Citizens Trust Bank

A relationship you can bank on

2007 ANNUAL REPORT

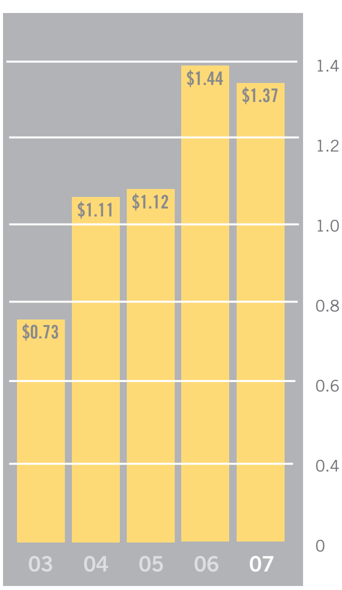
CONTINUING ON THE PATH TO GREATNESS

Results of Operations

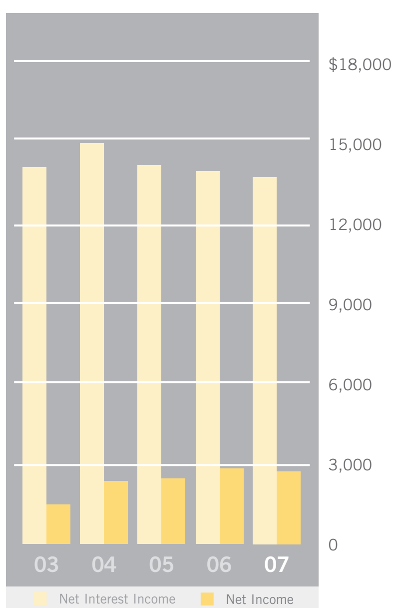
Citizens Trust Bancshares Results of Operations

Years Ended December 31, (amounts in thousands, except per share data and financial ratios)	**2007**	2006	2005	2004	2003
Statement of Operating Data:					
Net interest income	$ 14,177	$ 14,275	$ 14,341	$ 15,223	$ 14,279
Provision for loan losses	–	$ 30	$ 288	$ 850	$ 1,643
Net earnings	$ 2,856	$ 3,003	$ 2,343	$ 2,305	$ 1,505
Per Share Data:					
Net earnings - basic	$ 1.37	1.44	$ 1.12	$ 1.11	$ 0.73
Book value	$ 15.83	14.46	$ 13.03	$ 12.45	$ 11.56
Cash dividends declared	$ 0.19	0.17	$ 0.15	$ 0.15	$ 0.15
Balance Sheet Data:					
Loans, net of unearned income	$ 238,211	221,112	$ 218,972	$ 210,537	$ 212,054
Deposits	$ 279,599	269,020	$ 254,669	$ 266,502	$ 276,780
Notes payable	$ 340	340	$ 440	$ 540	$ 540
Advances from Federal Home Loan Bank	$ 18,944	26,746	$ 37,700	$ 30,250	$ 46,961
Trust Preferred Securities	$ –	5,155	$ 5,155	$ 5,155	$ 5,155
Total assets	$ 338,384	335,185	$ 328,581	$ 331,384	$ 360,598
Average shareholders' equity	$ 30,927	28,173	$ 26,330	$ 24,708	$ 23,941
Average assets	$ 336,862	327,736	$ 327,224	$ 340,712	$ 352,514
Ratios:					
Net earnings to average assets	0.85%	0.92%	0.72%	0.68%	0.43%
Net earnings to average shareholders' equity	9.23%	10.66%	8.90%	9.33%	6.29%
Dividend payout ratio	13.90%	11.85%	13.36%	13.49%	20.72%
Average shareholders' equity to average assets	9.18%	8.60%	8.05%	7.25%	6.79%

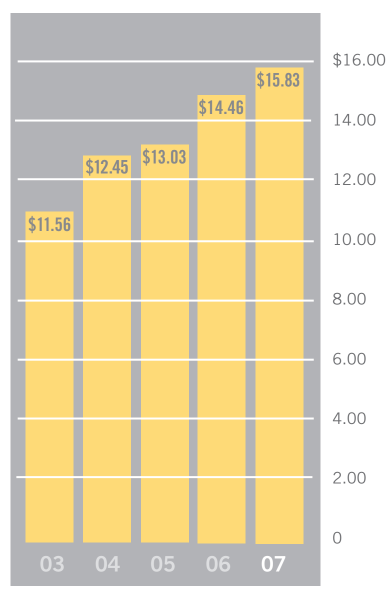
Net Income per Share - Basic



Net Interest Income/Net Income



Book Value per Share



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Vision Statement

CTB will be the premier financial institution for the communities we serve and will operate as the main resource for community growth and development by providing superior financial products and extraordinary service.

Mission Statement

Our mission is to enhance shareholder value while enabling our customers, our community and our associates to realize dreams of economic empowerment.

Core Values

Positive

We will remain committed to the associates and communities that surround our financial centers. We will be open and honest with one another and will strive to foster an environment of trust, respect and teamwork where associates are recognized and rewarded based on individual, team and Bank performance.

Productive

We will achieve our goals by holding ourselves and each other accountable through consistently raising the bar of customer service that exceeds our customers' expectations. We will focus on becoming a service, sales and market-driven organization with our associates demonstrating a "can do" attitude and establishing a reputation of doing it the "CTB Way."

Profitable

We will remain collectively focused on providing competitive and superior financial products and services to drive sustainable institutional growth and profitability for CTB. We will continue to pursue improvement in our processes to ensure that we always maximize our efficiencies.

Message to Our Stockholders

Greetings; and thank you for your continued support of Citizens Bancshares Corporation and its wholly-owned subsidiary, Citizens Trust Bank. We have closed the books on our fiscal year ended December 31, 2007 and we are pleased to report to you another year of strong earnings.

It is our pleasure to advise you the net income for the Corporation for 2007 amounted to $2,856,000. While this earnings performance is 5% less than the record $3,003,000 earned in 2006, it is 28% higher than the $2,343,000 earned in 2005. Considering the economic environment and its particular impact on the banking industry, we are proud of our 2007 earnings achievement and think you should be as well. We, like you, have witnessed the far reaching impact of the sub-prime mortgage debacle on the economy and financial markets. The negative impact intensified as 2007 progressed and created a significant challenge to those in the banking arena and Citizens Trust Bank was not spared.

During 2007, we exited the mortgage origination business because of the difficulty in competing with the many mortgage brokers that had emerged to provide the bulk of mortgage loan products that are now regarded as sub-prime. Nevertheless, it has always been the strategy of your corporation's management team to conduct our business with excellence and prudence. As a result, we were able to traverse the year without making provisions to our loan loss reserve because our loss experience continued to be favorable and the problems we encountered were manageable. At December 31, 2007, our reserve for possible loan losses was more than adequate and it is our intent to ensure that it remains sufficient to weather any future problems, should they arise.

During 2007, we saw our deposits increase by some $11 million, or 4% higher than that reported at year-end 2006. This deposit growth allowed us to restructure our balance sheet to be slightly less rate sensitive. Growth in the loan portfolio was solid during the year despite the fierce competition for commercial and consumer loans. Overall, our net loans grew by an impressive $17 million during 2007.

In addition, we have been prudent in our use of capital. The ratio of average stockholder's equity to average assets is one measure used to determine capital strength. Your company has a strong capital position as the capital ratio for 2007, 2006, and 2005 was 9.18%, 8.60% and 8.05%, respectively. Such a strong capital base will allow us to not only deal with problems as the economy recovers, but will also allow us to seize growth opportunities. Toward that end, we have engaged the investment banking firm of Sandler, O'Neill to assist us in the area of enhancing shareholder value and growth opportunities.

As a result of our successful operations during 2007, the board of directors has declared a dividend of 19 cents per share to stockholders of record as of April 4, 2007.

Thank you again for your continued support. While we, like most banks, will continue to face challenges in this uncertain economic environment, we remain confident in our ability to perform among the best, compete effectively and continue to enhance shareholder value.

JAMES E. YOUNG
President & CEO

RAY M. ROBINSON
Chairman of the Board

2007 Highlights

Continuing on the Path to Greatness

Citizens Trust Bank continues to be a financial institution of excellence. Achieving new heights in 2007, CTB provided over $65 Million in commercial loans contributing to the growth and development of the communities it serves. This included financing of residential subdivision construction, churches, convenient stores, and senior facilities, just to name a few.

Making It Happen Empowerment Series

Citizens Trust Bank and Radio-One teamed up to present the **"Making it Happen Financial Empowerment Series"** – a sequence of empowerment seminars that provided tools for personal and financial success, while enlightening and educating the community. The initial seminar, in the series of four, was facilitated by **Stedman Graham** one of the nation's most prominent business community leaders and author of New York Times Best Seller, *You Can Make It Happen*. Mr. Graham presented his **"Nine Step Plan to Success,"** which plotted a course for breaking barriers and achieving success in every area of life. The remaining three seminars were facilitated by Citizens Trust Bank finance professionals and affiliates who spoke on topics critical to the success of financial empowerment.

Columbus Financial Center Relocation

On Friday, September 28, 2007, Citizens Trust Bank celebrated the relocation of their CTB Columbus Financial Center with a ribbon-cutting ceremony. The newest Citizens Trust Bank Financial Center, located at 3172 Macon Road, Columbus, GA 31906, opened its doors for business on August 29th to provide a larger more convenient location for Columbus residents. **Herman E. Lewis,** Vice President, Regional Manager/Commercial Lender, is responsible for managing the bank's retail and lending relations in the Columbus, Georgia market area.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from to

Commission file number 0-14535

Citizens Bancshares Corporation

(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	**58-1631302** (I.R.S. Employer Identification No.)
75 Piedmont Avenue, N.E., Atlanta, Georgia (Address of principal executive offices)	**30302** (Zip Code)

(404) 659-5959
(Registrant'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:

20,000,000 Shares of Common Stock, $1.00 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☒ Yes ☐ No.

The number of shares outstanding for each of the registrant's classes of common stock as of March 14, 2008 was: 2,006,445 shares of Common Stock, $1.00 par value and 90,000 shares of Non-Voting Common Stock, $1.00 par value.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of common stock held by non-affiliates of the Registrant, based on the last sale price of $10.50 per share on June 30, 2007, was approximately $13,317,300.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1890).

Proxy Statement for Annual Meeting of Shareholders to be held May 28, 2008

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this Report, including, without limitation, matters discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation," of Citizens Bancshares Corporation (the "Company") are "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, integration of recently acquired banks, pending or proposed acquisitions, our other business strategies, our expectations with respect to our allowance for loan losses and impaired loans, anticipated capital expenditures for our operations center, and other statements that are not historical facts. When we use words like "anticipate", "believe", "intend", "expect", "estimate", "could", "should", "will", and similar expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. Factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) changes in the interest rate environment may reduce margins; (3) general economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduction in demand for credit; (4) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which we are engaged; (5) costs or difficulties related to the integration of our businesses, may be greater than expected; (6) deposit attrition, customer loss or revenue loss following acquisitions may be greater than expected; (7) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than us; and (8) adverse changes may occur in the equity markets.

Many of such factors are beyond our ability to control or predict, and readers are cautioned not to put undue reliance on such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements contained in this Report, whether as a result of new information, future events or otherwise.

The Company cautions that the foregoing list of important factors is not exclusive. For further information regarding the risk factors applicable to the Company, please see "Risk Factors" on page 11.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

The Company

General

Citizens Bancshares Corporation (the "Company") was incorporated as a Georgia business corporation in 1972 and became a bank holding company by acquiring all of the common stock of Citizens Trust Bank (the "Bank"). The Company was organized to facilitate the Bank's ability to serve its customers' requirements for financial services. The holding company structure provides flexibility for expansion of the Company's banking business through the possible acquisition of other financial service institutions and the provision of additional banking-related services that the traditional commercial bank may not provide under present laws. For example, banking regulations require that the Bank maintain a minimum ratio of capital to assets. In the event that the Bank's growth is such that this minimum ratio is not maintained, the Company may borrow funds, subject to capital adequacy guidelines of the Federal Reserve, and contribute them to the capital of the Bank and otherwise raise capital in a manner that is unavailable to the Bank under existing banking regulations.

Over the years, the Company has completed several acquisitions. On January 30, 1998, the Company merged with First Southern Bancshares, Inc., whose banking subsidiary, First Southern Bank simultaneously merged into the Bank. On March 10, 2000, the Company acquired certain assets and all of the deposits of Mutual Federal Savings Bank, a failing minority bank, from the Federal Deposit Insurance Corporation. On February 28, 2003, the Company acquired CFS Bancshares, Inc., a minority-owned savings and loan holding company located in Birmingham, Alabama, whose banking subsidiary, Citizens Federal Savings Bank, simultaneously merged into the Bank. This acquisition has resulted in a significant expansion of the Company's market area.

The Company may make additional acquisitions in the future in the event that such acquisitions are deemed to be in the best interests of the Company and its shareholders. Such acquisitions, if any, will be subject to certain regulatory approvals and requirements. See "Business—Bank Holding Company Regulations."

The Bank

General

The Bank, a state bank headquartered in Atlanta, Georgia, was organized in 1921 and is a member of the Federal Reserve System.

The Bank's home office is located at 75 Piedmont Avenue, N.E., Atlanta, Georgia 30303. Including its main branch, the Bank operates ten branch offices located in Atlanta, East Point, Lithonia, Decatur, Stone Mountain and Columbus, Georgia, and Birmingham and Eutaw, Alabama. The Bank conducts a general commercial banking business that serves Fulton, DeKalb and Muscogee Counties, Georgia, as well as Jefferson and Greene Counties, Alabama, acts as an issuing agent for U.S. savings bonds, travelers checks and cashiers checks, and offers collection teller services. The Bank has no subsidiaries.

The Bank does not engage in any line of business other than normal commercial banking activities. The Bank does not engage in any operations in foreign countries nor is a material portion of the Bank's revenues derived from customers in foreign countries. The business of the Bank is not considered to be seasonal nor is the Bank's business dependent on any industry.

The Bank's Primary Service Area

The Bank's primary service area consists of Fulton and DeKalb Counties, along with certain portions of Rockdale County; through its branch in Columbus, the Bank also serves Muscogee County, Georgia, and now through its branches in Birmingham and Eutaw, it serves Jefferson and Greene Counties, Alabama. The primary focus of the Bank is the small business and commercial/service firms in the area plus individuals and households who reside in or commute to the area. The majority of the Bank's customers are drawn from the described area.

Competition

The Bank must compete for both deposit and loan customers with other financial institutions with greater resources than are available to the Bank. Currently, there are numerous branches of regional and local banks, as well as other types of entities offering financial services, located in the Bank's market area.

Deposits

The Bank offers a wide range of commercial and consumer deposit accounts, including non-interest bearing checking accounts, money market checking accounts (consumer and commercial), negotiable order of withdrawal ("NOW") accounts, individual retirement accounts, time certificates of deposit, sweep accounts, and regular savings accounts. The sources of deposits typically are residents and businesses and their employees within the Bank's market area, obtained through personal solicitation by the Bank's officers and directors, direct mail solicitation and advertisements published in the local media. The Bank pays competitive interest rates on time and savings deposits and has a service charge fee schedule competitive with other financial institutions in the Bank's market area, covering such matters as maintenance fees on checking accounts, per item processing fees on checking accounts, returned check charges and the like.

Loan Portfolio

The Bank engages in a full complement of lending activities, including consumer/installment loans, mortgage loans, home equity lines of credit, construction loans and commercial loans, with particular emphasis on small business loans. The Bank believes that the origination of short-term fixed rate loans and loans tied to floating interest rates is the most desirable method of conducting its lending activities.

Consumer Loans

The Bank's consumer loans consist primarily of installment loans to individuals for personal, family and household purposes, including loans for automobiles, home improvements and investments. This category of loans also includes loans secured by second mortgages on the residences of borrowers.

Commercial Lending

Commercial lending is directed principally toward businesses whose demands for funds fall within the Bank's legal lending limits and which are existing deposit customers of the Bank. This category of loans includes loans made to individual, partnership, or corporate borrowers and obtained for a variety of business purposes.

Investments

As of December 31, 2007, investment securities comprised approximately 20% of the Bank's assets, with loans (net of loan loss reserves) comprising approximately 70% of assets. The Bank invests primarily in obligations of the United States, obligations guaranteed as to principal and interest by the United States, government-sponsored enterprises securities and other taxable securities.

