Accelerate

WE BELIEVE IN GROWTH

2022 ANNUAL REPORT

CITIZENS BANCSHARES CORPORATION

SINCE 1921

WE BELIEVE IN GROWTH

46%
total revenue growth

132%
increase in net income

20%
loan portfolio growth

21%
growth in assets from 2021 to 2022

Earnings per share (EPS) increased to $4.64 in 2022, a **136%** increase over last year

Strong liquidity position with access to untapped borrowing capacity from the Federal Reserve and Federal Home Loan Bank

FINANCIAL WELLNESS AND COMMUNITY IMPACT

86% of loans to minorities and small-medium sized businesses

Team involvement in **50+** Community Organizations

20+ middle and high school partners

15K+ students reached

Operation Hope Partnership: HOPEInside Financial Wellness coaching model

INSTITUTIONAL GROWTH

50% Increase in common stock dividends

44.5% increase in loan fundings

Expanded footprint includes lending presence in N. Atlanta, Houston and Nashville

Shareholders Message

Over the past year, a great deal has occurred. The war in Ukraine and the economic sanctions imposed on Russia have had a substantial influence on the global economy which has also impacted local economies. The outcomes are visible with the highest inflation rate in four decades which has compelled the Federal Reserve to aggressively raise interest rates by 4.25 percentage points higher than they were at this time last year. The war has also exacerbated supply chain issues forcing delays in housing, construction, and manufacturing.

Most recently, the banking industry experienced another level of uncertainty around the strength and stability of the banking system with the failure of Silicon Valley Bank (SVB) and Signature Bank. The intervention of the United States Treasury and regulatory agencies provided some level of comfort. Yet, management felt it important that we engage our clients through electronic communications, our website and social media and most importantly, through personal customer interactions to provide reassurance that the Bank is well-capitalized and well positioned for success and sustainability. We are pleased with our client's response and trust in us.

In spite of these events, The Company had an outstanding year. Citizens Trust Bank remains strong and is strategically positioned to serve its clients and community for generations to come. Furthermore, Citizens Trust Bank has accomplished significant milestones and celebrated notable achievements over the past year. At our core, we understand that banking relationships are more than transactions; they are the building blocks of community and connectivity. The theme, "Accelerate: We Believe in Growth," encapsulates our unwavering commitment to grow our business so that we can support the growth of our client's businesses and create customized, holistic financial solutions that cater to their unique needs in every stage of life.

Citizens Trust Bank, with over a century of experience and currently serving clients in 48 states, takes pride in its strong legacy. Providing financial backing to businesses, supporting the American dream and building wealth for families remains our primary mission.

2022 Financial Highlights

2022 was another historic and exceptional year for Citizens Trust Bank, with the Company generating record revenue for four of the last five years. We earned total revenue in 2022 of $30.9 million and net income of $9.4 million, with a return on tangible common equity (ROTCE) of 19%, reflecting strong underlying performance. We also increased our common dividend to $0.75 per share, paid all dividends to our preferred shareholders and continued to maintain a strong balance sheet. Further, we continue to make solid investments in products, people and technology while exercising a strong credit discipline.

During 2022, we achieved the following milestones that continue to validate our strategy:

- **Record Earning:** Experienced a 132% increase in net income to $9.4 million in 2022 compared to $4.1 million in 2021.
- **Record EPS:** Earnings per share (EPS) increased to $4.64 in 2022, a 136% increase over last year.
- **Record growth in loans:** We experienced strong diversified growth in gross loans. During 2022, gross loans exceeded a historical record set in 2021 by $56 million, or 20%, highlighted by 86% of loans originated to minorities and small-medium sized businesses.
- **Record growth in total assets:** As of December 31, 2022, Total assets increased $138 million, or 21%, compared to 2021.
- **Record common stock dividend:** Increased common stock dividends to a record $0.75 per share while maintaining sufficient capital to ensure our long-term financial strength. The annual common stock dividend payout for 2023 was $1.5 million, or $0.75 per share compared to $0.50 per share in 2022.
- **Record Capital:** Representing strength and sustainability, at December 31, 2022, both the Company and the bank were classified as well-capitalized based on regulatory guidelines, with total capital of 48% and 20%, respectively.
- The Company received a $95.7 million capital investment from the U.S. Department of Treasury ECIP Program designed to support our lending to financially underserved borrowers and communities. In addition, the company also received a $5 million capital investment from TD Community Development Corporation. These investments are already having a significant impact on the bank and our ability to enhance the impact within our current communities and expand into similar communities in other markets.
- **Pursuing Growth:** We have expanded our market area to include a commercial lending presence in North Atlanta, GA and Nashville, TN with a strategy to expand to other markets within Tennessee, Texas and North Carolina by 2025.
- Net interest income increased $7.7 million, or 48%, in 2022, reflecting growth of $135 million in earning assets, and higher yields earned as we effectively managed our interest rate position as the Federal Reserve aggressively increased rates.
- Noninterest income increased $1.9 million, or 41%, resulting from applying and being awarded a grant through the CDFI fund for our response in addressing the economic challenges created by the COVID-19 pandemic, particularly in underserved communities.

- Noninterest expense increased $2.4 million, or 15%, driven by hiring additional teammates, wage inflation and other operating expenses associated with the Bank's marketing and planned expansion.

We believe these key performance indicators show how, with each passing year, we become a more competitive and dynamic financial institution. As we set our sights on 2023, even though the rise in rates substantially improved the Company's net interest margin during 2022, we anticipate the rising rate environment could have a notable impact on the bank's cost of funds and may affect the robust loan demand we have experienced.

We are cognizant of the fluid environment in which we operate but remain committed to refining our strategy to ensure that our Company is well-positioned for future success. We understand that we cannot afford to become complacent with past achievements; rather, we must continually scrutinize and adapt our business model to deliver optimal value to our shareholders. Our board of directors is instrumental in this effort, as they bring a wealth of experience, expertise, and diverse perspectives to review and approve our plans. With their guidance, we are confident that Citizens Trust Bank will continue to flourish and thrive in the years ahead.

Growing the Communities We Serve

Citizens Trust Bank has been a pillar of the community for over a 100 years, and we remain steadfast in our dedication to delivering exceptional service and tailored innovative financial solutions that address the evolving needs of our clients. Our legacy is founded on the principles of economic equality and well-being, and we are dedicated to fulfilling a broader mission of empowering individuals and future generations to achieve financial success.

Our true path to prosperity lies in collaborative engagement with our clients, neighbors, and community leaders to eliminate obstacles that hinder the achievement of financial objectives. At Citizens Trust Bank, we recognize the importance of building strong relationships within our communities, as it is only through collective action that we can create a brighter future for all. By working together and leveraging our collective strengths, we can overcome challenges and empower individuals to achieve their financial aspirations.

We continue to engage and empower our communities by:

- Extending more than $300 million in loans to community businesses over the last three years and growing.
- Promoting and addressing quality, affordable housing, as we are on track to extend $200 million in new residential loans in the next three years.

We have expanded our footprint impacting more minority communities by providing access to capital for small businesses, housing, and other developments.

- Offering Down Payment Assistance (DPA) from our current partners, additionally, this year we are excited to introduce a new grant program for DPA from Citizens Trust Bank.
- Providing financial wellness education resources through our Financial Independence Training (FIT) program. Since its inception, the program has reached more than 15,000 middle and high school students and is now available to 22 area community schools. We are committed to expanding this invaluable program into new markets in 2023 and beyond.
- Continuing to be good stewards of the Emergency Capital Investment Program (ECIP). We have expanded our footprint impacting more minority communities by providing access to capital for small businesses, housing, and other developments.
- Expanding our Minority Supplier Program which provides needed capital to minority vendors to fulfill their contractual obligations to major corporations, allowing them to thrive and reach their full potential.

Further, we continue to build on our community-based approach to financial wellness by expanding our partnership with Operation HOPE. The partnership enhances our reach in providing education, insights, and tools that will empower the community to build better lives. Providing access to HOPE Inside, brings in-person and virtual one-on-one financial coaching and solutions inside CTB's financial centers, starting with our Panola branch in Stonecrest, Georgia.

It is our firm belief that when our community does well, we all do well. When we help someone afford a home, invest for their future, get an education or just open that first checking account and when our bankers help businesses get a jump start on their next big expansion, positive things happen for our communities and our bank. That's how we measure success.

Relationships That Grow with Us

As a community bank, we understand our responsibility to promote economic growth and enhance the well-being of our clients and the community we call home. We believe that it is our duty to facilitate commerce and support organizations that share our vision for a better future. Our business model and decisions that drive strategy are built on our commitment to community, as well as embracing strategic partnerships. Our partnerships have played an instrumental role in the Bank's growth and success, and we remain committed to working alongside our partners to foster a thriving business community and enrich the quality of life for all residents.

An important part of our strategy includes pursuing partnerships with and investments from mainstream and Fortune 500 Companies. These partnerships are mission aligned and committed to addressing economic equality, wealth accumulation and overall financial success for all communities. Forging these partnerships has made us stronger together. In 2022, we added several new relationships to our growing list of partners. The partnerships support our continued growth and impact much of which is detailed above, notably our lending to small and minority businesses that create jobs and are a catalyst to thriving communities.

For example, through a launch of the CTB vendor diversity initiative, we are engaged with a Fortune

We are enhancing the customer experience and product delivery channels.

500 Company to expand its minority participation with small- and medium-sized businesses (SMB) in their U.S. based supplier network. We have successfully supported several businesses with access to capital to engage as a supplier. Further, we are engaged with a mainstream financial institution to provide a similar initiative with Walmart. This initiative is powered by a digital platform that connects Walmart's 10,000 SMB's with a diverse group of more than 70 lenders that provide qualifying businesses with loans of up to $10 million.

By fostering these relationships, it strengthens our ability to engage a wider range of businesses. It encourages diversity and inclusion inside supply chains and offers opportunities to more minority SMB to participate with support and access to capital. We believe that promoting inclusion and advocating for economic equality is crucial, and these partnerships give Citizens Trust Bank a greater platform to accelerate growth within our communities.

A Culture of Innovation

As we strive to be a leader and example of an inclusive and diverse organization that represents and serves our clients and communities, we continue to develop tools and resources to make our client's engagement with us easier and to attract and retain high-performing teammates. We are:

- Enhancing the customer experience and product delivery channels. For example, we are actively engaging a fintech to help streamline the loan decisioning process on certain loan types, while at the same time integrating fraud prevention and risk mitigating software into the auto-decisioning product we deploy.

