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COMMUNITY CAPITAL BANCSHARES INC
Form 10KSB
March 31, 2003

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

FORM 10-KSB

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended DECEMBER 31, 2002

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-25345

COMMUNITY CAPITAL BANCSHARES, INC.

(Name of Small Business Issuer in Its Charter)

GEORGIA

58-2413468

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

2815 MEREDYTH DRIVE, ALBANY, GEORGIA

31707

(Address of Principal Executive Offices)

(Zip Code)

(229) 446-2265

(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: COMMON STOCK, PAR VALUE \$1.00

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 past 90 days. Yes X No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

State issuer's revenues for its most recent fiscal year: \$7,215,000

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Aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days: THE AGGREGATE NUMBER OF SHARES OF THE COMPANY'S COMMON STOCK HELD BY NON-AFFILIATES AS OF MARCH 13 2003 WAS 1,010,926. THE AGGREGATE MARKET VALUE OF THESE SHARES AS OF MARCH 13, 2003 WAS \$12,393,953 BASED ON THE NASDAQ SMALLCAP MARKET CLOSING PRICE OF \$12.26 ON MARCH 13, 2003.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 1,431,676 AS OF MARCH 13 2003.

Transitional Small Business Disclosure format (check one): Yes No
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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2002, are incorporated by reference into Parts I and II. Portions of the Proxy Statement for the Annual Meeting of Shareholders, scheduled to be held April 28, 2003, are incorporated by reference into Part III.

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PART I

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ITEM 1. DESCRIPTION OF BUSINESS

COMMUNITY CAPITAL

Community Capital Bancshares, Inc. was incorporated as a Georgia business corporation on August 19, 1998, to serve as a bank holding company for Albany Bank & Trust, N.A. Albany Bank & Trust began operations in April 1999 and is the sole subsidiary of Community Capital.

Community Capital's principal business is the ownership and management of Albany Bank & Trust. Community Capital was organized to facilitate Albany Bank & Trust's ability to serve its customers' requirements for financial services. The holding company structure provides flexibility for expansion of Community Capital's banking business through the possible acquisition of other financial institutions and the provision of additional capital to Albany Bank & Trust. For example, we may assist Albany Bank & Trust in maintaining its required capital ratios by borrowing money and contributing the proceeds of that debt to Albany Bank & Trust as primary capital.

ALBANY BANK & TRUST

GENERAL

Albany Bank & Trust was chartered as a national bank under the laws of the United States and began business as a full-service commercial bank on April 28, 1999. Albany Bank & Trust's lending services include consumer loans to individuals, commercial loans to small- to medium-sized businesses and professional concerns and real estate-related loans. Albany Bank & Trust offers a broad array of competitively priced deposit services including demand deposits, regular savings accounts, money market deposits, certificates of deposit and individual retirement accounts. To complement our lending and deposit services, we also provide cash management services, safe-deposit boxes, travelers checks, direct deposit, automatic drafts, and courier services to commercial customers. We offer our services through a variety of delivery systems including our main office, two loan production offices, automated teller machines, telephone banking, and Internet banking.

PHILOSOPHY

Albany Bank & Trust operates as a community bank emphasizing prompt, personalized customer service to the residents and businesses located in Dougherty and Lee Counties, Georgia. We strive to provide responsive delivery of quality products and services to business customers and competitively priced consumer products to individual customers seeking a higher level of personalized service than that provided by larger regional banks. We have adopted this philosophy in order to attract customers and acquire market share controlled by other financial institutions in Albany Bank & Trust's market area. We believe that Albany Bank & Trust offers residents in Dougherty and Lee Counties the benefits associated with a locally owned and managed bank. Albany Bank & Trust's active call program allows its officers and directors to promote Albany Bank & Trust by personally describing the products, services and philosophy of Albany Bank & Trust to both existing customers and new business prospects. In addition, the chief executive officer, chief lending officer and chief financial officer of Albany Bank & Trust have substantial banking experience in Dougherty and Lee Counties, which facilitates Albany Bank & Trust's efforts to provide products and services designed to meet the needs of our customer base. Albany Bank & Trust's directors are active members of the business communities in Albany and around Dougherty and Lee Counties, and their continued active community involvement provides them with an opportunity to promote Albany Bank & Trust and its products and services.

MARKET AREA AND COMPETITION

Albany Bank & Trust is located in Albany, Georgia, and its primary market area is the ten-mile radius surrounding its main office. Albany Bank & Trust draws a majority of its business from its primary market area which includes the majority of Dougherty County and the Southern portion of Lee County. Albany Bank & Trust competes for deposits and loan customers with other financial institutions whose resources are equal to or greater than those available to Albany Bank & Trust and Community Capital. According to information provided by the FDIC, as of June 30, 2002, Dougherty County was served by ten commercial banks with a total of 30 offices in Dougherty County. As of June 30, 2002, the total deposits within Dougherty County for these institutions were approximately \$1.10 billion, of which approximately \$87.4 million were held by Albany Bank & Trust. At December 31, 2002, Albany Bank & Trust's total deposits were \$86 million. We believe our local ownership and management as well as our focus on personalized service helps us to compete with these institutions and to attract deposits and loans in our market area.

LOAN PORTFOLIO

LENDING POLICY. Albany Bank & Trust was established to support Albany and the surrounding areas of Dougherty and Lee Counties. Consequently, Albany Bank & Trust aggressively seeks creditworthy loans within a limited geographic area. Albany Bank & Trust's primary lending functions include consumer loans to individuals and commercial loans to small- and medium-sized businesses and professional concerns. In addition, Albany Bank & Trust makes real estate-related loans, including construction loans for residential and commercial properties, and primary and secondary mortgage loans for the acquisition or improvement of personal residences. Albany Bank & Trust's policy is to avoid concentrations of loans to a single industry or based on a single type of collateral.

REAL ESTATE LOANS. Albany Bank & Trust makes commercial real estate loans, construction and development loans, and residential real estate loans. These loans include commercial loans where Albany Bank & Trust takes a security interest in real estate out of an abundance of caution and not as the principal collateral for the loan, but exclude home equity loans, which are classified as consumer loans.