Asset/Liability Management

It is the objective of the Bank to manage assets and liabilities to provide a satisfactory, consistent level of profitability within the framework of established cash, loan, investment, borrowing and capital policies. Certain officers of the Bank are charged with the responsibility for developing and monitoring policies and procedures that are designed to ensure acceptable composition of the asset/liability mix. It is the overall philosophy of management to support asset growth primarily through the growth of core deposits, which include deposits of all categories made by individuals, partnerships and corporations. Management of the Bank seeks to invest the largest portion of the Bank's assets in consumer/installment, commercial and construction loans.

The Bank's asset/liability mix is monitored on a daily basis and a report reflecting the interest-sensitive assets and interest-sensitive liabilities is prepared and presented to the Bank's Board of Directors every two months. The objective of this policy is to control interest-sensitive assets and liabilities so as to minimize the impact of substantial movements in interest rates on the Bank's earnings.

Correspondent Banking

Correspondent banking involves the provision of services by one bank to another bank that cannot provide that service for itself from an economic or practical standpoint. The Bank purchases correspondent services offered by larger banks, including check collections, security safekeeping, investment services, wire transfer services, coin and currency supplies, overline and liquidity loan participation, and sales of loans to or participation with correspondent banks.

Employees

As of December 31, 2007, the Bank had 126 full-time equivalent employees (the Company has no employees who are not also employees of the Bank). The Bank is not a party to any collective bargaining agreement and, in the opinion of management, the Bank enjoys excellent relations with its employees.

Website Address

Our corporate website address is www.ctbconnect.com. From this website, select the "Investor Information" tab followed by selecting "Annual Reports/Financial Statements". Our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available and accessible soon after we file them with the SEC.

Supervision and Regulation

Both the Company and the Bank 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. Legislation and regulations authorized by legislation influence, among other things:

- how, when and where we may expand geographically;
- into what product or service market we may enter;
- how we must manage our assets; and

- under what circumstances money may or must flow between the parent bank holding company and the subsidiary bank.

Set forth below is an explanation of the major pieces of legislation affecting our industry and how that legislation affects our actions. The following summary is qualified by reference to the statutory and regulatory provisions discussed. Changes in applicable laws or regulations may have a material effect on our business and prospects, and legislative changes and the policies of various regulatory authorities may significantly affect our operations. We cannot predict the effect that fiscal or monetary policies, or new federal or state legislation may have on our business and earnings in the future.

The Company

Since the Company owns all of the capital stock of the Bank, it is a bank holding company under the federal Bank Holding Company Act of 1956. As a result, the Company 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 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, the Company 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 the Company.

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.

The regulations provide a procedure for challenge of the rebuttable control presumption.

Permitted Activities. The Bank Holding Company Act has generally prohibited a bank holding company from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those determined by the Federal Reserve to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Provisions of the Gramm-Leach-Bliley Act have expanded the permissible activities of a bank holding company that qualifies as a financial holding company. Under the regulations implementing the Gramm-Leach-Bliley Act, a financial holding company may engage in additional activities that are financial in nature or incidental or complementary to financial activity. Those activities include, among other activities, certain insurance and securities activities.

To qualify to become a financial holding company, the Bank and any other depository institution subsidiary of the Company must be well capitalized and well managed and must have a Community Reinvestment Act rating of at least "satisfactory." Additionally, the Company must file an election 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. While the Company meets the qualification standards applicable to financial holding companies, we have not elected to become a financial holding company at this time.

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

The Bank

Since the Bank is a commercial bank chartered under the laws of the State of Georgia and is a Federal Reserve member bank, it is primarily subject to the supervision, examination and reporting requirements of the Georgia Department of Banking and Finance and the Federal Reserve Bank of Atlanta. The Georgia Department of Banking and Finance and the Federal Reserve Bank of Atlanta regularly examine the Bank's operations and have the authority to approve or disapprove mergers, the establishment of branches and similar corporate actions. Both regulatory agencies have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Additionally, the Bank's deposits are insured by the FDIC to the maximum extent provided by law. The Bank is also subject to numerous state and federal statutes and regulations that affect its business, activities and operations.

Branching. Under current Georgia law, the Bank may open branch offices throughout Georgia with the prior approval of the Georgia Department of Banking and Finance. In addition, with prior regulatory approval, the Bank may acquire branches of existing banks located in Georgia. The Bank 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 the Company 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 the Company 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 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. The federal banking agencies have also specified by regulation the relevant capital levels for each of the other categories. As of December 31, 2007, the Bank qualified for the well-capitalized category.

Federal banking regulators are required to take some 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.

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 assesses higher rates on those institutions that pose greater risks to the Deposit Insurance Fund (the "DIF"). The FDIC places each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Within the lower risk category, Risk Category I, rates will vary based on each institution's CAMELS component ratings, certain financial ratios, and long-term debt issuer ratings.

Capital group assignments are made quarterly and an institution is assigned 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 banking regulator provides to the FDIC and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. Assessments range from 5 to 43 cents per $100 of deposits, depending on the institution's capital group and supervisory subgroup. Institutions that are well capitalized will be charged a rate between 5 and 7 cents per $100 of deposits.

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 or the FDIC 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 the Bank. Additionally, we must publicly disclose the terms of various Community Reinvestment Act-related agreements.

Allowance for Loan and Lease Losses. The Allowance for Loan and Lease Losses (the "ALLL") represents one of the most significant estimates in the Bank's financial statements and regulatory reports. Because of its significance, the Bank has developed a system by which it develops, maintains and documents a comprehensive, systematic and consistently applied process for determining the amounts of the ALLL and the provision for loan and lease losses. The Interagency Policy Statement on the Allowance for Loan and Lease Losses, issued on December 13, 2006, encourages all banks to ensure controls are in place to consistently determine the ALLL in accordance with GAAP, the bank's stated policies and procedures, management's best judgment and relevant supervisory guidance. Consistent with supervisory guidance, the Bank maintains a prudent and conservative, but not excessive, ALLL, that is at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. The Bank's estimate of credit losses reflects consideration of all significant factors that affect the collectibility of the portfolio as of the evaluation date. See "Management's Discussion and Analysis—Critical Accounting Policies."

Commercial Real Estate Lending. The Bank's lending operations may be subject to enhanced scrutiny by federal banking regulators based on its concentration of commercial real estate loans. On December 6, 2006, the federal banking regulators issued final guidance to remind financial institutions of the risk posed by commercial real estate ("CRE") lending concentrations. CRE loans generally include land development, construction loans and loans secured by multifamily property, and nonfarm, nonresidential real property where the primary source of repayment is derived from rental income associated with the property.

Other Regulations. Interest and other charges collected or contracted for by the Bank 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 of more than 6% on any obligation for which the borrower is a person on active duty with the United States Military. The Bank'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, certain identity theft protections, and certain credit and other disclosures;
- The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- The Servicemembers Civil Relief Act, which amended the Soldiers' and Sailors' 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.

The deposit operations of the Bank are subject to:

- 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;
- The Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement that act, which governs 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;
- Truth-In-Savings Act, requiring certain disclosures for consumer deposit accounts; and
- The rules and regulations of the various federal banking regulators charged with the responsibility of implementing these federal laws.

Capital Adequacy

The Company and the Bank are required to comply with the capital adequacy standards established by the Federal Reserve, in the case of the Company, and the FDIC, in the case of the Bank. The Federal Reserve has established a risk-based and a leverage measure of capital adequacy for bank holding companies. Since the Company's consolidated assets are less than $500 million, under the Federal Reserve's capital guidelines, our capital adequacy is measured on a bank-only basis as opposed to a consolidated basis. The Bank is also subject to risk-based and leverage capital requirements adopted by the FDIC, 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 shareholders' equity, minority interests in the equity accounts of consolidated subsidiaries, qualifying 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 hybrid capital 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, 2007, our ratio of total capital to risk-weighted assets was 14% and our ratio of Tier 1 Capital to risk-weighted assets was 13%.

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, 2007, the Company's leverage ratio was 10%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially 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

The Company is a legal entity separate and distinct from the Bank. The principal source of the Company's cash flow, including cash flow to pay dividends to its shareholders, is dividends that the Bank pays to the Company, its sole shareholder. Statutory and regulatory limitations apply to the Bank's payment of dividends to the Company as well as to the Company's payment of dividends to its shareholders.

If, in the opinion of the federal banking regulator, the Bank were engaged in or about to engage in an unsafe or unsound practice, the federal banking regulator could require, after notice and a hearing, that it cease and desist from its 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 is already 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.

The Georgia Department of Banking and Finance also regulates the Bank's dividend payments and must approve dividend payments that would exceed 50% of the Bank's net income for the prior year. Our payment of dividends may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

Restrictions on Transactions with Affiliates

The Company and the Bank are subject to the provisions of Section 23A of the Federal Reserve Act. Section 23A places limits on the amount of:

- loans or extensions of credit to affiliates;
- investment in affiliates;
- the purchase of assets from affiliates, except for real and personal property exempted by the Federal Reserve;
- loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates; and
- any 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. The Bank must also comply with other provisions designed to avoid the taking of low-quality assets.

The Company and the Bank 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.

The Bank 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.

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 or 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

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.

ITEM 1A. RISK FACTORS

Our allowance for loan losses may not be adequate to cover actual loan losses, which may require us to take a charge to our earnings and adversely impact our financial condition and results of operations.

We maintain an allowance for estimated loan losses that we believe is adequate for absorbing any probable losses in our loan portfolio. Management determines the provision for loan losses based upon an analysis of general market conditions, credit quality of our loan portfolio, and performance of our customers relative to their financial obligations with us. We employ an outside vendor specializing in credit risk management to evaluate our loan portfolio for risk grading, which can result in changes in our allowance for estimated loan losses. The amount of future losses is susceptible to changes in economic, operating, and other conditions, including changes in interest rates that may be beyond our control and such losses may exceed the allowance for estimated loan losses. Although management believes that the allowance for estimated loan losses is adequate to absorb any probable losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual loan losses in the future. Significant increases to the provision for loan losses may be necessary if material adverse changes in general economic conditions occur or the performance of our loan portfolio deteriorates. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review the allowance for estimated loan losses. If these regulatory agencies require us to increase the allowance for estimated loan losses, it would have a negative effect on our results of operations and financial condition.

We could suffer loan losses from a decline in credit quality.

We could sustain losses if borrowers, guarantors and related parties fail to perform in accordance with the terms of their loans. We have adopted underwriting and credit monitoring procedures and policies, including the establishment and review of the allowance for credit losses that we believe are appropriate to minimize this risk by assessing the likelihood of nonperformance, tracking loan performance and diversifying our credit portfolio. These policies and procedures, however, may not prevent unexpected losses that could materially adversely affect our results of operations.

If the value of real estate in our core market were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which could have a material adverse effect on our business, financial condition and results of operations.

With most of our loans concentrated in the metro Atlanta, Georgia and Birmingham, Alabama, a decline in local economic conditions could adversely affect the values of our real estate collateral. Consequently, a decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse.

In addition to considering the financial strength and cash flow characteristics of borrowers, we often secure loans with real estate collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and capital could be adversely affected.

Additional growth may require us to raise additional capital in the future, but that capital may not be available when it is needed, which could adversely affect our financial condition and results of operations.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our current capital resources will satisfy our capital requirements for the foreseeable future. We may at some point, however, need to raise additional capital to support our continued growth.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations could be materially impaired.

Our access to additional short term funding to meet our liquidity needs is limited.

We must maintain, on a daily basis, sufficient funds to cover withdrawals from depositors' accounts and to supply new borrowers with funds. We routinely monitor asset and liability maturities in an attempt to match maturities to meet liquidity needs. To meet our cash obligations, we rely on repayments as asset mature, keep cash on hand, maintain account balances with correspondent banks, purchase and sell federal funds, purchase brokered deposits and maintain a line of credit with the Federal Home Loan Bank. If we are unable to meet our liquidity needs through loan and other asset repayments and our cash on hand, we may need to borrow additional funds. Due to the limited availability of liquidity as a result of the subprime mortgage crisis, our access to additional borrowed funds may be limited and we may be required to pay above market rates for additional borrowed funds, which may adversely our results of operations.

Changes in monetary policies may have an adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve Board. Actions by monetary and fiscal authorities, including the Federal Reserve Board, could have an adverse effect on our deposit levels, loan demand or business and earnings.

Our profitability is vulnerable to interest rate fluctuations.

Our profitability depends substantially upon our net interest income. Net interest income is the difference between the interest earned on assets, such as loans and investment securities, and the interest paid for liabilities, such as savings and time deposits and out-of-market certificates of deposit. Market interest rates for loans, investments and deposits are highly sensitive to many factors beyond our control. Recently, interest rate spreads have generally narrowed due to changing market conditions, policies of various government and regulatory authorities and competitive pricing pressures, and we cannot predict whether these rate spreads will narrow even further. This narrowing of interest rate spreads could adversely affect our financial condition and results of operations.

At December 31, 2007 we were in an asset sensitive position, which generally, means that changes in interest rates affect our interest earned on assets quicker than our interest paid for liabilities since the rates earned on our assets reset sooner than rates paid on our liabilities. Accordingly, we anticipate that interest rate decreases by the Federal Reserve Bank in the first quarter of 2008 will have a negative affect on our net interest income until the interest rates paid on our liabilities reset.

In addition, we cannot predict whether interest rates will continue to remain at present levels. Changes in interest rates may cause significant changes, up or down, in our net interest income. Depending on our portfolio of loans and investments, our results of operations may be adversely affected by changes in interest rates.

We are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business, which limitations or restrictions could adversely affect our profitability.

As a bank holding company, we are primarily regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). Our subsidiary bank is primarily regulated by the Federal Deposit Insurance Corporation (the "FDIC") and the State of Georgia Department of Banking and Finance. Our compliance with Federal Reserve Board, FDIC and Department of Banking and Finance regulations is costly and may limit our growth and restrict certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits and locations of offices. We are also subject to capital requirements of our regulators.

The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably.

The Sarbanes-Oxley Act of 2002, the related rules and regulations promulgated by the SEC that currently apply to us and the related exchange rules and regulations, have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices. As a result, we may experience greater compliance costs.

An economic downturn, especially one affecting our market areas, could adversely affect our financial condition, results of operations or cash flows.

Our success depends upon the growth in population, income levels, deposits and housing starts in our primary market areas. If the communities in which we operate do not grow, or if prevailing economic conditions locally or nationally are unfavorable, our business may not succeed. Unpredictable economic conditions may have an adverse effect on the quality of our loan portfolio and our financial performance. Economic recession over a prolonged period or other economic problems in our market areas could have a material adverse impact on the quality of the loan portfolio and the demand for our products and services. Future adverse changes in the economies in our market areas may have a material adverse effect on our financial condition, results of operations or cash flows. Further, the banking industry in Georgia and Alabama is affected by general economic conditions such as inflation, recession, unemployment and other factors beyond our control. As a community bank, we are less able to spread the risk of unfavorable local economic conditions than larger or more regional banks. Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our primary market areas even if they do occur.

As a community bank, we have different lending risks than larger banks.

We provide services to our local communities. Our ability to diversify our economic risks is limited by our own local markets and economies. We lend primarily to small to medium-sized businesses, and, to a lesser extent, individuals which may expose us to greater lending risks than those of banks lending to larger, better-capitalized businesses with longer operating histories.

We manage our credit exposure through careful monitoring of loan applicants and loan concentrations in particular industries, and through loan approval and review procedures. We have established an evaluation process designed to determine the adequacy of our allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of loan losses is an estimate based on experience, judgment and expectations regarding our borrowers, the economies in which we and our borrowers operate, as well as the judgment of our regulators. We cannot assure you that our loan loss reserves will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, financial condition, or results of operations.

Competition from other financial institutions may adversely affect our profitability.

The banking business is highly competitive, and we experience strong competition from many other financial institutions. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds and other financial institutions, which operate in our primary market areas and elsewhere.

We compete with these institutions both in attracting deposits and in making loans. In addition, we have to attract our customer base from other existing financial institutions and from new residents. Many of our competitors are well-established and much larger financial institutions. While we believe we can and do successfully compete with these other financial institutions in our markets, we may face a competitive disadvantage as a result of our smaller size and lack of geographic diversification.

Although we compete by concentrating our marketing efforts in our primary market area with local advertisements, personal contacts and greater flexibility in working with local customers, we can give no assurance that this strategy will be successful.

Our plans for future expansion depend, in some instances, on factors beyond our control, and an unsuccessful attempt to achieve growth could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The investment necessary for branch expansion may negatively impact our efficiency ratio. We may also seek to acquire other financial institutions, or parts of those institutions, though we have no present plans in that regard. Expansion involves a number of risks, including:

- the time and costs of evaluating new markets, hiring experienced local management and opening new offices;
- the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- we may not be able to finance an acquisition without diluting the interests of our existing shareholders;
- the diversion of our management's attention to the negotiation of a transaction may detract from their business productivity;
- we may enter into new markets where we lack experience; and
- we may introduce new products and services with which we have no prior experience into our business.

