

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) Of The Securities
Exchange Act of 1934

CITIZENS HOLDING COMPANY
State of Incorporation--Mississippi
IRS Employer Identification Number--64-0666512

Address of Principal Executive Offices:
521 Main Street
Philadelphia, MS 39350

Registrant's Telephone Number, including area code: (601) 656-4692

Securities to be registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
None	None

Securities to be registered pursuant to Section 12(g) of the Act:

COMMON SHARES, \$.20 PAR VALUE PER SHARE
(TITLE OF CLASS)

ITEM 1. BUSINESS

GENERAL

Citizens Holding Company (the "Corporation") is a one-bank holding company that holds 113,203 or 96.59% of the outstanding shares of The Citizens Bank of Philadelphia, Mississippi (the "Bank"). The Corporation was incorporated under Mississippi law on February 16, 1982, at the direction of the Board of Directors of the Bank in order to facilitate the Bank's adoption of a one-bank structure. The Corporation offered one share of common stock and four \$5 debentures for each share of Bank stock. At this initial offering, 99,825 shares or 85.17% of the outstanding shares were exchanged for Corporation shares. Subsequent to the initial offering, the Corporation has purchased 13,378 shares to increase the number of shares owned to the current level. Prior to its acquisition of the Bank's stock, the Corporation conducted no business or operations. The Corporation's principal office is located at 521 Main Street, Philadelphia, MS 39350 and its telephone number is (601) 656-4692.

As a bank holding company, the Corporation engages in commercial banking through its sole banking subsidiary and can engage in certain non-banking activities closely related to banking and own certain other business corporations that are not banks, subject to applicable laws and regulations. All references hereinafter to the activities or operations of the Corporation reflect the Corporation's acting or operating through the Bank.

The Bank was opened on February 8, 1908 as The First National Bank of Philadelphia with \$50,000 in capital and a \$5,000 surplus. In 1917 the Bank surrendered its national charter and obtained a state charter at which time the name of the Bank was changed to The Citizens Bank of Philadelphia. The Bank's principal executive offices are also located at 521 Main Street, Philadelphia, MS 39350, and its telephone number is (601) 656-4692. At December 31, 1997, the Bank was the largest bank headquartered in Neshoba County with total assets of \$285,441,000 and total deposits of \$249,183,000.

OPERATIONS

The Corporation, through the Bank, engages in a wide range of commercial and personal banking activities, including accepting demand deposits (including Now and Money Market Accounts), accepting savings and time deposit accounts, making secured and unsecured loans to corporations, individuals and others, issuing letters of credit, originating mortgage loans, and providing personal and corporate trust services.

The Corporation's lending services include commercial, real estate, installment (direct and indirect), and credit card loans. Revenues from the Corporation's lending activities constitute the largest component of the Corporation's operating revenues.

The loan portfolio constitutes the major earning asset of the Corporation and offers the best alternative for maximizing interest spread above the cost of funds. The Corporation's loan personnel have the authority to extend credit under guidelines established and approved by the Board of Directors. Any aggregate credit which exceeds the authority of the loan officer is forwarded to the loan committee for approval. The loan committee is composed of various Bank directors, including the Chairman. All aggregate credits that exceed the loan committee's lending authority are presented to the full Board of Directors for ultimate approval or denial. The loan committee not only acts as an approval body to ensure consistent application of the Corporation's loan policy but also provides valuable insight through communication and pooling of knowledge, judgment and experience of its members.

The Corporation's primary lending area generally includes East Central Mississippi, specifically Neshoba, Newton, Leake, Scott, Attala and Kemper counties and contiguous counties. The Corporation extends out-of-area credit only to borrowers who are considered to be low risk, and only on a very limited basis.

The Corporation provides a wide range of personal and corporate trusts and trust-related services, including serving as executor of estates, as trustee under testamentary and inter vivos trusts and various pension and other

employee benefit plans, as guardian of the estates of minors and incompetents, and as escrow agent under various agreements.

The Corporation offers discount brokerage services through First Tennessee Bank.

The Corporation is continually introducing new products and services as permitted by the regulatory authorities and desired by the public. In late 1997, the Corporation completed construction on a new branch building in Kosciusko, MS. This full service facility was opened in early 1998 and allows the Corporation to compete with other banks in this area. In 1996 the Corporation opened the new Westside building in Philadelphia, MS. This building replaced a smaller drive-up facility. The Corporation began a VISA Checkcard program in early 1997 to provide its customers with access to their checking account 24 hours a day from all locations that accept VISA cards. This, in conjunction with our 24 Hour Phone Teller, allows the Corporation's customers to have easy and convenient access to their funds and account balances 24 hours a day, 7 days a week. In addition to allowing customers the above mentioned access, the Corporation is accessible via the Internet (<http://www.thecitizensbankphila.com>). This website provides the Corporation's customers the ability to review their accounts in detail, make transfers between their accounts, and pay bills from anywhere in the world.

EMPLOYEES

The Corporation has no compensated employees. At December 31, 1997, the Bank employed 131 full-time employees and 30 part-time employees. The Bank is not a party to any collective bargaining agreements, and employee relations are considered to be good.

SUPERVISION AND REGULATION

The Bank is chartered under the banking laws of the State of Mississippi and is subject to the supervision of, and is regularly examined by, the Department of Banking and Consumer Finance and the FDIC.

The Corporation is a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), is registered as such with and is subject to the supervision of the Federal Reserve Board ("FRB").

Certain legislation and regulations affecting the businesses of the Corporation and the Bank are discussed below.

GENERAL

As a bank holding company, the Corporation is subject to the BHC Act. The Corporation reports to, registers with, and is examined by the FRB. The FRB also has the authority to examine the Corporation's subsidiaries which includes the Bank.

The FRB requires the Corporation to maintain certain levels of capital. See "Capital Standards" herein. The FRB also has the authority to take enforcement action against any bank holding company that commits any unsafe or unsound practice, violates certain laws, regulations, or conditions imposed in writing by the FRB. See, "Prompt Corrective Action and Other Enforcement Mechanisms" herein.

Under the BHC Act, a company generally must obtain the prior approval of the FRB before it exercises a controlling influence over, or acquires directly or indirectly, more than 5% of the voting shares or substantially all of the assets of any bank or bank holding company. Thus, the Corporation is required to obtain the prior approval of the FRB before it acquires, mergers or consolidates with any bank, or bank holding company. Any company seeking to acquire, merge or consolidate with the Corporation also would be required to obtain the FRB's approval.

The Corporation is generally prohibited under the BHC Act from acquiring ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging

directly or indirectly in activities other than banking, managing banks, or providing services to affiliates of the holding company. A bank holding company, with the approval of the FRB, may engage or acquire the voting shares of companies engaged, in activities that the FRB has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. A bank holding company must demonstrate that the benefits to the public of the proposed activity will outweigh the possible adverse effects associated with such activity.

The FRB generally prohibits a bank holding company from declaring or paying a cash dividend which would impose undue pressure on the capital of subsidiary banks or would be funded only through borrowing or other arrangements that might adversely affect a bank holding company's financial position. The FRB's policy is that a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition.

Transactions between the Corporation, the Bank and any future subsidiaries of the Corporation are subject to a number of other restrictions. FRB policies forbid the payment by bank subsidiaries of management fees which are unreasonable in amount or exceed the fair market value of the services rendered (or, if no market exists, actual costs plus a reasonable profit). Additionally, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit, sale or lease of property, or furnishing of services. Subject to certain limitations, depository institution subsidiaries of bank holding companies may extend credit to, invest in the securities of, purchase assets from, or issue a guarantee, acceptance, or letter of credit on behalf of, an affiliate, provided that the aggregate of such transactions with affiliates may not exceed 10% of the capital stock and surplus of the institution, and the aggregate of such transactions with all affiliates may not exceed 20% of the capital stock and surplus of such institution. The Corporation may only borrow from depository institution subsidiaries if the loan is secured by marketable obligations with a value of a designated amount in excess of the loan. Further, the Corporation may not sell a low-quality asset to a depository institution subsidiary.

CAPITAL STANDARDS

The FRB, FDIC and other federal banking agencies have risk-based capital adequacy guidelines intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, and transactions, such as letters of credit and recourse arrangements, which are reported as off-balance sheet items. Under these guidelines, nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages, which range from 0% for assets with low credit risk, such as certain U.S. government securities, to 100% for assets with relatively higher credit risk, such as business loans.

A banking organization's risk-based capital ratios are obtained by dividing its qualifying capital by its total risk-adjusted assets and off-balance sheet items. The regulators measure risk-adjusted assets and off-balance sheet items against both total qualifying capital (the sum of Tier 1 capital and limited amounts of Tier 2 capital) and Tier 1 capital. Tier 1 capital consists of common stock, retained earnings, noncumulative perpetual preferred stock and minority interests in certain subsidiaries, less most other intangible assets. Tier 2 capital may consist of a limited amount of the allowance for loan losses and certain other instruments with some characteristics of equity. The inclusion of elements of Tier 2 capital are subject to certain other requirements and limitations of the federal banking agencies. Since December 31, 1992, the federal banking agencies have required a minimum ratio of qualifying total capital to risk-adjusted assets and off-balance sheet items of 8%, and a minimum ratio of Tier 1 capital to risk-adjusted assets and off-balance sheet items of 4%.

In addition to the risk-based guidelines, federal banking regulators require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio. For a banking organization rated in the highest of the five categories used by regulators to rate banking organizations, the minimum leverage ratio of Tier 1 capital to total assets is 3%. It is improbable, however, that an institution with a 3% leverage ratio

would receive the highest rating by the regulators since a strong capital position is a significant part of the regulators' rating. For all banking organizations not rated in the highest category, the minimum leverage ratio is at least 100 to 200 basis points above the 3% minimum. Thus, the effective minimum leverage ratio, for all practical purposes, is at least 4% or 5%. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

The following table represents the capital ratios for the Corporation and the Bank as of December 31, 1997:

	THE CORPORATION RATIO	THE BANK RATIO	REQUIREMENT
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Risk-based Capital Ratio:			
Total Capital.....	17.70%	17.06%	8.00%
Tier 1 Capital.....	16.44%	15.80%	4.00%
Tier 1 Capital Leverage Ratio:.....	10.92%	10.49%	4.00%

As required by Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the federal financial institution agencies solicited comments in September, 1993 on a proposed rule and method of incorporating an interest rate risk component into the current risk-based capital guidelines, with the goal of ensuring that institutions with high levels of interest rate risk have sufficient capital to cover their exposures. Interest rate risk is the risk that changes in market interest rates might adversely affect a bank's financial condition or future profitability. Under the proposal, interest rate risk exposures would be quantified by weighting assets, liabilities and off-balance sheet items by risk factors which approximate sensitivity to interest rate fluctuations. As proposed, institutions identified as having an interest rate risk exposure greater than a defined threshold would be required to allocate additional capital to support this higher risk. Higher individual capital allocations could be required by the bank regulators based upon supervisory concerns. The agencies adopted a final rule effective September 1, 1995 which is substantially similar to the proposed rule, except that the final rule does not establish (1) a measurement framework for assessing the level of a bank's interest rate exposure; nor (2) a minimum level of exposure above which a bank will be required to hold additional capital for interest rate risk if it has a significant exposure or a weak interest rate risk management process. The agencies also solicited comments on and are continuing their analysis of a proposed policy statement which would establish a framework to measure and monitor interest rate exposure.

PROMPT CORRECTIVE ACTION AND OTHER ENFORCEMENT MECHANISMS

FDICIA requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more of the prescribed minimum capital ratios. The law requires each federal banking agency to promulgate regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

In September 1992, the federal banking agencies issued uniform final regulations implementing the prompt corrective action provisions of FDICIA. An insured depository institution generally will be classified in the following categories based on capital measures indicated below:

"Well-capitalized":

- Total risk-based capital of 10% or more;
- Tier 1 risk-based ratio capital of 6% or more; and
- Leverage ratio of 5% or more.

"Adequately Capitalized":

Total risk-based capital of at least 8%;
Tier 1 risk-based ratio capital of at least 4%; and
Leverage ratio of at least 4%.

"Undercapitalized":

Total risk-based capital less than 8%;
Tier 1 risk-based ratio capital less than 4%; and
Leverage ratio less than 4%.

"Significantly Undercapitalized":

Total risk-based capital less than 6%;
Tier 1 risk-based ratio capital less than 3%; and
Leverage ratio less than 3%.

"Critically Undercapitalized":

Tangible equity to total assets less than 2%.

An institution that, based upon its capital levels, is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to more restrictions. The federal banking agencies, however, may not treat an institution as "critically undercapitalized" unless its capital ratio actually warrants such treatment.

If an insured depository institution is undercapitalized, it will be closely monitored by the appropriate federal banking agency. Undercapitalized institutions must submit an acceptable capital restoration plan with a guarantee of performance issued by the holding company. Further restrictions and sanctions are required to be imposed on insured depository institutions that are critically undercapitalized. The most important additional measure is that the appropriate federal banking agency is required to either appoint a receiver for the institution within 90 days or obtain the concurrence of the FDIC in another form of action.

In addition to measures taken under the prompt corrective action provisions, commercial banking organizations may be subject to potential enforcement actions by the federal regulators for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the imposition of a conservator or receiver, the issuance of a cease-and-desist order that can be judicially enforced, the termination of insurance of deposits (in the case of a depository institution), the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against institution-affiliated parties and the enforcement of such actions through injunctions or restraining orders based upon a prima facie showing by the agency that such relief is appropriate. Additionally, a holding company's inability to serve as a source of strength to its subsidiary banking organizations could serve as an additional basis for a regulatory action against the holding company.