- COMMERCIAL REAL ESTATE. Commercial real estate loan terms generally are limited to five years or less, although payments may be structured on a longer amortization basis. Interest rates may be fixed or adjustable, but generally are not fixed for a period exceeding 60 months. Albany Bank & Trust normally charges an origination fee on these loans. We attempt to reduce credit risk on our commercial real estate loans by emphasizing loans on owner-occupied office and retail buildings where the ratio of the loan principal to the value of the collateral as established by independent appraisal does not exceed 80% and net projected cash flow available for debt service equals 120% of the debt service requirement. In addition, from time to time Albany Bank & Trust requires personal guarantees from the principal owners of the property supported by a review by Albany Bank & Trust's management of the principal owners' personal financial statements. Risks associated with commercial real estate loans include fluctuations in the value of real estate, new job creation trends, tenant vacancy rates and the quality of the borrower's management. Albany Bank & Trust attempts to limit its risk by analyzing borrowers' cash flow and collateral value on an ongoing basis.
- CONSTRUCTION AND DEVELOPMENT LOANS. Construction and development loans

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are made both on a pre-sold and speculative basis. If the borrower has entered into an agreement to sell the property prior to beginning construction, then the loan is considered to be on a pre-sold basis. If the borrower has not entered into an agreement to sell the property prior to beginning

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construction, then the loan is considered to be on a speculative basis. Construction and development loans are generally made with a term of nine months and interest is paid quarterly. The ratio of the loan principal to the value of the collateral as established by independent appraisal generally does not exceed 80%. Speculative loans are based on the borrower's financial strength and cash flow position. Loan proceeds are disbursed based on the percentage of completion and only after the project has been inspected by an experienced construction lender or appraiser. Risks associated with construction loans include fluctuations in the value of real estate and new job creation trends.

- RESIDENTIAL REAL ESTATE. Albany Bank & Trust's residential real estate loans consist of residential first and second mortgage loans and residential construction loans. We offer fixed and variable rates on our mortgages with the amortization of first mortgages generally not to exceed 15 years and the rates not to be fixed for over 60 months. These loans are made consistent with Albany Bank & Trust's appraisal policy and with the ratio of the loan principal to the value of collateral as established by independent appraisal not to exceed 90%. We believe these loan to value ratios are sufficient to compensate for fluctuations in real estate market value and to minimize losses that could result from a downturn in the residential real estate market.

The Bank also offers conventional mortgages to its customers. These loans are pre-qualified for sale in the secondary market prior to closing. These loans are not retained on the Bank's books. The Bank retains a portion of the closing costs and fees as compensation for originating the loan.

COMMERCIAL LOANS. Loans for commercial purposes in various lines of businesses are one of the primary components of our loan portfolio. The terms of these loans vary by purpose and by type of underlying collateral, if any. Albany Bank & Trust typically makes equipment loans for a term of five years or less at fixed or variable rates, with the loan fully amortized over the term. Equipment loans generally are secured by the financed equipment, and the ratio of the loan principal to the value of the financed equipment or other collateral is generally 80% or less. Loans to support working capital typically have terms not exceeding one year and usually are secured by accounts receivable, inventory or personal guarantees of the principals of the business. For loans secured by accounts receivable or inventory, principal is typically repaid as the assets securing the loan are converted into cash, and for loans secured with other types of collateral, principal is typically due at maturity. The quality of the commercial borrower's management and its ability both to evaluate properly changes in the supply and demand characteristics affecting its markets for products and services and to respond effectively to such changes are significant factors in a commercial borrower's creditworthiness.

CONSUMER LOANS. Albany Bank & Trust makes a variety of loans to individuals for personal, family and household purposes, including secured and unsecured installment and term loans, home equity loans and lines of credit. Consumer loan repayments depend upon the borrower's financial stability and are more likely to be adversely affected by divorce, job loss, illness and personal hardships.

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Because many consumer loans are secured by depreciable assets such as boats, cars, and trailers the loan should be amortized over the useful life of the asset. To minimize the risk that the borrower cannot afford the monthly payments, all fixed monthly obligations should not exceed 38% of the borrower's gross monthly income. The borrower should also be employed for at least 12 months prior to obtaining the loan. The loan officer reviews the borrower's past credit history, past income level, debt history and, when applicable, cash flow and determines the impact of all these factors on the ability of the borrower to make future payments as agreed.

INVESTMENTS. In addition to loans, Albany Bank & Trust makes other investments primarily in obligations of the United States or obligations guaranteed as to principal and interest by the United

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States, other taxable securities and other obligations of states and municipalities. As of December 31, 2002, investment securities comprised approximately 15% of Albany Bank & Trust's assets, with net loans comprising approximately 74% of Albany Bank & Trust's assets. Albany Bank & Trust also engages in Federal funds transactions with its principal correspondent banks and primarily acts as a net seller of funds. The sale of Federal funds amounts to a short-term loan from Albany Bank & Trust to another bank.

Albany Bank & Trust's investment policy specifies that the investment portfolio's primary objective is to assist in the management of the bank's asset / liability management. Investment purchases are used to maximize the return on available funds while matching investment maturities with maturities of interest bearing liabilities. Under the policy, Albany Bank & Trust may invest in U.S. Government, federal agency, municipal and corporate bonds. Rated bonds must be rated "BAA" or higher and in-state bonds must be "A" or higher. Purchases of non-rated out-of-state municipal bonds are prohibited. Other bonds may be purchased after an evaluation of the creditworthiness of the issuer. Albany Bank & Trust's securities are kept in safekeeping accounts at correspondent banks. While the sale of investment securities is permitted to improve quality of yields or to restructure the portfolio, the investment officer is prohibited from maintaining a trading account or speculation in bonds on behalf of Albany Bank & Trust.

All purchases and sales are reviewed by Albany Bank & Trust's Board of Directors on a monthly basis. The Asset and Liability Management Committee implements the investment policy and reviews it on an annual basis.

DEPOSITS. Albany Bank & Trust offers a wide range of commercial and consumer deposit accounts, including checking accounts, money market accounts, a variety of certificates of deposit, and individual retirement accounts. The primary sources of deposits are residents of, and businesses and their employees located in, our primary market area. Deposits are obtained through personal solicitation by Albany Bank & Trust's officers and directors, direct mail solicitations and advertisements published in the local media. To attract deposits Albany Bank & Trust offers a broad line of competitively priced deposit products and services.

FINANCIAL SERVICES. This division offers customers a variety of non-deposit investment products such as trust services, stocks, mutual funds and annuities that are not FDIC insured. These products give customers an opportunity to diversify their holdings. Primary sources of customers are residents of our market area.