Our ability to pay dividends is limited and we may be unable to pay future dividends. As a result, capital appreciation, if any, of our common stock may be your sole opportunity for gains on your investment for the foreseeable future.

We make no assurances that we will pay any dividends in the future. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that our Board of Directors may deem relevant. The holders of our common stock are entitled to receive dividends when, and if declared by our Board of Directors out of funds legally available for that purpose. As part of our consideration to pay cash dividends, we intend to retain adequate funds from future earnings to support the development and growth of our business. In addition, our ability to pay dividends is restricted by federal policies and regulations. It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. Further, our principal source of funds to pay dividends is cash dividends that we receive from the bank.

Our recent results may not be indicative of our future results, and may not provide guidance to assess the risk of an investment in our common stock.

We may not be able to sustain our historical rate of growth or may not even be able to grow our business at all. In addition, our recent and rapid growth may distort some of our historical financial ratios and statistics. In the future, we may not have the benefit of several recently favorable factors, such as a generally increasing interest rate environment, a strong residential mortgage market or the ability to find suitable expansion opportunities. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit our ability to expand our market presence. If we experience a significant decrease in our historical rate of growth, our results of operations and financial condition may be adversely affected due to a high percentage of our operating costs being fixed expenses.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no written comments from the Commission staff regarding our periodic reports or current reports under the Act which remain unresolved.

ITEM 2. DESCRIPTION OF PROPERTIES

The Bank's main office building is located at 75 Piedmont Avenue, N.E., Atlanta,, Georgia. In addition to its main branch, the Bank also operates nine other branch offices: the office located at 2727 Panola Road, Lithonia, Georgia, which is owned by the Bank; the office located at 965 M.L. King Jr. Drive, Atlanta, Georgia, which is owned by the bank; the office located at 2840 East Point Street, East Point, Georgia, which is owned by the bank; the office located at 2592 S. Hairston Road, Decatur, Georgia, which is owned by the bank; the office located at Rockbridge Plaza, 5771 Rockbridge Road, Stone Mountain, Georgia, which is owned by the Bank; the office located at 3705 Cascade Road, Atlanta, Georgia, which is owned by the bank; the office located at 3172 Macon Road, Columbus, Georgia, is leased; the office located at 1700 Third Avenue North, Birmingham, Alabama, which is owned by the Bank; and the office located at 213 Main Street, Eutaw, Alabama, which is owned by the Bank. In the opinion of management, all of these properties are adequately insured.

Other than normal commercial lending activities of the Bank, the Company generally does not invest in real estate, interests in real estate, or securities of or interests in entities primarily engaged in real estate activities.

ITEM 3. LEGAL PROCEEDINGS

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

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

No matter was submitted to a vote of security holders during the fourth quarter of 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock, $1.00 par value ("Common Stock"), is traded on the Nasdaq Bulletin Board, but there is limited trading. The following table sets forth high and low bid information for the Common Stock for each of the quarters in which trading has occurred since January 1, 2006. The prices set forth below reflect only information that has come to management's attention and do not include retail mark-ups, markdowns or commissions and may not represent actual transactions.

Quarter Ended:	High Bid	Low Bid
Fiscal year ended December 31, 2007		
March 31, 2007	$11.70	$10.20
June 30, 2007	$11.00	$10.35
September 30, 2007	$11.00	$10.00
December 31, 2007	$10.50	$ 9.01
Fiscal year ended December 31, 2006		
March 31, 2006	$11.40	$10.50
June 30, 2006	$11.45	$ 9.65
September 30, 2006	$11.50	$ 9.90
December 31, 2006	$11.75	$10.85

As of March 14, 2008, there were approximately 1,444 holders of record of Common Stock. The Company also has outstanding 90,000 shares of Non-Voting Common Stock, all of which is held by one shareholder.

The Company paid an annual cash dividend of $0.17 per share in 2006 and $0.19 per share in 2007. The Company's dividend policy in the future will depend on the Bank's earnings, capital requirements, financial condition, and other factors considered relevant by the Board of Directors of the Company. See "Description of Business—Bank Regulation."

The Company issued 6,925 shares of unregistered common stock from treasury stock to the Company's Employee Stock Purchase Plan during 2007 at a price of $8.17 per share.

The Company did not purchase any shares of its common stock during the fourth quarter 2007.

ITEM 6. SELECTED FINANCIAL DATA

This information is not required since the Company qualifies as a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company

Citizens Bancshares Corporation (collectively with its subsidiary, the "Company") is a holding company that provides a full range of commercial banking services to individual and corporate customers through its wholly owned subsidiary, Citizens Trust Bank (the "Bank"). The Bank operates under a state charter and serves its customers through its home office and six full-service branches in metropolitan Atlanta, one full-service branch in Columbus, Georgia, one full-service branch in Birmingham, Alabama, and one full-service branch in Eutaw, Alabama. All significant intercompany accounts and transactions have been eliminated in consolidation.

The following discussions of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and related notes, appearing in other sections of this Annual Report.

Forward Looking Statements

In addition to historical information, this Annual Report on Form 10-K may contain forward-looking statements. For this purpose, any statements contained herein, including documents incorporated by reference, that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Without limiting the foregoing, the words "intend," "seek," "estimate," "believe," "anticipates," "plan," expects," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are based on current management expectations and, by their nature, are subject to risk and uncertainties because of the possibility of changes in underlying factors and assumptions. Actual conditions, events or results could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons, including: sharp and/or rapid changes in interest rates; significant changes in the economic scenario from the current anticipated scenario which could materially change anticipated credit quality trends and the ability to generate loans and gather deposits; significant delay in or inability to execute strategic initiatives designed to grow revenues and/or control expenses; unanticipated issues during the integration of acquisitions; and significant changes in accounting, tax or regulatory practices or requirements. These factors should be considered in evaluating the "forward-looking statements" and undue reliance should not be placed on such statements. The Company undertakes no obligation to, nor does it intend to, update forward-looking statements to reflect circumstances or events that occur after the date hereof or to reflect the occurrence of unanticipated events. All written or oral forward-looking statements attributable to the Company are expressly qualified in the entirety by these cautionary statements.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which often require the judgment of management in the selection and application of certain accounting principles and methods. Management believes the quality and reasonableness of its most critical policies enable the fair presentation of its financial position and results of operations.

In response to the Securities and Exchange Commission's ("SEC") Release No. 33-8040, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, the Company has identified the following as the most critical accounting policies upon which its financial status depends. The critical policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments by the Company's management. The Company's most critical accounting policies are:

Investment Securities—The Company classifies investments in one of three categories based on management's intent upon purchase: held to maturity securities which are reported at amortized cost, trading securities which are reported at fair value with unrealized holding gains and losses included in earnings, and available for sale securities which are recorded at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income. The Company had no investment securities classified as trading securities during 2007, 2006 or 2005.

Premiums and discounts on available for sale and held to maturity securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts are presented within investment securities interest income on the Consolidated Statements of

Income. Gains and losses on sales of investment securities are recognized upon disposition, based on the adjusted cost of the specific security. A decline in market value of any security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Loans—Loans are reported at principal amounts outstanding less unearned income, discounts and the allowance for loan losses. Interest income on loans is recognized on a level yield basis. Loan fees and certain direct origination costs are deferred and amortized over the estimated terms of the loans using the level-yield method. Discounts on loans purchased are accreted using the level yield method over the estimated remaining life of the loan purchased. The accretion and amortization of loan fees, origination costs, and premiums and discounts are presented as a component of loan interest income on the Consolidated Statements of Income.

Allowance for Loan Losses—The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses. Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. On a semiannual basis a comprehensive review of the adequacy of allowance for loan losses is performed. This assessment is made in the context of historical losses as well as existing economic conditions, performance trends within specific portfolio segments, and individual concentrations of credit. Loans are charged against the allowance when, in the opinion of management, such loans are deemed to be uncollectible and subsequent recoveries are added to the allowance.

A description of the Company's other accounting policies are summarized in Note 1, Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Selected Financial Data

The following selected financial data for Citizens Bancshares Corporation and subsidiary should be read in conjunction with the Consolidated Financial Statements and related Notes appearing in another section of this Annual Report.

	Years ended December 31,		
	2007	2006	2005
	(amounts in thousands, except per share data and financial ratios)		
Statement of income data:			
Net interest income	$ 14,177	$ 14,275	$ 14,341
Provision for loan losses	$ —	$ 30	$ 288
Net income	$ 2,856	$ 3,003	$ 2,343
Per share data:			
Net income—basic	$ 1.37	$ 1.44	$ 1.12
Book value	$ 15.83	$ 14.46	$ 13.03
Cash dividends declared	$ 0.19	$ 0.17	$ 0.15
Balance sheet data:			
Loans, net of unearned income and discounts	$238,211	$221,112	$218,972
Deposits	$279,599	$269,020	$254,669
Notes payable	$ 340	$ 340	$ 440
Advances from Federal Home Loan Bank	$ 18,944	$ 26,746	$ 37,700
Junior subordinated debentures	$ —	$ 5,155	$ 5,155
Total assets	$338,384	$335,185	$328,581
Average stockholders' equity	$ 30,927	$ 28,173	$ 26,330
Average assets	$336,862	$327,736	$327,224
Ratios:			
Net income to average assets	0.85%	0.92%	0.72%
Net income to average stockholders' equity	9.23%	10.66%	8.90%
Dividend payout ratio	13.90%	11.85%	13.36%
Average stockholders' equity to average assets	9.18%	8.60%	8.05%

In 2007, the Company reported net income of $2,856,000, a 5 percent decrease over net income of $3,003,000 in 2006, which represented a 28 percent increase over 2005. Basic and diluted earnings per share were $1.37 and $1.44 for 2007 and 2006, respectively. Pretax income for 2007 was flat compared to 2006, decreasing by $86,000 or 2 percent to $3,672,000, while income tax expense increased by $61,000 or 8 percent to $816,000 over the same periods. The year over year increase in income tax expense is primarily due to the reduction of certain other allowable deductions taken in 2006 which were not available in 2007. Additional information concerning the Company's income taxes is summarized in Note 7, Income Taxes in the Notes to the Consolidated Financial Statements.

The ratio of average stockholders' equity to average assets is one measure used to determine capital strength. The Company has a strong capital position, as its ratio of average stockholders' equity to average assets for 2007, 2006 and 2005 was 9.18 percent, 8.60 percent and 8.05 percent, respectively. Another key capital ratio, the Company's net income to average stockholders' equity (return on equity), was 9.23 percent, 10.66 percent and 8.90 percent in 2007, 2006 and 2005, respectively.

Financial Condition

As of December 31, 2007, the Company had total assets of $338,384,000 and shareholders' equity was $33,133,000, representing 10 percent of total assets. Book value per common share was $15.83 as of December 31, 2007, as increase of 9 percent compared to the same period last year.

Loans receivable, net increased by $17 million or 8 percent to $235,364,000 in 2007 compared to 2006. The increase in Loans receivable, net was partially offset by a $4 million decrease in Interest-bearing deposits with banks and $12 million in investment securities as these funds were shifted into loans which offer higher yields.

At December 31, 2007, Foreclosed real estate, net was $2,423,000 an increase of $2,292,000 compared to December 31, 2006. This increase is primarily due to the collateral seized on a $2.6 million troubled loan, partially offset by the liquidation of several properties throughout the year. Due to the recent adverse conditions in the current real estate market, market value of real estate properties in the Company's target markets has been declining. As a result, in the fourth quarter of 2007, the Company reduced the carrying value of its Foreclosed real estate, net by $139,000.

Cash value of life insurance, a comprehensive compensation program for directors and certain senior managers of the Company, increased $381,000 or 4 percent at December 31, 2007. The increase is due to additional premiums paid and earnings on such premiums throughout the year.

Investment Portfolio

The composition of the Company's investment securities portfolio reflects the Company's investment strategy of maximizing portfolio yields commensurate with risk and liquidity considerations. The primary objectives of the Company's investment strategy are to maintain an appropriate level of liquidity and provide a tool to assist in controlling the Company's interest rate sensitivity position, while at the same time producing adequate levels of interest income.

At December 31, 2007 and 2006, investment securities comprised approximately 20 percent and 24 percent of the Company's assets, respectively. The investment portfolio had a fair market value of $67,115,000 and an amortized cost of $66,980,000, resulting in a net unrealized gain of $135,000 at December 31, 2007. For the same period in 2006, the investment portfolio had a fair market value of $78,505,000 and an amortized cost of $79,337,000, resulting in a net unrealized loss of $832,000.

Investments classified as held-to-maturity at December 31, 2007 had an amortized cost of $7,374,000 ($7,438,000 estimated fair value), compared to an amortized cost $8,175,000 ($8,157,000 estimated fair value) at December 31, 2006. Total investments classified as available-for-sale had a fair value of $59,677,000 ($59,606,000 amortized cost) at December 31, 2007, compared to a fair value of $70,348,000 ($71,162,000 amortized cost) at December 31, 2006.

The following table shows the contractual maturities of all investment securities at December 31, 2007 and the weighted average yields (on a fully taxable basis assuming a 34 percent tax rate) of such securities. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties (amounts in thousands, except yields):

	Maturing							
	Within 1 Year		Between 1 and 5 Years		Between 5 and 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Government-sponsored enterprises securities	$3,983	3.77%	$ 4,981	4.53%	$ 385	5.75%	$ 9,020	5.48%
Mortgage-backed securities(a)	—	—	3,160	3.74%	8,104	4.04%	19,175	4.98%
State, county, and municipal securities	90	7.35%	2,437	5.82%	10,561	6.01%	5,155	6.14%
Totals	$4,073		$10,578		$19,050		$33,350	

(a) Mortgage-backed securities have been categorized at their average life according to their projected speed of repayment. Principal repayments will occur at varying dates throughout the terms of the mortgages.

Other investments consist of Federal Home Loan Bank and Federal Reserve Bank stock, which are restricted and have no readily determined market value. The Company is required to maintain an investment in the FHLB and FRB as part of its membership conditions. The level of investments is determined by the amount of outstanding advances at the FHLB and 6 percent of the par value of the bank's common stock outstanding and paid-in-capital. These investments are carried at cost and decreased by $405,000 to $1,842,000 in 2007 compared to 2006.

Nonperforming Assets

Nonperforming assets include nonperforming loans and real estate acquired through foreclosure. Nonperforming loans consist of loans which are past due with respect to principal or interest more than 90 days ("past-due loans") or have been placed on nonaccrual of interest status ("nonaccrual loans"). Generally, past-due loans and nonaccrual loans which are delinquent more than 90 days will be charged off against the Company's allowance for possible loan losses unless management determines that the loan has sufficient collateral to allow for the recovery of unpaid principal and interest or reasonable prospects for the resumption of principal and interest payments.

Accrual of interest on loans is discontinued when reasonable doubt exists as to the full, timely collection of interest or principal or when loans become contractually in default for 90 days or more as to either interest or principal. The accrual of interest on some loans, however, may continue even though they are 90 days past due if the loan is well secured, in the process of collection and management deems it appropriate. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged-off against interest income on loans unless management believes that the accrued interest is recoverable through the liquidation of collateral.

Nonperforming assets increased during the year by $3,836,000 to $7,684,000 at December 31, 2007 from $3,848,000 at December 31, 2006. This increase is primarily related to a $2.6 million loan secured by real estate that the Company foreclosed and transferred to foreclosed real estate. The remaining increase in nonperforming assets relates to nonperforming 1-4 family residential, multifamily residential, and nonfarm residential mortgage loans. Management is in the process of foreclosing and liquidating these properties. The Company does not expect significant losses as these properties have private mortgage insurance and/or sufficient market value to offset the principal balance outstanding. Also, the U.S. Government through the Small Business Administration Program guarantees $1,762,000 of the $5,261,000 in nonperforming loans.

Nonperforming assets represents 3.19 percent of loans, net of unearned income, discounts, and real estate acquired through foreclosure at December 31, 2007 as compared to 1.74 percent at December 31, 2006.

The table below presents a summary of the Company's nonperforming assets at December 31, 2007 and 2006.

	December 31, 2007	December 31, 2006
	(in thousands, except financial ratios)	
Nonperforming assets:		
Nonperforming loans:		
Nonaccrual loans	$5,261	$3,718
Past-due loans of 90 days or more	—	—
Nonperforming loans	5,261	3,718
Real estate acquired through foreclosure	2,423	130
Total nonperforming assets	$7,684	$3,848
Ratios:		
Nonperforming loans to loans, net of unearned income and discount on loans	2.21%	1.68%
Nonperforming assets to loans, net of unearned income, discounts, and real estate acquired through foreclosure	3.19%	1.74%
Nonperforming assets to total assets	2.27%	1.15%
Allowance for loan losses to nonperforming loans	54.12%	83.61%
Allowance for loan losses to nonperforming assets	37.06%	80.78%

Provision and Allowance for Loan Losses

The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. These estimates for losses are based on individual assets and their cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining the necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses.

Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates and management's judgment. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. On a semi-annual basis an independent review of the adequacy of allowance for loan losses is performed. This assessment is made in the context of historical losses as well as existing economic conditions, and individual concentrations of credit.

Reviews of nonperforming loans, designed to identify potential charges to the reserve for possible loan losses, as well as to determine the adequacy of the reserve, are made on a continuous basis during the year. These reviews are conducted by the responsible lending officers, a separate independent review process, and the internal audit division. They consider such factors as trends in portfolio volume, quality, maturity and composition; industry concentrations; lending policies; new products; adequacy of collateral; historical loss experience; the status and amount of non-performing and past-due loans; specific known risks; and current, as well as anticipated specific and general economic factors that may affect certain borrowers. The conclusions are reviewed and approved by senior management. When a loan, or a portion thereof, is considered by management to be uncollectible, it is charged against the reserve after receiving approval by the Board of Directors. Any recoveries on loans previously charged off are added to the reserve.

The provision for loan losses is the periodic cost of increasing the allowance or reserve for the estimated losses on loans in the portfolio. A charge against operating earnings is necessary to maintain the allowance for loan losses at an adequate level as determined by management. The provision is determined based on growth of the loan portfolio, the amount of net loans charged-off, and management's estimation of potential future loan losses based on an evaluation of loan portfolio risks, adequacy of underlying collateral, and economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Based on the Company's evaluation, a provision for loan losses was not recorded in 2007. In 2006, the provision for loan losses that was charged against operating earnings was $30,000.

The Company's allowance for loan losses was approximately $2,848,000 or 1.20 percent of loans receivable, net of unearned income and discounts at December 31, 2007, and $3,109,000 or 1.41 percent of loans receivable, net of unearned income and discounts at December 31, 2006. Management believes that the allowance for loan losses at December 31, 2007 is adequate to provide for potential loan losses given past experience and the underlying strength of the loan portfolio.

The following table summarizes loans, changes in the allowance for loan losses arising from loans charged off, recoveries on loans previously charged off by loan category, and additions to the allowance which have been charged to operating expense as of and for the twelve months ended December 31, 2007 and 2006 (amount in thousands, except financial ratios):

	2007	2006
Loans, net of unearned income and discounts	$238,211	$221,112
Average loans, net of unearned income, discounts and the allowance for loan losses	$223,687	$215,002
Allowance for loan losses at the beginning of period	$ 3,109	$ 3,327
Loans charged-off:		
Commercial, financial, and agricultural	53	144
Real estate—loans	242	161
Installment loans to individuals	238	224
Total loans charged-off	533	529
Recoveries of loans previously charged off:		
Commercial, financial, and agricultural	70	118
Real estate—loans	130	93
Installment loans to individuals	72	70
Total loans recovered	272	281
Net loans charged-off	261	248
Additions to allowance for loan losses charged to operating expense	—	30
Allowance for loan losses at period end	$ 2,848	$ 3,109
Ratio of net loans charged-off to average loans, net of unearned income, discounts, and the allowance for loan losses	0.12%	0.12%
Ratio of allowance for loan losses to loans, net of unearned income and discounts	1.20%	1.41%

Deposits

Deposits are the Company's primary source of funding loan growth. Total deposits at December 31, 2007 increased by 4 percent or $10,579,000 to $279,599,000, driven by interest-bearing deposits which increased 8 percent or $16,948,000 to $225,705,000 compared to December 31, 2006. On an average basis, average interest-bearing deposits increased by $19,209,000 or 9 percent to $225,133,000 in 2007. The increase was primarily attributed to the Company's sale efforts, which places specific emphasis on deposit growth to reduce its reliance upon wholesale funding sources. The Company also has Corporate and Governmental customers that have significant interest-bearing deposits with the Company; and their deposit and withdrawal activities can significantly impact the Company's deposit balances.

For additional information about the Company's deposit maturities and composition, see Note 5, Deposits, in the Notes to Consolidated Financial Statements.

Other Borrowed Funds

While the Company continues to emphasize funding earning asset growth through deposits, it relies on other borrowings as a supplemental funding source and to manage its interest rate sensitivity. During 2007, the Company's average borrowed funds decreased by $9,681,000 to $17,303,000 from $26,984,000 in 2006. The average interest rate on other borrowings was 6 percent in 2007 and 2006, respectively. Other borrowings consist of Federal funds purchased, short-term borrowings and Federal Home Loan Bank (the "FHLB") advances. In 2002, the Company issued pooled trust preferred securities used to acquire another financial institution, which were redeemed on June 26, 2007. The Bank had an average outstanding advance from the FHLB of $13,974,000 in 2007 and $21,454,000 in 2006. These advances are collateralized by FHLB stock, a blanket lien on the Bank's 1-4 family mortgages, commercial real estate loans and home equity loans.

For additional information regarding the Company's other borrowings, see Note 6, Other Borrowings, in the Notes to Consolidated Financial Statements.

Disclosure about Contractual Obligations and Commitments

The following tables identify the Company's aggregated information about contractual obligations and loan commitments at December 31, 2007.

	Payments Due by Period				
Contractual Obligations	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**	**Total**
FHLB advances	$18,565,000	$ —	$ —	$ 379,408	$18,944,408
Notes payable	339,647	—	—	—	339,647
Operating leases	457,951	944,579	1,000,339	1,854,848	4,257,717
	$19,362,598	$944,579	$1,000,339	$2,234,256	$23,541,772

	Amount of Commitment Expiration Per Period				
Other Commitments	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**	**Total**
Commitments to extend credit	$31,796,223	$14,130,780	$4,949,812	$279,004	$51,155,819
Commercial letters of credit	3,551,000	—	—	—	3,551,000
	$35,347,223	$14,130,780	$4,949,812	$279,004	$54,706,819

Liquidity Management

Liquidity is the ability of the Company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the Company's ability to meet the day-to-day cash flow requirements of its customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs. Without proper liquidity management, the Company would not be able to perform the primary function of a financial intermediary and would, therefore, not be able to meet the needs of the communities it serves. Additionally, the Company requires cash for various operating needs including: dividends to shareholders; business combinations; capital injections to its subsidiary; the servicing of debt; and the payment of general corporate expenses. The Company has access to various capital markets. However, the primary source of liquidity for the Company is dividends from its bank subsidiary. The Georgia Department of Banking and Finance regulates the dividend payments and must approve dividend payments that exceed 50 percent of the Bank's prior year net income. The payment of dividends may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. The amount of dividends available from the Bank without prior approval from the regulators for payment in 2007 is approximately $1,604,000. The Company does not anticipate any liquidity requirements in the near future that it will not be able to meet.

Asset and liability management functions not only serve to assure adequate liquidity in order to meet the needs of the Company's customers, but also to maintain an appropriate balance between interest-sensitive assets and interest-sensitive liabilities so that the Company can earn a return that meets the investment requirements of its shareholders. Daily monitoring of the sources and uses of funds is necessary to maintain an acceptable cash position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities and, to a lesser extent, sales of investment securities available for sale and trading account securities. Other short-term investments such as federal funds sold, securities purchased under agreements to resell and maturing interest bearing deposits with other banks, are additional sources of liquidity funding.

The liability portion of the balance sheet provides liquidity through various customers' interest bearing and noninterest bearing deposit accounts. Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings are additional sources of liquidity and, basically, represent the Company's incremental borrowing capacity. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet short-term liquidity needs.

Capital Resources

Stockholders' equity increased by $2,983,000 or 10 percent during 2007. This increase is largely due to the growth in retained earnings of $2,286,000 as a result of net earnings in 2007 of $2,856,000 and an increase in accumulated other comprehensive income of $585,000.

Dividends of $397,000 were paid on the Company's common stock in 2007, representing a 12 percent increase over the amount paid in 2006. The annual dividend payout rate was $0.19 per common share in 2007 compared to $0.17 per common share paid in 2006. The dividend payout ratio was 14 percent and 12 percent for 2007 and 2006 respectively. The Company intends to continue a dividend payout ratio that is competitive in the banking industry while maintaining an adequate level of retained earnings to support continued growth.

A strong capital position, which is vital to the continued profitability of the Company, also promotes depositor and investor confidence and provides a solid foundation for the future growth of the organization. The Company has satisfied its capital requirements principally through the retention of earnings. The ratio of average shareholders' equity as a percentage of total average assets is one measure used to determine capital strength. The Company continues to maintain a strong capital position as its ratio of average stockholders' equity to average assets for 2007 was 9.18 percent compared with 8.60 percent in 2006.

In addition to the capital ratios mentioned above, banking industry regulators have defined minimum regulatory capital ratios that the Company and the Bank are required to maintain. These risk-based capital guidelines take into consideration risk factors, as defined by the regulators, associated with various categories of assets, both on and off of the balance sheet. The minimum guideline for the ratio of total capital to risk-weighted assets is 8 percent. Total capital consists of two components, Tier 1 Capital and Tier 2 Capital. Tier 1 Capital generally consists of common shareholders' equity, minority interests in the equity accounts of consolidated subsidiary, qualifying 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 percent of risk-weighted assets. Tier 2 Capital generally consists of subordinated debt, other preferred stock and hybrid capital and a limited amount of loan loss reserves. The total amount of Tier 2 Capital is limited to 100 percent of Tier 1 Capital. Also, 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 percent 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, including the Company, generally are required to maintain a leverage ratio of at least 4 percent.

At December 31, 2007 our ratio of total capital to risk-weighted assets was 14 percent, our ratio of Tier 1 Capital to risk-weighted assets was 13 percent and our leverage ratio was 10 percent.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is the principal component of a financial institution's income stream and represents the difference, or spread, between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates as well as volume and mix changes in earning assets and interest bearing liabilities can materially impact net interest income.

Net interest income, on a fully tax-equivalent basis, accounted for 75 percent of net interest income and noninterest income before provision for loan losses in 2007 and 2006, respectively, and 74 percent in 2005. The level of such income is influenced primarily by changes in volume and mix of earning assets, sources of noninterest income and sources of funding, market rates of interest, and income tax rates. The Company's Asset/Liability Management Committee ("ALCO") is responsible for managing changes in net interest income and net worth resulting from changes in interest rates based on acceptable limits established by the Board of Directors. The ALCO reviews economic conditions, interest rate forecasts, the demand for loans, the availability of deposits, current operating results, liquidity, capital, and interest rate exposures. Based on such reviews, the ALCO formulates a strategy that is intended to implement objectives set forth in the asset/liability management policy.

As a result of its asset/liability management program, on June 26, 2007 the Company retired its junior subordinated debentures which carried an interest rate of 8.82 percent during 2007. The Company also retired its FHLB fixed rate advance with an interest rate of 5.82% in third quarter of 2007. The Company continues to monitor its asset/liability mix and will make changes as appropriate to ensure it is properly positioned to react to changing interest rates and inflationary trends.

The following table represents the Company's net interest income on a tax-equivalent basis to facilitate performance comparisons among various taxable and tax-exempt assets. Interest income on tax-exempt investment securities was adjusted to reflect the income on a tax-equivalent basis (considering the effect of the disallowed interest expense related to carrying these tax-exempt investment securities) using a nominal tax rate of 34 percent for 2007, 2006, 2005.

	Years ended December 31,		
	2007	2006	2005
Interest Income	$ 22,565	$ 21,616	$ 19,785
Tax-equivalent adjustment	417	458	413
Interest income, tax-equivalent basis	22,982	22,074	20,198
Interest expense	(8,388)	(7,340)	(5,443)
Net interest income, tax equivalent basis	14,594	14,734	14,755
Provision for loan losses	—	(30)	(288)
Noninterest income	4,807	4,864	5,107
Noninterest expense	(15,312)	(15,351)	(16,468)
Income before income taxes	4,089	4,217	3,106
Income tax expense	(816)	(756)	(350)
Tax-equivalent adjustment	(417)	(458)	(413)
Income tax expense, tax-equivalant basis	(1,233)	(1,214)	(763)
Net income	$ 2,856	$ 3,003	$ 2,343

Net interest income on a tax-equivalent basis for 2007 was flat compared to 2006, decreasing by $140,000 compared to a decrease of $21,000 in 2006. In line with most financial institutions in 2007, our net interest margin has experienced pressure from flattening loan rates and higher interest rates associated with gathering and maintaining deposits. Net interest income on a tax-equivalent basis growth in the fourth quarter was constrained due to asset yields tied to the prime rate declining in lock-step with Federal Reserve reductions while deposit rates were declining to a lesser extent due to deposit competition. Despite this pressure, the Company maintained a net interest yield on earning assets in 2007, 2006 and 2005 of 4.75 percent, 4.98 percent, and 5.06 percent on a tax equivalent basis, respectively.

Total interest income on a tax equivalent basis increased $908,000 or 4 percent for the period ended December 31, 2007 compared to the same period in 2006. Similarly, total interest income on a tax equivalent basis increased by $1,876,000 or 9 percent in 2006 compared to the same period in 2005. These increases were primarily due to changes in rates and volume of average earning assets.

Total interest expense on a tax equivalent basis increased $1,048,000 or 14 percent in 2007 and $1,897,000 or 35 percent in 2006 due to the repricing of interest-bearing liabilities in a higher rate environment and competition for deposits.

Noninterest Income

Noninterest income consists of revenues generated from a broad range of financial services and activities, including deposit and service fees, gains and losses realized from the sale of securities and assets, as well as various other components that comprise other noninterest income. Noninterest income totaled $4,807,000 in 2007, a decrease of $57,000 or 1 percent compared to 2006. Noninterest income was $4,864,000 in 2006, representing a decrease of $243,000 or 5 percent compared to 2005.

Fee income from service charges on deposit accounts, the major component of noninterest income, increased 2 percent in 2007 after declining 8 percent in 2006. The increase in 2007 is primarily due to an enhancement in the services offered on the Bank's deposit products which has had a positive impact on service fee income. In the fourth quarter of 2007, noninterest income increased by $359,000 or 32.9% compared to the same period last year as this new fee generating product has been well received by the Bank's customers. In 2006, service charges on deposit accounts were negatively impacted by customers' embracing the Company's free checking account product implemented to compete with local financial institutions offering similar products in the Company's target market area and reduced volume of insufficient funds, returned check charges, and other customer service fees.

In 2005, in accordance with the guidance in SFAS No. 115 and SAB Topic 5: M, the Company's management concluded that an other-than-temporary impairment had incurred in its agency preferred securities, and that a writedown of the securities to market value was appropriate. The Company realized a $346,000 loss on the writedown for other-than-temporary impairment in its Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) perpetual preferred stocks. There was no other-than-temporary impairment charge in 2007 and 2006.

The Company experienced a loss on sales of securities of $30,000 in 2007, and gains of $154,000 and $75,000 in 2006 and 2005, respectively. As part of its asset/liability strategy the bank sold various investments in order to restructure its investment portfolio to take advantage of the current interest rate environment and meet its liquidity needs to satisfy increasing loan demand. The Company also realized gains of $47,000 and $2,000 in 2007 and 2006, respectively, and a loss of $8,000 in 2005 on the sale of assets. These transactions primarily represent the liquidation of repossessed assets and foreclosed properties.

Other operating income increased slightly in 2007, increasing by $25,000 but decreased by $376,000 or 22 percent in 2006. This decrease is partially due to an event which increased the 2005 balance by $250,000. In 2005 we reversed a $250,000 accrual related to a jury verdict the Company won on appeal.

Noninterest Expense

The efficiencies in the Company's operations continue to improve as management continues to adjust overhead expenses to handle the impact that the flat yield curve has on earnings. While total noninterest expenses reflects a decrease of $40,000 in 2007, our overhead expenses was significantly impacted by a $200,000 judgment against the Company in the first quarter of 2007. Total noninterest expense decreased by $1,117,000 or 7 percent to $15,351,000 in 2006 as a result of actions taken by management to control overhead expenses.

Salaries and employee benefits expense decreased $105,000 or 1 percent in 2007 and $619,000 or 8 percent in 2006 due to a decrease in the Company's full-time employees (FTE). The Company's ongoing organizational changes have reduced its FTE to 126 at the end of December 31, 2007 from 133 in 2006, representing a 5 percent reduction in staff.

Occupancy and equipment expense includes depreciation expense and repairs and maintenance costs relating to the Company's premises and equipment. Occupancy and equipment expense was basically flat in 2007, increasing by $25,000. During the third quarter of 2007 the Company relocated its Columbus branch to a larger facility which is closer to the Company's customer base and has more growth opportunities. The Company also installed plasma televisions in each of its branches to improve the marketing of its products to retail customers. The Company benefited from the consolidation of several branches in 2005 as occupancy and equipment expense decreased $281,000 or 11 percent in 2006.