The Corporation and the Bank are classified as "well-capitalized" under the above guidelines.

SAFETY AND SOUNDNESS STANDARDS

FDICIA also implemented certain specific restrictions on transactions and required the regulators to adopt overall safety and soundness standards for depository institutions related to internal control, loan underwriting and documentation, and asset growth. Among other things, FDICIA limits the interest rates paid on deposits by

undercapitalized institutions, the use of brokered deposits and the aggregate extension of credit by a depository institution to an executive officer, director, principal stockholder or related interest, and reduces deposit insurance coverage for deposits offered by undercapitalized institutions for deposits by certain employee benefits accounts.

The federal financial institution agencies published a final rule effective on August 9, 1995, implementing safety and soundness standards. FDICIA added a new Section 39 to the Federal Deposit Insurance Act which required the agencies to establish safety and soundness standards for insured financial institutions covering (1) internal controls, information systems and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest rate exposure; (5) asset growth; (6) compensation, fees and benefits; (7) asset quality, earnings and stock valuation; and (8) excessive compensation for executive officers, directors or principal shareholders which could lead to material financial loss. The agencies issued the final rule in the form of guidelines only for operational, managerial and compensation standards and reissued for comment proposed standards related to asset quality and earnings which are less restrictive than the earlier proposal in November, 1993. Unlike the earlier proposal, the guidelines under the final rule do not apply to depository institution holding companies and the stock valuation standard was eliminated. If an agency determines that an institution fails to meet any standard established by the guidelines, the agency may require the financial institution to submit to the agency an acceptable plan to achieve compliance with the standard. If the agency requires submission of a compliance plan and the institution fails to timely submit an acceptable plan or to implement an accepted plan, the agency must require the institution to correct the deficiency. Under the final rule, an institution must file a compliance plan within 30 days of a request to do so from the institution's primary federal regulatory agency. The agency may elect to initiate enforcement action in certain cases rather than rely on an existing plan, particularly where failure to meet one or more of the standards could threaten the safe and sound operation of the institution.

RESTRICTIONS ON DIVIDENDS AND OTHER DISTRIBUTIONS

The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions which limit the amount available for such distribution depending upon the earnings, financial condition and cash needs of the institution, as well as general business conditions. FDICIA prohibits insured depository institutions from paying management fees to any controlling persons or, with certain limited exceptions, making capital distributions, including dividends, if, after such transaction, the institution would be undercapitalized.

An FRB policy statement provides that a bank holding company should not declare or pay a cash dividend to its stockholders if the dividend would place undue pressure on the capital of its subsidiary banks or if the dividend could be funded only through additional borrowings or other arrangements that might adversely affect the financial position of the bank holding company. Specifically, a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each consistent with its capital needs, asset quality, and overall financial condition. Further, the Corporation is expected to act as a source of financial strength for each of its subsidiary banks and to commit resources to support its subsidiary bank in circumstances when it might not do so absent such policy.

The Corporation's ability to pay dividends depends in large part on the ability of the Bank to pay dividends to the Corporation. The ability of the Bank to pay dividends is subject to restrictions set forth in the Mississippi banking laws and regulations of the FDIC.

The payment of dividends by a Mississippi state bank is further restricted by additional provisions of state law. As a general rule, the Bank may declare a dividend in an amount deemed expedient by the Board of Directors of the Bank. Any such dividend, however, may not (i) impair the capital stock of the Bank; (ii) be in an amount greater than the remainder of undivided profits then on hand after deducting losses, bad debts, depreciation, and all other expenses, or (iii) constitute a withdrawal of any portion of the capital stock of the Bank. In addition, the Bank must obtain the prior approval of the Mississippi Department of Banking and Consumer Finance for the payment of any dividend.

Additionally, under FDICIA, the Bank may not make any capital distribution, including the payment of dividends, if after making such distribution the Bank would be in any of the "undercapitalized" categories under the FDIC's Prompt Corrective Action regulations.

Also, under the Financial Institution's Supervisory Act, the FDIC also has the authority to prohibit the Bank from engaging in business practices which the FDIC considers to be unsafe or unsound. It is possible, depending upon the financial condition of the Bank and other factors, that the FDIC could assert that the payment of dividends or other payments in some circumstances might be such an unsafe or unsound practice and thereby prohibit such payment.

FDIC INSURANCE ASSESSMENTS

The FDIC has established several mechanisms to increase funds to protect deposits insured by the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF"), both of which are administered by the FDIC. The Bank's deposits are insured through BIF except for those deposits the Bank acquired from the Resolution Trust Corporation in April, 1994. This acquisition consisted of one branch of the former Security Federal Savings and Loan in Kosciusko, Mississippi, and these deposits remain insured through SAIF. The FDIC is authorized to borrow up to \$30 billion from the U.S. Treasury; borrow from the Federal Financing Bank up to 90% of the fair market value of assets of institutions that are acquired by the FDIC as receiver; and borrow from depository institutions that are members of the BIF. Any borrowings not repaid by asset sales are to be repaid through insurance premiums assessed to member institutions. Such premiums must be sufficient to repay any borrowed funds within 15 years and provide insurance fund reserves of \$1.25 for each \$100 of insured deposits. FDICIA also provides authority for special assessments against insured deposits.

As required by FDICIA, the FDIC has adopted a risk-based assessment system for deposit insurance premiums. Under this system, depository institutions are charged anywhere from zero to \$.27 for every \$100 in insured domestic deposits, based on such institutions' capital levels and supervisory subgroup assignment. The FDIC's rules set forth which supervisory subgroup assignments are made by the FDIC, the assessment classification review procedure, provide for the assignment of new institutions to the "well-capitalized" assessment group, set forth when an institution is to make timely adjustments as appropriate, and set forth the basis, and report data, on which capital group assignments are made for insured branches of foreign banks, and expressly address the treatment of certain lifeline accounts for which special assessment treatment is given.

The BIF reached its required 1.25 reserve ratio in 1995, and in response the FDIC reduced deposit insurance assessment rates on BIF-insured deposits to historic low levels. Legislation enacted in September, 1996 included provisions for the recapitalization of the SAIF. The legislation imposed a one-time assessment in the amount of 65.7 basis points on all SAIF-insured deposits held as of March 31, 1996. The Bank paid an assessment in the amount of \$28,640 on the small portion of its deposits that are SAIF-insured. As a result of the payment of the special assessment and the adoption of regulations implementing the legislation, rates for deposits insured through SAIF have been brought into parity with BIF rates. The BIF and SAIF deposit insurance assessment rates in effect for the first six months of 1997 range from zero to \$.27 per \$100 of insured deposits, with the healthiest financial institutions, including the Bank, not being required to pay any deposit insurance premiums for the period.

INTERSTATE BANKING AND BRANCHING

On September 29, 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act") was signed into law. The Interstate Act effectively permits nationwide banking. As of September 30, 1995, the Interstate Act provides that adequately capitalized and adequately managed bank holding companies may acquire banks in any state, even in those jurisdictions that had previously barred acquisitions by out-of-state institutions, subject to deposit concentration limits. The deposit concentration limits provide that regulatory approval by the Federal Reserve Board may not be granted for a proposed interstate acquisition if after the acquisition, the acquiror on a consolidated basis would control more than 10% of the total

deposits nationwide or would control more than 30% of deposits in the state where the acquiring institution is located. The deposit concentration state limit does not apply for initial acquisitions in a state and, in every case, may be waived by the state regulatory authority. Interstate acquisitions are subject to compliance with the Community Reinvestment Act ("CRA"). States are permitted to impose age requirements not to exceed five years on target banks for interstate acquisitions.

Branching between states may be accomplished either by merging separate banks located in different states into one legal entity, or by establishing de novo branches in another state. Interstate branching by consolidation of banks was permitted beginning June 1, 1997, except in states that have passed legislation prior to that date "opting-out" of interstate branching. If a state opted-out prior to June 1, 1997, then banks located in that state may not participate in interstate branching. A state may opt in to interstate branching by bank consolidation or by de novo branching by passing appropriate legislation. The laws of the host state regarding community reinvestment, fair lending, consumer protection (including usury limits) and establishment of branches shall apply to the interstate branches.

De novo branching by an out-of-state bank is not permitted unless the host state expressly permits de novo branching by banks from out-of-state. The establishment of an initial de novo branch in a state is subject to the same conditions as apply to initial acquisition of a bank in the host state other than the deposit concentration limits.

Effective May 1, 1997, Mississippi "opted in" to the interstate branching provision of the Interstate Act.

The Interstate Act permits bank subsidiaries of a bank holding company to act as agents for affiliated depository institutions in receiving deposits, renewing time deposits, closing loans, servicing loans and receiving payments on loans and other obligations. A bank acting as agent for an affiliate is not considered a branch of the affiliate. Any agency relationship between affiliates must be on terms that are consistent with safe and sound banking practices. The authority for an agency relationship for receiving deposits includes the taking of deposits for an existing account but is not meant to include the opening or origination of new deposit accounts. Subject to certain conditions, insured saving associations that were affiliated with banks as of June 1, 1994 may act as agents for such banks. An affiliate bank or saving association may not conduct any activity as an agent which such institution is prohibited from conducting as principal.

If an interstate bank decides to close a branch located in a low- or moderate-income area, it must comply with additional branch closing notice requirements. The appropriate regulatory agency is authorized to consult with community organizations to explore options to maintain banking services in the affected community where the branch is to be closed.

To ensure that interstate branching does not result in taking deposits without regard to a community's credit needs, the regulatory agencies are directed to implement regulations prohibiting interstate branches from being used as "deposit production offices." The regulations to implement this provision were due by June 1, 1997. The regulations include a provision to the effect that if loans made by an interstate branch are less than fifty percent of the average of all depository institutions in the state, then the regulator must review the loan portfolio of the branch. If the regulator determines that the branch is not meeting the credit needs of the community, it has the authority to close the branch and to prohibit the bank from opening new branches in the state.

COMMUNITY REINVESTMENT ACT

In October, 1994, the federal financial institution regulatory agencies proposed a comprehensive revision of their regulations implementing the Community Reinvestment Act ("CRA"), enacted in 1977 to promote lending by financial institutions to individuals and businesses located in low and moderate income areas. In May, 1995, the proposed CRA regulations were published in final form effective as of July 1, 1995. The revised regulations included transitional phase-in provisions which generally required mandatory compliance not later than July 1, 1997, although earlier voluntary compliance was permissible. Under the former CRA regulations, compliance

was evaluated by an assessment of the institution's methods for determining, and efforts to meet, the credit needs of such borrowers. This system was highly criticized by depository institutions and their trade groups as subjective, inconsistent and burdensome, and by consumer representatives for its alleged failure to aggressively penalize poor CRA performance by financial institutions. The revised CRA regulations emphasize an assessment of actual performance rather than of the procedures followed by a bank, to evaluate compliance with the CRA. Overall CRA compliance continues to be rated across a four-point scale from "outstanding" to "substantial noncompliance," and continue to be a factor in review of applications for merger, establishment of new branches or formation of bank holding companies. In addition, any bank rated in "substantial noncompliance" with the revised CRA regulations may be subject to enforcement proceedings. Different evaluation methods are used depending on the asset size of the bank.

The "lending, investments and service test method" is applicable to all banks with more than \$250 million in assets which are not wholesale or limited purpose banks and do not elect to be evaluated by the "strategic plan assessment method" which is discussed below. Central to this method is the requirement that such banks collect and report to their primary federal bank regulators detailed information regarding home mortgage, small business and farm and community development loans which is then used to evaluate CRA compliance. At the bank's option, data regarding consumer loans and any other loan distribution it may choose to provide also may be collected and reported.

Using such data, a bank will be evaluated regarding its (i) lending performance according to the geographic distribution of its loans, the characteristics of its borrowers, the number and complexity of its community development loans, the innovativeness or flexibility of its lending practices to meet low and moderate income credit needs and, at the bank's election, lending by affiliates or through consortia or third parties in which the bank has an investment interest; (ii) investment performance by measure of the bank's "qualified investments," that is, the extent to which the bank's investments, deposits, membership shares in a credit union, or grants primarily to benefit low or moderate income individuals and small businesses and farms, address affordable housing or other needs not met by the private market, or assist any minority or women-owned depository institution by donating, selling on favorable terms or providing on a rent-free basis any branch of the bank located in a predominantly minority neighborhood; and (iii) service performance by evaluating the demographic distribution of the bank's branches and ATMs, its record of opening and closing them, the availability of alternative retail delivery systems (such as telephone banking, banking by mail or at work, and mobile facilities) in low and moderate income geographies and to low- and moderate-income individuals, and (given the characteristics of the bank's service area(s) and its capacity and constraints) the extent to which the bank provides "community development services" (services which primarily benefit low and moderate income individuals or small farms and businesses or address affordable housing needs not met by the private market) and their innovativeness and responsiveness.

Any bank may request to be evaluated by the "strategic plan assessment method" by submitting a strategic plan for review and approval. Such a plan must involve public participation in its preparation, and contain measurable goals for meeting low and moderate income credit needs through lending, investments and provision of services. Such plans generally will be evaluated by measuring strategic plan goals against standards similar to those which will be applied in evaluating a bank according to the "lending, investments and service test method."