OTHER BANKING SERVICES. Albany Bank & Trust's other banking services include ATM and MasterCard check cards, direct deposit, travelers checks, cash

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management services, courier service for commercial customers, bank-by-mail, bank-by-telephone, Internet banking, wire transfer of funds, night depositories and safe deposit boxes.

ASSET AND LIABILITY MANAGEMENT. The Asset and Liability Management Committee manages Albany Bank & Trust's assets and liabilities and strives to provide an optimum and stable net interest margin, a profitable after-tax return on assets and return on equity and adequate liquidity. The committee conducts these management functions within the framework of written loan and investment policies that Albany Bank & Trust has adopted. The committee attempts to maintain a balanced position between rate sensitive assets and rate sensitive liabilities. Specifically, it charts assets and liabilities on a matrix by maturity, effective duration and interest adjustment period and attempts to manage any gaps in maturity ranges.

EMPLOYEES

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At December 31, 2002, Community Capital and its subsidiary employed 37 full-time employees and 2 part-time employees. Community Capital considers its relationship with its employees to be excellent.

SUPERVISION AND REGULATION

Both Community Capital and Albany Bank & Trust are subject to extensive state and federal banking regulations that impose restrictions on and provide for general regulatory oversight of their operations. These laws are generally intended to protect depositors and not shareholders. The following discussion describes the material elements of the regulatory framework that applies to us.

COMMUNITY CAPITAL

Since Community Capital owns all of the capital stock of Albany Bank & Trust, it is a bank holding company under the federal Bank Holding Company Act of 1956. As a result, Community Capital is primarily subject to the supervision, examination, and reporting requirements of the Bank Holding Company Act and the regulations of the Federal Reserve.

ACQUISITIONS OF BANKS. The Bank Holding Company Act requires every bank holding company to obtain the Federal Reserve's prior approval before:

- Acquiring direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the bank's voting shares;
- Acquiring all or substantially all of the assets of any bank; or
- Merging or consolidating with any other bank holding company.

Additionally, the Bank Holding Company Act provides that the Federal Reserve may not approve any of these transactions if it would result in or tend to create a monopoly or, substantially lessen competition or otherwise function as a restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs

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of the community to be served. The Federal Reserve's consideration of financial resources generally focuses on capital adequacy, which is discussed below.

Under the Bank Holding Company Act, if adequately capitalized and adequately managed, Community Capital or any other bank holding company located in Georgia may purchase a bank located outside of Georgia. Conversely, an adequately capitalized and adequately managed bank holding company located outside of Georgia may purchase a bank located inside Georgia. In each case, however, restrictions may be placed on the acquisition of a bank that has only been in existence for a limited amount of time or will result in specified concentrations of deposits. For example, Georgia law prohibits a bank holding company from acquiring control of a financial institution until the target financial institution has been incorporated for three years. Because the Bank has been incorporated for more than three years, this limitation does not apply to the Bank or to the Company.

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CHANGE IN BANK CONTROL. Subject to various exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

- The bank holding company has registered securities under Section 12 of the Securities Act of 1934; or
- No other person owns a greater percentage of that class of voting securities immediately after the transaction.

Our common stock is registered under the Securities Exchange Act of 1934. The regulations provide a procedure for challenge of the rebuttable control presumption.

PERMITTED ACTIVITIES. Bank holding companies are generally prohibited under the Bank Holding Company Act, from engaging in or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in any activity other than:

- Banking or managing or controlling banks; and
- An activity that the Federal Reserve determines to be so closely related to banking as to be a proper incident to the business of banking.

Activities that the Federal Reserve has found to be so closely related to banking as to be a proper incident to the business of banking include:

- Factoring accounts receivable;
- Making, acquiring, brokering or servicing loans and usual related activities;
- Leasing personal or real property;
- Operating a non-bank depository institution, such as a savings association;

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- Trust company functions;
- Financial and investment advisory activities;
- Conducting discount securities brokerage activities;
- Underwriting and dealing in government obligations and money market instruments;
- Providing specified management consulting and counseling activities;
- Performing selected data processing services and support services;
- Acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transactions; and
- Performing selected insurance underwriting activities.

Despite prior approval, the Federal Reserve may order a bank holding company or its subsidiaries to terminate any of these activities or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that the bank holding company's continued ownership, activity or control constitutes a serious risk to the financial safety, soundness, or stability of it or any of its bank subsidiaries.

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Generally, if Community Capital qualifies and elects to become a financial holding company, it may engage in activities that are financial in nature or incidental or complementary to financial activity. The Bank Holding Company Act expressly lists the following activities as financial in nature:

- Lending, trust and other banking activities;
- Insuring, guaranteeing, or indemnifying against loss or harm, or providing and issuing annuities, and acting as principal, agent, or broker for these purposes, in any state;
- Providing financial, investment, or advisory services;
- Issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly;
- Underwriting, dealing in or making a market in securities;
- Other activities that the Federal Reserve may determine to be so closely related to banking or managing or controlling banks as to be a proper incident to managing or controlling banks;
- Foreign activities permitted outside of the United States if the Federal Reserve has determined them to be usual in connection with banking operations abroad;
- Merchant banking through securities or insurance affiliates; and
- Insurance company portfolio investments.

To qualify to become a financial holding company, Albany Bank & Trust and any other depository institution subsidiary of Community Capital must be well capitalized and well managed and must have a Community Reinvestment Act rating of at least satisfactory. Additionally, Community Capital must file an election

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with the Federal Reserve to become a financial holding company and must provide the Federal Reserve with 30 days' written notice prior to engaging in a permitted financial activity. Although we are eligible to elect to become a financial holding company, we currently have no plans to make such an election.

SUPPORT OF SUBSIDIARY INSTITUTIONS. Under Federal Reserve policy, Community Capital is expected to act as a source of financial strength for Albany Bank & Trust and to commit resources to support Albany Bank & Trust. This support may be required at times when, without this Federal Reserve policy, Community Capital might not be inclined to provide it. In addition, any capital loans made by Community Capital to Albany Bank & Trust will be repaid only after its deposits and various other obligations are repaid in full. In the unlikely event of Community Capital's bankruptcy, any commitment by it to a federal bank regulatory agency to maintain the capital of Albany Bank & Trust will be assumed by the bankruptcy trustee and entitled to a priority of payment.