Other operating expenses were also flat in 2007, increasing by $28,000. However, other operating expenses includes a $200,000 award levied against the Company by the Superior Court of DeKalb County, Georgia for attorney fees associated with a former court case decided against the Company. The Company considers the attorney fees awarded to be excessive and unwarranted considering the amount of the judgment awarded by the jury in the case, and is appealing to have the fee reversed. Other operating expenses decreased by $217,000 or 4 percent in 2006 due to expense control.

Income Taxes

Income tax expense increased $61,000 or 8 percent to $816,000 for the year ended December 31, 2007 compared to an increase of $406,000 or 116 percent to $756,000 in 2006. The effective tax rate as a percentage of pretax income was 22 percent in 2007, 20 percent in 2006, and 13 percent in 2005. The statutory federal rate was 34 percent during 2007, 2006 and 2005. The increase in the effective tax rate in 2007 is primarily due to the reduction of certain other allowable deductions taken in 2006 which were not available in 2007. The increase in the effective tax rate in 2006 is due to a 40 percent increase in pretax income. For further information concerning the provision for income taxes, refer to Note 7, Income Taxes, in the Notes to Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

This information is not required since the Company qualifies as a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements, notes thereon, and independent auditors report are included herein beginning on page F-1:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2007 and 2006
Consolidated Statements of Income for the years ended December 31, 2007, 2006 and 2005
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2007, 2006 and 2005
Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005
Notes to Consolidated Financial Statements

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes or disagreements with the Company's accountants in the last two fiscal years.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as of the end of the period covered by this Annual Report on Form 10-K, 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 annual 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 this evaluation, our Chief Executive Officer, Chief Operating 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 Exchange Commission, is timely made known to them.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with appropriate management authorization and accounting records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management believes that Citizens Bancshares Corporation maintained effective internal control over financial reporting as of December 31, 2007.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls

There have been no changes in our internal controls over financial reporting during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2008, under the headings "Election of Directors," "Executive Officers," "Beneficial Ownership of Common Stock," "Information About the Board and its Committees" and "Compliance With Section 16(a) of the Securities Exchange Act of 1934" and are incorporated herein by reference.

The Company has adopted a Code of Business Conduct and Ethics that applies to its principal executive, financial and accounting officers. A copy may also be obtained, without charge, upon written request addressed to Citizens Bancshares Corporation, 75 Piedmont Avenue, N.E., Atlanta, Georgia 30303, Attention: Corporate Secretary. The request may also be delivered by fax to the Corporate Secretary at (404) 575-8311.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Company's board of directors.

ITEM 11. EXECUTIVE COMPENSATION

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2008 under the heading "Executive Compensation" and are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The responses to this item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2008 under the heading "Beneficial Ownership of Common Stock" and are incorporated herein by reference.

The following table sets forth information regarding our equity compensation plans under which shares of our common stock are authorized for issuance. All data is presented as of December 31, 2007.

	Equity Compensation Plan Table		
	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	90,176 shares	$10.97	234,434 shares
Equity compensation plans not approved by security holders	17,500 shares	$ 9.88	None
Total	107,676 shares	$10.80	234,434 shares

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2008 under the heading, "Certain Transactions" and "Director Independence" and are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to the fees paid to the Company's independent accountants is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2008 under the heading "Accounting Matters" and are incorporated herein by reference.

Citizens Bancshares Corporation and Subsidiary

Consolidated Financial Statements as of December 31, 2007 and 2006 and for Each of the Three Years in the Period Ended December 31, 2007

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Citizens Bancshares Corporation
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Citizens Bancshares Corporation and its subsidiary as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three year period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Citizens Bancshares Corporation and its subsidiary as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years in the three year period then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to examine management's assertion about the effectiveness of Citizens Bancshares Corporation and its subsidiary's internal control over financial reporting as of December 31, 2007 included in the accompanying Management's Report on Internal Control over Financial Reporting, accordingly, we do not express an opinion thereon.

Elliott Davis, LLC

Elliott Davis, LLC
Columbia, South Carolina
March 27, 2008

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Cash and due from banks, including reserve requirements of $300,000 at December 31, 2007 and 2006, respectively	$ 8,187,833	$ 8,615,340
Interest-bearing deposits with banks	521,586	4,588,548
Certificates of deposit	100,000	100,000
Investment securities available for sale, at fair value (amortized cost of $59,606,060 and $71,162,240 at December 31, 2007 and 2006, respectively)	59,677,477	70,348,116
Investment securities held to maturity, at cost (estimated fair value of $7,437,567 and $8,157,349 at December 31, 2007 and 2006, respectively)	7,373,981	8,174,850
Other investments	1,841,550	2,246,250
Loans receivable—net	235,363,511	218,003,209
Premises and equipment—net	7,791,706	7,850,023
Cash surrender value of life insurance	9,744,891	9,363,656
Foreclosed real estate—net	2,422,865	130,457
Other assets	5,358,263	5,765,005
	$338,383,663	$335,185,454
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Noninterest-bearing deposits	$ 53,893,706	$ 60,262,662
Interest-bearing deposits	225,705,481	208,757,684
Total deposits	279,599,187	269,020,346
Accrued expenses and other liabilities	4,367,222	3,774,832
Federal funds purchased	2,000,000	—
Notes payable	339,647	339,647
Junior subordinated debentures	—	5,155,000
Advances from Federal Home Loan Bank	18,944,408	26,745,923
Total liabilities	305,250,464	305,035,748
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Common stock—$1 par value; 20,000,000 shares authorized; 2,230,065 shares issued and outstanding	2,230,065	2,230,065
Nonvoting common stock—$1 par value; 5,000,000 shares authorized; 90,000 shares issued and outstanding	90,000	90,000
Additional paid-in capital	7,553,588	7,497,239
Retained earnings	25,071,250	22,785,503
Treasury stock at cost, 227,517 and 234,442 shares at December 31, 2007 and 2006, respectively	(1,858,839)	(1,915,416)
Accumulated other comprehensive income (loss), net of income taxes	47,135	(537,685)
Total stockholders' equity	33,133,199	30,149,706
	$338,383,663	$335,185,454

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

	2007	2006	2005
Interest income:			
Loans, including fees	$18,852,597	$18,050,725	$16,503,010
Investment securities:			
Taxable	2,496,921	2,482,652	2,221,289
Tax-exempt	808,750	889,140	801,313
Dividends	98,915	126,646	135,363
Interest-bearing deposits	307,512	66,295	123,542
Total interest income	22,564,695	21,615,458	19,784,517
Interest expense:			
Deposits	7,360,882	5,710,991	3,976,613
Other borrowings	1,026,961	1,628,971	1,466,564
Total interest expense	8,387,843	7,339,962	5,443,177
Net interest income	14,176,852	14,275,496	14,341,340
Provision for loan losses	—	30,000	287,500
Net interest income after provision for loan losses	14,176,852	14,245,496	14,053,840
Noninterest income:			
Service charges on deposits	3,399,147	3,341,830	3,643,642
Impairment loss on equity securities	—	—	(346,000)
Gains (losses) on sales of securities	(30,299)	153,647	74,854
Gains (losses) on sales of assets	47,277	1,899	(8,082)
Other operating income	1,391,356	1,366,716	1,742,706
Total noninterest income	4,807,481	4,864,092	5,107,120
Noninterest expense:			
Salaries and employee benefits	7,423,763	7,528,768	8,148,086
Occupancy and equipment	2,382,168	2,344,595	2,625,549
Other operating expenses	5,506,097	5,477,631	5,694,624
Total noninterest expense	15,312,028	15,350,994	16,468,259
Income before income taxes	3,672,305	3,758,594	2,692,701
Income tax expense	816,385	755,705	349,455
Net income	$ 2,855,920	$ 3,002,889	$ 2,343,246
Net income per share—basic	$ 1.37	$ 1.44	$ 1.12
Net income per share—diluted	$ 1.37	$ 1.44	$ 1.12
Weighted average outstanding shares:			
Basic	2,089,906	2,087,002	2,085,732
Diluted	2,089,906	2,087,002	2,096,449

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

	Common Stock		Nonvoting Common Stock		Additional Paid in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount			Shares	Amount		
Balance—December 31, 2004	2,230,065	$2,230,065	90,000	$90,000	$7,442,206	$18,108,133	(240,643)	$(1,955,278)	$ (33,635)	$25,881,491
Net income	—	—	—	—	—	2,343,246	—	—	—	2,343,246
Unrealized holding losses on investment securities available for sale—net of taxes of $480,378	—	—	—	—	—	—	—	—	(932,499)	(932,499)
Less reclassification adjustment for holding gains included in net income—net of taxes of $25,450	—	—	—	—	—	—	—	—	(49,404)	(49,404)
Less reclassification adjustment for writedown losses on investment securities included in net income—net of taxes of $117,639	—	—	—	—	—	—	—	—	228,361	228,361
Comprehensive income	—	—	—	—	—	—	—	—	—	1,589,704
Sale of treasury stock	—	—	—	—	(2,775)	—	9,330	59,002	—	56,227
Dividends declared—$0.15 per share	—	—	—	—	—	(313,033)	—	—	—	(313,033)
Balance—December 31, 2005	2,230,065	$2,230,065	90,000	$90,000	$7,439,431	$20,138,346	(231,313)	$(1,896,276)	$(787,177)	$27,214,389
Net income	—	—	—	—	—	3,002,889	—	—	—	3,002,889
Unrealized holding losses on investment securities available for sale—net of taxes of $181,786	—	—	—	—	—	—	—	—	350,899	350,899
Less reclassification adjustment for holding gains included in net income—net of taxes of $52,240	—	—	—	—	—	—	—	—	(101,407)	(101,407)
Comprehensive income	—	—	—	—	—	—	—	—	—	3,252,381
Purchase of treasury stock	—	—	—	—	6,074	—	(6,968)	(65,000)	—	(58,926)
Sale of treasury stock	—	—	—	—	1,254	—	3,839	45,860	—	47,114
Stock based compensation expense	—	—	—	—	50,480	—	—	—	—	50,480
Dividends declared—$0.17 per share	—	—	—	—	—	(355,732)	—	—	—	(355,732)
Balance—December 31, 2006	2,230,065	$2,230,065	90,000	$90,000	$7,497,239	$22,785,503	(234,442)	$(1,915,416)	$(537,685)	$30,149,706
Net income	—	—	—	—	—	2,855,920	—	—	—	2,855,920
Unrealized holding losses on investment securities available for sale—net of taxes of $290,969	—	—	—	—	—	—	—	—	564,823	564,823
Less reclassification adjustment for holding gains included in net income—net of taxes of $10,302	—	—	—	—	—	—	—	—	19,997	19,997
Comprehensive income	—	—	—	—	—	—	—	—	—	3,440,740
Cumulative effect of adoption of fair value option	—	—	—	—	—	(173,280)	—	—	—	(173,280)
Stock based compensation expense	—	—	—	—	53,132	—	—	—	—	53,132
Sale of treasury stock	—	—	—	—	3,217	—	6,925	56,577	—	59,794
Dividends declared—$0.19 per share	—	—	—	—	—	(396,893)	—	—	—	(396,893)
Balance—December 31, 2007	2,230,065	$2,230,065	90,000	$90,000	$7,553,588	$25,071,250	(227,517)	$(1,858,839)	$ 47,135	$33,133,199

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

	2007	2006	2005
OPERATING ACTIVITIES:			
Net income	$ 2,855,920	$ 3,002,889	$ 2,343,246
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	—	30,000	287,500
Depreciation	775,608	658,480	926,429
Amortization and accretion—net	261,054	699,650	950,563
Provision (benefit) for deferred income taxes	(107,428)	(93,744)	37,893
Gains on sales and disposals of investments and property—net	(16,980)	(155,546)	(66,772)
Writedown losses on investment securities	—	—	346,000
Stock based compensation plan	53,132	50,480	—
Changes in assets and liabilities, net of acquisition:			
Change in other assets	(318,027)	(710,627)	175,943
Change in accrued expenses and other liabilities	592,391	371,880	346,875
Net cash provided by operating activities	4,095,670	3,853,462	5,347,677
INVESTING ACTIVITIES:			
Decrease (increase) in interest-bearing deposits with banks	4,066,962	(4,190,871)	336,375
Net change in certificates of deposit	—	—	700,000
Proceeds from the sales and maturities of securities available for sale	12,838,477	14,056,072	18,472,097
Proceed from the maturities of securities held to maturity	791,643	1,226,229	557,039
Purchases of securities available for sale	(1,439,103)	(18,316,467)	(11,688,894)
Purchase of other investments	(2,358,200)	(5,300,900)	(6,554,200)
Proceeds from sales of other investments	2,762,900	5,889,500	6,188,200
Net change in loans	(20,729,384)	(3,032,075)	(9,266,692)
Purchases of premises and equipment	(891,156)	(883,550)	(198,635)
Proceeds from sale of premises and equipment	178,931	7,570	17,512
Premiums (paid) and policies surrendered	(27,942)	84,070	(69,917)
Net proceeds from sale of foreclosed real estate	1,106,014	1,004,137	1,312,840
Net cash used in investing activities	(3,700,858)	(9,456,285)	(194,275)

The accompanying notes are an integral part of these consolidated financial statements.

(Continued)

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

	2007	2006	2005
FINANCING ACTIVITIES:			
Net change in deposits	$10,578,841	$ 14,350,980	$(11,832,330)
Increase in Federal Funds Purchased	2,000,000	—	—
Principal payments on note payable	—	(100,000)	(100,000)
Retirement of junior subordinated debentures	(5,000,000)	—	—
Net increase (decrease) in Federal Home Loan Bank advances	(8,064,061)	(10,954,077)	7,450,000
Dividends paid	(396,893)	(355,732)	(313,033)
Net sale (purchase) of treasury stock	59,794	(11,812)	56,227
Net cash (used in) financing activities	(822,319)	2,929,359	(4,739,136)
Net change in cash and cash equivalents	(427,507)	(2,673,464)	414,267
CASH AND CASH EQUIVALENTS			
Beginning of year	8,615,340	11,288,804	10,874,537
End of year	$ 8,187,833	$ 8,615,340	$ 11,288,804
Supplemental disclosures of cash paid during the year for:			
Interest	$ 8,224,320	$ 7,175,847	$ 5,240,153
Income taxes	751,522	960,000	323,000
Supplemental disclosures of noncash investing activities:			
Real estate acquired through foreclosure	3,356,212	569,819	538,498
Change in unrealized gain (loss) on investment securities available for sale—net of tax	584,820	249,492	(753,543)
Cumulative effect of adoption of fair value option	173,280	—	—

The accompanying notes are an integral part of these consolidated financial statements.

(Concluded)

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007 AND 2006 AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Citizens Bancshares Corporation and subsidiary (the "Company") is a holding company that provides a full range of commercial banking and mortgage brokerage services to individual and corporate customers in metropolitan Atlanta and Columbus, Georgia, through its wholly owned subsidiary, Citizens Trust Bank (the "Bank"). The Bank operates under a state charter and serves its customers through seven full-service branches in metropolitan Atlanta, one full-service branch in Columbus, Georgia, one full-service branch in Birmingham, Alabama, and one full-service branch in Eutaw, Alabama. On June 26, 2007, the Company exercised its option to have its junior subordinated debentures, issued through a wholly owned subsidiary grantor trust—Citizens (GA) Statutory Trust I (the "Trust"), redeemed and retired. Upon completion of the junior subordinated debentures redemption and windup of Trust activities, the Trust subsidiary was dissolved. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation—The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term are the allowance for loan losses, the valuation of allowances associated with the recognition of deferred tax assets and the value of foreclosed real estate and goodwill.

Cash and Cash Equivalents—Cash and cash equivalents includes cash on hand and amounts due from banks and federal funds sold. The Federal Reserve Bank (the "FRB") requires the Company to maintain a required cash reserve balance on deposit with the FRB, based on the Company's daily average balance with the FRB. This reserve requirement represents 3% of the Company's daily average demand deposit balance between $9.3 million and $34.6 million and 10% of the Company's daily average demand deposit balance above $34.6 million.

Investment Securities—The Company classifies investments in one of three categories based on management's intent upon purchase: held to maturity securities which are reported at amortized cost, trading securities which are reported at fair value with unrealized holding gains and losses included in earnings, and available for sale securities which are recorded at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income. The Company had no investment securities classified as trading securities during 2007, 2006, or 2005.

Premiums and discounts on available for sale and held to maturity securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts is presented within investment securities interest income on the Consolidated Statements of Income.