- Continuing to build out our digital marketing platforms to bolster awareness of the bank, increase wallet share and deepen relationships with our clients.
- Deploying marketing strategies around the talent acquisition and hiring process to attract new talent through social media communities. We also regularly research the market to understand labor trends to be more competitive in the pursuit of attracting the best talent, while at the same time, continuously evaluating our culture to ensure we are a great place to work.
- Deploying a unique and fresh approach to engaging in new markets utilizing technology and reimagined, more efficient space for client engagement.

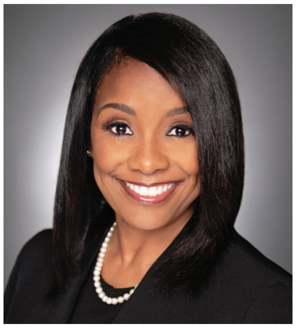
The Power of Growth

We are proud of the substantial growth we have experienced over the past several years almost doubling in size organically. Though there continues to be uncertainty in the environment, we are committed to, cautiously yet optimistically, press forward and pursue all opportunities that will facilitate our growth.

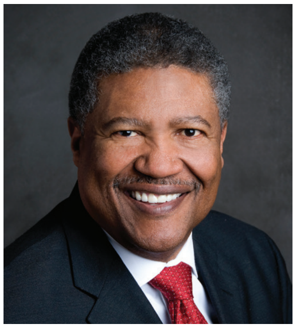
Our culture is one that looks ahead and welcomes change, with a focus on serving niche markets where we can add value and utilize technology to deliver seamless and efficient service. While these have always been fundamental components of our business model, we believe that in this shifting landscape, Citizens Trust Bank is poised to be a relevant, mission-driven and innovative community bank of the future.

As we move forward, we remain committed to executing on our priorities to achieve remarkable and long-lasting financial performance. We firmly believe that by staying true to our mission, values and priorities, we can continue to create value for our clients, stakeholders and the communities we serve.

We thank our teammates and board of directors for their unwavering commitment to the success of our Company and we thank you our fellow shareholders for your continued support.



Cynthia N. Day
President and CEO
Citizens Trust Bank



Ray M. Robinson
Chairman of the Board
Citizens Bancshares Corporation

Financials

SELECTED FINANCIAL DATA FOR
CITIZENS BANCSHARES CORPORATION & SUBSIDIARY

Years ended December 31, (amounts in thousands, except per share data and financial ratios)	**2022**	**2021**	**2020**
STATEMENT OF INCOME DATA:			
Net interest income	$23,722	$16,007	$14,395
Income before income tax expense	$12,417	$5,216	$6,793
Net income	$9,437	$4,061	$5,219
Net income available to common shareholders	$9,206	$3,923	$5,219
PER SHARE DATA:			
Net income per common share—basic	$4.64	$1.97	$2.64
Book value per common share	$24.97	$27.04	$26.19
Cash dividends paid per common share	$0.50	$0.40	$0.35
BALANCE SHEET DATA:			
Loans, net of unearned income	$340,855	$284,761	$287,495
Deposits	$620,208	$581,421	$510,381
Advances from Federal Home Loan Bank	$3,088	$110	$132
Total assets	$807,136	$668,919	$571,926
Average stockholders’ equity	$127,265	$67,508	$49,417
Average assets	$753,088	$624,701	$494,683
RATIOS:			
Income before income tax expense to average assets	1.65%	0.83%	1.37%
Net income to average assets	1.25%	0.65%	1.06%
Net income to average stockholders' equity	7.42%	6.02%	10.56%
Dividend payout ratio per common share	10.79%	19.62%	13.33%
Average stockholders’ equity to average assets	16.90%	10.81%	9.99%
Tier 1 capital ratio (to risk weighted assets)	48%	24%	17%
Total capital ratio	48%	25%	18%

Citizens Bancshares Corporation and Subsidiary

Report on Consolidated Financial Statements

As of and for the years ended December 31, 2022 and 2021

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Independent Auditor's Report

The Board of Directors
Citizens Bancshares Corporation and Subsidiary
Atlanta, Georgia

Opinion

We have audited the consolidated financial statements of Citizens Bancshares Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022, and 2021, the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Elliott Davis, LLC

Columbia, South Carolina
March 30, 2023

Citizens Bancshares Corporation and Subsidiary

Consolidated Balance Sheets

As of December 31, 2022 and 2021

	2022	2021
Assets		
Cash and due from banks	$ 1,760,019	$ 2,182,046
Federal funds sold	31,775,039	32,005,887
Interest bearing deposits with banks	226,569,085	230,370,530
Cash and cash equivalents	260,104,143	264,558,463
Certificates of deposit	350,000	350,000
Investment securities available for sale at fair value (amortized cost of $193,738,654 and $95,475,729 at December 31, 2022 and 2021, respectively)	177,733,712	95,294,098
Other investments	888,450	681,050
Loans receivable, net of allowance for loan losses of $2,986,370 and $3,010,674 at December 31, 2022 and 2021, respectively	337,868,750	281,750,342
Premises and equipment, net	6,347,223	6,750,439
Cash surrender value of life insurance	11,619,831	11,334,349
Right-of-use asset	1,469,455	1,720,603
Other assets	10,754,551	6,480,040
Total assets	$ 807,136,115	$ 668,919,384
Liabilities		
Deposits		
Noninterest-bearing deposits	$ 244,255,494	$ 218,620,959
Interest-bearing deposits	375,952,309	362,799,934
Total deposits	620,207,803	581,420,893
Accrued expenses and other liabilities	6,205,909	6,444,095
Bank owned life insurance liability	3,676,784	3,424,607
Lease liability	1,790,196	2,083,613
Advances from Federal Home Loan Bank	3,088,419	109,945
Total liabilities	634,969,111	593,483,153
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $1,000 par value; 10,000,000 total shares authorized; 122,700 and 22,000 shares issued and outstanding at December 31, 2022 and 2021, respectively	122,700,000	22,000,000
Common stock, $1 par value; 20,000,000 shares authorized; 2,453,876 and 2,343,676 shares issued and outstanding at December 31, 2022 and 2021, respectively	2,453,876	2,343,676
Nonvoting common stock, $1 par value; 5,000,000 shares authorized; 0 and 90,000 shares issued and outstanding at December 31, 2022 and 2021, respectively	-	90,000
Nonvested restricted common stock	(161,911)	(226,916)
Additional paid-in capital	9,088,128	8,909,098
Retained earnings	54,942,363	46,730,201
Treasury stock, at cost, 472,617 and 457,461 shares at December 31, 2022 and 2021, respectively	(4,513,354)	(4,314,547)
Accumulated other comprehensive loss	(12,342,098)	(95,281)
Total stockholders' equity	172,167,004	75,436,231
Total liabilities and stockholders' equity	$ 807,136,115	$ 668,919,384

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation and Subsidiary

Consolidated Statements of Income

For the years ended December 31, 2022 and 2021

		2022		2021
Interest income				
Loans, including fees	$	16,236,840	$	14,641,241
Investment securities				
Taxable		3,342,055		1,379,296
Non-taxable		66,205		116,969
Dividends		40,270		33,966
Federal funds sold		495,495		107,970
Interest-bearing deposits		4,175,576		260,983
Total interest income		24,356,441		16,540,425
Interest expense				
Deposits		633,172		513,092
Other borrowings		783		20,381
Total interest expense		633,955		533,473
Net interest income		23,722,486		16,006,952
Provision for loan losses		100,000		50,000
Net interest income after provision for loan losses		23,622,486		15,956,952
Noninterest income				
Service charges on deposit accounts		1,659,053		1,635,767
Debit and credit card income		1,449,224		1,459,650
Gain on sale of other real estate owned		4,762		19,003
Mortgage origination fees		355,482		594,818
Income and fees from automated teller machines (ATMs)		132,822		150,837
Bank owned life insurance		285,482		278,149
Other operating income		664,494		502,912
Grant income		1,996,964		-
Total noninterest income		6,548,283		4,641,136
Noninterest expense				
Salaries and employee benefits		9,084,112		7,963,311
Occupancy and equipment		1,776,450		1,710,137
Other real estate owned		1,245		2,687
Data processing expense		1,188,288		1,125,624
Professional services		1,124,701		1,087,233
Other benefit expense		487,880		421,735
Other operating expenses		4,090,732		3,071,636
Total noninterest expense		17,753,408		15,382,363
Income before income tax expense		12,417,361		5,215,725
Income tax expense		2,980,167		1,155,124
Net income		9,437,194		4,060,601
Preferred stock dividends		(231,528)		(137,195)
Net income available to common shareholders	$	9,205,666	$	3,923,406
Net income per common share - basic	$	4.64	$	1.97
Net income per common share - diluted	$	4.51	$	1.94
Weighted average outstanding shares				
Basic		1,986,031		1,994,141
Diluted		2,039,117		2,021,241

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation and Subsidiary

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

	2022	2021
Net income	$ 9,437,194	$ 4,060,601
Other comprehensive loss		
Unrealized holding losses arising during the period	(15,823,311)	(2,039,144)
Tax effect	3,576,494	448,613
Other comprehensive loss, net of tax	(12,246,817)	(1,590,531)
Comprehensive (loss) income	$ (2,809,623)	$ 2,470,070