ALBANY BANK & TRUST

Since Albany Bank & Trust is chartered as a national bank, it is primarily subject to the supervision, examination and reporting requirements of the National Bank Act and the regulations of the Office of the Comptroller of the Currency. The Office of the Comptroller of the Currency regularly examines Albany Bank & Trust's operations and has the authority to approve or disapprove mergers, the establishment of branches and similar corporate actions. The Office of the Comptroller of the Currency also has the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Additionally, Albany Bank & Trust's deposits are insured by the FDIC to the maximum extent provided by law. Albany Bank & Trust is also subject to numerous state and federal statutes and regulations that affect its business, activities and operations.

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BRANCHING. National banks are required by the National Bank Act to adhere to branching laws applicable to state banks in the states in which they are located. Under current Georgia law, Albany Bank & Trust may open branch offices throughout Georgia with the prior approval of the Office of the Comptroller of the Currency. In addition, with prior regulatory approval, Albany Bank & Trust may acquire branches of existing banks located in Georgia. Albany Bank & Trust and any other national or state-chartered bank generally may branch across state lines by merging with banks in other states if allowed by the applicable states' laws. Georgia law, with limited exceptions, currently permits branching across state lines through interstate mergers.

Under the Federal Deposit Insurance Act, states may "opt-in" and allow out-of-state banks to branch into their state by establishing a new start-up branch in the state. Currently, Georgia has not opted-in to this provision. Therefore, interstate merger is the only method through which a bank located outside of Georgia may branch into Georgia. This provides a limited barrier of entry into the Georgia banking market, which protects us from an important segment of potential competition. However, because Georgia has elected not to opt-in, our ability to establish a new start-up branch in another state may be limited. Many states that have elected to opt-in have done so on a reciprocal basis, meaning that an out-of-state bank may establish a new start-up branch only if their home state has also elected to opt-in. Consequently, until Georgia changes its election, the only way we will be able to branch into states that have elected to opt-in on a reciprocal basis will be through interstate merger.

PROMPT CORRECTIVE ACTION. The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a system of prompt corrective action to resolve the problems of undercapitalized financial institutions. Under this

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system, the federal banking regulators have established five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) in which all institutions are placed. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category. At December 31, 2002, we qualified for the well-capitalized category.

An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. A bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to various limitations. The controlling holding company's obligation to fund a capital restoration plan is limited to the lesser of 5% of an undercapitalized subsidiary's assets at the time it became undercapitalized or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with FDIC approval. The regulations also establish procedures for downgrading an institution to a lower capital category based on supervisory factors other than capital.

FDIC INSURANCE ASSESSMENTS. The FDIC has adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The system assigns an institution to one of three capital categories: (1) well capitalized; (2) adequately capitalized; and (3) undercapitalized. These three categories are substantially similar to the prompt corrective action categories described above, with the "undercapitalized" category including institutions that are undercapitalized, significantly undercapitalized, and critically undercapitalized for prompt corrective action purposes. The FDIC also assigns an institution to one of three supervisory subgroups based on a supervisory evaluation that the institution's primary federal regulator provides to the FDIC and information that the FDIC determines to

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be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. Assessments range from 0 to 27 cents per \$100 of deposits, depending on the institution's capital group and supervisory subgroup. In addition, the FDIC imposes assessments to help pay off the \$780 million in annual interest payments on the \$8 billion Financing Corporation bonds issued in the late 1980s as part of the government rescue of the thrift industry. This assessment rate is adjusted quarterly and is set at 1.68 cents per \$100 of deposits for the first quarter of 2003.

The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

COMMUNITY REINVESTMENT ACT. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC, or the Office of the

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Comptroller of the Currency, shall evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on Albany Bank & Trust. Since our aggregate assets are not more than \$250 million, under the Gramm-Leach-Bliley Act, we are subject to a Community Reinvestment Act examination only once every 60 months if we receive an "outstanding" rating, once every 48 months if we receive a "satisfactory" rating and as needed if our rating is "less than satisfactory." Additionally, we must publicly disclose the terms of various Community Reinvestment Act-related agreements.

OTHER REGULATIONS. Interest and other charges collected or contracted for by Albany Bank & Trust are subject to state usury laws and federal laws concerning interest rates. For example, under the Soldiers' and Sailors' Civil Relief Act of 1940, a lender is generally prohibited from charging an annual interest rate in excess of 6% on any obligation for which the borrower is a person on active duty with the United States military. Albany Bank & Trust's loan operations are also subject to federal laws applicable to credit transactions, such as:

- The federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- The Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- The Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- The Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Soldiers' and Sailors' Civil Relief Act of 1940, governing the repayment terms of, and property rights underlying, secured obligations of persons in military service; and
- The rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.

In addition to the federal and state laws noted above, the Georgia Fair Lending Act ("GFLA") became effective on October 1, 2002. GFLA imposes new restrictions and procedural requirements on

most mortgage loans made in Georgia, including home equity loans and lines of credit. While many of the GFLA requirements will apply regardless of the interest rate or charges on the loan, "high cost home loans," as defined by GFLA, are subject to the most requirements. We have implemented procedures to comply with all GFLA requirements.

The deposit operations of Albany Bank & Trust are subject to:

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- The Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- The Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

CAPITAL ADEQUACY

Community Capital and Albany Bank & Trust are required to comply with the capital adequacy standards established by the Federal Reserve, in the case of Community Capital, and the Office of the Comptroller of the Currency, in the case of Albany Bank & Trust. The Federal Reserve has established a risk-based and a leverage measure of capital adequacy for bank holding companies. Since Community Capital's consolidated total assets are less than \$150 million, under the Federal Reserve's capital guidelines, our capital adequacy is measured on a bank-only basis, as opposed to a consolidated basis. Albany Bank & Trust is also subject to risk-based and leverage capital requirements adopted by the Office of the Comptroller of the Currency, which are substantially similar to those adopted by the Federal Reserve for bank holding companies.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance-sheet items, such as letters of credit and unfunded loan commitments, are assigned to broad risk categories, each with appropriate risk weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guideline for the ratio of total capital to risk-weighted assets is 8%. Total capital consists of two components, Tier 1 Capital and Tier 2 Capital. Tier 1 Capital generally consists of common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a limited amount of qualifying cumulative perpetual preferred stock, less goodwill and other specified intangible assets. Tier 1 Capital must equal at least 4% of risk-weighted assets. Tier 2 Capital generally consists of subordinated debt, other preferred stock, and a limited amount of loan loss reserves. The total amount of Tier 2 Capital is limited to 100% of Tier 1 Capital. At December 31, 2002 our ratio of total capital to risk-weighted assets was 11.20% and our ratio of Tier 1 Capital to risk-weighted assets was 10.19%.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and other specified intangible assets, of 3% for bank holding companies that meet specified

criteria, including having the highest regulatory rating and implementing the Federal Reserve's risk-based capital measure for market risk. All other bank holding companies generally are required to maintain a leverage ratio of at least 4%. At December 31, 2002, our leverage ratio was 7.82%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially

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above the minimum supervisory levels without reliance on intangible assets. The Federal Reserve considers the leverage ratio and other indicators of capital strength in evaluating proposals for expansion or new activities.