Gains and losses on sales of investment securities are recognized upon disposition, based on the adjusted cost of the specific security. A decline in market value of any security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. The determination of whether an other-than-temporary impairment has occurred involves significant assumptions, estimates, changes in economic conditions and judgment by

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

management. In 2005, the Company realized a $346,000 loss related to the writedown on its investments in Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) perpetual preferred stocks as a result of other-than-temporary impairment. In 2006, these securities recovered some of the value written-off in 2005 and the Company was able to sell the perpetual preferred stocks for a gain of $124,000. There was no other-than-temporary impairment for securities recorded during 2007 or in 2006.

Other Investments—Other investments consist of Federal Home Loan Bank stock and Federal Reserve Bank stock which are restricted and have no readily determinable market value. These investments are carried at cost.

Loans Receivable and Allowance for Loan Losses—Loans are reported at principal amounts outstanding less unearned income and the allowance for loan losses. Interest income on loans is recognized on a level yield basis. Loan fees and certain direct origination costs are deferred and amortized over the estimated terms of the loans using the level yield method. Premiums and discounts on loans purchased are amortized and accreted using the level yield method over the estimated remaining life of the loan purchased. The accretion and amortization of loan fees, origination costs, and premiums and discounts are presented as a component of loan interest income on the Consolidated Statements of Income.

Management considers a loan to be impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are generally placed on nonaccrual status when the full and timely collection of principal or interest becomes uncertain or the loan becomes contractually in default for 90 days or more as to either principal or interest, unless the loan is well collateralized and in the process of collection. When a loan is placed on nonaccrual status, current period accrued and uncollected interest is charged-off against interest income on loans unless management believes the accrued interest is recoverable through the liquidation of collateral. Interest income, if any, on impaired loans is recognized on the cash basis.

The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses. Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. This assessment is made in the context of historical losses as well as existing economic conditions, performance trends within specific portfolio segments, and individual concentrations of credit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans are charged-off against the allowance when, in the opinion of management, such loans are deemed to be uncollectible and subsequent recoveries are added to the allowance.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The costs of maintenance and repairs, which do not improve or extend the useful life of the respective assets, are charged to earnings as incurred, whereas significant renewals and improvements are capitalized. The range of estimated useful lives for premises and equipment is as follows:

Buildings and improvements	5-40 years
Furniture and equipment	3-10 years

Foreclosed Real Estate—Foreclosed real estate is reported at the lower of cost or fair value less estimated disposal costs, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is treated as a charge-off against the allowance for loan losses. Any subsequent declines in value are charged to earnings.

Intangible Assets—Finite lived intangible assets of the Company represent deposit assumption premiums recorded upon the purchase of certain assets and liabilities from other financial institutions. Deposit assumption premiums are amortized over seven years, the estimated average lives of the deposits acquired, using the straight-line method and are included within other assets on the Consolidated Balance Sheets.

The Company reviews the carrying value of goodwill on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have been incurred. An impairment charge is recognized if the carrying value of the reporting unit's goodwill exceeds its implied fair value.

The following table presents information about our intangible assets:

	December 31, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Unamortized intangible asset:				
Goodwill	$ 362,139	$ —	$ 362,139	$ —
Amortized intangible asset:				
Core deposit intangibles	$2,836,345	$2,712,119	$2,836,345	$2,600,220

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents information about aggregate amortization expense for each of the three succeeding fiscal years as follows:

	For the Years Ended December 31,		
	2007	2006	2005
Aggregate amortization expense of core deposit intangibles	$111,899	$405,192	$405,192
Estimated aggregate amortization expense of core deposit intangibles for the year ending December 31:			
2008	53,240		
2009	53,240		
2010	17,746		

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided for the portion of a deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

In 2006, the FASB issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes—an Interpretation of SFAS No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. Accordingly, the Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have any impact on the Company's consolidated financial position.

Net Income Per Share—Basic net income per common share ("EPS") is computed based on net income divided by the weighted average number of common shares outstanding. Diluted EPS is computed based on net income divided by the weighted average number of common and potential common shares. The only potential common share equivalents are those related to stock options. Stock options which are anti-dilutive are excluded from the calculation of diluted EPS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Based Compensation—On January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") SFAS No. 123(R), "Accounting for Stock-Based Compensation", to account for compensation costs under its stock option plan. The Company previously utilized the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees (as amended)" ("APB 25"). Under the intrinsic value method prescribed by APB 25, no compensation costs were recognized for the Company's stock options because the option exercise price in its plan equaled the market price on the date of grant. Prior to January 1, 2006, the Company only disclosed the pro forma effects on net income and earnings per share as if the fair value recognition provisions of SFAS 123(R) had been utilized.

In adopting SFAS No. 123(R), the Company elected to use the modified prospective method to account for the transition from the intrinsic value method to the fair value recognition method. Under the modified prospective method, compensation cost is recognized from the adoption date forward for all new stock options granted and for any outstanding unvested awards as if the fair value method had been applied to those awards as of the date of grant.

There were options for 34,500 shares granted in 2007, options for 16,000 shares granted in 2006 and options for 21,000 shares granted in 2005. The fair value of the options granted, including expected forfeitures, was approximately $68,000 for options granted in April 2007, $38,000 for options granted in May 2006 and $62,000 for options granted in April 2005. Fair values were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 1.74%, 1.48% and 1.36% for 2007, 2006 and 2005, respectively; historical volatility of 29.33%, 31.79% and 38.94% for 2007, 2006 and 2005, respectively; risk-free interest rate of 4.66%, 5.14% and 4.26% for options granted in 2007, 2006, and 2005, respectively; the options vests at a rate of 33.3% per year and have expected lives of six years for 2007, 2006 and 2005, respectively.

Recently Issued Accounting Standards—In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This standard eliminates inconsistencies found in various prior pronouncements but does not require any new fair value measurements. SFAS 157 is effective for the Company on January 1, 2008. The Company elected to early adopt the provisions of these statements effective January 1, 2007. See Note 12, "Fair Value of Financial Instruments" to the Consolidated Financial Statements for related disclosures.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits companies to elect on an instrument-by-instrument basis to fair value certain financial assets and financial liabilities with changes in fair value recognized in earnings as they occur. The election to fair value is generally irrevocable. As a result of adopting SFAS No. 159, the Company recorded a $173,000 reduction to opening retained earnings on January 1, 2007. SFAS No. 157 and SFAS No. 159 are effective January 1, 2008 for calendar year companies with the option to early adopt as of January 1, 2007. The Company elected to early adopt the provisions of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

these statements effective January 1, 2007. See Note 12, "Fair Value of Financial Instruments" to the Consolidated Financial Statements for related disclosures.

In September 2006, The FASB ratified the consensuses reached by the FASB's Emerging Issues Task Force ("EITF") relating to EITF 06-4, "Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("EITF 06-4"). Entities purchase life insurance for various reasons including protection against loss of key employees and to fund postretirement benefits. The two most common types of life insurance arrangements are endorsement split dollar life and collateral assignment split dollar life. EITF 06-4 covers the former and EITF 06-10 (discussed below) covers the latter. EITF 06-4 states that entities with endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods should recognize a liability for future benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board ("APB") Opinion No. 12, "Omnibus Opinion—1967" (if the arrangement is, in substance, an individual deferred compensation contract). Entities should recognize the effects of applying this Issue through either (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. EITF 06-4 is effective for the Company on January 1, 2008. The Company estimates the impact to its retained earnings from the adoption of EITF 06-4 will be approximately $665,000.

In September 2006, the FASB ratified the consensus reached on EITF 06-5, "Accounting for Purchases of Life Insurance—Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance" ("EITF 06-5"). EITF 06-5 states that a policyholder should consider any additional amounts included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized under the insurance contract. EITF 06-5 also states that a policyholder should determine the amount that could be realized under the life insurance contract assuming the surrender of an individual-life by individual-life policy (or certificate by certificate in a group policy). EITF 06-5 is effective for the Company on January 1, 2008. The Company does not believe the adoption of EITF 06-5 will have a material impact on its financial position, results of operations or cash flows.

In March 2007, the FASB ratified the consensus reached on EITF 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements" ("EITF 06-10"). The postretirement aspect of this EITF is substantially similar to EITF 06-4 discussed above and requires that an employer recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106 or APB Opinion No. 12, as appropriate, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive agreement with the employee. In addition, a consensus was reached that an employer should recognize and measure an asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. EITF 06-10 is effective for the Company on January 1, 2008. The Company does not

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

believe the adoption of EITF 06-10 will have a material impact on its financial position, results of operations or cash flows.

In November 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 109, "Written Loan Commitments Recorded at Fair Value Through Earnings" ("SAB 109"). SAB 109 expresses the current view of the SEC staff that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SEC registrants are expected to apply this guidance on a prospective basis to derivative loan commitments issued or modified in the first quarter of 2008 and thereafter. The Company is currently analyzing the impact of this guidance, which relates to the Company's mortgage loans held for sale.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," ("SFAS 141(R)") which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective for acquisitions by the Company taking place on or after January 1, 2009. Early adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing accounting guidance until January 1, 2009. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Before this statement, limited guidance existed for reporting noncontrolling interests (minority interest). As a result, diversity in practice exists. In some cases minority interest is reported as a liability and in others it is reported in the mezzanine section between liabilities and equity. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financials statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. SFAS 160 is effective for the Company on January 1, 2009. Earlier adoption is prohibited. The Company is currently evaluating the impact, if any, the adoption of SFAS 160 will have on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations and cash flows.

Reclassifications—Certain prior year amounts have been reclassified to conform to the 2007 presentation. Such reclassifications had no impact on net income or retained earnings as previously reported.

2. INVESTMENT SECURITIES

Investment securities available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2007:				
Government-sponsored enterprises securities	$ 6,944,976	$ 24,130	$ 5,233	$ 6,963,873
State, county, and municipal securities	13,919,410	111,801	43,054	13,988,157
Mortgage-backed securities	38,741,674	213,670	229,897	38,725,447
Totals	$59,606,060	$349,601	$ 278,184	$59,677,477
At December 31, 2006:				
Government-sponsored enterprises securities	$ 6,939,456	$ —	$ 117,229	$ 6,822,227
State, county, and municipal securities	16,521,848	137,214	59,436	16,599,626
Mortgage-backed securities	47,700,936	104,173	878,846	46,926,263
Totals	$71,162,240	$241,387	$1,055,511	$70,348,116

Investment securities held to maturity are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2007:				
Government-sponsored enterprises securities	$ 2,384,615	$ 377	$ 3,966	$ 2,381,026
State, county, and municipal securities	4,255,795	81,954	—	4,337,749
Mortgage-backed securities	733,571	49	14,828	718,792
Totals	$ 7,373,981	$ 82,380	$ 18,794	$ 7,437,567
At December 31, 2006:				
Government-sponsored enterprises securities	$ 3,000,000	$ —	$ 62,320	$ 2,937,680
State, county, and municipal securities	4,258,800	84,593	13	4,343,380
Mortgage-backed securities	916,050	76	39,837	876,289
Totals	$ 8,174,850	$ 84,669	$ 102,170	$ 8,157,349

The amortized costs and fair values of investment securities at December 31, 2007, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with and without call or prepayment penalties.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —	$ 4,078,356	$ 4,073,323
Due after one year through five years	3,397,845	3,383,047	7,147,760	7,179,746
Due after five years through ten years	3,976,136	4,054,520	15,091,265	15,074,215
Due after ten years	—	—	33,288,679	33,350,193
	$7,373,981	$7,437,567	$59,606,060	$59,677,477

2. INVESTMENT SECURITIES (Continued)

Gross realized gains on securities were $2,578, $154,847, and $74,854 in 2007, 2006, and 2005, respectively. Gross realized losses on securities were $32,877 and $1,200 in 2007 and 2006, respectively. There were no gross realized losses on securities in 2005. However, during 2005 the Company realized a $346,000 loss related to the writedown of its investments in equity portfolio as a result of other-than-temporary impairment. There was no other-than-temporary impairment for securities recorded during 2007 or in 2006.

Investment securities with carrying values of approximately $56,329,000, $58,719,000 and $53,856,000 at December 31, 2007, 2006, and 2005, respectively, were pledged to secure public funds on deposit and for other purposes as required by law.

Those investment securities held to maturity and available for sale which have an unrealized loss position at December 31, 2007 are detailed below:

Securities Available for Sale

	Securities in a loss position for less than twelve months		Securities in a loss position for twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Government-sponsored enterprises securities	$ —	$ —	$ 3,982,669	$ (5,233)	$ 3,982,669	$ (5,233)
Mortgage-backed securites	1,192,450	(27,684)	23,588,090	(202,213)	24,780,540	(229,897)
Municipal securities	896,023	(1,726)	3,754,143	(41,328)	4,650,166	(43,054)
Total	$2,088,473	$(29,410)	$31,324,902	$(248,774)	$33,413,375	$(278,184)

Securties Held to Maturity

	Securities in a loss position for less than twelve months		Securities in a loss position for twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Government-sponsored enterprises securities	$ —	$ —	$ 996,034	$ (3,966)	$ 996,034	$ (3,966)
Mortgage-backed securites	64,929	(660)	642,446	(14,168)	707,375	(14,828)
Municipal securities	—	—	—	—	—	—
Total	$ 64,929	$ (660)	$ 1,638,480	$ (18,134)	$ 1,703,409	$ (18,794)

Securities classified as available-for-sale are recorded at fair market value and held-to-maturity securities are recorded at amortized cost. The Company has the ability and intent to hold these securities until such time as the value recovers or the securities mature. The Company believes, based on industry analyst reports and credit ratings, that the deterioration in value is attributable to changes

2. INVESTMENT SECURITIES (Continued)

in market interest rates and is not in the credit quality of the issuer and therefore, these losses are not considered other-than-temporary.

The Company's investment portfolio consists principally of obligations of the United States, its agencies or its corporations and general obligation municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The company places its deposits and correspondent accounts with and sells its federal funds to high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans outstanding, by classification, are summarized as follows:

	December 31,	
	2007	2006
Commercial, financial, and agricultural	$ 9,317,218	$ 15,485,542
Installment	12,232,440	12,244,005
Real estate—mortgage	182,120,221	162,091,528
Real estate—construction	32,452,957	29,386,206
Other	2,387,070	2,229,200
	238,509,906	221,436,481
Less: Net deferred loan fees	298,744	324,682
Allowance for loan losses	2,847,651	3,108,590
	$235,363,511	$218,003,209

Concentrations—The Company's concentrations of credit risk are as follows:

- A substantial portion of the Company's loan portfolio is collateralized by real estate in metropolitan Atlanta. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio is susceptible to changes in market conditions in the metropolitan Atlanta area.
- The Company's loans to area churches were approximately $47.6 million and $37.7 million at December 31, 2007 and 2006, respectively, which are generally secured by real estate.
- The Company's loans to area convenience stores were approximately $13.5 million and $13.4 million at December 31, 2007 and 2006, respectively. Loans to convenience stores are generally secured by real estate.

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Allowance for Loan Losses—Activity in the allowance for loan losses is summarized as follows:

	Years Ended December 31,		
	2007	2006	2005
Balance at beginning of year	$3,108,590	$3,326,882	$3,182,697
Provision for loan losses	—	30,000	287,500
Loans charged off	(532,606)	(528,624)	(446,992)
Recoveries on loans previously charged off	271,667	280,332	303,677
Balance—end of year	$2,847,651	$3,108,590	$3,326,882

Nonaccrual loans amounted to $5,261,000 and $3,718,000 at December 31, 2007 and 2006, respectively.

At December 31, 2007 and 2006, the recorded investment in loans considered to be impaired was $11,767,000 and $11,804,000, respectively. The related allowance for loan losses for these loans was $2,180,000 and $2,006,000 at December 31, 2007 and 2006, respectively. The average investment in impaired loans during 2007 and 2006 was approximately $9,560,000 and $9,767,000, respectively. Interest income recognized on impaired loans was approximately $1,021,000, $1,080,000, and $939,000 in 2007, 2006, and 2005, respectively. Interest income recognized on a cash basis was approximately $209,000, $205,000, and $119,000 in 2007, 2006, and 2005, respectively.

4. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31,	
	2007	2006
Land	$ 1,840,250	$ 1,910,142
Buildings and improvements	6,968,857	6,874,988
Furniture and equipment	7,181,175	6,718,819
	15,990,282	15,503,949
Less accumulated depreciation	8,198,576	7,653,926
	$ 7,791,706	$ 7,850,023

5. DEPOSITS

The following is a summary of interest-bearing deposits:

	December 31,	
	2007	2006
Demand deposit and money market accounts	$ 68,728,126	$ 64,849,596
Savings accounts	33,136,398	36,101,331
Time deposits of $100,000 or more	61,210,358	51,649,681
Other time deposits	62,630,599	56,157,076
	$225,705,481	$208,757,684

5. DEPOSITS (Continued)

At December 31, 2007, maturities of time deposits are approximately as follows:

2008	$111,789,004
2009	5,904,571
2010	3,500,624
2011	1,264,396
2012 and thereafter	1,382,362
	$123,840,957

6. OTHER BORROWINGS

Federal Funds Purchased—Federal funds purchased represent unsecured borrowings from other banks and generally mature daily. At December 31, 2007 the Company had $2,000,000 outstanding at an interest rate of 3.65%. There was no amount outstanding at December 31, 2006.

Notes Payable—At December 31, 2007 and 2006, the unsecured note payable had an outstanding principal balance of $339,647. The note bore interest at a rate of 6.75% at December 31, 2007 and 7.75% at December 31, 2006 (50 basis points below the lender's prime rate) and is payable quarterly. The principal balance is due in full on June 30, 2008.

Junior Subordinated Debentures—During 2002, Citizens Bancshares Corporation issued $5 million of pooled trust preferred securities through one issuance by a wholly owned subsidiary grantor trust, Citizens (GA) Statutory Trust I (the "Trust"). The Trust used the net proceeds from the offering to purchase a like amount of Junior Subordinated Debentures (the "Debentures") of the Company. These securities are reported on our consolidated balance sheet as Junior Subordinated Debentures at December 31, 2006. On June 26, 2007, in accordance with the terms of the Debentures, the Company redeemed and retired the outstanding Debentures. At December 31, 2006, the interest rate on the Junior Subordinated Debentures was 8.82%.

Federal Home Loan Bank Advances—At December 31, 2007 and 2006, the Company has variable rate advances of approximately $18.6 million and $16.4 million outstanding with a weighted average interest rate of 4.40% and 5.50%, respectively. The variable rate advances outstanding fluctuates daily depending on the liquidity needs of the Company. In August 2006, the Company received an AHP Award in the amount of $400,000. The AHP is a principal reducing credit with an interest rate of zero, and at December 31, 2007 had a remaining balance of $379,408. In July 2007, the Company paid off its $10 million fixed rate advance with an interest rate of 5.82% in a continual effort to manage the interest rate sensitivity of its assets and liabilities. All of these advances are collateralized by FHLB stock, a blanket lien on the Bank's 1-4 family mortgages and commercial real estate loans. As of December 31, 2007 and 2006, total loans pledged as collateral was $55,000,000 and $49,000,000, respectively.

6. OTHER BORROWINGS (Continued)

As of December 31, 2007 and 2006, maturities of the Company's Federal Home Loan Bank Advances are approximately as follows:

		December 31,	
Maturity	Rate	2007	2006
July-08	Variable (4.40% at December 31, 2007)	$18,565,000	$16,350,000
April-10	Fixed (5.82%)	—	10,000,000
August-26(1)	N/A	379,408	395,923
		$18,944,408	$26,745,923

(1) Represents an Affordable Housing Program (AHP) award used to subsidized loans for homeownership or rental initiatives. The AHP is a principal reducing credit, scheduled to mature on August 17, 2026 with an interest rate of zero.

7. INCOME TAXES

The components of income tax expense consist of:

	2007	2006	2005
Current tax expense	$840,896	$665,620	$1,144,711
Deferred tax (benefit) expense	(24,511)	90,085	(795,256)
	$816,385	$755,705	$ 349,455

Income tax expense for the years ended December 31, 2007, 2006, and 2005 differed from the amounts computed by applying the statutory federal income tax rate of 34% to earnings before income taxes as follows:

	2007	2006	2005
Income tax expense at statutory rate	$1,248,584	$1,277,922	$ 915,518
Tax-exempt interest income—net of disallowed interest expense	(258,878)	(279,016)	(272,446)
Nondeductible expenses	20,095	18,209	31,437
Cash surrender value of life insurance income	(120,119)	(129,290)	(100,532)
Other—net	(73,297)	(132,120)	(224,522)
Income tax expense	$ 816,385	$ 755,705	$ 349,455

7. INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant amounts of deferred tax assets and deferred tax liabilities are presented below:

	2007	2006
Deferred tax assets:		
Net operating losses and credits	$ 336,399	$ 410,561
Loans, principally due to difference in allowance for loan losses and deferred loan fees	956,508	1,055,562
Nonaccrual loan interest	130,433	103,732
Postretirement benefit accrual	621,082	537,640
Net unrealized loss on securities available for sale	—	276,989
Other Real Estate Owned	81,923	—
Other	213,543	49,299
Gross deferred tax asset	2,339,888	2,433,783
Valuation allowance	(128,643)	(128,555)
Total deferred tax assets	2,211,245	2,305,228
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	24,282	—
Purchased loan discount	239,457	273,665
Premises and equipment	102,862	147,096
Other	222,602	286,936
Total deferred tax liabilities	589,203	707,697
Net deferred tax assets	$1,622,042	$1,597,531

The Company has, at December 31, 2007, net operating loss carryforwards of approximately $3,249,000 for state income tax purposes, which expire in years 2008 through 2022. The Company also has certain state income tax credits of $315,000 at December 31, 2007 which expires in years 2008 through 2012. Due to the uncertainty relating to the realizability of all the carryforwards and credits, management currently considers it more likely than not that all related deferred tax assets will not be realized; thus, a $129,000 valuation allowance has been provided against state tax carryforwards totaling $3,249,000.

The Company had analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with FIN 48.

8. EMPLOYEE BENEFITS

Defined Contribution Plan—The Company sponsors a defined contribution 401(k) plan covering substantially all full-time employees. Employee contributions are voluntary. The Company matches 50% of the employee contributions up to a maximum of 6% of compensation. During the years ended

8. EMPLOYEE BENEFITS (Continued)

December 31, 2007, 2006, and 2005, the Company recognized $97,000, $90,000, and $113,000, respectively, in expenses related to this plan.

The Bank also has a postretirement benefit plan which provides retirement benefits to its key officers and Board members and provides death benefits for their designated beneficiaries. Under the plan, the Bank purchased whole life insurance contracts on the lives of certain key officers and Board members.

The increase in cash surrender value of the contracts, less the Bank's premiums, constitutes the Bank's contribution to the plan each year. In the event the insurance contracts fail to produce positive returns, the Bank has no obligation to contribute to the plan. At December 31, 2007 and 2006, the cash surrender value of these insurance contracts was $9,744,891 and $9,363,656, respectively.

9. COMMITMENTS AND CONTINGENCIES

Credit Commitments and Commercial Letters—The Company, in the normal course of business, is a party to financial instruments with off-balance-sheet risk used to meet the financing needs of its customers. These financial instruments include commitments to extend credit and commercial letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and residential and commercial real estate. Commercial letters of credit are commitments issued by the Company to guarantee funding to a third party on behalf of a customer. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party of the financial instrument for commitments to extend credit and commercial letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations related to off-balance-sheet financial instruments as it does for the financial instruments recorded in the Consolidated Balance Sheets.

	Approximate Contractual Amount	
	2007	**2006**
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$51,155,819	$56,314,964
Commercial letters of credit	3,551,000	3,353,000

9. COMMITMENTS AND CONTINGENCIES (Continued)

Mortgage-Backed Securities—In connection with servicing mortgage-backed securities guaranteed by Fannie Mae, the Company advances certain principal and interest payments to security holders prior to their collection from specific mortgagors. Additionally, the Company must remit certain payments of property taxes and insurance premiums in advance of collecting them from specific mortgagors and make certain payments of attorneys' fees and other costs related to loans in foreclosure. These amounts are included as receivables within other assets in the consolidated balance sheets.

Leases—As of December 31, 2007, future minimum lease payments under all noncancelable lease agreements inclusive of sales tax and maintenance costs for the next five years and thereafter are as follows:

2008	457,951
2009	467,675
2010	476,904
2011	492,625
2012	507,714
2013 and Thereafter	1,854,848
	$4,257,717

Rent expense in 2007, 2006, and 2005 was approximately $516,000, $425,000, and $437,000, respectively.

Legal—During 2007, legal fees were awarded in the amount of $200,000 related to a case brought to conclusion in 2006 in which a $100,000 judgment was levied against the Company. The Company is appealing to have both the jury award and legal fees reversed. The Company has accrued for these losses in the respective year of the judgments and are reflected in the December 31, 2007 and 2006 Consolidated Financial Statements. During 2003, a jury awarded a $250,000 judgment against the Company for lenders' liability. The Company appealed and succeeded in having the jury award reversed in 2005. The reversal of the $250,000 judgment is reflected in the December 31, 2005 Consolidated Financial Statements. Other than that discussed above, the Company and the Bank are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, the ultimate disposition of these matters will not have a material adverse impact on the Company's consolidated financial statements.

10. STOCK OPTIONS

The Company has a Stock Incentive Plan which was approved in 1999. Under the 1999 Stock Incentive Plan, options are periodically granted to employees at a price not less than fair market value of the shares at the date of grant (or less than 110% of the fair market value if the participant owns more than 10% of the Company's outstanding Common Stock). The term of the stock incentive option may not exceed ten years from the date of grant; however, any stock incentive option granted to a participant who owns more than 10% of the Common Stock will not be exercisable after the expiration of five (5) years after the date the option is granted.

10. STOCK OPTIONS (Continued)

A summary of the status of the Company's stock options as of December 31, 2007, 2006, and 2005, and changes during the years ended on those dates is presented below:

	2007				2006		2005	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding—beginning of year	73,176	$10.92	6.92		60,176	$10.92	47,476	$ 9.61
Granted	34,500	10.50			16,000	11.45	21,000	13.41
Exercised	—	—			—	—	(1,568)	7.00
Expired/Terminated	—	—			(3,000)	13.41	(6,732)	9.70
Outstanding—end of year	107,676	$10.80	7.08	$25,949	73,176	$10.92	60,176	$10.92
Options exercisable at year-end	57,676	$10.63	5.48	$25,949	52,299	$ 9.76	40,299	$ 8.86
Shares available for grant	234,434				268,934		281,934	

The following table summarizes information about stock options outstanding under the Company's plan at December 31, 2007:

	Shares	Weighted Average Grant Day Fair Value
Non-vested—beginning of year	30,667	$4.35
Granted	34,500	$3.27
Vested	(15,167)	$4.44
Expired/Terminated	—	
Non-vested—at year-end	50,000	$3.61

The total fair value of options vested during 2007, 2006 and 2005 was $67,000, $46,000 and $40,000 respectively. As of December 31, 2007 there was $77,416 of total unrecognized stock-based compensation expense related to the 1999 Stock Incentive Plan. The cost will be recognized over a weighted average period of 1.55 years. Total compensation cost recognized during 2007 and 2006 was $53,132 and $50,480 respectively. There was no compensation cost recognized in 2005.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Basic and diluted net income per common and potential common share has been calculated based on the weighted average number of shares outstanding. The following schedule reconciles the numerators and denominator of the basic and diluted net income per common and potential common share for the years ended December 31, 2007, 2006, 2005.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE (Continued)

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Year ended December 31, 2007			
Basic earnings per share	$2,855,920	2,089,906	$1.37
Effect of dilutive securities: option to purchase common shares	—	—	—
Diluted earnings per share	$2,855,920	2,089,906	$1.37
Year ended December 31, 2006			
Basic earnings per share	$3,002,889	2,087,002	$1.44
Effect of dilutive securities: option to purchase common shares	—	—	—
Diluted earnings per share	$3,002,889	2,087,002	$1.44
Year ended December 31, 2005			
Basic earnings per share	$2,343,246	2,085,732	$1.12
Effect of dilutive securities: option to purchase common shares	—	10,717	—
Diluted earnings per share	$2,343,246	2,096,449	$1.12

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As discussed in Note 1, "Accounting Policies," to the Consolidated Financial Statements, the Company early adopted the fair value financial accounting standards SFAS No. 157 and SFAS No. 159 as of January 1, 2007. The ability to record at fair value certain financial assets and financial liabilities allowed the Company to improve its financial reporting of selective financial assets and liabilities. The adoption of SFAS No. 157 and SFAS No. 159 had no impact on the Company's effective tax rate.

As a result of electing to record these financial assets and financial liabilities at fair value pursuant to the provisions of SFAS No. 159 as of January 1, 2007, the Company recorded the following to opening retained earnings:

Description	Balance at 1/1/07 prior to Adoption	Net Loss upon Adoption	Balance at 1/1/07 after Adoption
Advances from Federal Home Loan Bank	$10,000,000	$262,546	$10,262,546
Pretax cumulative effect of adoption of the fair value option		262,546	
Decrease in deferred tax asset		(89,266)	
Cumulative effect of adoption of the fair value option (charge to retained earnings)		$173,280	

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a description of each asset and liability class for which fair value has been elected:

Assets Measured at Fair Value on a Recurring Basis:

Description	12/31/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments securities available for sale	$59,677,477	$ —	$59,677,477	$ —
Total	$59,677,477	$ —	$59,677,477	$ —

Assets Measured at Fair Value on a Nonrecurring Basis:

Description	12/31/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Gains (Losses)
Goodwill	$ 362,139	$ —	$ —	$362,139	$ —
Total	$ 362,139	$ —	$ —	$362,139	$ —

Liabilities Measured at Fair Value on a Recurring Basis:

Description	12/31/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
FHLB Advances	$18,944,408	$ —	$18,944,408	$ —
Total	$18,944,408	$ —	$18,944,408	$ —

On July 2, 2007, the Company retired its $10 million FHLB advance with a fixed rate of 5.82% as part of a continual effort to manage the interest rate sensitivity of its assets and liabilities. The balance outstanding at December 31, 2007 is a Daily Rate Credit advance which is priced daily off of the Fed Funds rates.

The following tables reflect the changes in fair values and where these changes are included in the Company's consolidated income statement.

December 31, 2007

Description	Noninterest income	Total change in Fair Value included in current earnings
FHLB Advances	$99,546	$99,546
Total	$99,546	$99,546

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Following are disclosures of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in the value of financial instruments held by the Company since purchase, origination, or issuance.

Cash, Due From Banks, Federal Funds Sold, Interest-Bearing Deposits With Banks, and Certificates of Deposits—Carrying amount is a reasonable estimate of fair value due to the short-term nature of such items.

Investment Securities—Fair value of investment securities are based on quoted market prices.

Other Investments—The carrying amount of other investments approximates its fair value.

Loans—The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Cash Surrender Value of Life Insurance—Cash values of life insurance policies are carried at the value for which such policies may be redeemed for cash.

Deposits—The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed rate certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Notes Payable—Notes payable bear a variable interest rate and the carrying value approximates fair value.

Advances from Federal Home Loan Bank—The fair values of advances from the Federal Home Loan Bank are estimated by discounting the future cash flows using the rates currently available to the Bank for debt with similar remaining maturities and terms.

Junior Subordinated Debentures—The fair value of the issuance is estimated by discounting future cash flows using the rates currently available to the Bank for debt with similar remaining maturities and terms.

Commitments to Extend Credit and Commercial Letters of Credit—Because commitments to extend credit and commercial letters of credit are made using variable rates, or are recently executed, the contract value is a reasonable estimate of fair value.

***Limitations*—**Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments; for example, premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The carrying values and estimated fair values of the Company's financial instruments at December 31, 2007 and 2006 are as follows:

	2007		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)		(in thousands)	
Financial assets:				
Cash and due from banks	$ 8,188	$ 8,188	$ 8,615	$ 8,615
Interest-bearing deposits with banks	522	522	4,589	4,589
Cetificates of deposit	100	100	100	100
Investment securities	67,051	67,115	78,523	78,505
Other investments	1,842	1,842	2,246	2,246
Loans—net	235,364	231,722	218,003	215,959
Cash surrender value of life insurance	9,745	9,745	9,364	9,364
Financial liabilities:				
Deposits	279,599	267,932	269,020	249,564
Notes payable	340	340	340	340
Advances from Federal Home Loan Bank	18,944	18,944	26,746	26,947
Junior subordinated debentures	—	—	5,155	5,155
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
Off-balance-sheet financial instruments:				
Commitments to extend credit	$ 51,156	—	$ 56,315	—
Commercial letters of credit	3,551	—	3,353	—

13. SHAREHOLDERS' EQUITY

Capital Adequacy—The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

13. SHAREHOLDERS' EQUITY (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2007, the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2007, the most recent notification from the various regulators categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company's and the Bank's actual capital amounts and ratios are also presented in the table below (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total capital (to risk weighted assets):						
Consolidated	$35,444	14%	$20,759	8%	N/A	N/A
Bank	35,198	14%	20,737	8%	$25,921	10%
Tier I capital (to risk weighted assets):						
Consolidated	32,597	13%	10,379	4%	N/A	N/A
Bank	32,351	12%	10,369	4%	15,553	6%
Tier I capital (to average assets):						
Consolidated	32,597	10%	13,503	4%	N/A	N/A
Bank	32,351	10%	13,491	4%	16,864	5%
As of December 31, 2006						
Total capital (to risk weighted assets):						
Consolidated	$38,056	16%	$18,992	8%	N/A	N/A
Bank	38,162	16%	18,962	8%	$23,702	10%
Tier I capital (to risk weighted assets):						
Consolidated	35,086	15%	9,496	4%	N/A	N/A
Bank	35,197	15%	9,481	4%	14,221	6%
Tier I capital (to average assets):						
Consolidated	35,086	11%	13,051	4%	N/A	N/A
Bank	35,197	11%	13,031	4%	16,289	5%

Dividend Limitation—The amount of dividends paid by the Bank to the Company is limited by various banking regulatory agencies. Any such dividends will be subject to maintenance of required

13. SHAREHOLDERS' EQUITY (Continued)

capital levels. The Georgia Department of Banking and Finance requires prior approval for a bank to pay dividends in excess of 50% of its prior year's earnings. The amount of dividends available from the Bank without prior approval from the regulators for payment in 2007 is approximately $1,604,000.

