tier 1 Capital to risk weighted assets	
Ratio, actual	18.51%
Tier 1 Capital minimum requirement	4.00%
Tier 2 Capital to risk weighted assets	
Ratio, actual	19.79%
Tier 2 Capital minimum requirement	8.00%
Tier 1 Leverage Ratio	11.49%
Tier 1 Leverage Ratio minimum requirement	4.00%

The Company's ratios are well above the required regulatory minimums under capital adequacy guidelines and provide a sufficient basis to support future growth of the Company. The Banks remain above the required regulatory capital minimums, as well as the levels set by the Formal Agreements with the OCC. The Company has the ability to support the Banks' capital levels should the need arise.

Results of Operations

For the quarter end compared to prior year quarter end

Net loss for the three months ended September 30, 2007 was (\$447,000) as compared to net income of \$570,000 for the same period in 2006.

Total interest income decreased \$1,884,000 or 31.1% for the three months ended September 30, 2007 compared to the same period in the previous year. This was the result of decreased interest income on loans, due primarily to the smaller loan portfolio in the current year.

Interest expense for the three months ended September 30, 2007 was \$2,369,000, which is a decrease of \$711,000 or 23.08% over the same period in the previous year. This decrease is primarily due to the smaller deposit base in the current year.

Net interest income after the provision for loan losses was \$1,143,000 for the three months ended September 30, 2007 as compared to the 2006 amount of \$2,852,000. This is a decrease of \$1,709,000, or 59.92%. This decrease is the combined result of the decreased level of earning assets and interest bearing liabilities.

As previously discussed the provision for loan losses for the three months ended September 30, 2007 was \$660,000 as compared to the 2006 amount of \$124,000. This amount was necessary to replenish the allowance due to charge offs during the quarter.

Other noninterest income decreased \$347,000 to \$406,000 for the three months ended September 30, 2007 as compared to the same period in 2006. Service charges on deposit accounts decreased \$74,000, or 24.42%, due to the smaller number of deposit accounts. Mortgage origination fees decreased \$267,000 to \$23,000 when compared to the same period in 2006. The separation of the Charleston office accounted for the decrease in mortgage origination fees as well as a decrease in Management fee income of \$255,000 from 2006.

Non-interest expense decreased \$490,000 to \$2,260,000 for the three months ended September 30, 2007 as compared to the same period in 2006. This is a decrease of 17.82%. The largest area of decrease was in the salaries and benefits expense category which decreased primarily due to the reduction in the number of employees resulting from the Company's separation from the Charleston loan production office. Other operating expense amounted to \$100,000 for the three months ended September 30, 2007 as compared to the 2006 amount of \$192,000. This decrease of \$92,000 or 47.92% was primarily the result of expenses no longer incurred due to the separation from the Charleston loan production office, which included travel, airplane costs and meals and entertainment expense.

Equipment and occupancy expense decreased \$43,000, or 12.15%, for the three months ended September 30, 2007 from the same period in 2006. This expense has decreased since the same period in 2006 due to the reduction in equipment and operating expenses associated with the Company's separation from the Charleston loan production office.

The diluted loss per share for the three months ended September 30, 2007 was \$(0.15) and decreased \$0.33 as compared to the third quarter of the previous year.

For the year to date comparison to prior year

Net income for the nine months ended September 30, 2007 was \$35,000 as compared to \$1,342,000 for the same period in 2006.

Total interest income decreased \$3,300,000 for the nine months ended September 30, 2007 or 18.92% from the same period in the previous year. This was the result of decreased interest income on loans, which decreased \$3,550,000 over the same period in the previous year. The decrease in interest income was primarily the result of the smaller loan portfolio in the current year.

Interest expense for the nine months ended September 30, 2007 was \$7,601,000, which is a decrease of \$1,061,000 over the same period in the previous year. This decrease is due to the smaller deposit base in the current year.

Net interest income after the provision for loan losses was \$5,197,000 for the nine months ended September 30, 2007 as compared to the 2006 amount of \$7,843,000. This is a decrease of \$2,646,000 or 33.74%. This decrease is the combined result of the decreased level of earning assets, offset by the decrease in cost of funds during the current year. The largest area of loan runoff during the past year has been loans originated by the Charleston loan production office which has decreased by over \$32,000,000 since December 31, 2006. In addition, Albany Bank and Trust reduced loans by over \$25,000,000 and AB&T National Bank, reduced loans by over \$16,000,000 compared to the prior year end amount in order to comply with each Bank's Agreement with the Office of the Comptroller of the Currency(OCC), as discussed under the heading "Regulatory Matters."

Other noninterest income decreased \$701,000 to \$1,459,000 for the nine months ended September 30, 2007 as compared to the same period in 2006. Service charges on deposit accounts decreased \$263,000, or 27.45%, due to the smaller number of deposit accounts. Mortgage origination fees decreased \$628,000 to \$92,000 during the year due to the separation from the Charleston loan production office. These decreases were offset by the gain on sale of fixed assets of \$206,000 which includes the sale in June 2007 of the building that housed the Charleston loan production office.

Non-interest expense decreased \$1,324,000 to \$6,694,000 for the nine months ended September 30, 2007 as compared to the same period in 2006. This is a decrease of 16.51%. The largest dollar decrease was in the salary and employee benefits category. Salaries and benefits amounted to \$3,573,000 for the nine months ended September 30, 2007 as compared to the 2006 amount of \$4,175,000. This decrease of \$602,000, or 14.42%, was due primarily to the separation from the Charleston loan production office.