The federal financial institution regulatory agencies issued a final rule effective as of January 1, 1996, to make certain technical corrections to the revised CRA regulations. Among other matters, the rule clarifies the transition from the former CRA regulations to the revised CRA regulations by confirming that when an institution either voluntarily or mandatorily becomes subject to the performance tests and standards of the revised regulations, the institution must comply with all of the requirements of the revised regulations and is no longer subject to the provisions of the former CRA regulations.

The Federal Deposit Insurance Corporation last examined the Bank on March 12, 1997, for its performance under the CRA. The CRA requires that in connection with its examination of a financial institution, each federal

financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility. The Bank was rated Satisfactory during this examination.

This rating is based on several criteria used by the regulatory agency. Lending levels are acceptable and the distribution of credit demonstrates the Bank's success at extending credit without neglecting low-or moderate-income residents. Credit is extended to geographic areas of all income groups. Additionally, the Bank has attempted to serve the small business and small farm sectors of the economy. Ascertainment and marketing programs are effective at soliciting the needs of the entire community and promoting the Bank's products and services. No discriminatory practices or illegal discouragement of applications was found. The Bank has invested in a sizeable amount of local community development issuances.

INTER-CORPORATION BORROWINGS

Bank holding companies are also restricted as to the extent to which they and their subsidiaries can borrow or otherwise obtain credit from one another or engage in certain other transactions. The "covered transactions" that an insured depository institution and its subsidiaries are permitted to engage in with their nondepository affiliates are limited to the following amounts: (i) in the case of any one such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 10% of the capital stock and the surplus of the insured depository institution; and (ii) in the case of all affiliates, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 20% of the capital stock and surplus of the insured depository institution. In addition, extensions of credit that constitute covered transactions must be collateralized in prescribed amounts.

"Covered transactions" are defined by statute to include a loan or extension of credit to the affiliate, a purchase of securities issued by an affiliate, a purchase of assets from the affiliate (unless otherwise exempted by the Federal Reserve Board), the acceptance of securities issued by the affiliate as collateral for a loan and the issuance of a guarantee, acceptance, or letter of credit for the benefit of an affiliate. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

IMPACT OF MONETARY POLICIES

Banking is a business which depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and other borrowings, and the interest rate earned by banks on loans, securities and other interest-earning assets comprises the major source of banks' earnings. Thus, the earnings and growth of banks are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the FRB. The FRB implements national monetary policy, such as seeking to curb inflation and combat recession, by its open-market dealings in United States government securities, by adjusting the required level of reserves for financial institutions subject to reserve requirements and through adjustments to the discount rate applicable to borrowings by banks which are members of the FRB. The actions of the FRB in these areas influence the growth of bank loans, investments and deposits and also affect interest rates. The nature and timing of any future changes in such policies and their impact on the Corporation cannot be predicted. In addition, adverse economic conditions could make a higher provision for loan losses a prudent course and could cause higher loan loss charge-offs, thus adversely affecting the Corporation's net earnings.

COMPETITION

The banking business is highly competitive. The Corporation's market area consists principally of Neshoba, Newton, Leake, Scott, Attala and Kemper Counties in Mississippi, although the Corporation also competes with

other financial institutions in those counties and in surrounding counties in Mississippi in obtaining deposits and providing many types of financial services. The Corporation competes with larger regional banks for the business of companies located in the Corporation's market area.

The Bank also competes with savings and loan associations, credit unions, production credit associations and federal land banks and with finance companies, personal loan companies, money market funds and other non-depository financial intermediaries. Many of these financial institutions have resources many times greater than those of the Corporation. In addition, new financial intermediaries such as money-market mutual funds and large retailers are not subject to the same regulations and laws that govern the operation of traditional depository institutions.

Recent changes in federal and state law have resulted in and are expected to continue to result in increased competition. The reductions in legal barriers to the acquisition of banks by out-of-state bank holding companies resulting from implementation of the Interstate Act and other recent and proposed changes are expected to continue to further stimulate competition in the markets in which the Corporation operates, although it is not possible to predict the extent or timing of such increased competition.

FORWARD-LOOKING STATEMENTS

This Form 10 and future filings made by the Corporation with the Securities and Exchange Commission, as well as other filings, reports and press releases made or issued by the Corporation and the Bank, and oral statements made by executive officers of the Corporation and Bank, may include forward-looking statements relating to such matters as (a) assumptions concerning future economic and business conditions and their effect on the economy in general and on the markets in which the Corporation and the Bank do business, and (b) expectations for increased revenues and earnings for the Corporation and Bank through growth resulting from acquisitions, attraction of new deposit and loan customers and the introduction of new products and services. Such forward-looking statements are based on assumptions rather than historical or current facts and, therefore, are inherently uncertain and subject to risk.

To comply with the terms of a "safe harbor" provided by the Private Securities Litigation Reform Act of 1995 that protects the making of such forward-looking statements from liability under certain circumstances, the Corporation notes that a variety of factors could cause the actual results or experience to differ materially from the anticipated results or other expectations described or implied by such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Corporation's and Bank's business include the following: (a) the risk of adverse changes in business conditions in the banking industry generally and in the specific markets in which the Corporation operates; (b) changes in the legislative and regulatory environment that negatively impact the Corporation and Bank through increased operating expenses; (c) increased competition from other financial and non-financial institutions; (d) the impact of technological advances; and (e) other risks detailed from time to time in the Corporation's filings with the Securities and Exchange Commission. The Corporation does not undertake any obligation to update or revise any forward-looking statements subsequent to the date on which they are made.

ITEM 2. FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is presented to facilitate the understanding of the Corporation's financial condition as of December 31, 1997 and 1996 and results of operations for each of the three years in the period ended December 31, 1997. The information should be used in conjunction with the accompanying consolidated financial statements and footnotes contained elsewhere in this document. Dollar amounts in tables are presented in thousands.

INTRODUCTION AND OVERVIEW

The Corporation, through the Bank as its sole subsidiary, conducts business in thirteen commercial bank offices located in Neshoba, Newton, Leake, Scott, Attala, and Kemper counties, Mississippi, and a loan production office located in Lauderdale county, also in Mississippi. The Bank is engaged in a variety of financial services, including accepting deposits; making commercial and consumer loans, making mortgage loans; and providing personal trust services.

The Mississippi counties which the Corporation primarily serves have benefitted from increasingly strong economies over the past few years. In July, 1995, the Mississippi Band of Choctaw Indians opened the Silverstar Casino and Resort on the Reservation in west Neshoba County. This complex has grown in the past three years to not only a casino but a 512 room hotel, 2,500 seat convention center and 36 holes of championship golf. Because the Casino is not regulated by the State of Mississippi, exact figures are not released to the public about the amount of play in the Casino, but industry analysts have estimated it to be equal to all four of the casinos in Vicksburg, Mississippi. In addition to the Silverstar, the Tribe has numerous industries and is the largest employer in Neshoba County.

The region served by the Corporation is largely agricultural with a moderate amount of light industrial plants. In the past several years, the chicken industry has expanded greatly in the western part of the service area. The Corporation has been involved in this growth through its lending to individual farmers for construction of chicken houses and the related support facilities. Timber is also an important part of the economy in this six county area. In addition to the local land and timber owners, Philadelphia is home to two moderate size lumber mills and numerous timber equipment dealers and is within a short distance to several others.

A healthy economy, such as these six counties are currently enjoying, invites certain challenges, especially that of competition. All financial institutions today are faced with the challenge of competing for customers' deposits. Brokerage houses offer a diverse number of non-traditional deposit products, the most common being mutual funds. Direct competition from banks, thrifts, and credit unions has increased dramatically over the years. Currently, there are approximately fourteen different financial institutions in this market competing for the same customer base. Given these challenges, the Corporation has been able to not only maintain its current market share, but increase it in recent years.

In an effort to be more competitive in today's technological climate, the Corporation has offered its customers the latest innovations in banking service. The Corporation is currently offering, VISA Debit cards, a 24 hour Phone Teller service and Internet Banking, and is constantly monitoring its customer base to determine if any additional services are in demand.

In addition to the above new services, the Corporation has upgraded its facilities over the last several years where needed. In 1996, the Corporation opened the new Westside branch in Philadelphia, MS. This new building offers full deposit services, loan officers, safe deposit box operations and a 24 hour Automatic Teller Machine, replacing a drive-up only facility. In early 1998, the Corporation opened the new Kosciusko, MS Branch on Jackson Avenue, relocating from the court square in Kosciusko. This new construction allowed the Corporation to offer many services that were physically impossible to offer from the downtown location, such as drive-up banking, safe deposit boxes and a 24 hour Automatic Teller Machine.

Although the Corporation has made acquisitions in the last five years, there are currently no pending mergers or acquisitions. However, management does plan to aggressively pursue any such opportunities, either branch locations or entire banks, as they may become available. Management anticipates additional acquisitions or mergers with like-minded community banks may occur in the future. The Statements in this paragraph relating to potential mergers or acquisitions are forward-looking statements which may or may not be accurate due to the impossibility of predicting future events.

As technology continues to make its impact in the world and affect the way the Corporation operates on a daily basis, both on a professional and personal level, the Corporation remains committed to meeting the challenges of today's information age. In addition to providing its customers with access to their checking account information by the use of Phone Teller, we offer VISA debit cards that are good anywhere VISA cards are accepted. The Corporation recently began offering customers the ability to bank from anywhere served by the World Wide Web through our Internet web site at <http://www.thecitizensbankphila.com>. Management believes that the technological advances will continue at an ever increasing pace and they are committed to keep the Corporation in step with these advances.

Y2K AWARENESS AND PREPARATION

The Corporation has been diligent in preparing for the possible consequences of the date change on January 1, 2000. The Board has reviewed these anticipated consequences and has assigned a Y2K Coordinator to coordinate the review of the Corporation's systems to make a determination of what adjustments will be required. An outside consultant has tested all major computer applications and the system programs and the mainframe processor have been updated for Y2K. In the event the Corporation's efforts to adjust its mainframe are inadequate, contingency plans for offsite processing have been made and tested.

The Corporation's personal computers are currently being evaluated and will be either replaced or updated as needed. All other date sensitive equipment is being replaced or converted as required to maintain Y2K compliance. The Corporation has set a goal to have identified and corrected all potential Y2K problems by June 30, 1999. The estimated cost to the Corporation for the testing of all equipment, new equipment purchases and necessary adjustments to this equipment is approximately \$250,000.

FIVE YEAR SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED STATISTICS

(Dollar references in thousands except per share data)

The following selected data has been taken from the Corporation's consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes included elsewhere.

OVERVIEW OF OPERATIONS

The major components of the Corporation's operating results for the past five years are summarized in Table 1--Five Year Financial Summary.

TABLE 1--FIVE YEAR FINANCIAL SUMMARY

	FOR THE YEARS ENDED DECEMBER 31				
	1997	1996	1995	1994	1993
SUMMARY OF OPERATIONS					
Interest income--tax equivalent (1).....	21,588	20,369	18,041	14,068	12,785
Interest expense.....	9,659	8,684	7,727	4,935	4,768
Net interest income--tax equivalent.....	11,929	11,685	10,314	9,133	8,017
Tax equivalent adjustment (1).....	(82)	(114)	(96)	(80)	(93)
Net interest income.....	11,847	11,571	10,218	9,053	7,924
Provision for loan losses.....	740	791	604	592	591
Net interest income after provision for loan losses.....	11,107	10,780	9,614	8,461	7,333
Noninterest income.....	2,990	2,686	2,433	2,460	1,848
Noninterest expenses.....	7,046	6,665	6,379	5,899	5,636
Income before income taxes.....	7,051	6,801	5,668	5,022	3,545
Income tax expense.....	2,561	2,407	2,046	1,804	1,336
NET INCOME.....	4,490	4,394	3,622	3,218	2,209
PER SHARE DATA (2)					
Net income.....	\$ 6.78	\$ 6.64	\$ 5.75	\$ 5.11	\$ 4.30
Cash dividends.....	0.85	0.75	0.70	0.75	0.15
Shareholders' equity, end of year.....	47.18	40.44	34.54	29.21	22.69
SELECTED ACTUAL YEAR-END BALANCES					
Total assets.....	286,634	270,679	264,453	215,939	184,120
Earning assets.....	266,762	251,518	241,495	202,586	170,076
Investment securities available for sale.....	67,292	72,472	76,022	5,899	0
Investment securities held to maturity.....	0	0	0	71,991	56,572
Loans.....	191,605	177,005	154,380	123,715	108,865
Allowance for loan losses.....	(2,700)	(2,500)	(2,300)	(2,100)	(1,925)
Total deposits.....	248,984	229,443	238,677	186,784	164,479
Noninterest-bearing demand deposits.....	35,526	34,353	35,492	31,213	22,153
Interest-bearing demand deposits..	56,904	54,960	75,857	44,105	39,487
Savings deposits.....	17,188	16,994	15,617	14,426	13,608
Time deposits.....	139,365	123,136	111,711	97,039	89,231
Long term borrowings.....	0	33	65	198	2,169
Shareholders' equity.....	31,221	26,758	22,858	19,331	15,017