Failure to meet capital guidelines could subject a bank or bank holding company to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits, and certain other restrictions on its business. As described above, significant additional restrictions can be imposed on FDIC-insured depository institutions that fail to meet applicable capital requirements. See "-Prompt Corrective Action."

PAYMENT OF DIVIDENDS

Community Capital is a legal entity separate and distinct from Albany Bank & Trust. The principal sources of Community Capital's cash flow, including cash flow to pay dividends to its shareholders, are dividends that Albany Bank & Trust pays to its sole shareholder, Community Capital. Statutory and regulatory limitations apply to Albany Bank & Trust's payment of dividends to Community Capital as well as to Community Capital's payment of dividends to its shareholders.

Albany Bank & Trust is required by federal law to obtain prior approval of the Office of the Comptroller of the Currency for payments of dividends if the total of all dividends declared by our board of directors in any year will exceed (1) the total of Albany Bank & Trust's net profits for that year, plus (2) Albany Bank & Trust's retained net profits of the preceding two years, less any required transfers to surplus.

The payment of dividends by Community Capital and Albany Bank & Trust may also be affected by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. If, in the opinion of the Office of the Comptroller of the Currency, Albany Bank & Trust were engaged in or about to engage in an unsafe or unsound practice, the Office of the Comptroller of the Currency could require, after notice and a hearing, that Albany Bank & Trust stop or refrain engaging in the practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. See "-Prompt Corrective Action" above.

RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES

Community Capital and Albany Bank & Trust are subject to the provisions of Section 23A of the Federal Reserve Act. Section 23A places limits on the amount of:

- A bank's loans or extensions of credit to affiliates;

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- A bank's investment in affiliates;
- Assets a bank may purchase from affiliates, except for real and

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personal property exempted by the Federal Reserve;

- Loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates; and
- A bank's guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10% of a bank's capital and surplus and, as to all affiliates combined, to 20% of a bank's capital and surplus. In addition to the limitation on the amount of these transactions, each of the above transactions must also meet specified collateral requirements. Albany Bank & Trust must also comply with other provisions designed to avoid the taking of low-quality assets.

Community Capital and Albany Bank & Trust are also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibit an institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

Albany Bank & Trust is also subject to restrictions on extensions of credit to its executive officers, directors, principal shareholders and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (2) must not involve more than the normal risk of repayment or present other unfavorable features.

PRIVACY

Financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third parties except under narrow circumstances, such as the processing of transactions requested by the consumer or when the financial institution is jointly sponsoring a product or service with a nonaffiliated third party. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing to consumers.

ANTI-TERRORISM LEGISLATION

In the wake of the tragic events of September 11th, on October 26, 2001, the President signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001. Under the USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers. For example, the enhanced due diligence policies, procedures, and controls generally require financial institutions to take reasonable steps:

- to conduct enhanced scrutiny of account relationships to guard against money laundering and report any suspicious transaction;
- to ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, each account as needed to guard against money laundering and report any suspicious transactions;

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- to ascertain for any foreign bank, the shares of which are not publicly traded, the identity of the owners of the foreign bank, and the nature and extent of the ownership interest of each such owner; and
- to ascertain whether any foreign bank provides correspondent accounts to other foreign banks and, if so, the identity of those foreign banks and related due diligence information.

Under the USA PATRIOT Act, financial institutions must establish anti-money laundering programs. The USA PATRIOT Act sets forth minimum standards for these programs, including:

- the development of internal policies, procedures, and controls;
- the designation of a compliance officer;
- an ongoing employee training program; and
- an independent audit function to test the programs.

Pursuant to the mandate of the USA PATRIOT Act, the Secretary of the Treasury issued regulations effective April 24, 2002 applicable to financial institutions. Because all federally insured depository institutions are required to have anti-money laundering programs, the regulations provide that a financial institution which is subject to regulation by a "federal functional" is in compliance with the regulations if it complies with the rules of its primary federal regulator governing the establishment and maintenance of anti-money laundering programs.

Under the authority of the USA PATRIOT Act, the Secretary of the Treasury adopted rules on September 26, 2002 increasing the cooperation and information sharing between financial institutions, regulators and law enforcement authorities regarding individuals, entities and organizations engaged in, or reasonably suspected based on credible evidence of engaging in, terrorist acts or money laundering activities. Under the new rules, a financial institution is required to:

- expeditiously search its records to determine whether it maintains or has maintained accounts, or engaged in transactions with individuals or entities, listed in a request submitted by the Financial Crimes Enforcement Network ("FinCEN");
- notify FinCEN if an account or transaction is identified;
- designate a contact person to receive information requests;
- limit use of information provided by FinCEN to: (1) reporting to FinCEN, (2) determining whether to establish or maintain an account or engage in a transaction and (3) assisting the financial institution in complying with the Bank Secrecy Act; and
- maintain adequate procedures to protect the security and confidentiality of FinCEN requests.

Under the new rules, a financial institution may also share information regarding individuals, entities, organizations and countries for purposes of identifying and, where appropriate, reporting activities that it suspects may involve possible terrorist activity

or money laundering. Such information-sharing is protected under a safe harbor if the financial institution:

- notifies FinCEN of its intention to share information, even when sharing with an affiliated financial institution;
- takes reasonable steps to verify that, prior to sharing, the financial institution or association of financial institutions with which it intends to share information has submitted a notice to FinCEN;
- limits the use of shared information to identifying and reporting on money laundering or terrorist activities, determining whether to establish or maintain an account or engage in a transaction, or assisting it in complying with the Bank Security Act; and
- maintains adequate procedures to protect the security and confidentiality of the information.

Any financial institution complying with these rules will not be deemed to have violated the privacy requirements discussed above.