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022 and 2021

	Preferred Stock		Common Stock		Nonvoting Common Stock		Nonvested Restricted Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount		
Balance, December 31, 2020	-	$ -	2,327,401	$ 2,327,401	90,000	$ 90,000	$ (163,704)	$ 8,636,623	$ 43,603,498	(436,028)	$ (4,088,600)	$ 1,495,250	$ 51,900,468
Net income	-	-	-	-	-	-	-	-	4,060,601	-	-	-	4,060,601
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	(1,590,531)	(1,590,531)
Net change in restricted stock	-	-	-	-	-	-	(63,212)	125,186	-	-	-	-	61,974
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(21,433)	(225,947)	-	(225,947)
Issuance of common stock	-	-	16,275	16,275	-	-	-	147,289	-	-	-	-	163,564
Issuance of preferred stock	22,000	22,000,000	-	-	-	-	-	-	-	-	-	-	22,000,000
Dividends paid on common stock	-	-	-	-	-	-	-	-	(796,703)	-	-	-	(796,703)
Dividends paid on preferred stock	-	-	-	-	-	-	-	-	(137,195)	-	-	-	(137,195)
Balance, December 31, 2021	22,000	22,000,000	2,343,676	2,343,676	90,000	90,000	(226,916)	8,909,098	46,730,201	(457,461)	(4,314,547)	(95,281)	75,436,231
Net income	-	-	-	-	-	-	-	-	9,437,194	-	-	-	9,437,194
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	(12,246,817)	(12,246,817)
Net change in restricted stock	-	-	-	-	-	-	65,005	(32,595)	-	-	-	-	32,410
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(15,156)	(198,807)	-	(198,807)
Issuance of common stock	-	-	20,200	20,200	-	-	-	211,625	-	-	-	-	231,825
Issuance of preferred stock	100,700	100,700,000	-	-	-	-	-	-	-	-	-	-	100,700,000
Conversion of nonvoting common stock to voting common stock	-	-	90,000	90,000	(90,000)	(90,000)	-	-	-	-	-	-	-
Dividends paid on common stock	-	-	-	-	-	-	-	-	(993,504)	-	-	-	(993,504)
Dividends paid on preferred stock	-	-	-	-	-	-	-	-	(231,528)	-	-	-	(231,528)
Balance, December 31, 2022	122,700	$122,700,000	2,453,876	$ 2,453,876	-	$ -	$ (161,911)	$ 9,088,128	$ 54,942,363	(472,617)	$ (4,513,354)	$ (12,342,098)	$ 172,167,004

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation and Subsidiary

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 9,437,194	$ 4,060,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	100,000	50,000
Depreciation	607,318	621,164
Amortization and accretion of investment securities available for sale, net	(37,857)	332,780
Provision (benefit) for deferred income taxes	(3)	449,036
Gain on sale of other real estate owned	(4,762)	(19,003)
Restricted stock compensation, net	264,235	225,538
Increase in cash surrender value of life insurance	(285,482)	(278,149)
Change in assets and liabilities:		
Change in other assets and right-of-use asset	(446,866)	(61,230)
Change in accrued expenses, other liabilities and lease liabilities	(279,426)	3,589,632
Net cash provided by operating activities	9,354,351	8,970,369
Cash flows from investing activities		
Net change in certificates of deposit	-	500,000
Proceeds from the sales, maturities and paydowns of securities available for sale	23,804,090	24,960,203
Purchases of securities available for sale	(122,029,158)	(58,607,164)
Net (increase) decrease in other investments	(207,400)	88,700
Net (increase) decrease in loans	(56,218,408)	2,533,839
Purchases of premises and equipment	(204,102)	(217,140)
Proceeds from sale of other real estate owned	4,762	180,003
Net cash used in investing activities	(154,850,216)	(30,561,559)
Cash flows from financing activities		
Net change in deposits	38,786,910	71,039,462
Principal payments on note payable	-	(1,150,000)
Net increase (decrease) in Federal Home Loan Bank advances	2,978,474	(21,846)
Issuance of preferred stock	100,700,000	22,000,000
Common stock dividend paid	(993,504)	(796,703)
Preferred stock dividend paid	(231,528)	(137,195)
Purchase of treasury stock	(198,807)	(225,947)
Net cash provided by financing activities	141,041,545	90,707,771
Net (decrease) increase in cash and cash equivalents	(4,454,320)	69,116,581
Cash and cash equivalents, beginning of year	264,558,463	195,441,882
Cash and cash equivalents, end of year	$ 260,104,143	$ 264,558,463
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 604,395	$ 555,508
Income taxes	$ 2,240,000	$ 1,474,257
Supplemental schedule of non-cash investing and financing activities		
Change in unrealized loss on investment securities available for sale	$ (15,823,311)	$ (2,039,144)

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Business:

Citizens Bancshares Corporation is a holding company that provides a full range of commercial banking to individual and corporate customers in its primary market areas, metropolitan Atlanta, Georgia, and Birmingham and Eutaw, Alabama through its wholly owned subsidiary, Citizens Trust Bank (the “Bank” and together the "Company"). The Bank operates under a state charter and serves its customers through five full-service branches in metropolitan Atlanta, 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.

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, valuation of investment securities and the value of foreclosed real estate assets.

Cash and cash equivalents:

Cash and cash equivalents include cash on hand and amounts due from banks, interest-bearing deposits with 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. In response to the effects of the COVID-19 pandemic, the FRB temporarily eliminated the reserve requirement. Therefore, there was no reserve requirement as of December 31, 2022 and 2021.

Interest-bearing deposits with banks:

Substantially all of the Company’s interest-bearing deposits with banks represent funds maintained on deposit at the Federal Reserve Bank of Atlanta and the Federal Home Loan Bank of Atlanta (FHLB). These funds fluctuate daily and are used to manage the Company’s liquidity and borrowing position. Funds can be withdrawn daily from this account and accordingly, the carrying amount of this account is at cost which is deemed to be a reasonable estimate of fair value.

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.

Note 1. Summary of Significant Accounting Policies, Continued

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 or held to maturity at December 31, 2022 or 2021.

Premiums and discounts on available for sale securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts are presented within interest income from investment securities 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 management. There was no other-than-temporary impairment for securities recorded during 2022 or 2021.

Loans receivable and allowance for loan losses:

Loans are reported at principal amounts outstanding plus direct origination costs, net of loan fees and any direct charge-offs. Interest income is recognized over the term of the loan based on the principal amount outstanding. 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 included within loan interest income on the Consolidated Statements of Income.

Management considers a loan to be impaired when, based on current information and events, there is a potential that all amounts due according to the contractual terms of the loan may 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, at the loan's observable market price, or the fair value of the collateral less estimated disposal costs 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. Loans are returned to accrual status when payment has been made according to the terms and conditions of the loan for a continuous six-month period.

Note 1. Summary of Significant Accounting Policies, Continued

Loans receivable and allowance for loan losses, continued:

The allowance for loan losses is maintained at a level that management believes to be adequate to absorb expected loan losses inherent in the loan portfolio as of the balance sheet date. The allowance for loan losses is a valuation allowance for estimated credit losses inherent in the loan portfolio, increased by the provision for loan losses and decreased by charge-offs, net of recoveries. The Company estimates the allowance required on a monthly basis using charge-off history and other delinquency analysis as well as information about specific borrower situations and estimated collateral values, economic conditions, and other factors. The Company's historical loss experience is based on the actual loss history by class of loan. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries are credited to the allowance for loan losses.

Troubled debt restructurings:

Loans to be restructured are identified based on an assessment of the borrower's credit status, which includes, but is not limited to, a review of financial statements, payment delinquency, non-accrual status, and risk rating. Determining the borrower's credit status is a continual process that is performed by the Company's staff with periodic participation from an independent external loan review group.

Troubled debt restructurings (TDRs) generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company seeks to assist these borrowers by working with them to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan while ensuring compliance with the Federal Financial Institutions Examination Council (FFIEC) guidelines. To facilitate this process, a formal concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a TDR.

The modification may include a change in the interest rate or the payment amount or a combination of both. Substantially all modifications completed under a formal restructuring agreement are considered TDRs. Modifications can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. These restructurings rarely result in the forgiveness of principal or interest. Nonperforming TDRs may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status.

Note 1. Summary of Significant Accounting Policies, Continued

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

Leases:

In accordance with Accounting Standards Codification (ASC) 842 "*Leases*", the Company determines if a contractual arrangement is a lease at inception. Operating leases are included as operating right-of-use (ROU) assets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Currently, the Company does not have any finance leases.

Other real estate owned:

Other real estate owned (OREO) 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. Transactions in other real estate owned for the years ended December 31, 2022 and 2021 are summarized below:

	2022	2021
Balance, beginning of year	$ -	$ 161,000
Additions	-	-
Sales	-	(161,000)
Write downs	-	-
Balance, end of year	$ -	$ -

In 2022, the Bank realized a gain of $4,762 from the sale of property owned by the Bank. The property had been valued at zero due to Management's consideration of salability of the property.

Note 1. Summary of Significant Accounting Policies, Continued

Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized but tested for impairment on an annual basis, or more often, if events or circumstances indicate there may be impairment. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Authoritative guidance governing the testing of indefinite lived intangible assets for impairment allows the option to first assess Goodwill by utilizing qualitative factors in determining if it is more likely than not that carrying value exceeds fair value. If, through this analysis, it is determined that it is more likely than not that carrying value exceeds fair value, then the next step requires estimation of the fair value of the reporting unit by quantitative assessment. If the fair value of the reporting unit exceeds its carrying value, no further testing is required. An impairment charge is recognized if the carrying value of the reporting unit's goodwill exceeds its implied fair value. The Company has performed the annual impairment analysis as of December 31, 2022 and concluded no impairment exists. The carrying amount of goodwill was $362,139 as of December 31, 2022 and 2021, respectively, and is included within other assets on the Consolidated Balance Sheets.

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.

Preferred stock:

During February 2021, the Company sold 5,000 shares of Series D Preferred Stock. Dividends on the Series D Preferred Stock are not cumulative, and holders of the Series D Preferred Stock are entitled to receive, if and as declared by the Company, dividends at the annual rate of 1% of the purchase price per share. During March 2021, the Company sold 7,000 shares of Series E Preferred Stock. During September 2021, the Company sold an additional 4,500 shares of Series E Preferred Stock. Dividends on the Series E Preferred Stock are not cumulative, and holders of the Series E Preferred Stock are entitled to receive, if and as declared by the Company, dividends at the annual rate of 1% of the purchase price per share. During April 2021, the Company sold 5,500 shares of Series F Preferred Stock. Dividends on the Series F Preferred Stock are not cumulative, and holders of the Series F Preferred Stock are entitled to receive, if and as declared by the Company, dividends at the annual rate of 1% of the purchase price per share.