FOR THE YEARS ENDED DECEMBER 31

	1997	1996	1995	1994	1993
SELECTED AVERAGE BALANCES					
Total assets.....	279,961	271,241	242,024	204,720	184,184
Earning assets.....	259,036	250,670	224,492	187,257	170,621
Securities.....	70,023	76,138	75,847	68,199	54,823
Loans.....	186,843	168,542	141,192	113,628	103,053
Allowance for loan losses.....	2,523	2,342	2,103	1,927	1,870
Total deposits.....	242,459	238,358	216,479	182,707	164,620
Noninterest-bearing demand deposits.....	34,718	37,894	34,213	29,607	22,429
Interest-bearing demand deposits.....	57,406	68,036	59,134	45,126	39,905
Savings deposits.....	17,594	16,681	15,154	14,556	13,860
Time deposits.....	132,741	115,747	107,978	93,418	88,426
Long-term borrowings.....	3	35	127	292	2,214
Shareholders' equity.....	28,920	24,610	21,195	18,391	14,278
RATIOS BASED ON AVERAGE BALANCES					
Loans to deposits.....	76.95%	76.16%	64.68%	65.34%	65.02%
Return on average assets.....	1.60%	1.62%	1.50%	1.61%	1.20%
Return on average equity.....	15.24%	17.77%	17.15%	17.41%	15.35%
Dividend payout ratio.....	12.52%	11.29%	12.15%	14.33%	3.49%
Leverage capital ratio.....	10.92%	9.88%	8.74%	9.20%	8.39%
Efficiency ratio (3).....	45.56%	45.29%	49.02%	50.24%	56.47%
OTHER DATA					
Number of employees (FTE).....	138	137	133	122	118
Average common shares outstanding.....	661,750	661,750	630,248	630,248	513,392
Cash dividends declared.....	562	496	441	473	77

- (1) Net interest income has been presented on both a tax equivalent and no basis. Tax equivalent basis was calculated using a 34% tax rate for all periods presented. The tax equivalent adjustment reverses the tax equivalent basis in order to present net interest income reflected in the consolidated financial statements.
- (2) Per share data has been retroactively adjusted to give effect for stock dividends and splits.
- (3) The efficiency ratio is calculated by dividing noninterest income expense by the sum of net interest income, on a fully tax equivalent basis, and noninterest income

The Corporation earned \$4,490,000 or \$6.78 per share, for 1997, compared to \$4,394,000 or \$6.64 per share, for 1996. The 2.2% increase in earnings in 1997 over the prior year period reported in 1996 was lower than prior year increases due to the decrease in net interest margin during 1997. The increase in income was due mainly to the increase in the asset size of the Corporation.

Earnings in 1996 were 21.3% higher than the \$3,622,000 or \$5.75 per share recorded in 1995. This increase in earnings was due mainly to an increase in the interest income of the Corporation. This increase was partially the result of a very strong loan demand in the Corporation's service area. Percentage wise, noninterest expense items increased less than noninterest income during this period. Net charge-offs as a percentage of loans outstanding also decreased during this period.

NET INTEREST INCOME

Net interest income is the most significant component of the Corporation's earnings. Net interest income is the difference between interest and fees realized on earning assets, primarily loans and securities, and interest paid on deposits and other borrowed funds. The net interest margin is this difference expressed as a percentage of average earning assets. Net interest income is determined by several factors, including the volume of earning assets and liabilities, and the mix of earning assets and liabilities and interest rates. Although there are a certain number of these factors which can be controlled by management policies and actions, certain other factors, such as the general level of credit demand, Federal Reserve Board monetary policy, and changes in tax law are beyond the control of management. Tables 1 through 4 are an integral part in analyzing the components of net interest

income and the changes which have occurred between the time periods presented. Table 1--Five Year Financial Summary shows the corporation's net interest income from 1993 through 1997. Table 2--Average Balance Sheets and Interest Rates represent the major components of interest earning assets and interest-bearing liabilities. For analytical purposes, interest income presented in the table has been adjusted to a tax equivalent basis assuming a 34% tax rate for all years. The tax equivalent adjustment recognizes the income tax savings when comparing taxable and tax-exempt assets.

TABLE 2--AVERAGE BALANCE SHEETS AND INTEREST RATES

ASSETS	YEARS ENDED DECEMBER 31					
	1997			1996		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
INTEREST EARNING ASSETS						
Securities						
Taxable.....	63,333	4,117	6.50%	68,692	4,325	6.30%
Tax-exempt (1).....	5,345	350	6.55%	6,539	463	7.08%
Total securities....	68,678	4,467	6.50%	75,231	4,788	6.36%
Loans (2)						
Commercial.....	167,628	15,033	8.97%	149,697	13,365	8.93%
Installment.....	19,552	2,073	10.60%	18,394	1,979	10.76%
Total loans.....	187,180	17,106	9.14%	168,091	15,344	9.13%
Federal Home Loan Bank						
Account.....	78	4	5.13%	40	3	7.50%
Federal funds sold....	2,112	125	5.92%	5,768	313	5.43%
TOTAL EARNING ASSETS..	258,048	21,702	8.41%	249,130	20,448	8.21%
NONINTEREST EARNING ASSETS						
Allowance for loan losses.....	(2,523)			(2,343)		
Premises and equipment.....	3,915			3,837		
Cash and due from banks.....	11,821			13,020		
Accrued interest and other assets.....	8,700			7,597		
TOTAL ASSETS.....	\$279,961			\$271,241		
LIABILITIES AND SHAREHOLDERS' EQUITY						
INTEREST BEARING LIABILITIES						
Deposits						
Interest-bearing						
demand deposits.....	57,281	1,590	2.78%	67,906	1,794	2.64%
Savings deposits.....	17,313	675	3.90%	16,397	639	3.90%
Time deposits.....	132,742	7,192	5.42%	115,746	6,027	5.21%
Total interest-bearing deposits...	207,336	9,457	4.56%	200,049	8,460	4.23%
Borrowed funds						
Short-term borrowing..	4,148	202	4.87%	4,114	220	5.35%
Long-term debt.....	0	0	0.00%	35	4	11.43%
Total borrowed funds.....	4,148	202	4.87%	4,149	224	5.40%
TOTAL INTEREST-BEARING LIABILITIES.....	211,484	9,659	4.57%	204,198	8,684	4.25%
NONINTEREST-BEARING LIABILITIES						
Noninterest-bearing						

demand deps.....	34,995		38,175	
Accrued interest and other liabs.....	4,562		4,258	
Shareholders' equity...	28,920		24,610	
	-----		-----	
TOTAL SHAREHOLDERS AND SHAREHOLDERS' EQUITY...	\$279,961		\$271,241	
	=====		=====	
NET INTEREST INCOME AND INTEREST RATE SPREAD...	12,043	3.84%	11,764	3.96%
	=====	=====	=====	=====
NET INTEREST MARGIN.....		4.67%		4.72%
		=====		=====

ASSETS	YEAR ENDED DECEMBER 31		
	1995		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE
INTEREST EARNING ASSETS			
Securities			
Taxable.....	69,437	4,516	6.50%
Tax-exempt (1).....	5,713	402	7.04%
Total securities.....	75,150	4,918	6.54%
Loans (2)			
Commercial.....	124,103	11,013	8.87%
Installment.....	17,043	1,807	10.60%
Total loans.....	141,146	12,820	9.08%
Federal Home Loan Bank Account.....	28	2	7.14%
Federal funds sold.....	7,315	412	5.63%
TOTAL EARNING ASSETS.....	223,639	18,152	8.12%
NONINTEREST EARNING ASSETS			
Allowance for loan losses.....	(2,103)		
Premises and equipment.....	3,075		
Cash and due from banks.....	10,706		
Accrued interest and other assets.....	6,707		
TOTAL ASSETS.....	\$242,024		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES			
Deposits			
Interest-bearing demand deps.....	59,017	1,487	2.52%
Savings deposits.....	15,156	564	3.72%
Time deposits.....	108,000	5,586	5.17%
Total interest-bearing deps.....	182,173	7,637	4.19%
Borrowed funds			
Short-term borrowing.....	1,245	76	6.10%
Long-term debt.....	127	13	10.24%
Total borrowed funds.....	1,372	89	6.49%
TOTAL INTEREST-BEARING LIABILITIES.....	183,545	7,726	4.21%
NONINTEREST-BEARING LIABILITIES			
Noninterest-bearing demand deps.....	34,490		
Accrued interest and other liabs.....		2,794	
Shareholders' equity.....	21,195		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$242,024		
NET INTEREST INCOME AND INTEREST RATE SPREAD.....		10,426	3.91%
NET INTEREST MARGIN.....			4.66%

(1) Interest income on tax-exempt securities and loans has been adjusted to a tax equivalent basis using a marginal federal income tax rate of 34% for all years. Tax equivalent security adjustments were \$89 for 1997, \$117 for 1996, and \$102 for 1995. Tax equivalent loan adjustments were \$1 for 1997, \$4 for 1996, and \$4 for 1995.

(2) Nonaccrual loans are included in average loan balances.

Table 3--Net Interest Earning Assets illustrates net interest earning assets and liabilities for 1997, 1996 and 1995.

TABLE 3--NET INTEREST EARNING ASSETS

	1997	1996	1995
Average interest earning assets.....	\$258,048	\$249,130	\$223,639
Average interest bearing liabilities.....	211,484	204,198	183,545
NET INTEREST EARNING ASSETS.....	\$ 46,564	\$ 44,932	\$ 40,094

Table 4--Volume and Rate Analysis depicts the dollar effect of volume and rate change from 1995 through 1997. Variances which were not specifically attributable to volume or rate were allocated proportionately between rate and volume using the absolute values of each for a basis for the allocation. Nonaccruing loans were included in the average loan balances used in determining the yields.

Interest income on tax-exempt securities and loans has been adjusted to a tax equivalent basis using a marginal federal income tax rate of 34%.

TABLE 4--VOLUME/RATE ANALYSIS

	1997 CHANGE FROM 1996 DUE TO			1996 CHANGE FROM 1995 DUE TO		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
INTEREST INCOME						
Loans.....	1,745	17	1,762	2,460	64	2,524
Securities						
Taxable.....	(346)	138	(208)	(47)	(144)	(191)
Tax-exempt.....	(78)	(35)	(113)	59	2	61
Federal Home Loan Bank Account.....	2	(1)	1	1	0	1
Federal funds sold.....	(216)	28	(188)	(84)	(15)	(99)
TOTAL INTEREST INCOME.....	1,107	147	1,254	2,389	(93)	2,296
INTEREST EXPENSE						
Interest-bearing demand depts.....	(295)	91	(204)	236	71	307
Savings deposits.....	36	0	36	48	27	75
Time deposits.....	922	243	1,165	403	38	441
Short-term borrowings.....	2	(20)	(18)	153	(9)	144
Long-term borrowings.....	(4)	0	(4)	(11)	2	(9)
TOTAL INTEREST EXPENSE.....	661	314	975	829	129	958
NET INTEREST INCOME.....	446	(167)	279	1,560	(222)	1,338

Net interest for 1997 on a tax equivalent basis was 2.37% higher than that for 1996, while the net interest margin for 1997 was 4.67% compared to 4.72% for 1996. Tax equivalent net interest income for 1996 was 12.83% higher versus that for 1995 while the net interest margin increased to 4.72% from 4.66% in 1995.

The increase in net interest income during 1997 was predominantly a result of increases in earning asset volume. The loan growth experienced in 1997 was due to a continuing strong loan demand in our service area. This increase in interest income was partially offset by volume increases in interest-bearing liabilities. The earning asset yield increased to 8.41% in 1997, compared to 8.21% in the previous year, predominately through the loan portfolio, where the increase in loan volume as a percent of earning assets provided a higher yield relative to the yield on other earning assets. The average yield on loans increased to 9.14% in 1997 compared to

the 1996 yield of 9.13%. Although there was a slight decrease in the investment securities average balance, the average yield increased to 6.50% in 1997 from 6.36% in 1996. Total interest-bearing liabilities increased in 1997 primarily due to continued strong growth in our area. The deposit growth combined with slightly higher interest rates paid resulted in a 4.57% total interest-bearing rate for 1997, compared to the 4.25% rate in 1996.

Net interest income in 1996 increased 12.83% due mainly to an increase in the volume of interest-bearing assets. The earning asset yield increased to 8.21% in 1996 compared to 8.12% in 1995 as a result of increases in the volume and rate of loans during this period and a slight decrease in the traditionally lower yielding federal funds sold and securities portfolio. Like earning assets, interest-bearing liabilities showed good growth in average balances, but the interest rates paid on deposits and other borrowed funds increased only slightly from 4.19% in 1995 to 4.23% in 1996, increasing the rate on total interest-bearing liabilities to 4.25% in 1996 compared to the 1995 rate of 4.21%.

PROVISION FOR LOAN LOSSES AND ASSET QUALITY

The provision for loan losses represents charges made to earnings to maintain an adequate allowance for loan losses. The allowance is maintained at an amount believed by management to be sufficient to absorb losses inherent in the credit portfolio. Factors considered in establishing an appropriate allowance include: a careful assessment of the financial condition of the borrower; a realistic determination for the value and adequacy of underlying collateral; the condition of the local economy and the condition of the specific industry of the borrower; a comprehensive analysis of the levels and trends of loan categories; and review of delinquent and classified loans.

The Corporation maintains a comprehensive loan review program to evaluate loan administration, credit quality, and loan documentation. This program also includes a regular review of problem loan ("watch") reports, delinquencies, and charge-offs. The adequacy of the allowance for loan losses is evaluated on a quarterly basis. This evaluation focuses on specific loan reviews, changes in the type and volume of the loan portfolio given the current and forecasted economic conditions, and historical loss experience. Any one of the following conditions may necessitate a review of a specific loan: a question of whether the customer's cash flow or net worth may not be sufficient to repay the loan; the loan has been criticized in a regulatory examination; the accrual of interest has been suspended; serious delinquency; or other reasons where either the ultimate collectibility of the loan is in question or the loan has other special or unusual characteristics which require special monitoring.