Other operating expense decreased by \$211,000 or 38.43% for the nine months ended September 30, 2007 from the same period in 2006. The majority of the decrease is the result fewer charges to operating losses, a decrease in travel expense of \$77,000, and a decrease in staff development expense of \$39,000.

Administrative expenses decreased \$206,000 or 24.73% for the nine months ended September 30, 2007 from the same period in 2006. The decrease is a result of reduced consultant fees of \$344,000 as compared to the prior year amount. The 2006 expenditure was paid for in conjunction with a study to improve non-interest income. This decrease is offset by an increase in FDIC insurance of \$42,000 and an increase in OCC exam fees of \$24,000 as compared to the prior year amount.

Diluted earnings per share for the nine months ended September 30, 2007 were \$0.01 as compared to 0.44 for the first nine months of the previous year.

Off-Balance Sheet Arrangements

Our financial statements do not reflect various commitments and contingent liabilities that arise in the normal course of business. These off-balance sheet financial instruments include commitments to extend credit and standby letters of credit. Such financial instruments are included in the financial statements when funds are distributed or when the instruments become payable. Our exposure to credit loss in the event of nonperformance by the other party to a financial instrument for commitments to extend credit, and standby letters of credit is represented by the contractual amount of those instruments. We use the same credit policies in making commitments as we do for on-balance sheet instruments. Although these amounts do not necessarily represent future cash requirements, a summary of our commitments as of September 30, 2007 and December 31, 2006 are as follows:

	September, 2007	December, 2006
Commitments to extend credit	\$ 47,601,000	\$ 57,958,000
Standby letters of credit	\$ 1,020,000	\$ 1,020,000

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is an important factor in our financial condition and affects our ability to meet the borrowing needs and deposit withdrawal requirements of our customers. Assets, consisting primarily of loans and investment securities, are funded by customer deposits, borrowed funds, and retained earnings. Maturities in the investment and loan portfolios also provide a steady flow of funds for reinvestment. In addition, our liquidity continues to be enhanced by a relatively stable core deposit base and the availability of additional funding sources. Management monitors its future liquidity needs based upon quarterly projections of loan and deposit growth. Management feels that it has sufficient capital and liquidity resources to support its future growth.

REGULATORY MATTERS

On July 27, 2006, each of the Banks entered into an Agreement with the OCC. The OCC Agreements were described in the Form 8-K filed on August 2, 2006. In order to comply with the Agreements, the Company has decreased its total assets in order to reach specified capital levels. Future growth in assets will be dependent upon the Banks having adequate capital to fund the growth.

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. For a discussion of the factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, please read the “Risk Factors” section of our report on Form 10-K for the year ended December 31, 2006. Users are cautioned not to place undue reliance on these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is a risk of loss arising from adverse changes in market prices and rates. The Company's market risk is composed primarily of interest rate risk created by its lending and deposit taking activities. The primary purpose of managing interest rate risk is to reduce the effects of interest rate volatility on our financial condition and results of operations. As interest rates change, the interest income and expense associated with the Company's interest sensitive assets and liabilities also change, thereby impacting net interest income, the primary component of the Company's earnings. Management addresses this risk through an active asset/liability management process and through management of maturities and repricing of interest-earning assets and interest-bearing liabilities. The Company's market risk and strategies for market risk management are more fully described in Annual report of Form 10-K for the year ended December 31, 2006. There have been no changes in the assumptions used in monitoring interest rate risk as of September 30, 2007. Through September 30, 2007, management has not utilized derivatives as a part of this process.

The Company's income simulation analysis projected net interest income based on both an immediate rise and fall in interest rates of 100 and 200 basis points (i.e. 2.00%) over a twelve-month period. Given this scenario, the Company had, as of September 30, 2007, an exposure from both rising and falling rates. The forecasted results of the model are within the limits specified by the Company's asset/liability management program. The following table reflects the Company's sensitivity to changes in interest rates as of September 30, 2007, showing the percentage change in net interest income given the change in interest rates.

Interest Rate Risk: Income Sensitivity Summary

Market Rate Change (Immediate)	Effect on Net Interest Income
+200 bps	-2.58%
+100 bps	-2.63%
-100 bps	-.17%
-200 bps	-.68%

As market conditions vary from those assumed in the sensitivity analysis, actual results will differ. Also, the sensitivity analysis does not reflect actions that the Company might take in responding to or anticipating changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and principal financial officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their controls evaluation, our principal executive officer and principal financial officer have concluded that our Disclosure Controls are effective at a reasonable assurance level.

There have been no changes in our internal controls over financial reporting during our first nine months of the fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM Legal Proceedings

1.
None

ITEM Risk Factors

- 1.A.
- You should carefully consider the risk factors discussed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- 2.
- | | |
|-----|------|
| (a) | None |
| (b) | None |
| (c) | None |

ITEM DEFAULTS UPON SENIOR SECURITIES

3.
None

ITEM SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

4.
None

ITEM OTHER INFORMATION

5.
None

Item 6. Exhibits

- | | |
|------|--|
| 31.1 | Certification of the Chief Executive officer pursuant to Rule 13a-14(a) under the Securities exchange act of 1934, as amended. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities exchange act of 1934, as amended. |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities exchange act of 1934, as amended. |

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.

November 14, 2007

Date

/s/ John H. Monk, Jr.

John H. Monk, Jr.

Chief Executive Officer

November 14, 2007

Date

/s/ David J. Baranko

David J. Baranko

Chief Financial Officer

(Duly authorized officer and
principal financial / accounting
officer)