The Secretary of the Treasury also adopted a new rule on September 26, 2002 intended to prevent money laundering and terrorist financing through correspondent accounts maintained by U.S. financial institutions on behalf of foreign banks. Under the new rule, financial institutions:

- are prohibited from providing correspondent accounts to foreign shell banks;
- are required to obtain a certification from foreign banks for which they maintain a correspondent account stating the foreign bank is not a shell bank and that it will not permit a foreign shell bank to have access to the U.S. account;
- must maintain records identifying the owner of the foreign bank for which they may maintain a correspondent account and its agent in the United States designated to accept services of legal process;
- must terminate correspondent accounts of foreign banks that fail to comply with or fail to contest a lawful request of the Secretary of the Treasury or the Attorney General of the United States, after being notified by the Secretary or Attorney General.

The new rule applies to correspondent accounts established after October 28, 2002.

PROPOSED LEGISLATION AND REGULATORY ACTION

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating and doing business in the United States. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute.

EFFECT OF GOVERNMENTAL MONETARY POLICES

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Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in monetary and fiscal policies.

SELECTED STATISTICAL INFORMATION

The responses to this section of Item I are included in the Company's Annual Report to Shareholders under the heading "Selected Statistical Information" at pages 9 through 14, and are incorporated herein by reference.

ITEM 2. DESCRIPTION OF PROPERTIES

Community Capital's executive offices and Albany Bank & Trust is located at 2815 Meredyth Drive in Albany, Georgia in Dougherty County. On November 20, 1998, Community Capital purchased approximately two acres of land at 2815 Meredyth Drive at a purchase price of \$315,000. Construction of the permanent bank building was complete in March 2000. The total construction costs for the building were approximately \$1.4 million. The bank building is a two-story, Colonial style building consisting of approximately 10,700 square feet, four drive-up windows and one automated teller machine.

In 2002, the Bank opened two loan production offices. These locations provide new accounts, loans, night depository services and ATMs. Both locations are approximately 1,500 square feet and are leased under five-year operating leases. The Company also leases approximately 7,500 square feet which is used as its operations center under a five-year operating lease. These offices are located at the following addresses:

Loan Production Office	Loan Production Office	Operations Center
-----	-----	-----
1533-B Highway 19 S Leesburg, Georgia 31763	1529 Moultrie Road Albany, Georgia 31705	2722 Dawson Road, Suite 1 Albany, Georgia 31707

Other than normal real estate commercial lending activities of Albany Bank & Trust, Community Capital generally does not invest in real estate, interests in real estate, real estate mortgages, or securities of or interests in persons primarily engaged in real estate activities.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which Community Capital is a party or of which any of its properties are subject; nor are there material proceedings known to Community Capital to be contemplated by any governmental authority; nor are there material proceedings known to Community Capital, pending or contemplated, in which any director, officer or affiliate or any principal security holder of Community Capital or any associate of any of the foregoing, is a party or has an interest adverse to Community Capital.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The response to this Item is partially included in Community Capital's Annual Report to Shareholders at page 40 and is incorporated herein by reference.

On April 24, 2002, Community Capital granted options to purchase 2,131 shares of its common stock at \$8.15 per share to selected directors as compensation for their services to Albany Bank & Trust and Community Capital. Each option is exercisable upon the grant date 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, the following table sets forth information regarding the shares purchased under the Community Capital Bancshares, Inc. Employee Stock Purchase Plan. 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.

DATE PURCHASED	NUMBER OF SHARES PURCHASED	PURCHASE PRICE
-----	-----	-----
April 5, 2002	817	\$ 7.25
July 5, 2002	824	\$ 7.14

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The response to this Item is included in Community Capital's Annual Report to Shareholders under the heading, "Management's Discussion and Analysis of Financial Condition and Results of Operations," at pages 1 through 8, and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS

The following financial statements are included in Community Capital's Annual Report to Shareholders at pages 15 through 39, and are incorporated herein by reference.

Independent Auditors' Report

Consolidated balance sheets as of December 31, 2002 and 2001

Consolidated statements of operations for the years ended December 31, 2002 and 2001

Consolidated statements of comprehensive income for the years ended December 31, 2002 and 2001

Consolidated statements of stockholders' equity for the years ended December 31, 2002 and 2001

Consolidated statements of cash flows for the years ended December 31, 2002 and 2001

Notes to consolidated financial statements

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The responses to this Item are included in Community Capital's Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2003, under the following headings, and are incorporated herein by reference.

Proposal One: Election of Directors -Class I Nominated Directors, -Continuing Class II Directors and -Continuing Class III Directors" at pages 3 through 4

"Executive Officers," at page 6;

"Section 16(a) Beneficial Ownership Reporting Compliance," at pages 10 through 12.

ITEM 10. EXECUTIVE COMPENSATION

The responses to this Item are included in Community Capital's Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2003, under the heading, "Compensation" at pages 6 through 10, and are incorporated herein by reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this Item is partially included in Community Capital's Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2003, under the headings "Security Ownership of Certain Beneficial Owners," at pages 10 through 11, and is incorporated herein by reference.

The table below sets forth information regarding shares of Community Capital common stock authorized for issuance under the following Community Capital equity compensation plans:

- Community Capital Bancshares, Inc. 1998 Stock Incentive Plan
- Community Capital Bancshares, Inc. 2000 Outside Directors' Stock Option Plan
- Community Capital Bancshares, Inc. Non-qualified Stock Option Agreement with Charles M. Jones, III

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- Community Capital Bancshares, Inc. Non-qualified Stock Option Agreement with Richard Bishop
- Community Capital Bancshares, Inc. Restated Employee Stock Purchase Plan
- Warrant Agreements between Community Capital Bancshares, Inc. and each of Community Capital's directors

The Stock Incentive Plan was approved by shareholders on March 11, 1999. None of the other equity compensation plans or agreements listed above has been approved by Community Capital's shareholders. Each of those plans or agreements is described below.