Note 1. Summary of Significant Accounting Policies, Continued

During June 2022, the Company sold 95,700 shares of Series G Preferred Stock. The stock was issued to the United State Department of the Treasury (U.S. Treasury) through their Emergency Capital Investment Program (ECIP). Dividends on the Series G Preferred Stock are not cumulative. The dividend rate is set based on a schedule set by the U.S. Treasury and can vary based on the Company meeting certain lending thresholds. Dividends begin to accrue after the second year the shares are outstanding and are paid quarterly. During September 2022, the Company sold 5,000 shares of Series H Preferred Stock. Dividends on the Series H Preferred Stock are not cumulative, and holders of the Series H Preferred Stock are entitled to receive, if and as declared by the Company, dividends at the annual rate of 1% of the purchase price per share.

Net income available to common stockholders:

Basic net income, or earnings, per common share (EPS) is computed based on net income available to common stockholders divided by the weighted average number of common shares outstanding. Diluted EPS is computed based on net income available to common stockholders divided by the weighted average number of common and potential common share equivalents. The only potential common share equivalents are those related to nonvested restricted stock grants.

During the year ended December 31, 2021, the Company received $1.8 million through the Community Development Financial Institution (CDFI) Rapid Resource Grant program. There are specific performance obligations the Company must achieve in order for these funds to be recognized as revenue. These obligations were met during the year ended December 31, 2022, and the previously deferred revenue has been recognized in grant income.

Stock-based compensation:

The market price of the Company's common stock is utilized at the date of grant for the determination of fair value for restricted stock awards. Compensation expense is recognized over the required service period, generally defined as the vesting period, using the market share price on the date of grant. The unrecognized expense related to granted and unvested restricted stock totals $300 thousand, as of December 31, 2022. There were 21,000 shares that fully vested and were exercised in 2022.

In 2018, 16,000 nonvested restricted shares of common stock were issued to certain officers and the CEO at a grant price of $12.30. These shares vested 100% (cliff vesting) on January 1, 2021. In addition, 2,400 nonvested restricted shares of common stock were issued to members of the Board of Directors, excluding the CEO, at a grant price of $12.70. These shares vested on January 1, 2019.

In 2019, 17,500 nonvested restricted shares of common stock were issued to certain officers and the CEO at a grant price of $11.25. These shares will vest 100% (cliff vesting) on January 1, 2022. In addition, 2,880 nonvested restricted shares of common stock were issued to members of the Board of Directors, excluding the CEO, at a grant price of $10.49. These shares vested on January 1, 2020.

In 2020, 17,500 nonvested restricted shares of common stock were issued to certain officers and the CEO at a grant price of $10.00. These shares will vest 100% (cliff vesting) on January 1, 2023. In addition, 2,880 shares of common stock were granted on August 3, 2020 to members of the Board of Directors, excluding the CEO, at a

Note 1. Summary of Significant Accounting Policies, Continued

grant price of $10.33.

Stock-based compensation, continued:

In 2021, 17,500 nonvested restricted shares of common stock were granted to certain officers and the CEO at a grant price of $13.75. These shares will vest 100% (cliff vesting) on May 26, 2024. In addition, 3,500 nonvested restricted shares of common stock were granted on May 26, 2021 to members of the Board of Directors, excluding the CEO, at a grant price of $13.75. These shares vested on May 26, 2022.

In 2022, 20,000 nonvested restricted shares of common stock were granted to certain officers and the CEO at a grant price of $10.46. These shares will vest 100% (cliff vesting) on May 26, 2025. In addition, 4,200 nonvested restricted shares of common stock were granted on May 26, 2022 to members of the Board of Directors, excluding the CEO, at a grant price of $10.46. These shares vest on May 26, 2023.

Comprehensive income:

The Company reports comprehensive income in accordance with ASC 220, *Comprehensive Income*. ASC 220 requires that all items that are required to be reported under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosure requirements have been included in the Company's Consolidated Statements of Comprehensive Income. The only component of comprehensive income relates to the change in value of available for sale securities.

Fair values of financial instruments:

ASC 820, *Fair Value Measurements and Disclosures,* requires disclosure of fair value information for financial instruments, whether or not recognized in the balance sheet, when it is practicable to estimate the fair value. ASC 820 defines a financial instrument as cash, evidence of an ownership interest in an entity or contractual obligations which require the exchange of cash or other financial instruments. Certain items are specifically excluded from the disclosure requirements, including the Company's common stock. In addition, other nonfinancial instruments such as premises and equipment and other assets and liabilities are not subject to the disclosure requirements.

Risks and uncertainties:

In the normal course of its business, the Bank encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk, and market risk.

The Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different bases, than its interest-earning assets. Credit risk is the risk of default on the Bank's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Bank.

Note 1. Summary of Significant Accounting Policies, Continued

The Bank is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Bank also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and

operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Revenue recognition:

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. A description of the Company's revenue streams accounted for under ASC 606 follows:

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are automatically withdrawn from the customer's account balance on a daily basis.

Debit and credit card income: The Company earns interchange fees from debit and credit cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, with the transaction processing services provided to the cardholder. Fees are recognized on a daily basis.

Income and fees from automated teller machines (ATMs): The Company earns fees from its established ATM network. Fees are charged to non-customers of the Company who access the Company's network utilizing a debit card or credit card issued by another financial institution. The Company also earns fees when the Company's customers utilize the ATM network of another financial institution. Fees are recognized at the time of the transaction.

Gains/Losses on OREO sales: Gains/losses on the sale of OREO are included in noninterest income and are generally recognized when the performance obligation is complete. This is typically at delivery of control over the property to the buyer at the time of each real estate closing.

Recently adopted accounting pronouncements:

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

Note 1. Summary of Significant Accounting Policies, Continued

FASB ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (and all subsequent ASUs on this topic) introduce the Current Expected Credit Losses (CECL) model, a new credit loss methodology, replacing multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. The amendments in this ASU require loss estimates be determined over the lifetime of the asset and broaden the information that an entity must consider in developing

its expected credit losses. The ASU does not specify a method for measuring expected credit losses and allows an entity to apply methods that reasonably reflect its expectations of the credit loss estimate based on the entity's size, complexity and risk profile. In addition, the disclosures of credit quality indicators in relation to the amortized cost of financing receivables, a current disclosure requirement, are further disaggregated by year of origination.

The Company adopted this ASU (and all subsequent ASUs on this topic) as of January 1, 2023 using the modified retrospective approach for all loans, leases, debt securities designated as held to maturity, and unfunded loan commitments. The Company adopted the ASU using the prospective approach for debt securities available for sale. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company made changes to loan classifications and segmentation in order to align with ASC 326 requirements and facilitate CECL modeling. Using this updated segmentation, The Company developed new loan level models to estimate the Allowance for Credit Losses (ACL) and facilitate revised disclosures.

Upon adoption, The Company recorded a net increase of $1.5 million in the ACL which included an increase of $1.2 million in the allowance for loan and lease losses and a $0.3 million increase in the reserve for unfunded loan commitments. There was no ACL recorded on debt securities held to maturity at adoption as the Company does not have any debt securities designated as held to maturity.

The Company also adopted this ASU under the prospective transition approach for debt securities available for sale. No previously recorded other than temporary impairment was reported on the portfolio of debt securities.

In March 2022, the FASB issued amendments which are intended to improve the decision usefulness of information provided to investors about certain loan re-financings, restructurings, and write-offs. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoptions is permitted. The Company does not expect these amendments to have a material effect on its financials statements.

In December 2022, the FASB issued amendments to extend the period of time preparers can use the reference rate reform relief guidance under Accounting Standards Codification (ASC) Topic 848 from December 31, 2022 to December 31, 2024, to address the fact that all London Interbank Offered Rate (LIBOR) tenors were not discontinued as of December 31, 2021, and some tenors will be published until June 2023. The amendments are effective immediately for all entities and applied prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the 2022 presentation. Such reclassifications had no impact on net income or stockholders' equity as previously reported.

Note 2. Investment Securities

Securities available for sale consisted of the following:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal securities	$ 14,341,630	$ 735	$ (1,647,553)	$ 12,694,812
U.S. Treasury securities	64,357,628	-	(1,368,174)	62,989,454
Agency securities	7,946,537	-	(1,465,236)	6,481,301
Mortgage-backed securities	102,099,251	2	(10,837,167)	91,262,086
Corporate securities	4,993,608	-	(687,549)	4,306,059
	$ 193,738,654	$ 737	$ (16,005,679)	$ 177,733,712

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal securities	$ 13,537,286	$ 180,495	$ (88,627)	$ 13,629,154
Agency securities	7,938,467	26,183	(57,639)	7,907,011
Mortgage-backed securities	63,917,984	332,214	(701,362)	63,548,836
Corporate securities	10,081,992	140,262	(13,157)	10,209,097
	$ 95,475,729	$ 679,154	$ (860,785)	$ 95,294,098

The amortized costs and fair values of investment securities at December 31, 2022, by contractual maturity, are shown below. Mortgage-backed securities are classified by their contractual maturity, however, 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.

	Securities Available For Sale	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 12,306,324	$ 12,210,547
Due after one year but within five years	69,423,204	67,229,941
Due after five years but within ten years	28,752,773	25,201,137
Due after ten years	83,256,353	73,092,087
Total	$ 193,738,654	$ 177,733,712

Note 2. Investment Securities, Continued

There were no securities sold in 2022 or 2021. Investment securities with carrying values of approximately $86.9 million and $72.1 million at December 31, 2022 and 2021, respectively, were pledged to secure public funds on deposit, for other purposes as required by law and advances through the FHLB.

The following tables show gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2022 and December 31, 2021.

	December 31, 2022					
	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ 5,922,359	$ (297,635)	$ 6,395,032	$ (1,349,918)	$ 12,317,391	$ (1,647,553)
U.S. Treasury securities	62,989,454	(1,368,174)	-	-	62,989,454	(1,368,174)
Agency securities	-	-	6,481,301	(1,465,236)	6,481,301	(1,465,236)
Mortgage-backed securities	58,120,074	(3,763,211)	33,141,335	(7,073,956)	91,261,409	(10,837,167)
Corporate securities	1,614,605	(102,393)	2,691,454	(585,156)	4,306,059	(687,549)
	$ 128,646,492	$ (5,531,413)	$ 48,709,122	$ (10,474,266)	$ 177,355,614	$ (16,005,679)

	December 31, 2021					
	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ 6,962,170	$ (88,627)	$ -	$ -	$ 6,962,170	$ (88,627)
Agency securities	2,891,433	(57,639)	-	-	2,891,433	(57,639)
Mortgage-backed securities	40,815,902	(697,936)	174,043	(3,426)	40,989,945	(701,362)
Corporate securities	3,333,524	(13,157)	-	-	3,333,524	(13,157)
	$ 54,003,029	$ (857,359)	$ 174,043	$ (3,426)	$ 54,177,072	$ (860,785)

Securities classified as available for sale are recorded at fair market value. At December 31, 2022 and 2021, the Company had forty-three and two securities, respectively that were in an unrealized loss position for more than twelve months. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities before recovery of their amortized cost. The Company reviews these securities for other-than-temporary impairment on a quarterly basis by monitoring their credit support and coverage, constant payment of the contractual principal and interest, loan to value and delinquency ratios.