Activity in the allowance for loan losses is reflected in Table 5--Analysis of Allowance for Loan Losses. The recorded values of loans and leases actually removed from the consolidated balance sheets are referred to as charge-offs and, after netting out recoveries on previously charged-off assets, become net charge-offs. The Corporation's policy is to charge-off loans, when, in management's opinion, the loan is deemed uncollectible, although concerted efforts are made to maximize recovery.

TABLE 5--ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

	1997	1996	1995	1994	1993
BALANCE AT BEGINNING OF YEAR.....	\$ 2,500	\$ 2,300	\$ 2,100	\$ 1,925	\$ 1,772
LOANS CHARGED-OFF					
Commercial and agriculture.....	326	287	163	245	335
Real estate.....	13	41	72	159	74
Installment.....	383	377	350	203	290
Credit card.....	66	51	17	0	
TOTAL CHARGE-OFFS.....	788	756	602	607	699
CHARGE-OFFS RECOVERED					
Commercial and agriculture.....	89	41	76	72	94
Real estate.....	0	0	22	0	28
Installment.....	145	115	100	117	139
Credit card.....	14	9	0	0	0
TOTAL RECOVERIES.....	248	165	198	189	261
Net loans charged-off.....	540	591	404	418	438
Current year provision.....	740	791	604	593	591
BALANCE AT END OF YEAR.....	\$ 2,700	\$ 2,500	\$ 2,300	\$ 2,100	\$ 1,925
Loans at year end.....	\$191,605	\$177,005	\$154,380	\$123,715	\$108,865
Ratio of allowance to loans at year end.....	1.41%	1.41%	1.49%	1.70%	1.77%
Average loans.....	\$186,843	\$168,542	\$141,192	\$113,628	\$103,053
Ratio of net loans charged-off to average loans.....	0.29%	0.35%	0.29%	0.37%	0.43%

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES AT DECEMBER 31, 1997

	1997	1996	1995	1994	1993
Unallocated.....	\$2,700	\$2,500	\$2,300	\$2,100	\$1,925
Total.....	\$2,700	\$2,500	\$2,300	\$2,100	\$1,925

COMPOSITION OF LOAN PORTFOLIO BY TYPE AT DECEMBER 31, 1997

	1997	1996	1995	1994	1993
Commercial and agricultural.....	13.15%	13.75%	15.72%	17.69%	17.68%
Real estate.....	62.81%	63.08%	60.60%	58.49%	58.97%
Installment.....	23.25%	22.41%	22.99%	23.19%	22.97%
Other.....	0.79%	0.76%	0.69%	0.63%	0.38%
TOTAL.....	100.00%	100.00%	100.00%	100.00%	100.00%

Nonperforming assets and relative percentages to loan balances are presented in Table 6--Nonperforming Assets. The level of nonperforming loans and leases is an important element in assessing asset quality and the relevant risk in the credit portfolio. Nonperforming loans include nonaccrual loans, restructured loans, and loans delinquent 90 days or more. Loans are classified as nonaccrual when management believes that collection of interest is doubtful, typically when payments are past due over 90 days, unless well secured and in the process of collection. Another element associated with asset quality is other real estate owned (OREO), which represents properties acquired by the Corporation through loan defaults by customers.

TABLE 6--NONPERFORMING ASSETS

	AS OF DECEMBER 31			
	1997	1996	1995	1994
PRINCIPAL BALANCE				
Nonaccrual.....	\$ 344	\$ 171	\$ 91	\$ 117
90 days or more past due..	1,862	1,731	1,303	511
TOTAL NONPERFORMING LOANS.....	\$2,206	\$1,902	\$1,394	\$ 628
Nonperforming as a percent of loans.....	1.15%	1.07%	0.90%	0.51%
Other real estate owned...	10	132	217	321
OREO as a percent of loans.....	0.01%	0.07%	0.14%	0.26%
Allowance as a percent of nonperforming loans.....	122.39%	131.44%	164.99%	334.39%

The consolidated provision for loan losses was \$740,000 for 1997, \$791,000 for 1996, and \$604,000 for 1995. During that time period, asset quality continued to improve even though nonperforming loans increased during this period. Net charge-offs remained the same percentage wise from 1995 to 1997. The allowance as a percent of loans has remained relatively the same for this period. The amount of the future year's provisions for loan losses will be subject to adjustment based on the future evaluations of the loss reserve adequacy.

Total nonperforming loans and nonperforming loans as a percent of loans have been in an increasing trend over the past five years, causing significant decreases in the allowance as a percent of nonperforming loans. During this period, nonaccrual loan balances increased slightly due to an aggressive attitude taken by the Corporation in transferring loans to nonaccrual status.

Statements of Financial Accounting Standard No. 114 and 118, "Accounting by Creditors for Impairment of a Loan," became effective January 1, 1995. These statements changed the way loan loss allowance estimates were to be made for problem loans. In general, when it is determined that all principal and interest due under the contractual terms of a loan are not fully collectible, management must value the loan using discounted future expected cash flows. Management has not classified any loans using the impaired loan criteria. Application of this statement should not have a material effect on the Corporation's financial statements.

The decrease in other real estate owned was primarily the result of a strong real estate market in our area and the sale of a large commercial property. All other real estate owned is carried by the Corporation at the lower of cost or fair value.

Management believes loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that are not included in nonperforming or impaired loans do not represent or result from trends or uncertainties which will have a material impact on future operating results, liquidity, or capital resources.

In addition to loans classified for regulatory purposes, management also designates certain loans for internal monitoring purposes in a watch category. Loans may be placed on management's watch list as a result of delinquent status, concern about the borrower's financial condition or the value of the collateral securing the loan, substandard classification during regulatory examinations, or simply as a result of management's desire to monitor more closely a borrower's financial condition and performance. Watch category loans may include loans with loss potential that are still performing and accruing interest and may be current under the terms of the loan agreement; however, management may have a significant degree of concern about the borrowers' ability to continue to perform according to the terms of the loan. Loss exposure on these loans is typically evaluated based primarily upon the estimated liquidation value of the collateral securing the loan. Also, watch category loans may include credits which, although adequately secured and performing, reflect a past delinquency problem or unfavorable financial trends exhibited by the borrower.

All watch list loans are subject to additional scrutiny and monitoring. The

Corporation's philosophy encourages loan officers to identify borrowers that should be monitored in this fashion and believe this process ultimately results in the identification of problem loans in a more timely fashion.

At December 31, 1997, the Corporation had a total of \$4,268,426 of loans on its watch list which were not included in impaired or nonperforming loans.

NON-INTEREST INCOME AND EXPENSE

A listing of noninterest income and expense from 1995 through 1997 and percentage changes between years is included in Table 7--Noninterest Income and Expense.

TABLE 7--NONINTEREST INCOME & EXPENSE

	% CHANGE		% CHANGE		
	1997	FROM '96	1996	FROM '95	1995
	-----	-----	-----	-----	-----
NONINTEREST INCOME					
Income from fiduciary activities.....	\$ 3	200.00%	\$ 1	0.00%	\$ 1
Service charges on deposit account.....	1,934	8.17%	1,788	14.18%	1,566
Other operating income.....	667	18.89%	561	8.30%	518
	-----	-----	-----	-----	-----
TOTAL NONINTEREST INCOME.....	\$2,604	10.81%	\$2,350	12.71%	\$2,085
NONINTEREST EXPENSE					
Salaries and employee benefits.....	\$3,949	3.32%	\$3,822	11.01%	\$3,443
Occupancy expense.....	1,256	30.02%	966	7.93%	895
Other operating expense.....	1,535	-6.74%	1,646	-10.64%	1,842
	-----	-----	-----	-----	-----
TOTAL NONINTEREST EXPENSE.....	\$6,740	4.76%	\$6,434	4.11%	\$6,180
	=====	=====	=====	=====	=====

Noninterest income increased 10.81% to \$2,604,000 in 1997 compared to \$2,350,000 in 1996. The primary source of noninterest income was income from service charges on deposit accounts. This increase was due to the increase in the number and dollar amount of checking accounts opened during this period.

Other operating income grew 18.89% in 1997 from 1996 due in part to the increase in income from the investment in New South Life Insurance Company. New South Life is a credit life company that is 20% owned by the Corporation. Income from New South was \$176,114 in 1997 compared to \$142,949 in 1996.

Noninterest income increased 12.71% in 1996 compared to 1995. Service charges on deposit accounts increased 14.18%, again due to an increase in the number of new customers being serviced and an increase in fee related activities. The growth in New South Life accounted for most of the 8.30% increase in other income from 1995 to 1996.

Total noninterest expense increased 4.76% to \$6,740,000 in 1997 compared to \$6,434,000 in 1996. As a percentage of average total assets, total noninterest expense was 2.41% in 1997 compared to 2.37% in 1996. Salaries and employee benefits increased 3.32% during 1997 due mainly to annual salary adjustments.

Occupancy and equipment expense increased 30.02% during 1997, as a result of the first full year of operation of the new Philadelphia, MS Westside branch, purchases of new equipment and increases in the maintenance costs of the equipment.

Other operating expenses was \$1,535,000 in 1997, compared to \$1,646,000 in 1996, a decrease of 6.74%. Several expenses experienced decreases during this period including, FDIC assessment and travel.

Noninterest expense increased 4.11% in 1996 compared to 1995. The 11.01% increase in salaries and employee benefits during 1996 can be attributed to annual salary adjustments and to the first full year for employees for the Scooba, MS branch and additional staff that was hired for the new Philadelphia, MS Westside branch. Occupancy expenses increased to \$966,000 in 1996 from \$895 in 1995 or 7.93%. The increase was caused by the increase in phone service required, utilities cost and building repairs.

Other operating expense decreased from \$1,646,000 in 1996 to \$1,842,000 in 1995. A large part of this decrease was the \$177,077 decrease in FDIC insurance for 1996 that resulted from the BIF reaching its congressionally mandated capitalization level of 1.25% of insured deposits in 1995. As a result of the BIF reaching its capitalization goal, subsequent ongoing deposit insurance premiums were greatly reduced. During the third quarter of 1996, the FDIC instituted a one-time special assessment against all deposits insured by the SAIF. A small portion of the Corporation's deposits are insured under SAIF as a result of the acquisition of the Kosciusko, MS branch from the Resolution Trust Corporation in April, 1994. The Corporation, therefore, was subject to \$28,640 in the special assessment. Given the current level of deposits, premiums are not expected to significantly increase in the future. The statements in this paragraph are forward-looking which may or may not be accurate due to the impossibility of predicting future congressional or regulatory actions or the future capitalization levels of the insurance funds.

INCOME TAXES

The Corporation records a provision for income taxes currently payable, along with a provision for those taxes in the future. Such deferred taxes arise from differences in timing of certain items for financial statement reporting rather than income tax reporting. The major difference between the effective tax rate applied to the Corporation's financial statement income and the federal statutory rate of 34% is interest on tax-exempt securities and loans.

The Corporation's effective tax rate was 35.05%, 34.02%, and 34.82% in 1997, 1996 and 1995, respectively. Further tax information regarding the Corporation can be found in Note 7 to the consolidated financial statements.

FINANCIAL CONDITION

Securities

On January 1, 1994, the Corporation adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and accordingly classified certain of its securities as available-for-sale. In December 1995, the Corporation transferred the remainder of its held-to-maturity securities to available-for-sale during the moratorium period granted by FASB. At December 1997, the Corporation classified all of its securities as available-for-sale.

Securities held-to-maturity are those which the Corporation has both the positive intent and ability to hold to maturity, and are reported at amortized cost. Securities available-for-sale are those which the Corporation may decide to sell if needed for liquidity, asset/liability management, or other reasons. Securities available-for-sale are reported at fair value, with unrealized gains and losses included as a separate component of equity, net of tax. The Corporation does not maintain any securities for trading purposes.

Table 8--Securities and Security Maturity Schedule summarizes the carrying value of securities from 1995 through 1997 and the maturity distribution at December 31, 1997, by classification. Interest on tax-exempt securities has been adjusted to a tax equivalent basis using a marginal federal tax rate of 34% and a state tax rate of 5% for all years.

TABLE 8--SECURITIES

	1997	1996	1995
SECURITIES AVAILABLE FOR SALE			
U.S. Treasuries.....	\$31,345	\$ 5,181	\$ 5,751
U.S. Agencies.....	15,261	26,449	25,998
Mortgage Backed.....	14,336	33,598	36,852
States, political subdivisions and others.....	6,350	7,244	7,421
TOTAL SECURITIES AVAILABLE FOR SALE.....	\$67,292	\$72,472	\$76,022
SECURITIES HELD TO MATURITY			
U.S. Treasuries.....	\$ 0	\$ 0	\$ 0
U.S. Agencies.....	0	0	0
Mortgage Backed.....	0	0	0
States, political subdivisions and others.....	0	0	0
TOTAL SECURITIES HELD TO MATURITY.....	\$ 0	\$ 0	\$ 0
TOTAL SECURITIES.....	\$67,292	\$72,472	\$76,022

SECURITIES MATURITY SCHEDULE

	1 YEAR OR LESS		1 TO 5 YEARS		5 TO 10 YEARS		OVER 10 YEARS	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
AVAILABLE FOR SALE								
U.S. Treasury.....	1,499	5.50%	29,846	5.69%	0	0.00%	0	0.00%
U.S. Agencies.....	399	5.69%	9,056	6.12%	5,806	6.25%	0	0.00%
Mortgage-backed.....	872	6.55%	1,220	7.59%	1,728	7.04%	10,516	7.14%
States, Municipal and Other (1).....	2,315	8.72%	2,712	6.87%	1,005	7.49%	318	11.21%
TOTAL AVAILABLE FOR SALE.....	\$5,085	7.16%	\$42,834	5.91%	\$8,539	6.56%	\$10,834	7.26%
TOTAL HELD TO MATURITY..	\$ 0	0.00%						

(1) Average rates were calculated on tax equivalent basis using a marginal federal income tax rate of 34% and a state tax rate of 5%.