14. RELATED-PARTY TRANSACTIONS

Certain of the Company's directors, officers, principal shareholders, and their associates were customers of, or had transactions with, the Company or the Bank in the ordinary course of business during 2007. Some of the Company's directors are directors, officers, trustees, or principal securities holders of corporations or other organizations that also were customers of, or had transactions with, the Company or the Bank in the ordinary course of business during 2007.

All outstanding loans and other transactions with the Company's directors, officers, and principal shareholders were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and, when made, did not involve more than the normal risk of collectibility or present other unfavorable features.

The following table summarizes the activity in these loans during 2007 and 2006:

	Years Ended December 31,	
	2007	2006
Balance at beginning of year	$ 4,965,292	$ 4,457,902
New loans	1,634,659	2,433,060
Repayments	(1,360,023)	(1,925,670)
Balance—end of year	$ 5,239,928	$ 4,965,292

Deposits by directors and executive officers of the Company and the Bank, and associates of such persons, totaled $3,732,000 and $2,099,000 at December 31, 2007 and 2006, respectively.

15. SUPPLEMENTARY INCOME STATEMENT INFORMATION

Components of other operating expenses in excess of 1% of total interest income and other income in any of the respective years are approximately as follows:

	For the years ended		
	2007	2006	2005
Professional services—legal	$ 410,469	$ 294,191	$ 298,506
Professional services—other	643,244	530,634	709,539
Stationery and supplies	164,408	172,123	137,785
Advertising	335,450	534,396	208,709
Data processing	619,003	667,401	656,184
ATM Charges	443,669	432,168	380,659
Postage	199,885	245,858	251,032
Telephone	352,017	364,492	407,737
Amortization of core deposit intangible	111,899	405,192	405,192
Security and protection expense	293,739	310,335	352,336
Other benefit expenses	299,506	307,034	300,095
Other losses	363,370	157,401	251,796
Other miscellaneous expenses	1,269,438	1,056,406	1,335,054
	$5,506,097	$5,477,631	$5,694,624

16. CONDENSED FINANCIAL INFORMATION OF CITIZENS BANCSHARES CORPORATION (PARENT ONLY)

	December 31, 2007	December 31, 2006
Balance Sheets		
Assets:		
Cash	$ 380,197	$ 23,123
Investment in Bank	32,887,423	35,260,535
Investment in Trust	—	155,000
Other assets	242,716	226,918
	$33,510,336	$35,665,576
Liabilities and stockholders' equity:		
Note payable	$ 339,647	$ 339,647
Junior subordinated debentures	—	5,155,000
Other liabilities	37,490	21,223
Total liabilities	377,137	5,515,870
Stockholders' equity	33,133,199	30,149,706
	$33,510,336	$35,665,576

16. CONDENSED FINANCIAL INFORMATION OF CITIZENS BANCSHARES CORPORATION (PARENT ONLY) (Continued)

	For the Years Ended December 31,		
	2007	2006	2005
Statements of Income and Comprehensive Income			
Dividends from subsidiaries	$ 5,992,821	$ 797,528	$ 672,042
Other revenue	3,690	72	12,186
Total revenue	5,996,511	797,600	684,228
Interest expense	250,757	461,590	366,752
Other expense	261,981	232,423	265,619
Total expenses	512,738	694,013	632,371
Income before income tax benefit and equity in undistributed earnings of the subsidiaries	5,483,773	103,587	51,857
Income tax benefit	156,798	235,403	215,360
Income before equity in undistributed earnings of the subsidiaries	5,640,571	338,990	267,217
Equity in undistributed earnings of the subsidiaries	(2,784,651)	2,663,899	2,076,029
Net income	2,855,920	3,002,889	2,343,246
Change in other comprehensive income (loss)	584,820	249,492	(753,542)
Comprehensive income	$ 3,440,740	$3,252,381	$1,589,704

16. CONDENSED FINANCIAL INFORMATION OF CITIZENS BANCSHARES CORPORATION (PARENT ONLY) (Continued)

	Years Ended December 31,		
	2007	2006	2005
Statements of Cash Flows			
Cash flows from operating activities—			
Net income	$ 2,855,920	$ 3,002,889	$ 2,343,246
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of the subsidiaries	2,784,651	(2,663,899)	(2,076,029)
Stock based compensation plan	53,132	50,480	—
Change in other assets	(15,798)	(15,402)	183,368
Change in other liabilities	16,268	(26,423)	(13,470)
Net cash provided by operating activities	5,694,173	347,645	437,115
Cash flows from financing activities:			
Payment on note payable	—	(100,000)	(100,000)
Retirement of junior subordinated debentures	(5,000,000)	—	—
Dividends paid	(396,893)	(355,732)	(313,033)
Sale of treasury stock	59,794	(11,812)	56,227
Net cash used in financing activities	(5,337,099)	(467,544)	(356,806)
Net change in cash	357,074	(119,899)	80,309
Cash:			
Beginning of year	23,123	143,022	62,713
End of year	$ 380,197	$ 23,123	$ 143,022
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 250,757	$ 461,590	$ 368,545
Income taxes	$ 751,522	$ 960,000	$ 323,000
Noncash investing activity—			
Change in Bank's unrealized gain (loss) on investment securities available for sale—net of tax	$ 584,820	$ 249,492	$ (753,542)

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents the Company's quarterly financial data for the years ended December 31, 2007 and 2006 (amounts in thousands, except per share amounts):

	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007
Interest Income	$5,457	$5,588	$5,745	$5,775
Interest expense	2,066	2,094	2,146	2,082
Net Interest income	3,391	3,494	3,599	3,693
Provision for loans loss	—	—	—	—
Non-interest income	1,029	1,217	1,110	1,451
Non-interest expense	3,780	3,873	3,867	3,792
Income before income taxes	640	838	842	1,352
Income tax expense	105	168	174	369
Net income	$ 535	$ 670	$ 668	$ 983
Basic net income per common and common equivalent share outstanding	$ 0.26	$ 0.32	$ 0.32	$ 0.47
Diluted net income per common and common equivalent share outstanding	$ 0.26	$ 0.32	$ 0.32	$ 0.47

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006
Interest Income	$5,204	$5,498	$5,374	$5,540
Interest expense	1,679	1,794	1,908	1,959
Net Interest income	3,525	3,704	3,466	3,581
Provision for loans loss	30	—	—	—
Non-interest income	1,296	1,328	1,148	1,092
Non-interest expense	3,935	4,041	3,800	3,575
Income before income taxes	856	991	814	1,098
Income tax expense	176	211	151	218
Net income	$ 680	$ 780	$ 663	$ 880
Basic net income per common and common equivalent share outstanding	$ 0.33	$ 0.37	$ 0.32	$ 0.42
Diluted net income per common and common equivalent share outstanding	$ 0.33	$ 0.37	$ 0.32	$ 0.42

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) The list of all financial statements is included at Item 8.

(a)(2) The financial statement schedules are either included in the financial statements or are not applicable.

(a)(3) Exhibit List

Exhibit Number	Exhibit
3.1	The Articles of Incorporation.(1)
3.2	Bylaws.(2)
4.1	Instruments Defining the Rights of Security Holders.(3)
10.1*	Employment Agreement dated January 30, 1998 between James E. Young and the Company.(4)
10.2*	Citizens Bancshares Corporation Employee Stock Purchase Plan.(4)
10.3*	Citizens Bancshares Corporation 1999 Incentive Stock Option Plan.(4)
10.5	Stock Purchase Agreement by and between Citizens Bancshares Corporation and Fannie Mae dated September 10, 1999 and amended as of October 12, 1999.(5)
10.6	Stock Exchange Agreement between Citizens Bancshares Corporation and Fannie Mae dated November 10, 1999.(5)
10.7*	Change in Control Agreement by and between James E. Young and Citizens Bancshares Corporation(6)
10.8*	Change in Control Agreement by and between Cynthia Day and Citizens Bancshares Corporation(6)
10.9*	Change in Control Agreement by and between Samuel J. Cox and Citizens Bancshares Corporation(6)
10.10*	Change in Control Agreement by and between Robert E. Nesbitt and Citizens Bancshares Corporation(6)
10.11	Form of Director Supplemental Executive Retirement Plan
10.12	Form of Senior Officer Supplemental Executive Retirement Plan
21.1	List of subsidiaries.(7)
23.1	Consent of Elliott Davis, LLC.
24.1	Power of Attorney (appears on the signature page of this Annual Report on Form 10-K)
31.1	Certification by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Chief Operating Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Exhibit
32.1	Certifications by Chief Executive Officer, Chief Operating Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

* Compensatory plan or arrangement.

(1) Incorporated by reference to exhibit of same number in the Company's Form 10-QSB for the quarter ending September 30, 2001.

(2) Incorporated by reference to exhibit of same number in the Company's Registration Statement on Form 10, File No. 0-14535.

(3) See the Articles of Incorporation of the Company at Exhibit 3.1 hereto and the Bylaws of the Company at Exhibit 3.2 hereto.

(4) Incorporated by reference to exhibit of same number in the Company's 2000 Form 10-KSB.

(5) Incorporated by reference to exhibit of same number in the Company's Registration Statement on Form S-3, File No. 333-91003.

(6) Incorporated by reference to exhibit of same number in the Company's Form 10-K for the year ended December 31, 2005.

(7) The Company has only one subsidiary, Citizens Trust Bank.

(b) The Exhibits not incorporated herein by reference are submitted as a separate part of this report.

(c) Financial Statement Schedules: The financial statement schedules are either included in the financial statements or are not applicable.

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.

CITIZENS BANCSHARES CORPORATION

By: /s/ JAMES E. YOUNG

James E. Young
President and Chief Executive Officer

Date: March 28, 2008

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 James E. Young and Cynthia N. Day 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/ RAY ROBINSON Ray Robinson	Chairman of the Board	March 28, 2008
/s/ ROBERT L. BROWN Robert L. Brown	Director	March 28, 2008
/s/ STEPHEN ELMORE Stephen Elmore	Director	March 28, 2008
/s/ C. DAVID MOODY C. David Moody	Director	March 28, 2008

Signature	Title	Date
/s/ MERCY P. OWENS Mercy P. Owens	Director	March 28, 2008
/s/ DONALD RATAJCZAK Donald Ratajczak	Director	March 28, 2008
/s/ H. JEROME RUSSELL H. Jerome Russell	Director	March 28, 2008
/s/ JAMES E. WILLIAMS James E. Williams	Director	March 28, 2008
/s/ JAMES E. YOUNG James E. Young	Director, President and Chief Executive Officer*	March 28, 2008
/s/ CYNTHIA N. DAY Cynthia N. Day	Senior Executive Vice President and Chief Operating Officer**	March 28, 2008
/s/ SAMUEL J. COX Samuel J. Cox	Senior Vice President and Chief Financial Officer***	March 28, 2008

* Principal executive officer

** Principal operating officer

*** Principal accounting and financial officer

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-86599 and 33-91003 of Citizens Bancshares Corporation on Form S-8 and Form S-3, respectively, of our report dated March 27, 2008, appearing in the Annual Report on Form 10-K of Citizens Bancshares Corporation for the year ended December 31, 2007.

Elliott Davis, LLC

Elliott Davis, LLC

Columbia, South Carolina
March 27, 2008

EXHIBIT 31.1

Certification

I, James E. Young, Chief Executive Officer of Citizens Bancshares Corporation, certify that:

1. I have reviewed the annual report on Form 10-K of Citizens Bancshares Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2008

/s/ JAMES E. YOUNG

James E. Young
Chief Executive Officer

EXHIBIT 31.2

Certification

I, Cynthia N. Day, Chief Operating Officer of Citizens Bancshares Corporation, certify that:

1. I have reviewed the annual report on Form 10-K of Citizens Bancshares Corporation;

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 28, 2008

/s/ CYNTHIA N. DAY

Cynthia N. Day
Chief Operating Officer

EXHIBIT 31.3

Certification

I, Samuel J. Cox, Chief Financial Officer of Citizens Bancshares Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Citizens Bancshares Corporation;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this 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-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 28, 2008

/s/ SAMUEL J. COX

Samuel J. Cox
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Annual Report on Form 10-K for the year ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This 28 day of March, 2008.

/s/ JAMES E. YOUNG

Chief Executive Officer
Citizens Bancshares Corporation

/s/ CYNTHIA N. DAY

Chief Operating Officer
Citizens Bancshares Corporation

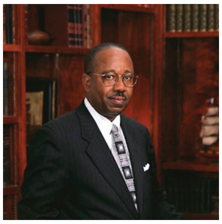
/s/ SAMUEL J. COX

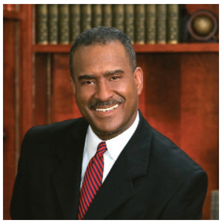
Chief Financial Officer
Citizens Bancshares Corporation

2007 Citizens Trust Bank Board of Directors


Ray M. Robinson
Chairman


James E. Young
President & CEO


Robert L. Brown, Jr.

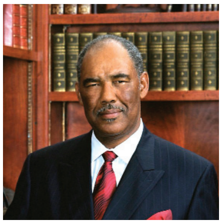

Stephen A. Elmore, Sr.


C. David Moody, Jr.


Mercy P. Owens


Dr. Donald Ratajczak


H. Jerome Russell


James Williams

2007 Principal Officers

James E. Young
President/Chief Executive Officer

Cynthia N. Day
Senior Executive Vice President/
Chief Operating Officer, CPA

Robert E. Nesbitt
Alabama Division President

Samuel J. Cox
Executive Vice President/Chief Financial Officer, CPA

Kevin Wilson
Executive Vice President/Chief Credit Officer

Frederick L. Daniels, Jr.
Senior Vice President/Commercial Division Manager

Joseph M. Hopkins
Senior Vice President/Internal Audit Manager,
CIA, CBA, CRP

E. Jacques Lee
Senior Vice President/Consumer Banking Division Manager

Wanda Nesbit
Senior Vice President/Human Resources Director, CBM

Ardell Walcott
First Vice President/Retail Banking Manager

Iris D. Goodly
Vice President/Operations Division Manager

Moira Montgomery
Vice President/Compliance Officer/
Special Projects Manager

LOCATIONS

Atlanta Division

Corporate Headquarters
Main Office
75 Piedmont Avenue
Atlanta, GA 30303

Cascade
3705 Cascade Road
Atlanta, GA 30331

East Point
2840 East Point Street
East Point, GA 30344

Panola
2727 Panola Road
Lithonia, GA 30058

Rockbridge
5771 Rockbridge Road
Stone Mountain, GA 30087

Wesley Chapel
2592 S. Hairston Road
Decatur, GA 30035

Westside
965 MLK Jr. Drive, S.W.
Atlanta, GA 30314

Columbus
3172 Macon Road
Columbus, GA 31906

Operations Center
2570 Park Central Boulevard
Decatur, GA 30035

Alabama Division

Birmingham Headquarters
1700 3rd Avenue North
Birmingham, AL 35203

Eutaw
213 Main Street
Eutaw, AL 35462

The Transfer Agency

1-800-568-3476
Computershare Trust
Company N. A.
P.O. Box 43078
Providence, RI 02940-3078

Shareholders seeking help with a change of address, records or information about lost certificates or dividend checks should contact the transfer agent. Shareholders can also directly manage their account or download forms via the web by registering at www.computershare.com.

800-547-1344 678-406-4000 www.CTBconnect.com Trading Symbol: CZBS