The Company uses prices from third party pricing services and, to a lesser extent, indicative (non-binding) quotes from third party brokers, to measure fair value of our investment securities. Fair values of the investment securities portfolio could decline in the future if the underlying performance of the collateral for collateralized mortgage

Note 2. Investment Securities, Continued

obligations or other securities deteriorates and the levels do not provide sufficient protection for contractual principal and interest. As a result, there is risk that an other-than-temporary impairment may occur in the future.

The Company's investment portfolio consists principally of obligations of the United States, its agencies or its corporations and general obligation and revenue 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.

Note 3. Loans Receivable and Allowance for Loan Losses

The major classification of loans receivable are summarized as follows at December 31, 2022 and 2021 (in thousands):

	2022	2021
Commercial, financial and agricultural	$ 86,603	$ 60,838
Commercial real estate	151,647	143,515
Single-family residential	68,697	60,105
Construction and development	27,326	14,232
Consumer	6,582	6,071
	340,855	284,761
Allowance for loan losses	(2,986)	(3,011)
Total loans	$ 337,869	$ 281,750

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 the metropolitan Atlanta and Birmingham markets. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in market conditions in the metropolitan Atlanta and Birmingham areas.

- The Company's loans to area churches were approximately $45.3 million and $37.3 million at December 31, 2022 and 2021, respectively, which are generally secured by real estate.
- The Company's loans to area hotels were approximately $31.4 million and $32.1 million at December 31, 2022 and 2021, respectively, which are generally secured by real estate.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which established the Paycheck Protection Program (PPP). Under the program, the Small Business Administration (SBA) will forgive loans, in whole or in part, made by approved lenders to eligible borrowers for paycheck and other permitted purposes in accordance with the requirements of the program. These loans carry a fixed rate of 1.00% and a term of two or five years, if not forgiven, in whole or in part. The loans are 100% guaranteed by the SBA and as long as the borrower submits its loan forgiveness application within ten months of completion of the covered period, the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. The Bank received a processing fee ranging from 1% to 5% based on the size of the loan from the SBA. The fees are deferred and amortized over the life of the loans in accordance with ASC 310-20. During 2020, the Bank

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

provided $30.2 million in funding to 327 customers through the PPP and received approximately $1.2 million of processing fees.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act was enacted, extending the authority to make PPP loans through March 31, 2021, revising certain PPP requirements, and permitting second draw PPP loans. For the year ending December 31, 2021, the Bank provided $35.3 million in funding to 720 customers through the PPP and received approximately $2.3 million of processing fees. During the years ended December 31, 2022 and 2021, the Bank recognized approximately $405 thousand and $1.9 million of processing fees, respectively, for PPP loans originated in 2021 and 2020. PPP loans are 100% guaranteed by the SBA and did not undergo the Bank's typical underwriting process. The Bank has approximately $126 thousand in processing fees to recognize as revenue.

The SBA began accepting PPP forgiveness applications on August 10, 2020. Borrowers must submit the application within ten months of the completion of the covered period. Once the borrower has submitted the application, the Bank has 60 days to review, issue a lender decision, and submit to the SBA. Once the application is submitted, the SBA has 90 days to review and remit the appropriate forgiveness amount to the Bank plus any interest accrued through the date of payment. For the year ending December 31, 2022, the Bank processed 135 PPP forgiveness applications with a total loan balance of approximately $9.5 million. For the year ending December 31, 2021, the Bank processed 798 PPP forgiveness applications with a total loan balance of approximately $41.1 million. As of December 31, 2022, the Bank’s PPP loans totaled approximately $6.4 million to 74 customers. As of December 31, 2021, the Bank’s PPP loans totaled approximately $16.0 million to 209 customers. PPP loans are included within “Commercial, financial, and agricultural” loans.

Regulatory agencies, as set forth in the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (initially issued on March 22, 2020 and revised on April 7, 2020), have encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. This guidance allows banks to elect not to categorize loan modifications as troubled debt restructurings (TDRs) if the modifications are related to COVID-19, executed on a loan that was not more than 30 days past due as of December 31, 2019, and executed between March 1, 2020 and the earlier of January 1, 2022 or 60 days after the date of termination of the COVID-19 National Emergency. All short-term loan modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not considered TDRs.

Beginning in March 2020, the Bank provided payment accommodations to customers, consisting of real estate, food service, entertainment & recreation, and construction loans, to borrowers that were negatively impacted by COVID-19. The Bank processed principal deferments to 108 customers, with an aggregate loan balance of $75.4 million, during the year ending December 31, 2020. Borrowers current prior to relief, who were not experiencing financial difficulty prior to COVID-19, were determined not to be considered TDRs. Additionally, of the 108 customers that received payment accommodations, only one customer was still in deferral as of December 31, 2020, with a loan balance of approximately $168,000. During the year ended December 31, 2021, the Bank did not process any additional principal deferments as a result of borrowers negatively impacted by COVID-19. As of December 31, 2022 and 2021, no customers were under modified payment agreements or under deferral.

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

The following is a summary of information pertaining to the Bank's allowance for loan losses at December 31, 2022 and 2021 (in thousands):

	For the year ended December 31, 2022					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 755	$ 1,191	$ 501	$ 171	$ 393	$ 3,011
Provision for loan losses	512	(296)	(109)	38	(45)	100
Loans charged off	(69)	-	-	-	(200)	(269)
Recoveries on loans charged off	-	3	73	-	68	144
Ending balance	$ 1,198	$ 898	$ 465	$ 209	$ 216	$ 2,986

	For the year ended December 31, 2021					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 1,085	$ 1,392	$ 284	$ 53	$ 347	$ 3,161
Provision for loan losses	(191)	(196)	218	118	101	50
Loans charged off	(183)	(6)	(1)	-	(116)	(306)
Recoveries on loans charged off	44	1	-	-	61	106
Ending balance	$ 755	$ 1,191	$ 501	$ 171	$ 393	$ 3,011

Portions of the allowance for loan losses may be allocated for specific loans or portfolio segments. However, the entire allowance for loan losses is available for any loan that, in the judgment of management, should be charged-off.

In determining our allowance for loan losses, we regularly review loans for specific reserves based on the appropriate impairment assessment methodology. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. At December 31, 2022 and 2021, substantially all of the total impaired loans were evaluated based on the present value of expected future cash flows. General reserves are determined using historical loss trends which is applied to risk rated loans grouped by product code. For all loans, the general reserves are calculated by applying the appropriate historical loss factor to the loan pool. Impaired loans greater than a minimum threshold established by management are excluded from this analysis. The sum of all such amounts determines our total allowance for loan losses.

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

The allocation of the allowance for loan losses by portfolio segment was as follows (in thousands):

	For the year ended December 31, 2022					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses						
Specific reserves						
Impaired loans	$ 88	$ 52	$ -	$ -	$ -	$ 140
Total specific reserves	88	52	-	-	-	140
General reserves	1,110	846	465	209	216	2,846
Total	$ 1,198	$ 898	$ 465	$ 209	$ 216	$ 2,986
Loans outstanding						
Loans individually evaluated for impairment	$ 1,572	$ 1,246	$ 131	$ 155	$ -	$ 3,104
Loans collectively evaluated for impairment	85,031	150,401	68,566	27,171	6,582	337,751
Total	$ 86,603	$ 151,647	$ 68,697	$ 27,326	$ 6,582	$ 340,855

	For the year ended December 31, 2021					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses						
Specific reserves						
Impaired loans	$ 123	$ 11	$ -	$ -	$ -	$ 134
Total specific reserves	123	11	-	-	-	134
General reserves	632	1,180	501	171	393	2,877
Total	$ 755	$ 1,191	$ 501	$ 171	$ 393	$ 3,011
Loans outstanding						
Loans individually evaluated for impairment	$ 2,412	$ 1,711	$ 201	$ 103	$ -	$ 4,427
Loans collectively evaluated for impairment	58,426	141,804	59,904	14,129	6,071	280,334
Total	$ 60,838	$ 143,515	$ 60,105	$ 14,232	$ 6,071	$ 284,761

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

The following is an aging analysis of the Bank's loan portfolio at December 31, 2022 and 2021 (in thousands):

	December 31, 2022							
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment >90 Days and Accruing	Nonaccrual
Residential								
First mortgages	$ 158	$ 224	$ 467	$ 849	$ 52,023	$ 52,872	$ -	$ 467
HELOC's and equity	21	-	44	65	15,760	15,825	-	62
Commercial								
Secured	1,823	75	142	2,040	80,604	82,644	-	168
Unsecured	-	-	-	-	3,959	3,959	-	-
Commercial real estate								
Owner occupied	1,876	135	127	2,138	77,926	80,064	-	127
Non-owner occupied	1,417	-	247	1,664	59,001	60,665	-	247
Multifamily	-	54	-	54	10,864	10,918	-	-
Construction and development								
Construction	423	-	-	423	25,927	26,350	-	-
Improved land	-	575	-	575	401	976	-	-
Consumer and other	181	16	184	381	6,201	6,582	39	145
	$ 5,899	$ 1,079	$ 1,211	$ 8,189	$ 332,666	$ 340,855	$ 39	$ 1,216

	December 31, 2021							
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment >90 Days and Accruing	Nonaccrual
Residential								
First mortgages	$ 805	$ 195	$ 854	$ 1,854	$ 42,171	$ 44,025	$ -	$ 1,009
HELOC's and equity	802	17	44	863	15,217	16,080	-	68
Commercial								
Secured	162	24	50	236	56,354	56,590	-	105
Unsecured	-	-	-	-	4,248	4,248	-	-
Commercial real estate								
Owner occupied	64	-	190	254	63,783	64,037	-	190
Non-owner occupied	890	257	-	1,147	69,945	71,092	-	-
Multifamily	-	-	-	-	8,386	8,386	-	-
Construction and development								
Construction	303	-	-	303	11,904	12,207	-	-
Improved land	-	-	-	-	2,025	2,025	-	-
Consumer and other	8	6	93	107	5,964	6,071	-	93
	$ 3,034	$ 499	$ 1,231	$ 4,764	$ 279,997	$ 284,761	$ -	$ 1,465

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

Each of our portfolio segments and the classes within those segments are subject to risks that could have an adverse impact on the credit quality of our loan portfolio. Management has identified the most significant risks as described below which are generally similar among our segments and classes. While the list is not exhaustive, it provides a description of the risks that management has determined are the most significant.