The majority of the securities portfolio is composed of U.S. Treasury securities, Federal agency securities, state municipal securities (tax exempt), and mortgage-backed securities.

The securities portfolio carries varying degrees of risk. Investments in U.S. Treasury and Federal agency securities have little or no credit risk. Mortgage-backed securities are substantially issues of Federal agencies. Obligations of states and political subdivisions are the areas of highest potential credit exposure in the portfolio. This risk is minimized through the purchase of high quality investments. When purchased, obligations of states and political subdivisions and corporate bonds must have a credit rating by Moody's or Standard & Poors of A or better. Substantially all of these investments were rated A or better at December 31, 1997. The risk of non-rated municipal bonds is minimized by limiting the amounts invested and by investing in local issues. Management believes the non-rated securities are of high quality. No securities of an individual issuer, excluding U.S. government and its agencies, exceeded 10% of the Corporation's shareholders' equity as of December 31, 1997. The Corporation does not use off-balance sheet derivative financial instruments as defined in SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments."

Although total earning assets have increased over the past years, the security portfolio balances have remained relatively stable. Total securities were \$67,292,000, \$72,472,000 and \$76,022,000 as of December 31, 1997, 1996, and 1995, respectively.

In the first half of 1997, the Corporation sold \$23,228,375 in agency and mortgage-backed securities in an effort to supply suitable collateral for our largest governmental depositor. The Corporation was able to take advantage of the market at that time and to make the swap with a minimum of loss on the sale of the securities. This loss was recovered by an increase in the yield of the purchased securities. The Corporation invested the proceeds from this sale in U.S. Treasury obligations.

There was very little change in the mix of investment securities from 1995 to 1996. The security balances decreased from \$76,022,000 in 1995 to \$72,472,000 in 1996. This reduction was the result of a strong loan demand and the need for additional loan funds.

The Corporation, realizing the need to maintain flexibility in its investment accounts, transferred all of its investments into the Available-for-sale classification during the one-time transfer period in accordance with Financial Accounting Standards Board Special Report on Implementation of SFAS 115.

U.S. Agencies increased approximately \$451,000 between 1996 and 1995, while mortgage-backed U.S. Treasury securities decreased approximately \$3,824,000 during this same period. The change in portfolio mix was due to the interest rate environment and the need to sell the small remainder portions of mortgage-backed securities. During this period of declining interest rates and increasing bond prices, the Corporation reduced the prepayment risk associated with holding mortgage-backed securities by rotating out of such securities and investing in U.S. Agency category securities with comparable yields and more predictable prepayment characteristics.

As of December 31, 1997, the Corporation did not have any structured notes in its portfolio. As of December 31, 1996, and 1995, the security portfolio held structured notes totaling \$3,459,000 and \$5,576,000, respectively. The investment policy has specific guidelines describing the types and characteristics of acceptable structured notes for the Corporation's portfolio. All structured notes are U.S. Government Agency issues.

Management's security strategy includes utilizing proceeds from the maturity or sale of short-term securities, adjustable rate instruments, and easily marketable securities to fund a portion of the continuing growth of the loan portfolio. Tax-free and intermediate taxable bonds are used to further enhance earnings. As of December 31, 1997, 100% of the total investment security portfolio was classified in the available-for-sale category, which allows flexibility in the asset/liability management function. As noted earlier, sell strategies are executed, on occasion, when the interest rate environment provides the opportunity to boost the overall portfolio performance.

Although the change in equity due to market value fluctuations in the available-for-sale portfolio is not used in the Tier 1 capital calculation, the change which occurred in the unrealized gain/loss on securities between 1997 and 1996 was a result of the swing in the interest rate environment during that period, in conjunction with the change in the portfolio mix. Although there was a significant change in the unrealized gain/loss on securities between 1997 and 1996, management considers these changes to be temporary in nature.

LOANS

The loan portfolio constitutes the major earning asset of the Corporation and offers the best alternative for maximizing interest spread above the cost of funds. The Corporation's loan personnel have the authority to extend credit under guidelines established and approved by the Board of Directors. Any aggregate credit which exceeds the authority of the loan officer is forwarded to the loan committee for approval. The loan committee is composed of various directors, including the Chairman. All aggregate credits which exceed the loan committee's lending authority are presented to the full Board of Directors for ultimate approval or denial. The loan committee not only acts as an approval body to ensure consistent application of the Corporation's loan policy but also provides valuable insight through communication and pooling of knowledge, judgment, and experience of its members.

The Corporation's primary lending area generally includes East Central Mississippi, specifically Neshoba, Newton, Leake, Scott, Attala and Kemper Counties, and contiguous counties. The Corporation extends out-of-area credit only to borrowers who are considered to be low risk, and only on a very limited basis.

In general, the loan growth experienced in 1997 was due to a continuation of the overall growth in the area that is served by the Corporation. The opening of the Silverstar Casino and Resort on the Choctaw Indian Reservation caused an increase in the number of businesses to serve the visitors drawn by the casino. The increase of jobs in the area also helped to tighten the housing market in the area and caused a large number of new houses to be built. This is evidenced by the fact that real estate mortgage loans grew by \$3,203,000, or 6.29%, in 1997 and grew by \$3,435,000, or 7.23%, in 1996.

Commercial and agricultural loans also showed large growth during this period. These loans grew \$9,601,000, or 11.84%, in 1997 and \$14,308,000, or 21.43%, in 1996. This increase was not caused solely by the influence of the casino in the area, but was due in part to an increase in the number of chicken house loans made in this period.

Commercial and agricultural loans are the largest segment of the loan portfolio and, by nature, bear a higher degree of risk. Management is aware of the increasing trend in this category and believes the lending practices, policies, and procedures surrounding this loan category are adequate to manage this risk.

Table 9--Loans Outstanding reflects outstanding balances by loan type for the past five years. Additional loan information is presented in Note 4 to the consolidated financial statements.

TABLE 9--LOANS OUTSTANDING

	AT DECEMBER 31,				
	1997	1996	1995	1994	1993
Commercial and agricultural.....	\$ 90,690	\$ 81,089	\$ 66,781	\$ 51,476	\$ 46,363
Real estate--construction.....	4,533	5,826	6,174	3,006	1,957
Real estate--mortgage.....	54,119	50,916	47,481	39,825	34,777
Consumer.....	47,466	44,015	38,482	31,102	27,210
TOTAL LOANS.....	\$196,808	\$181,846	\$158,918	\$125,409	\$110,307

Table 10--Loan Liquidity and Sensitivity to Changes in Interest Rates reflects the maturity schedule or repricing frequency of all loans. Also indicated are fixed and variable rate loans maturing after one year for all loans.

TABLE 10--LOAN LIQUIDITY

LOAN MATURITIES AT DECEMBER 31, 1997

	1 YEAR AND LESS	1-5 YEARS	OVER 5 YEARS	TOTAL
All loans.....	\$77,877	\$98,305	\$20,626	\$196,808
SENSITIVITY TO CHANGES IN INTEREST RATES				
Fixed rates.....		80,345	13,611	
Variable rates.....		17,960	7,015	
TOTAL.....		\$98,305	\$20,626	

DEPOSITS

The Corporation offers a wide variety of deposit services to individual and commercial customers, such as noninterest-bearing and interest-bearing checking accounts, savings accounts, money market deposit accounts, and certificates of deposit. The deposit base provides the major funding source for earning assets. Total average deposits have shown steady growth over the past few years, increasing 1.72% and 10.11% in 1997 and 1996, respectively. The decrease shown in interest-bearing demand accounts and the increase in certificates of deposit in 1997 are the result of a change in deposit choices by customers and not as a result of any particular incentive. Time deposits continue to be the largest single source of the Corporation's deposit base.

A five year schedule of deposits by type and maturities of time deposits greater than \$100,000 is presented in Table 11--Deposit Information.

TABLE 11--DEPOSIT INFORMATION

	1997		1996		1995	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
Noninterest-bearing.....	34,717		37,895		34,165	
Interest-bearing demand.....	57,406	2.78%	68,036	2.64%	59,158	2.52%
Savings.....	17,594	3.90%	16,681	3.90%	15,156	3.72%
Certificates of deposit.....	132,742	5.42%	115,746	5.19%	108,000	5.17%
	\$242,459	3.91%	\$238,358	3.55%	\$216,479	3.53%

MATURITY RANGES OF TIME DEPOSITS
WITH BALANCES OF \$100,000 OR MORE AT DECEMBER 31

	1997
3 months or less.....	\$19,463
3 through 6 months.....	7,985
6 through 12 months.....	13,761
over 12 months.....	4,397
	\$45,606

The Corporation in its normal course of business will acquire large certificates of deposit, generally from public entities for a variety of maturities. These funds are acquired on a bid basis and are considered to be part of the deposit base of the Corporation.

BORROWINGS

Aside from the core deposit base and large denomination certificates of deposit mentioned above, the remaining funding sources include short-term and long-term borrowings. Short-term borrowings consist of federal funds purchased from other financial institutions on an overnight basis, short-term borrowings from the Federal Home Loan Bank of Dallas (FHLB), and U.S. Treasury demand notes for treasury, tax and loan (TT&L).

TABLE 12--SHORT-TERM BORROWINGS

	AS OF DECEMBER 31		
	1997	1996	1995
Year-end balance of federal funds purchased.....	\$ 0	\$8,800	\$ 0
Year-end balance of FHLB borrowings.....	0	0	0
Year-end balance of treasury tax and loan note.....	700	438	329

	-----	-----	-----
	\$ 700	\$9,238	\$ 329
	=====	=====	=====
Average balance of short term borrowings.....	\$4,148	\$4,114	\$1,245
Weighted average rate of borrowings.....	4.87%	5.34%	6.13%

As of December 31, 1997, the Corporation's short-term borrowings consisted only of the treasury tax open-end note in the amount of \$700,000. As of December 31, 1996, the Corporation had, in addition to the TT&L note in the amount of \$438,000, federal funds purchased in the amount of \$8,800,000. The Corporation foresees short-term borrowings to be a continued source of liquidity and will continue to use these borrowings as a method to fund short-term needs. The Corporation has the capacity to borrow up to \$55 million from the FHLB and other financial institutions in the form of federal funds purchased and will use these borrowings if circumstances warrant such action. The statements in this paragraph relating to the future use of these borrowings are forward-looking statements which may or may not be accurate due to the impossibility of predicting future events.

The Corporation currently does not have any long-term debt and has not had any since the last of its debentures matured on January 31, 1997 in the amount of \$32,695. The maturity schedule of these debentures for the last year years is listed below.

	MATURED	YEAR-END
	AMOUNT	BALANCE
	-----	-----
1997.....	\$32,695	\$ 0
1996.....	32,695	32,695
1995.....	32,695	65,390

LIQUIDITY AND RATE SENSITIVITY

Liquidity management is the process by which the Corporation ensures that adequate liquid funds are available to meet financial commitments on a timely basis. These commitments include honoring withdrawals by depositors, funding credit obligations to borrowers, servicing long-term obligations, making shareholder dividend payments, paying operating expenses, funding capital expenditures, and maintaining reserve requirements.

Interest rate risk is the exposure to Corporation earnings and capital from changes in future interest rates. All financial institutions assume interest rate risk as an integral part of normal operations. Managing and measuring the interest rate risk is the process that ranges from reducing the exposure of the Corporation's interest margin regarding swings in interest rates to assuring that there are sufficient capital and liquidity to support future balance sheet growth.

The asset/liability committee is responsible for managing liquidity issues and interest rate risk, among other matters. Various interest rate movements are factored into a simulation model to assist the asset/liability committee in assessing interest rate risk. The committee analyzes the results of the simulation model to formulate strategies to effectively manage the interest rate risk that may exist.

The liquidity of the parent company is dependent on the receipt of dividends from the banking subsidiary. Certain restrictions exist regarding the transfer of funds from the subsidiary as explained in Item 1. Management expects that in the aggregate, the banking subsidiary will continue to have the ability to provide adequate funds to the parent company.

The banking subsidiary's source of funding is predominantly core deposits consisting of both commercial and individual deposits, maturities of securities, repayments of loan principal and interest, and federal funds purchased, and long-term borrowing from the FHLB. The deposit base is diversified between individual and commercial accounts which helps avoid dependence on large concentrations of funds. The Corporation does not solicit certificates of deposit from brokers. The primary sources of liquidity on the asset side of the balance sheet are federal funds sold and securities classified as available-for-sale. All of the investment securities portfolio are classified in the available-for-sale category, and are available to be sold, should liquidity needs arise. Table 13--Funding Uses and Sources details the main components of cash flows for 1997 and 1996.