	Number of securities to be issued upon exercise of outstanding options and warrants	Weighted-average exercise price of outstanding options and warrants	Number of s remaining for future under the compensati (excludin subjec outstanding and war
	-----	-----	-----
Equity compensation plans approved by security holders	125,709	7.09	
-----	-----	-----	-----
Equity compensation plans not approved by security holders	351,383	7.03	
Total	477,092	7.05	

2000 OUTSIDE DIRECTORS' STOCK OPTION PLAN. The 2000 Outside Directors' Stock Option Plan was adopted by the board of directors on April 24, 2000. This plan is not subject to the Employment Retirement Income Security Act of 1974, nor is it qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended. The 2000 Outside Directors' Stock Option Plan provides for the issuance of nonqualified stock options to members of the board of directors who are not employees of Community Capital or any of its affiliates and the chairman of the board of directors, regardless of whether he is an employee of Community Capital. Community Capital has reserved up to 21,429 shares of Community Capital's common stock for issuance under this plan upon exercise of an option. This number may change in the event of future stock dividends, stock splits, recapitalizations and similar events. If an option expires or terminates without being exercised, the shares subject to the unexercised portion of the option may again be available for awards under the 2000 Outside Directors' Stock Option Plan. The purpose of this plan is to promote in its non-employee directors personal interest in the welfare of Community Capital and provide incentives to the individuals who are primarily responsible for shaping and carrying out the long-term plans of Community Capital.

The 2000 Outside Directors' Stock Option Plan provides for an annual grant of an option to purchase 142 shares of Community Capital's common stock to the existing non-employee directors and an option to purchase 285 shares of Community Capital's common stock to the chairman of the board 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 Community Capital. 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. If a participant ceases to be a director of Community Capital or any affiliate, the options expire, terminate and become unexercisable no later than 90 days after the date the participant ceases to provide such services.

NON-QUALIFIED STOCK OPTION AGREEMENT WITH CHARLES M. JONES, III. On November 15, 1999, Mr. Jones was granted an option to purchase 21,429 shares of Community Capital's common stock at an exercise price of \$7.35 per share, as adjusted to reflect Community Capital's ten-for-seven stock split effective in January 2001. This option vests in 20% equal increments over five years beginning on the first anniversary of the grant date for so long as Mr. Jones serves as a director of Community Capital or any of its affiliates. The option will be come fully vested if Mr. Jones retires on or after he reaches age 65 or upon a change in control of Community Capital. The option will expire on the tenth anniversary of the grant date or, if earlier, 90 days after Mr. Jones ceases to be a director of Community Capital or any affiliate.

NON-QUALIFIED STOCK OPTION AGREEMENT WITH RICHARD BISHOP. On April 11, 2000, Mr. Bishop was granted an option to purchase 12,143 shares of Community Capital's common stock at an exercise price of \$7.00 per share, as adjusted to reflect Community Capital's ten-for-seven stock split effective in January 2001. This option vests in 20% equal increments over five years beginning on the first anniversary of the grant date for so long as Mr. Bishop serves as an employee of Community Capital or any of its affiliates. The option will be come fully vested if Mr. Bishop retires on or after he reaches age 65 or upon a change in control of Community Capital. The option will expire on the tenth anniversary of the grant date or, if earlier, 90 days after Mr. Bishop ceases to be employee of Community Capital or any affiliate.

RESTATED EMPLOYEE STOCK PURCHASE PLAN. The Employee Stock Purchase Plan enables eligible employees to purchase shares of Community Capital common stock through payroll deductions. An employee is eligible to participate in the Employee Stock Purchase Plan if that employee is a resident of Georgia and is employed in a position that customarily requires at least 20 hours of work per week. Under the Employee Stock Purchase Plan, employee payroll deductions are combined with matching contributions made by Community Capital and used to purchase shares of Community Capital common stock on behalf of the employee at the end of each calendar quarter. The shares are purchased in the open market at prevailing prices at the time of the purchase or may be purchased from Community Capital at fair market value. Fair market value is determined by Community Capital in good faith based on all relevant facts and circumstances as of the date of purchase. If an employee terminates employment with Community Capital or any affiliate or the employee no longer satisfies the eligibility requirements, the employee's payroll deductions made under the Employee Stock Purchase Plan that have not been used to purchase shares of Community Capital's common stock will be returned to that employee and any matching credits will be forfeited.

WARRANT AGREEMENTS WITH EACH OF COMMUNITY CAPITAL'S DIRECTORS. On March 11, 1999, Community Capital issued its directors warrants to purchase an aggregate of 302,420 shares of Community Capital's common stock at \$7.00 per share, as adjusted to reflect Community Capital's ten-for-seven stock split effective in January 2001. The warrants become exercisable in 20% annual increments beginning on the first anniversary of the issuance date. Exercisable warrants will remain exercisable for the ten-year period following the date of issuance or for 90 days after the warrant holder ceases to be a director of Community Capital, whichever is shorter. The exercise price of each warrant is subject to adjustment for stock splits, recapitalizations or other similar events. Additionally, if the Bank's capital falls below the minimum level, as determined by the Office of the Comptroller of the Currency, Community Capital may be directed to require the directors to exercise or forfeit their warrants.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The responses to this Item are included in Community Capital's Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2003, under the headings, "Certain Relationships and Related Transactions," at page 17, and "Compensation" at pages 6 through 10, and are incorporated herein by reference.

ITEM 13. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number -----	Exhibit -----
3.1	Articles of Incorporation.(1)
3.2	Bylaws.(1)
4.1	Instruments Defining the Rights of Security Holders. See Articles of Incorporation at Exhibit 3.1 hereto and Bylaws at Exhibit 3.2 hereto.
10.3*	Amended and Restated Employment Agreement dated August 19, 1998, among Albany Bank & Trust, N.A. (In Organization), Community Capital Bancshares, Inc. and Robert E. Lee(1) and the Form of Amendment thereto.(1)
10.4*	Employment Agreement dated October 1, 1998, among Albany Bank & Trust, N.A. (In Organization), Community Capital Bancshares, Inc. and David C. Guillebeau, as amended November 9, 1998 (1) and the Form of Second Amendment thereto.(1)
10.5	Form of Community Capital Bancshares, Inc. Organizers' Warrant Agreement.(2)
10.6*	Community Capital Bancshares, Inc. Amended and Restated 1998 Stock Incentive Plan.(3)
10.7*	Form of Community Capital Bancshares, Inc. Incentive Stock Option Award.(1)

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- 10.8* Community Capital Bancshares, Inc. 2000 Outside Directors' Stock Option Plan.(4)
- 10.9* Community Capital Bancshares, Inc. Non-Qualified Stock Option Agreement with Charles Jones, dated November 15, 1999.(4)
- 10.10* Community Capital Bancshares, Inc. Non-Qualified Stock Option Agreement with Richard Bishop, dated April 11, 2000.(4)
- 10.11* First Amendment to the Community Capital Bancshares, Inc. 1998 Stock Incentive Plan.