Commercial, financial and agricultural loans - We centrally underwrite each of our commercial loans based primarily upon the customer's ability to generate the required cash flow to service the debt in accordance with the contractual terms and conditions of the loan agreement. We endeavor to gain a complete understanding of our borrower's businesses including the experience and background of the principals. To the extent that the loan is secured by collateral, which is a predominant feature of the majority of our commercial loans, we gain an understanding of the likely value of the collateral and what level of strength the collateral brings to the loan transaction. To the extent that the principals or other parties provide personal guarantees, we analyze the relative financial strength and liquidity of each guarantor. Common risks to each class of commercial loans include risks that are not specific to individual transactions such as general economic conditions within our markets, as well as risks that are specific to each transaction including demand for products and services, personal events such as disability or change in marital status, and reductions in the value of our collateral. Due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Consumer - The installment loan portfolio includes loans secured by personal property such as automobiles, marketable securities, other titled recreational vehicles and motorcycles, as well as unsecured consumer debt. The value of underlying collateral within this class is especially volatile due to potential rapid depreciation in values since date of loan origination in excess of principal repayment.

Commercial real estate - Real estate commercial loans consist of loans secured by multifamily housing, commercial non-owner and owner occupied and other commercial real estate loans. The primary risk associated with multifamily loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. High unemployment or generally weak economic conditions may result in our customer having to provide rental rate concessions to achieve adequate occupancy rates. Commercial owner-occupied and other commercial real estate loans are primarily dependent on the ability of our customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a customer's business results are significantly unfavorable versus the original projections, the ability for our loan to be serviced on a basis consistent with the contractual terms may be at risk. These loans are primarily secured by real property and can include other collateral such as personal guarantees, personal property, or business assets such as inventory or accounts receivable. As such, it is possible that the liquidation of the collateral will not fully satisfy the obligation. Also, due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Single-family residential - Real estate residential loans are to individuals and are secured by 1-4 family residential property. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral. Such a decline in values led to unprecedented levels of foreclosures and losses during 2008-2012 within the banking industry.

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

Construction and development - Real estate construction loans are highly dependent on the supply and demand for residential and commercial real estate in the markets we serve as well as the demand for newly constructed commercial space and residential homes and lots that our customers are developing. Continuing deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for our customers. Real estate construction loans can experience delays in completion and cost overruns that exceed the borrower’s financial ability to complete the project. Such cost overruns can routinely result in foreclosure of partially completed and unmarketable collateral.

Risk categories - The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or special mention are reviewed quarterly by the Company for further deterioration or improvement to determine if appropriately classified and impairment, if any. All other loan relationships greater than $750,000 are reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as if a loan becomes past due, the Company will evaluate the loan grade.

Loans excluded from the scope of the annual review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged off. The Company uses the following definitions for risk ratings:

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

The following is an analysis of the Bank's loan portfolio by risk rating at December 31, 2022 and 2021 (in thousands):

	December 31, 2022				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single family residential					
First mortgages	$ 52,872	$ 52,182	$ -	$ 690	$ -
HELOC's and equity	15,825	15,643	-	182	-
Commercial, financial, and agricultural					
Secured	82,644	81,037	-	1,607	-
Unsecured	3,959	3,959	-	-	-
Commercial real estate					
Owner occupied	80,064	76,763	2,093	1,208	-
Non-owner occupied	60,665	60,395	-	270	-
Multifamily	10,918	10,918	-	-	-
Construction and development					
Construction	26,350	26,195	-	155	-
Improved land	976	976	-	-	-
Consumer	6,582	6,459	-	123	-
Total	$ 340,855	$ 334,527	$ 2,093	$ 4,235	$ -

	December 31, 2021				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single family residential					
First mortgages	$ 44,025	$ 42,976	$ -	$ 1,049	$ -
HELOC's and equity	16,080	15,805	-	275	-
Commercial, financial, and agricultural					
Secured	56,590	54,073	-	2,517	-
Unsecured	4,248	4,248	-	-	-
Commercial real estate					
Owner occupied	64,037	63,250	-	787	-
Non-owner occupied	71,092	71,026	23	43	-
Multifamily	8,386	5,691	2,695	-	-
Construction and development					
Construction	12,207	12,104	-	103	-
Improved land	2,025	2,025	-	-	-
Consumer	6,071	5,978	-	93	-
Total	$ 284,761	$ 277,176	$ 2,718	$ 4,867	$ -

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

The following is an analysis of the Bank's impaired loans that were evaluated for specific loss allowance at December 31, 2022 and 2021 (in thousands):

	December 31, 2022						
	Impaired Loans with Allowance			Impaired Loans with No Allowance			
	Unpaid Principal	Recorded Investment	Allowance For Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
Residential							
First mortgages	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HELOC's and equity	-	-	-	192	131	139	11
Commercial							
Secured	1,575	1,572	88	-	-	1,593	60
Unsecured	-	-	-	-	-	-	-
Commercial real estate							
Owner occupied	540	517	52	574	459	1,018	67
Non-owner occupied	-	-	-	313	270	278	20
Multifamily	-	-	-	-	-	-	-
Construction and development							
Construction	-	-	-	155	155	145	11
Improved land	-	-	-	-	-	-	-
Unimproved land	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Total	$ 2,115	$ 2,089	$ 140	$ 1,234	$ 1,015	$ 3,173	$ 169

	December 31, 2021						
	Impaired Loans with Allowance			Impaired Loans with No Allowance			
	Unpaid Principal	Recorded Investment	Allowance For Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
Residential							
First mortgages	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HELOC's and equity	-	-	-	258	201	211	15
Commercial							
Secured	2,412	2,412	123	-	-	2,430	48
Unsecured	-	-	-	-	-	-	-
Commercial real estate							
Owner occupied	966	1,711	11	-	-	1,748	93
Non-owner occupied	-	-	-	-	-	35	4
Multifamily	-	-	-	-	-	-	-
Construction and development							
Construction	-	-	-	137	103	104	9
Improved land	-	-	-	-	-	-	-
Unimproved land	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Total	$ 3,378	$ 4,123	$ 134	$ 395	$ 304	$ 4,528	$ 169

Note 3. Loans Receivable and Allowance for Loan Losses, Continued

Troubled debt restructurings:

There were no loans modified during the year ended December 31, 2022 that resulted in recognition of a troubled debt restructuring. There was one loan during the year ended December 31, 2021 which was identified as a TDR due to modifications of loan terms. During the years ended December 31, 2022 and 2021, no loans previously identified as TDRs went into default (as defined by non-accrual classification).

The following table summarizes the carrying balance of TDRs as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Performing TDRs	$ 1,402	$ 2,198
Nonperforming TDRs	153	278
Total TDRs	$ 1,555	$ 2,476

In the determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings by performing the usual process for all loans in determining the allowance for loan loss. The Company considers a default as failure to comply with the restructured loan agreement. This would include the restructured loan being past due greater than 90 days, failure to comply with financial covenants, or failure to maintain current insurance coverage or real estate taxes after the loan restructured date.

Note 4. Premises and Equipment

Premises and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Land	$ 2,212,250	$ 2,212,250
Buildings and improvements	8,440,360	8,360,407
Furniture and equipment	11,284,642	11,160,493
Total	21,937,252	21,733,150
Less accumulated depreciation	(15,590,029)	(14,982,711)
Premises and equipment, net	$ 6,347,223	$ 6,750,439

Depreciation expense for the years ended December 31, 2022 and 2021 was approximately $607,000 and $621,000, respectively. There were no sales of premises and equipment for the year ended December 31, 2022 and 2021.

Note 5. Deposits

The following is a summary of interest-bearing deposits at December 31, 2022 and 2021:

	2022	2021
NOW and money market accounts	$ 232,361,752	$ 185,330,726
Savings accounts	67,245,787	68,625,440
Time deposits of $250,000 or more	18,365,004	59,014,416
Other time deposits	57,979,766	49,829,352
	$ 375,952,309	$362,799,934

At December 31, 2022, the Bank had one deposit relationship which comprised approximately 9.3% of total deposits. There were no deposit relationships at December 31, 2021, that exceeded 5% of total deposits.

The Company participates in the Certificate of Deposit Account Registry Services (CDARS), a program that allows its customers the ability to benefit from the FDIC insurance coverage on their time deposits over the $250,000 limit. The Company had approximately $28,245,000 and $20,628,000 in CDARS deposits at December 31, 2022 and 2021, respectively.

At December 31, 2022, the scheduled maturities of time deposits were as follows:

2023	$ 61,749,259
2024	7,721,874
2025	2,630,172
2026	2,323,592
2027	1,919,873
	$ 76,344,770

Note 6. Borrowings

Federal Home Loan Bank Advances:

In August 2006, the Company received an Affordable Housing Program Award (AHP) in the amount of $400,000. The AHP is a principal reducing credit with an interest rate of 0% at December 31, 2022 and 2021 and had a remaining balance of approximately $88,000 and $110,000, respectively. These advances are collateralized by FHLB stock, a blanket lien on the Bank's 1-4 family mortgages, certain commercial real estate loans and investment securities. As of December 31, 2022 and 2021, total loans pledged to FHLB as collateral were approximately $88,355,000 and $79,234,000, respectively.

Note 6. Borrowings, Continued

Federal Home Loan Bank Advances, continued:

As of December 31, 2022 and 2021, maturities of the Company's Federal Home Loan Bank advances are as follows:

Maturity	Rate	2022	2021
Daily	4.57%	$ 3,000,761	$ -
August 2026 [1]	0.00%	87,658	109,945
		$ 3,088,419	$ 109,945

[1] This advance represents an AHP award used to subsidize 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.