TABLE 13--FUNDING USES AND SOURCES

	1997			1996		
	AVERAGE BALANCE	INCREASE/(DECREASE)		AVERAGE BALANCE	INCREASE/(DECREASE)	
		AMOUNT	PERCENT		AMOUNT	PERCENT
FUNDING USES						
Loans.....	\$186,843	\$ 18,301	10.86%	\$168,542	\$ 27,350	19.37%
Taxable securities	63,333	(5,968)	-8.61%	69,301	(141)	-0.20%
Tax-exempt securities	5,345	(671)	-11.15%	6,016	303	5.30%
Federal Home Loan Bank.....	1,345	524	63.82%	821	129	18.64%
Federal funds sold....	2,112	(3,600)	-63.03%	5,712	(1,603)	-21.91%
TOTAL USES.....	\$258,978	\$ 8,586	3.43%	\$250,392	\$ 26,038	11.61%
FUNDING SOURCES						
Noninterest-bearing deposits.....	\$ 34,718	\$ (3,176)	-8.38%	\$ 37,894	\$ 3,681	10.76%
Interest-bearing demand and savings deposits.....	75,000	(9,717)	-11.47%	84,717	10,429	14.04%
Time Deposits.....	132,741	16,994	14.68%	115,747	7,769	7.19%
Short-term borrowings.....	4,148	819	24.60%	3,329	2,085	167.60%
Long-term debt.....	3	(32)	-91.43%	35	(92)	-72.44%
TOTAL SOURCES.....	\$246,610	\$ 4,888	2.02%	\$241,722	\$ 23,872	10.96%

Rate sensitivity gap is defined as the difference between the repricing of interest earning assets and the repricing of interest bearing liabilities within certain defined timeframes. The Corporation's interest rate sensitivity position is influenced by the distribution of interest earning assets and interest-bearing liabilities among the maturity categories. Table 14--Liquidity and Interest Rate Sensitivity reflects interest earning assets and interest-bearing liabilities by maturity distribution. Product lines repricing in time periods predetermined by contractual agreements are included in the respective maturity categories.

TABLE 14--LIQUIDITY AND INTEREST RATE SENSITIVITY AT DECEMBER 31, 1997

	1-90 DAYS	91-365 DAYS	1-5 YEARS	OVER 5 YEARS	TOTAL
INTEREST EARNING ASSETS					
Loans.....	\$ 57,168	\$46,224	\$ 81,060	\$ 7,153	\$191,605
Investment securities.....	12,131	4,783	44,304	4,563	65,781
Federal Home Loan Bank stock.....	0	0	0	1,511	1,511
Federal funds sold	5,500	0	0	0	5,500
TOTAL INTEREST EARNING ASSETS.....	\$ 74,799	\$51,007	\$125,364	\$13,227	\$264,397
INTEREST BEARING LIABILITIES					
Interest bearing demand deposits.....	\$ 57,100	\$ 0	\$ 0	\$ 0	\$ 57,100
Savings deposits.....	17,188	0	0	0	17,188
Time deposits.....	59,360	75,992	4,013	0	139,365
Short term borrowings.....	700	0	0	0	700
TOTAL INTEREST BEARING LIABILITIES.....	\$134,348	\$75,992	\$ 4,013	\$ 0	\$214,353
Rate sensitive gap.....	(59,549)	(24,985)	121,351	13,227	50,044
Rate sensitive cumulative gap..	(59,549)	(84,534)	36,817	50,044	
Cumulative gap as a percentage of total earning assets.....	-22.52%	-31.97%	13.92%	18.93%	

The purpose of the above table is to measure interest rate risk utilizing the repricing intervals of interest sensitive assets and liabilities. Rate sensitive gaps constantly change as funds are acquired and invested and as rates change. Rising interest rates are likely to increase net interest income in a positive gap position while falling interest rates are beneficial in a negative gap position.

The above rate sensitivity analysis places interest-bearing demand and savings deposits in the shortest maturity category because these liabilities do not have defined maturities. If these deposits were placed in a maturity distribution representative of the Corporation's deposit base history, the shortfall of the negative rate sensitive gap position would be reduced in the 1-to-90 day timeframe.

The Corporation's large negative cumulative gap position in the one year time period as of December 31, 1997 was mainly due to: (1) the interest-bearing and savings deposits being classified in the 1-90 day category; (2) approximately 97% of certificates of deposit maturing the next twelve months; and (3) a significant portion of the Corporation's loans maturing after one year. A decline in the interest rate environment would enhance earnings, while an increase in interest rates would have the opposite effect on corporate earnings. The effect would be mitigated by the fact that interest-bearing demand and savings deposits may not be immediately affected by changes in general interest rates.

CAPITAL ADEQUACY

The Corporation and Bank are subject to various regulatory capital guidelines as required by federal and state banking agencies. These guidelines define the various components of core capital and assign risk weights to various categories of assets.

Tier 1 capital consists of shareholders' equity less goodwill, core deposit intangible, and the unrealized gain or loss on securities available-for-sale, as defined by bank regulators. The definition of Tier 2 capital includes the amount of allowance for loan losses which does not exceed 1.25% of gross risk-weighted assets. Total capital is the sum of Tier 1 and Tier 2 capital.

The minimum requirements under the capital guidelines are a 4.00% leverage ratio (Tier 1 capital dividend by average assets less intangible assets and unrealized gains/losses), a 4.00% Tier 1 risk-based capital ratio (Tier 1 capital divided by risk-weighted assets), and a 8.00% total capital ratio (Tier 1 capital plus Tier 2 capital dividend by risk-weighted assets).

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal regulatory agencies to define capital tiers. These are: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Under these regulations, a "well-capitalized" institution must achieve a Tier 1 risk-based capital ratio of at least 6.00%, and a total capital ratio of at least 10.00%, and a leverage ratio of at least 5.00% and not be under a capital directive order. Failure to meet capital requirements can initiate regulatory action that could have a direct material effect on the Corporation's financial statements. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions, asset growth, and expansion is limited, in addition to the institution being required to submit a capital restoration plan.

Management believes the Corporation and the Bank meet all the capital requirements as of December 31, 1997, as noted below in Table 15--Capital Ratios, and is well-capitalized under the guidelines established by the banking regulators. To be well-capitalized, the Corporation and Bank must maintain the prompt corrective action capital guidelines described above.

Exclusive of the effect of the unrealized gains/losses on securities component, which is driven by the interest rate environment, the Corporation's shareholders' equity increased \$3,928,000, or 14.72% in 1997. The Corporation increased the amount of dividends paid to \$562,000 in 1997 compared to \$496,000 in 1996, an increase of \$66,000 or 13.31%. The higher dividend payout, in addition to the stock dividend declared in 1996, represent management's effort to increase the value and return of each shareholder's investment in the Corporation.

At December 31, 1997, management was not aware of any current recommendations by banking regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material effect on the Corporation's consolidated liquidity, capital resources or operations.

TABLE 15--CAPITAL RATIOS

	AT DECEMBER 31	
	1997	1996
Tier 1 capital		
Tier 1 capital Shareholders' equity.....	\$ 31,221	\$ 26,758
Less: Intangibles.....	(784)	(851)
Add/less: Unrealized loss/(gain).....	(613)	(78)
Add: Minority interest in equity accounts of unconsolidated subsidiaries.....	1,106	944
TOTAL TIER 1 CAPITAL.....	\$ 30,930	\$ 26,773
Total capital		
Tier 1 capital.....	30,930	26,773
Allowable allowance for loan losses.....	2,356	2,205
TOTAL CAPITAL.....	\$ 33,286	\$ 28,978
RISK WEIGHTED ASSETS.....	\$188,098	\$176,077
AVERAGE ASSETS (FOURTH QUARTER).....	\$283,195	\$271,087
RISK BASED RATIOS		
TIER 1.....	16.44%	15.21%
TOTAL CAPITAL.....	17.70%	16.46%
LEVERAGE RATIOS.....	10.92%	9.88%

PENDING CHARGES

Statement of Financial Accounting Standards No. 125 (SFAS 125), "Accounting for Transfers and Servicing Financial Assets and Extinguishments of Liabilities," has been issued and will apply to some transactions in 1997 and others in 1998. SFAS 125 establishes standards for determining the circumstances under which transfers of financial assets should be considered sales or as secured borrowing and when a liability should be considered extinguished, and addresses the accounting requirements for servicing financial assets, including mortgage servicing rights. The Corporation does not expect SFAS 125 to have a material impact on the consolidated financial statements in 1997; however, the Statement will be followed in the future should the Corporation begin to originate mortgage servicing rights.

INFLATION

For a financial institution, effects of price changes and inflation vary considerably from an industrial organization. Changes in the prices of goods and services are the primary determinant of the industrial company's profit, whereas changes in interest rates have a major impact on a financial institution's profitability. Inflation affects the growth of total assets, but it is difficult to assess its impact because neither the timing nor the magnitude of the changes in the consumer price index directly coincide with changes in interest rates.

During periods of high inflation there are normally corresponding increases in the money supply. During such times financial institutions often experience above average growth in loans and deposits. Also, general increases in the price of goods and services will result in increased operation expenses. Over the past few years the rate of inflation has been relatively low, and its impact on the growth in the balance sheets and increased levels of income and expense has been nominal.

ITEM 3. PROPERTIES

The Corporation through the Bank, currently operates from its main office in downtown Philadelphia, from 12 additional branches in Neshoba, Newton, Leake, Scott, Attala, and Kemper counties and from its loan production office in Lauderdale county, all located in Mississippi. Information about these branches is set forth in the table below:

NAME OF OFFICE	LOCATION/TELEPHONE NUMBER	BANKING FUNCTIONS OFFERED
Main Office.....	521 Main Street Philadelphia, MS (601) 656-4692	Loans Trust
Eastside Branch.....	585 East Main Street Philadelphia, MS (601) 656-4976	Drive-up
Westside Branch.....	912 West Beacon Street Philadelphia, MS (601) 656-4978	Loans 24 Hour Teller
Northside Branch.....	720 Pecan Avenue Philadelphia, MS (601) 656-4977	24 Hour Teller
Pearl River Branch.....	Choctaw Shopping Center Philadelphia, MS (601) 656-4971	Drive-up
Union Branch.....	Corner of Horne & Bank Philadelphia, MS (601) 774-9231	Loans
Carthage Main Office.....	219 West Main Street Carthage, MS (601) 267-4525	Loans
Crossroads Branch.....	Intersection of Hwys 35 & 16 Carthage, MS (601) 267-4525	Drive-up
Madden Branch.....	Highway 488 Madden, MS (601) 267-7366	Deposits
Sebastopol Branch.....	Main Street Sebastopol, MS (601) 625-7447	Loans
DeKalb Branch.....	Corner of Main & Bell DeKalb, MS (601) 743-2115	Loans
Kosciusko Branch.....	775 North Jackson Avenue Kosciusko, MS (601) 289-4356	Loans 24-hour Teller
Scooba Branch.....	1048 Johnston Street Scooba, MS (601) 476-8431	Loans
Meridian Office.....	1821 Hwy 39 North Meridian, MS (601) 693-8367	Loan Production

The Bank owns its main office and all its branch offices, except for the Pearl River Branch, which is leased from the Mississippi Band of Choctaw Indians and its Loan Production office in Meridian. The main office facility, originally occupied in 1966, is used solely by the Corporation and the Bank. This facility contains approximately 20,000 square feet and houses the executive offices and all operations functions. The other branches range in size from nearly 4,000 square feet to 619 square feet.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Principal Holders of Common Shares

At November 18, 1998, the Corporation had three shareholders that were the beneficial owner of more than 5% of the common shares of the Corporation (the "Common Shares") and are listed below:

The Molpus Company
Philadelphia, MS 39350
50,505 shares or 7.63%

Herbert A. King
Starkville, MS
47,803 shares or 7.22%

George R. Mars
Philadelphia, MS
38,842 shares or 5.8%

(b) Security Ownership of Management

The following table sets forth the number and percentage of Common Shares beneficially owned by each Director of the Corporation and the Bank and by all the Corporation's and the Bank's Directors and executive officer as a group at November 18, 1998. Unless indicated otherwise in a footnote, the Directors and executive officer possess sole voting and investment power with respect to all shares shown.

NAME OF BENEFICIAL OWNER -----	COMMON SHARES BENEFICIALLY OWNED AT NOVEMBER 18, 1998	PERCENT OF CLASS -----
M. G. Bond.....	6,617	1.00%
Karl Brantley.....	2,032	.31
W. W. Dungan.....	28,028(1)	4.24
Don Fulton.....	1,050	.16
Andy King.....	10,071(2)	1.52
Herbert A. King.....	47,803(3)	7.22
George R. Mars.....	38,842(4)	5.87
William M. Mars.....	2,447(5)	.37
David P. Webb.....	2,815	.43
J. Steve Webb.....	18,061(6)	2.73
	-----	-----
All Directors as a group (10 persons).....	157,766(7)	23.84

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- (1) Includes 18,900 shares owned by Mr. Dungan's spouse.
 - (2) Includes 178 shares owned by Mr. King's spouse and 292 shares owned by his children.
 - (3) Includes 1,455 shares owned jointly by Mr. King's spouse, 8,584 owned by his children; also includes 29,452 shares held in trust for his children.
 - (4) Includes 4,000 shares owned by Mr. Mars' spouse and 4,000 owned by his child; also includes 9,149 shares owned by Mr. Mars' mother that he has authority to vote.
 - (5) Includes 657 shares owned by Mr. Mars' spouse.
 - (6) Includes 34 shares owned by Mr. Webb's spouse and 18,000 shares held in a limited partnership of which Mr. Webb is the managing general partner and has the power to vote the stock in such capacity.
 - (7) Includes 1,455 shares owned jointly with or of record by others with Directors and Executive Officers; also includes 47,452 in various entities controlled by Directors and 9,149 controlled by Power of Attorney.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the Directors and executive officers of the Corporation and Bank. Unless otherwise indicated in a footnote, each person has held the same or a comparable position with his present employer for the last five years. The Directors and Officers of both the Corporation and the Bank are all elected for terms of one year. The Board has, by resolution, designated Steve Webb, Chairman, President and Chief Executive Officer as the sole executive officer of the Corporation and the Bank.