* Compensatory plan or arrangement.

- 1 Incorporated herein by reference to exhibit of same number in Community Capital's Registration Statement on Form SB-2, Registration No. 333-68307, filed December 3, 1998.
- 2 Incorporated herein by reference to exhibit of same number in Community Capital's Amendment No. 1 to Registration Statement on Form SB-2, Registration No. 333-68307, filed February 2, 1999
- 3 Incorporated by reference to exhibit of same number in Community Capital's Amendment No. 2 to Registration Statement on Form SB-2, Registration No. 333-68307, filed February 2, 1999.
- 4 Incorporated by reference to exhibit of same number in Community Capital's Form 10-QSB (File no. 000-25345), filed November 14, 2000.

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- 10.12* First Amendment to the Community Capital Bancshares, Inc. 2000 Outside Directors' Stock Option Plan.
 - 10.13* Community Capital Bancshares, Inc. Restated Employee Stock Purchase Plan.
 - 13.1 Community Capital Bancshares, Inc. 2002 Annual Report to Shareholders. Except with respect to those portions specifically incorporated by reference into this Report, Community Capital's 2002 Annual Report to Shareholders is not deemed to be filed as part of this Report.
 - 22.1 Subsidiaries of Community Capital Bancshares, Inc.1
 - 23.1 Consent of Mauldin & Jenkins, LLC
 - 24.1 Power of Attorney (appears on the signature pages to this Annual Report on 10-KSB).
 - 99.1 Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (b) Reports on Form 8-K filed in the fourth quarter of 2002: None

ITEM 14. CONTROLS AND PROCEDURES

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and as a date within 90 days prior to the date of this report (the "Evaluation Date"), our

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management, including our Chief Executive Officer and Chief Financial Officer, reviewed the effectiveness and design of our disclosure controls and procedures under Exchange Act Rules 13a-14 and 15d-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer, concluded that such disclosure controls and procedures are adequate to ensure that material information relating to the Company, including its consolidated subsidiary, that is required to be included in its periodic filings with the Securities and Exchange Commission, is timely made known to them. There were no significant changes in internal controls, or to management's knowledge, in other factors that could significantly affect those internal controls subsequent to the Evaluation Date, and there has been no corrective action with respect to significant deficiencies or material weaknesses.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

COMMUNITY CAPITAL BANCSHARES, INC.

By: /s/ Robert E. Lee

Robert E. Lee
President

Date: March 24, 2003

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears on the signature page to this Report constitutes and appoints Robert E. Lee and Charles M. Jones, III, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits hereto, and other documents in connection herewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	----
/s/ Robert M. Beauchamp	Director	March 24, 2003

Robert M. Beauchamp

Director

CERTIFICATION

I, Charles M. Jones, III, certify that:

1. I have reviewed this annual report on Form 10-KSB of Community Capital Bancshares, Inc. (the "Registrant");

2. Based on my knowledge, this annual 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 annual report;

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

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, base on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ Charles M. Jones, III

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Charles M. Jones, III
Chief Executive Officer

CERTIFICATION

I, David J. Baranko, certify that:

1. I have reviewed this annual report on Form 10-KSB of Community Capital Bancshares, Inc. (the "Registrant");

2. Based on my knowledge, this annual 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 annual report;

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

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, base on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ David J. Baranko

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David J. Baranko
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number -----	Exhibit -----
3.1	Articles of Incorporation.(1)
3.2	Bylaws.(1)
4.1	Instruments Defining the Rights of Security Holders. See Articles of Incorporation at Exhibit 3.1 hereto and Bylaws at Exhibit 3.2 hereto.
10.3*	Amended and Restated Employment Agreement dated August 19, 1998, among Albany Bank & Trust, N.A. (In Organization), Community Capital Bancshares, Inc. and Robert E. Lee(1) and the Form of Amendment thereto.(1)
10.4*	Employment Agreement dated October 1, 1998, among Albany Bank & Trust, N.A. (In Organization), Community Capital Bancshares, Inc. and David C. Guillebeau, as amended November 9, 1998 (1) and the Form of Second Amendment thereto. (1)
10.5	Form of Community Capital Bancshares, Inc. Organizers' Warrant Agreement.(2)
10.6*	Community Capital Bancshares, Inc. Amended and Restated 1998 Stock Incentive Plan.(3)
10.7*	Form of Community Capital Bancshares, Inc. Incentive Stock Option Award.(1)
10.8*	Community Capital Bancshares, Inc. 2000 Outside Directors' Stock Option Plan.(4)
10.9*	Community Capital Bancshares, Inc. Non-Qualified Stock Option Agreement with Charles Jones, dated November 15, 1999.(4)
10.10*	Community Capital Bancshares, Inc. Non-Qualified Stock Option Agreement with Richard Bishop, dated April 11, 2000.(4)

* Compensatory plan or arrangement.

1 Incorporated herein by reference to exhibit of same number in Community Capital's Registration Statement on Form SB-2, Registration No. 333-68307, filed December 3, 1998.

2 Incorporated herein by reference to exhibit of same number in Community Capital's Amendment No. 1 to Registration Statement on Form SB-2, Registration No. 333-68307, filed February 2, 1999

3 Incorporated by reference to exhibit of same number in Community Capital's

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Amendment No. 2 to Registration Statement on Form SB-2, Registration No. 333-68307, filed February 2, 1999.

- 4 Incorporated by reference to exhibit of same number in Community Capital's Form 10-QSB (File no. 000-25345), filed November 14, 2000.
- 10.11* First Amendment to the Community Capital Bancshares, Inc. 1998 Stock Incentive Plan.
- 10.12* First Amendment to the Community Capital Bancshares, Inc. 2000 Outside Directors' Stock Option Plan.
- 10.13* Community Capital Bancshares, Inc. Restated Employee Stock Purchase Plan.
- 13.1 Community Capital Bancshares, Inc. 2002 Annual Report to Shareholders. Except with respect to those portions specifically incorporated by reference into this Report, Community Capital's 2002 Annual Report to Shareholders is not deemed to be filed as part of this Report.
- 22.1 Subsidiaries of Community Capital Bancshares, Inc.1
- 23.1 Consent of Mauldin & Jenkins, LLC
- 24.1 Power of Attorney (appears on the signature pages to this Annual Report on 10-KSB).
- 99.1 Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002