At December 31, 2022, the Company has a $203.1 million line of credit facility at the FHLB of which $39.1 million was used for advances of $3,088,000 and a letter of credit to secure public deposits in the amount of $36.0 million. The Company also had $72.6 million of borrowing capacity at the Federal Reserve Bank discount window. This borrowing capacity is collateralized by commercial real estate and consumer loans. As of December 31, 2022 and 2021, total pledged loans to the Federal Reserve Bank were approximately $93,033,000 and $39,750,000, respectively. Additionally, the Company has an unsecured $7.0 million federal funds line of credit.

Note 7. Income Taxes

Income tax expense is summarized as follows for the years ended December 31:

	2022	2021
Current tax expense	$ 2,980,170	$ 706,088
Deferred tax (benefit) expense	(3)	449,036
Total income tax expense	$ 2,980,167	$ 1,155,124

A reconciliation between the income tax expense and the amount computed by applying the Federal statutory rate of 21% for the years ended December 31, 2022 and 2021 to income before income taxes follows:

	2022	2021
Tax expense at statutory rate	$ 2,607,646	$ 1,095,302
State income taxes, net of federal benefit	402,996	155,222
Tax exempt interest income, net of disallowed interest expense	(49,420)	(67,375)
Cash surrender value of life insurance income	(59,951)	(58,411)
Impact of tax rate change on deferred taxes	2	3,925
Other	78,894	26,461
Total	$ 2,980,167	$ 1,155,124

Note 7. Income Taxes, Continued

The components of the net deferred tax asset is as follows as of December 31, 2022 and 2021:

	2022	2021
Deferred tax assets		
Net unrealized loss on securities available for sale	$ 3,662,842	$ 86,348
Allowance for loan losses	764,810	695,463
Nonaccrual loan interest	13,168	7,270
Deferred compensation	1,290,881	1,120,181
Deferred revenue	42,675	167,938
Leases	82,142	92,967
Gross deferred tax assets	5,856,518	2,170,167
Deferred tax liabilities		
Deferred loan costs	106,666	154,827
Premises and equipment	158,938	166,702
Other	271,069	105,290
Gross deferred tax liabilities	536,673	426,819
Net deferred tax asset	$ 5,319,845	$ 1,743,348

Management currently considers it more likely than not that all related deferred tax assets will be realized; thus, no valuation allowance has been provided.

Tax returns for 2019 and subsequent years are subject to examination by taxing authorities.

The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

Note 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 each of the years ended December 31, 2022 and 2021, the Company recognized approximately $198,000 and $184,000 in expenses related to this plan, respectively. The Bank previously had Post Retirement Benefit Plans that provided retirement benefits to certain officers, board members, certain former officers, and former board members. The Bank also has a Life Insurance Endorsement Method Split Dollar Plan (“Split Dollar Life Insurance Plan”) for the same participants which provided death benefits for their designated beneficiaries through an endorsement of a portion of the death benefit otherwise payable to the Bank. Under the Post Retirement Benefit and Split Dollar Life Insurance Plans ("the Plans"), the Board purchased life insurance contracts on certain participants. During 2008, the Bank discontinued participation in The Plans and converted certain key officers and active board members into a defined Supplemental Retirement Benefit Plans (SERP) and certain key officers into a Life Insurance Bonus Plan (“the Bonus Plan”). Upon completion of the conversion, most key officers and active Board members participating in the Split Dollar Life Insurance Plan surrendered their interest in the death benefit portion of the plan.

For the SERP and the Post Retirement Benefit Plans, the Company recognized approximately $488,000 and $422,000 in 2022 and 2021, respectively, in noninterest expenses. The Company recognized approximately $285,000 and $278,000 in 2022 and 2021, respectively, in noninterest income related to the insurance contracts. For the Bonus Plan, the Company incurred expenses of approximately $61,000 and $53,000 in 2022 and in 2021, respectively, in salaries and employee benefits expense.

The increase in cash surrender value for the contracts on those participants remaining in the Post Retirement Benefit Plan, less the Bank’s premiums, constitutes the Bank’s contribution to the Post Retirement Benefit Plans each year. In the event the insurance contracts fail to produce positive returns, the Bank has no obligation to contribute to the Post Retirement Benefit Plan. At December 31, 2022 and 2021, the cash surrender value of these insurance contracts was approximately $11.6 million and $11.3 million, respectively.

Note 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.

Note 9. Commitments and Contingencies, Continued

Credit commitments and commercial letters, continued:

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.

	2022	2021
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 55,167,000	$ 40,745,000
Commercial letters of credit	$ 1,524,000	$ 2,868,000

Leases:

As of December 31, 2022, the Company had an operating right-of-use (ROU) asset of $1.5 million and an operating lease liability of $1.8 million. The lease for the Company's headquarters commenced on November 1, 2015 with a term of 12 years and 2 months. The lease requires monthly payments, which started at $26,291 for the first year and increases 3% per year thereafter. The Company received a twenty-month rent abatement as of the lease commencement. The amount of the liability was determined by calculating the present value of the annual cash lease payments using a discount rate of 4.25%. As of December 31, 2022, future minimum lease payments under all noncancelable lease agreements inclusive of sales tax and maintenance costs for the next five years are as follows:

2023	385,679
2024	395,337
2025	405,190
2026	415,346
2027	389,484
Total undisclosed lease payments	$ 1,991,036
Less: effect of discounting	200,840
Present value of estimated lease payments	$ 1,790,196

Rent expense in 2022 and 2021 was approximately $340,000 and $344,000, respectively, and was recorded in occupancy and equipment expense within the consolidated statements of income.

Legal:

The Company has been named as a defendant in legal actions arising from their normal business activities in which damages in various amounts are claimed. Although the amount of any ultimate liability with respect to such matters cannot be determined, in the opinion of management, any such liability will not have a material effect on Company's consolidated financial statements.

Note 10. 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. Nonvested restricted shares with only a vesting period as service requirement are considered to be dilutive for purposes of calculating diluted earnings per share below. 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, 2022 and 2021.

	Year ended December 31, 2022		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share available to common stockholders	$ 9,205,666	1,986,031	$ 4.64
Effect of dilutive securities			
nonvested restricted common shares	-	53,086	0.13
Diluted earnings per share	$ 9,205,666	2,039,117	$ 4.51

	Year ended December 31, 2021		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share available to common stockholders	$ 3,923,406	1,994,141	$ 1.97
Effect of dilutive securities			
nonvested restricted common shares	-	27,100	0.03
Diluted earnings per share	$ 3,923,406	2,021,241	$ 1.94

Note 11. Fair Value Measurements

Generally Accepted Accounting Principles (GAAP) provide a framework for measuring and disclosing fair value which requires disclosures about the fair value of assets and liabilities recognized in the balance sheet, whether the measurements are made on a recurring basis (for example, available for sale investment securities) or on a nonrecurring basis (for example, impaired loans).

Fair value is defined as the exchange in price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Note 11. Fair Value Measurements, Continued

Fair value hierarchy:

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model- based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Investment securities available for sale: Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Impaired loans: The Company does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management measures impairment. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. Impaired loans for which an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the loan as nonrecurring Level 3.

Note 11. Fair Value Measurements, Continued

Other real estate owned: Foreclosed assets are adjusted to fair value upon transfer of the loans to other real estate owned. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charges to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy (in thousands):

	December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Recurring basis				
Securities available for sale				
Municipal securities	$ 12,695	$ -	$ 12,695	$ -
U.S. Treasury securities	62,990	-	62,990	-
Agency securities	6,481	-	6,481	-
Mortgage-backed securities	91,262	-	91,262	-
Corporate securities	4,306	-	4,306	-
Total	$ 177,734	$ -	$ 177,734	$ -
Nonrecurring basis				
Impaired loans				
Commercial real estate	$ 1,194	$ -	$ 1,194	$ -
Commercial	1,484	-	1,484	-
Single family residential	131	-	131	-
Construction	155	-	155	-
Total	$ 2,964	$ -	$ 2,964	$ -

Note 11. Fair Value Measurements, Continued

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Recurring basis				
Securities available for sale				
Municipal securities	$ 13,629	$ -	$ 13,629	$ -
Agency securities	7,907	-	7,907	-
Mortgage-backed securities	63,549	-	63,549	-
Corporate securities	10,209	-	10,209	-
Total	$ 95,294	$ -	$ 95,294	$ -
Nonrecurring basis				
Impaired loans				
Commercial real estate	$ 1,700	$ -	$ 1,700	$ -
Commercial	2,289	-	2,289	-
Single family residential	201	-	201	-
Other real estate owned	103	-	103	-
Total	$ 4,293	$ -	$ 4,293	$ -

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 an estimate 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 - Fair value equals the carrying value of such assets due to their nature and is classified as Level 1.

Investment Securities - Fair value of investment securities is based on quoted market prices and is classified as Level 2.

Other Investments - The carrying amount of other investments approximates its fair value and is classified as Level 1.

Loans - The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, impaired loans and all other loans.

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values approximate carrying values. Fair values for impaired loans are estimated using discounted cash flow models or based on the fair value of the underlying collateral.

Note 11. Fair Value Measurements, Continued

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 and is classified as Level 2.

Notes Payable and Advances from Federal Home Loan Bank - The fair values of notes payable and advances from the Federal Home Loan Bank are estimated by discounting the future cash flows using the rates currently available to the Company for debt with similar remaining maturities and terms and are classified as Level 2.

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 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.

Note 11. Fair Value Measurements, Continued

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022				
	Carrying	Fair Value Measurements			
	Amount	Total	Level 1	Level 2	Level 3
Financial assets					
Cash and due from banks	$ 1,760	$ 1,760	$ 1,760	$ -	$ -
Federal funds sold	31,775	31,775	31,775	-	-
Interest-bearing deposits with banks	226,569	226,569	226,569	-	-
Certificates of deposit	350	350	350	-	-
Investment securities	177,734	177,734	-	177,734	-
Other investments	888	888	888	-	-
Loans, net	337,869	327,235	-	327,235	-
Financial liabilities					
Deposits	$ 620,208	$ 619,925	$ 544,694	$ 75,231	$ -
Advances from Federal Home Loan Bank	3,088	3,082	$ -	$ 3,082	-

	Notional Amount	Estimated Fair Value
Off-balance-sheet financial instruments		
Commitments to extend credit	$ 55,167	$ 55,167
Commercial letters of credit	1,524	1,524

Note 11. Fair Value Measurements, Continued

	December 31, 2021				
	Carrying	Fair Value Measurements			
	Amount	Total	Level 1	Level 2	Level 3
Financial assets					
Cash and due from banks	$ 2,182	$ 2,182	$ 2,182	$ -	$ -
Federal funds sold	32,006	32,006	32,006	-	-
Interest-bearing deposits with banks	230,371	230,371	230,371	-	-
Certificates of deposit	350	350	350	-	-
Investment securities	95,294	95,294	-	95,294	-
Other investments	681	681	681	-	-
Loans, net	281,750	282,226	-	282,226	-
Financial liabilities					
Deposits	$ 581,421	$ 581,593	$ 472,577	$ 109,016	$ -
Advances from Federal Home Loan Bank	110	110	-	110	-

	Notional Amount	Estimated Fair Value
Off-balance-sheet financial instruments		
Commitments to extend credit	$ 40,745	$ 40,745
Commercial letters of credit	2,868	2,868

Note 12. Stockholders' 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.

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, 2022, the Company meets all capital adequacy requirements to which it is subject.

Note 12. Stockholders' Equity, Continued

As of December 31, 2022, the Bank was considered “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 following table.

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	
December 31, 2022	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)						
Consolidated	$ 187,133	48.4%	$ 30,936	8.0%	$ N/A	N/A
Bank	77,794	20.1%	30,929	8.0%	38,661	10.0%
Tier I common equity (to risk weighted assets)						
Consolidated	61,447	15.9%	17,402	4.5%	N/A	N/A
Bank	74,808	19.3%	17,398	4.5%	25,130	6.5%
Tier I capital (to risk weighted assets)						
Consolidated	184,147	47.6%	23,202	6.0%	N/A	N/A
Bank	74,808	19.3%	23,197	6.0%	30,929	8.0%
Tier I capital (to average assets)						
Consolidated	184,147	22.7%	32,502	4.0%	N/A	N/A
Bank	74,808	9.2%	32,490	4.0%	40,612	5.0%
December 31, 2021						
Total capital (to risk-weighted assets)						
Consolidated	$ 78,180	25.0%	$ 25,015	8.0%	$ N/A	N/A
Bank	59,247	19.0%	24,999	8.0%	31,249	10.00%
Tier I common equity (to risk weighted assets)						
Consolidated	53,169	17.0%	14,071	4.5%	N/A	N/A
Bank	56,236	18.0%	14,062	4.5%	20,312	6.5%
Tier I capital (to risk weighted assets)						
Consolidated	75,169	24.0%	18,761	6.0%	N/A	N/A
Bank	56,236	18.0%	18,749	6.0%	24,999	8.0%
Tier I capital (to average assets)						
Consolidated	75,169	11.4%	26,288	4.0%	N/A	N/A
Bank	56,236	8.6%	26,282	4.0%	32,852	5.0%

Note 12. Stockholders' Equity, Continued

Dividend Limitation - The amount of dividends paid by the Bank to the Company or paid by the Company to its stockholders is limited by various banking regulatory agencies. Any such dividends will be subject to maintenance of required capital levels. The Georgia Department of Banking and Finance must approve dividend payments that would exceed 50% of the Bank's net income for the prior year to the Company.

The Company paid dividends of $994,000 and $797,000 on its common stock in 2022 and 2021, respectively. The annual dividend payout rate was $0.50 and $0.40 per common share in 2022 and 2021, respectively.

Basel III - Effective January 1, 2015, Basel III rules on the Company and the Bank became effective and the regulation now also requires the Company to maintain a minimum amount and ratio of common equity Tier 1 capital to risk weighted assets.

Note 13. Related Party Transactions

Certain parties (principally certain directors and executive officers of the Company, their immediate families, and their business interests) were loan customers of and had other transactions in the normal course of business with the Company. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability. As of December 31, 2022 and 2021, the Company had related party loans totaling approximately $13,156,000 and $15,449,000, respectively.

Deposits by directors, including their affiliates and executive officers, were approximately $5,484,000 and $5,472,000 at December 31, 2022 and 2021, respectively.

Note 14. Supplementary Income Statement Information

Components of other operating expenses were disaggregated further for the years ended December 31:

	2022	2021
Stationery and supplies	$ 84,170	$ 76,771
Telephone	368,386	335,330
FDIC insurance premium	243,227	199,500
Security and protection expense	248,134	247,444
Advertising and marketing	632,081	121,392
ATM charges	225,749	229,645
Business development	165,757	59,524
Subscription dues	169,213	282,564
Other miscellaneous expenses	1,954,015	1,519,466
Total	$ 4,090,732	$ 3,071,636

Note 15. Citizens Bancshares Corporation and Subsidiary (Parent Company Only)

Presented below are the condensed financial statements for Citizens Bancshares Corporation and Subsidiary (Parent Company Only).

Condensed Balance Sheets

	For the years ended December 31, 2022	2021
Assets		
Cash	$ 109,021,611	$ 18,804,828
Investment in banking subsidiary	62,827,300	56,503,185
Other assets	341,990	202,493
Total assets	$ 172,190,901	$ 75,510,506
Liabilities and Stockholders' Equity		
Other liabilities	$ 23,897	$ 74,275
Stockholders' equity	172,167,004	75,436,231
Total liabilities and stockholders' equity	$ 172,190,901	$ 75,510,506

Condensed Statements of Income

	For the years ended December 31, 2022	2021
Income	$ 1,308,000	$ 1,600,252
Expenses	581,234	452,848
Income before tax benefit and equity in undistributed earnings of banking subsidiary	726,766	1,147,404
Income tax benefit	139,496	91,852
Income before equity in undistributed earnings of the subsidiary	866,262	1,239,256
Equity in undistributed earnings of the subsidiary	8,570,932	2,821,345
Net income	$ 9,437,194	$ 4,060,601

Note 15. Citizens Bancshares Corporation and Subsidiary (Parent Company Only), Continued

Condensed Statements of Cash Flows

	For the years ended December 31,	
	2022	**2021**
Operating activities		
Net income	$ 9,437,194	$ 4,060,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of banking subsidiary	(8,570,932)	(2,821,345)
Restricted stock-based compensation plan	264,235	225,538
Change in other assets	(139,497)	(90,787)
Change in other liabilities	(50,378)	(13,974)
Net cash provided by operating activities	940,622	1,360,033
Investing activities		
Investment in subsidiary	(10,000,000)	(5,000,000)
Financing activities		
Payment on note payable	-	(1,150,000)
Common stock dividend paid	(993,504)	(796,703)
Preferred stock dividend paid	(231,528)	(137,195)
Issuance of preferred stock	100,700,000	22,000,000
Purchase of treasury stock	(198,807)	(225,947)
Net cash provided by financing activities	99,276,161	19,690,155
Net increase in cash	90,216,783	16,050,188
Cash, beginning of year	18,804,828	2,754,640
Cash, end of year	$ 109,021,611	$ 18,804,828

Note 16. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

In relation to current economic conditions, management has monitored deposit concentrations through the date the financial statements were issued noting that one deposit customer with total deposits exceeding 5% of total deposits at December 31, 2022 consolidated their funds within another institution. The transaction did not have a material impact on the Company's short-term liquidity needs. There has been no other significant deposit deterioration through the date the financial statements were issued.

Note 16. Subsequent Events, Continued

The Company has disclosed its investment portfolio position in Note 2. There has been no significant deterioration in the investment portfolio through the date the consolidated financial statements were issued.

Management has reviewed events occurring through March 30, 2023, the date the financial statements were available to be issued, and no items were noted requiring accrual or disclosure.

Stockholders Information

Corporate Headquarters 230 Peachtree Street, NW Suite 2700 Atlanta, Georgia 30303 www.ctbconnect.com 678.406.4000	Mailing Address Citizens Bancshares Corporation Post Office Box 56943 Atlanta, Georgia 30343 Notice of Annual Meeting May 24, 2023, 11:00 a.m. ET Citizens Trust Bank Corporate Headquarters 230 Peachtree Street, NW Suite 2700 Atlanta, Georgia 30303	Transfer Agency Computershare Investor Services 1.800.568.3476 250 Royall Street Canton, Massachusetts 02021

Board of Directors of Citizens Bancshares Corporation

RAY M. ROBINSON
Chairman of the Board
Citizens Bancshares Corporation
President Emeritus
East Lake Golf Club
Vice Chairman
East Lake Community Foundation

CYNTHIA N. DAY
President and CEO
Citizens Trust Bank

ROBERT L. BROWN, JR.
President
R.L. Brown & Associates

STEPHEN A. ELMORE, SR.
Managing Principal
Elmore CPAs, LLC

C. HOWIE HODGES, II
Chief Executive Officer,
CH Hodges, Inc.

C. DAVID MOODY, JR.
Chief Executive Officer
C.D. Moody Construction
Company, Inc.

H. JEROME RUSSELL, JR.
President
H.J. Russell and Company
New Urban Development, LLC

JAMES E. WILLIAMS
President
Williams Communications System

Principal Officers of Citizens Trust Bank

CYNTHIA N. DAY
President and Chief Executive Officer

SAMUEL J. COX
Executive Vice President/ Chief Financial Officer

FREDERICK L. DANIELS, JR.
Executive Vice President/Chief Credit Officer

FARRAND O. LOGAN
Executive Vice President/ Chief Lending Officer/
Director of Sales and Business Development

IRIS D. GOODLY
Senior Vice President/Director of Client Services
and Operations

WANDA F. NESBIT
Senior Vice President/Human Resources Director

Citizens Trust Bank
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Locations

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South Fulton, GA 30331

East Point
2840 East Point Street
East Point, GA 30344

Panola
2727 Panola Road
Stonecrest, GA 30058

Rockbridge
5771 Rockbridge Road
Stone Mountain, GA 30087

Westside
Main Office
965 MLK Jr. Drive, NW
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ALABAMA

Birmingham Headquarters
1700 3rd Avenue North
Birmingham, AL 35203

Eutaw
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Eutaw, AL 35462

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