NAME AND AGE -----	POSITIONS CURRENTLY HELD WITH THE CORPORATION AND BANK -----	DIRECTOR OR EXECUTIVE OFFICER SINCE -----	OTHER PRINCIPAL OCCUPATION -----
M. G. Bond, 66.....	Director of the Corporation and the Bank	1986	Retired, Mississippi State Senator
Karl Brantley, 62....	Director of the Corporation and the Bank	1992	Plant Manager, U.S. Electrical Motors, Philadelphia
W. W. Dungan, 65....	Director of the Corporation and the Bank	1981(1)	Partner, McDaniel Timber Company
Don Fulton, 52.....	Director of the Corporation and the Bank	1994	President and General Manager, Nemanco, Inc.
Andy King, 44.....	Director of the Corporation and the Bank	1997	Proprietor, Philadelphia Motor Company
Herbert A. King, 46..	Director of the Corporation and the Bank	1997	Engineer, King Engineering, Inc.
George R. Mars, 59...	Director of the Corporation and the Bank	1977(1)	Retired Proprietor, Mars Department Store
William M. Mars, 61..	Director of the Corporation and the Bank	1977(1)	Attorney, Mars, Mars and Mars Attorneys
David P. Webb, 39....	Director of the Corporation and the Bank	1998	Attorney, Phelps Dunbar
Joe Steve Webb, 66...	Director, Chairman, and the President and CEO of Corporation and the Bank	1970(1)	Chairman, President and CEO of Corporation and the Bank

(1) Year that Director was elected to the Board of The Citizens Bank of Philadelphia. These Directors were elected to the Board of Citizens Holding Company at the time it was formed in 1982.

ITEM 6. EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation paid for the fiscal years indicated to the Corporation's and Bank's Chief Executive Officer based on salary and bonus earned during fiscal 1997. Officers of the Corporation receive their salary from the Bank.

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	ALL OTHER COMPENSATION
J. Steve Webb, Chairman.....	1997	\$125,000	\$25,000	\$23,640(1)
President and CEO of the	1996	\$115,062	\$20,000	(2)
Corporation and the Bank	1995	\$108,200	\$15,000	(2)

(1) Represents matching contributions of \$12,264 under The Citizens Bank Profit Sharing and Savings Plan (the 401-k plan), Directors fees in the amount of \$10,275, and includes the value of the use of a company automobile in the amount of \$1,101.

(2) Information for previous years not required to be disclosed.

DIRECTOR COMPENSATION

During 1998, all Directors of the Corporation received \$725 per month regardless of attendance at meetings or committee participation. In addition to this, all Directors receive \$125 for attending the monthly meetings. Those Directors that serve on the Loan Committee receive an additional \$50 per month.

Eight of the current Directors and one retired Director participate in a Deferred Compensation Plan that was established in June 1986. The Plan provides that a Director may defer a portion of his monthly fees for ten years in return for a benefit to be paid when they attain the retirement age of 70. After the ten year deferral period, the Director resumes receiving his full fee. The deferral amount is increased each year by a percentage of the Moody's Average Corporate Bond Rate for the month of October each year. Four of the Directors (S. Webb, Dungan, G. Mars and Bond) receive a rate of 130% of the Moody's rate and four (A. King, H. King, Brantley and Fulton) receive a rate of 100% of the Moody's rate. Due to his age at the time of acceptance into the Plan, one Director's benefits are defined and are not subject to the increases in the Moody's rate. The Moody's Average Corporate Bond Rate for October 1998 was 6.77%. To fund the Plan, the Corporation purchased individual life insurance policies for each of the participants.

PENSION PLAN

The Corporation maintains a 401-k plan, The Citizens Bank Profit Sharing and Savings Plan and Trust (the "401-k plan"). All Employees who have attained the age of 21 and completed one year of service are eligible to participate in the 401-k plan. The Corporation matches employee deferrals up to 6% of total compensation (including any overtime and bonuses) and a discretionary contribution to each participant is made regardless of deferral. This contribution for 1998 was 2.7% of total compensation. The 401-k plan recognizes a participant to be fully vested after five years in which the employee has at least 1,000 hours of service.

PROPOSED ACTIONS

The Company desires to enhance shareholder value and provide long-term incentives to directors, senior executives and other of its key employees by providing such directors, executives and employees the opportunity to participate in stock-based incentive compensation programs. To this end, the Directors have undertaken a significant review of the options available to them. As a result of that review and after much discussion, the Directors plan to introduce the following topics to the Shareholders for vote and approval at the next annual meeting of the Shareholders, scheduled for April 13, 1999:

Adoption of Directors' Stock Compensation Plan

The Company will recommend that the Shareholders consider and approve adoption of the Citizens Holding Company Directors' Stock Compensation Plan (the "Directors' Plan"), to be effective as of January 1, 1999, providing for the grant of shares of \$0.20 par value voting common stock issued by this Company (the "Common Stock"), subject to usual and customary terms and conditions. To provide for utilization of the Directors' Plan, 70,000 shares of Common Stock, (determined immediately after the five-for-one (5:1) stock split approved by this Board of Directors effective as of January 1, 1999) will be made available for grant under the Directors' Plan. Such shares will be authorized but unissued shares, treasury shares or shares acquired on the open market, as the same may be adjusted for stock splits, dividends or other adjustments in the capitalization of this Company. See, "Description of Registered Securities to be Issued, Stock Split," herein.

The Board of Directors will administer the Directors' Plan.

Adoption of Employees' Long-Term Incentive Plan

The Board of Directors will recommend that the Shareholders consider and approve adoption of the Citizens Holding Company Employees' Long-Term Incentive Plan (the "Employees' Plan"). The Employees Plan is intended to provide for the grant of shares of Common Stock in the form of stock options and restricted stock, in accordance with usual and customary terms and conditions. To that end, seven percent (7%) of the issued and outstanding Common Stock, as the same may be determined from time to time, shall be available for grant under the Employees Plan, which shares shall be authorized but unissued shares, treasury shares or shares acquired on the open market.

The Board of Directors will administer the Employees' Plan.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Corporation has had, and expects to have in the future, banking transactions in the ordinary course of its business with Directors, officers and their associates. These transactions have been on substantially the same terms, including interest rates, collateral, and repayment terms on extensions of credit, as those prevailing at the same time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

In the past several years, the Corporation has employed the legal services of Phelps Dunbar, L.L.P., of which Mr. David Webb, a current Director of the Corporation and Bank, is a partner. Phelps Dunbar has represented the Corporation in various legal areas, including tax audits, pension plan administration, civil lawsuit defense, and general corporate law. The Corporation expects that the firm will continue to represent the Corporation in similar matters in the future.

ITEM 8. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than routine litigation incidental to their business, to which the Corporation or the Bank is a party or which of its property is subject.

None.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE

The Common Shares of the Corporation are fairly closely held and are not traded on a regular basis. According to the best of the knowledge of the corporate management, there have been only 30 sales transactions in Common Shares since 11/96, at prices ranging from \$35 to \$60 per share. The most recent trade known to management of the Corporation occurred 8/28/98 at a price of \$47 per share. Management has not verified the accuracy of the prices that have been reported. Because of the lack of active trading of the Common Shares, these prices do not necessarily reflect the prices at which the Common Shares would trade in an active market.

The Common Shares are currently held of record by approximately 485 shareholders.

DIVIDENDS

The Corporation paid cash dividends totaling \$.75 per share in 1996 and \$.85 per share in 1997. The Corporation declares dividends on a semi-annual basis in June and December with payment following at the end of that month.

Funds for the payment by the Corporation of cash dividends are obtained from dividends received by the Corporation from the Bank. Accordingly, the declaration and payment of dividends by the Corporation depend upon the Bank's earnings and financial condition, general economic conditions, compliance with regulatory requirements, and other factors.

There are no restrictions on the payment of dividends and other distributions by a Mississippi corporation. However, there are restrictions on the amount of dividends that can be paid by a bank under Mississippi law. As a general rule, a bank may declare a dividend in an amount deemed expedient by the board of directors of the bank. Any such dividend, however, may not (1) impair the capital stock of the bank, (2) be in amount greater than the remainder of undivided profits then on hand after deducting losses, bad debts, depreciation, all other expenses, and the proper transfer to earned surplus, if applicable, (3) constitute a withdrawal of any portion of the capital stock of the bank. In addition, the bank must obtain the prior approval of the Mississippi Department of Banking and Consumer Finance for the payment of any dividend.

Additionally, under FDICIA, a bank may not make any capital distribution, including payment of dividends, if after making such distribution the bank would be in any of the "under-capitalized" categories under the FDIC's prompt Corrective Action regulations.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

None.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

The following summary of the terms of the capital shares of the Corporation does not purport to be complete and is qualified in its entirety by reference to the Corporation's Articles of Incorporation and Bylaws, which are filed as Exhibits to this Form 10.

AUTHORIZED BUT UNISSUED SHARES

The Corporation's Amended Articles of Incorporation authorize the issuance of 750,000 Common Shares, \$1.00 par value, of which 670,750 shares were issued and 670,750 were outstanding at December 10, 1998. The Board of Directors, at a meeting held on October 27, 1998, authorized a five-to-one (5:1) stock split to be effective January 1, 1999. Therefore, effective January 1, 1999, 3,750,000 Common Shares will be authorized \$.20 par value, of which 3,353,750 Common Shares will be issued and 3,353,750 Common Shares outstanding.

The remaining authorized but unissued Common Shares may be issued upon authorization of the Board of Directors without prior shareholder approval. If additional shares of the Corporation are issued, the shareholders are not entitled to subscribe for such additional shares in proportion to the number of Common Shares owned by them prior to such issuance. Accordingly, the shareholders of the Corporation could have their percentage ownership interest in the Corporation diluted if these shares are issued in the future.

STOCK-SPLIT

At a meeting of the Board of Directors, held on October 27, 1998, the Board unanimously voted to cause a 5-to-1 split of the Common Shares of the Corporation. This split was approved by all necessary parties on October 27, 1998 with a future effective date of January 1, 1999. As of December 10, 1998, 670,750 Common Shares are issued and 670,750 Common Shares are outstanding. Effective January 1, 1999, 3,750,000 Common Shares will be authorized \$.20 par value, of which 3,353,750 Common Shares will be issued and 3,353,750 Common Shares outstanding.

COMMON SHARES

Voting rights

Except for (a) supermajority votes required to approve certain business combinations and certain other proposed matters to be discussed below and (b) certain corporate actions that must be approved by a majority of the outstanding votes of the relevant voting group under the Mississippi Business Corporation Act, the affirmative vote of the holders of the majority of the votes cast at a meeting at which a quorum is present is sufficient to approve matters submitted for shareholder approval, except that Directors are elected by a plurality of the votes cast.

Dividend Rights

The holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors from funds legally available for their payment. A dividend may be paid by the Corporation only if, after paying such dividend, (a) the Corporation would be able to pay its debts as they become due in the usual course of business, and (b) the Corporation's total assets would not be less than the sum of its total liabilities. Furthermore, because funds for the payment of the dividends by the Corporation must come primarily from the earnings of the Bank, restrictions on the amount of dividends that the Bank may pay also restrict the amount of funds available for payment of dividends by the Corporation. See Item 1. DESCRIPTIONS OF BUSINESS-- "Regulation and Supervision," and Item 9, MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS--"Dividends."

Liquidation

Upon any liquidation, dissolution, or winding up of the affairs of the Corporation, the holders of Common Shares are entitled to share ratably in the assets legally available for distribution to the Common Shareholders.

Other Matters

Holders of the Common Shares do not have preemptive rights with respect to the issuance of any securities of the Corporation. There are no sinking fund provisions applicable to the Common Shares. All outstanding Common Shares are, when issued, fully paid and nonassessable. Such shares are not redeemable at the option of the Corporation or holders thereof.

The Corporation presently serves as the registrar and transfer agent of the Corporation's Common Shares.

Proposed Provisions for Inclusion in the Corporation's Articles and Bylaws

The Board of Directors has approved and will recommend for approval by the Shareholders at the next annual meeting, scheduled for April 13, 1999, that the Corporation's Articles of Incorporation and Bylaws be

amended to include certain provisions. Even though these provisions are sometimes referred to as "anti-takeover," the real intent of these provisions is to prevent an unfriendly suitor from using coercive tactics which can force shareholders to sell at an amount below fair value. The provisions are intended to require the suitor to negotiate with the Board of Directors, a result which the Board believes enhances shareholder value. These provisions may also have the effect of making the removal of current management more difficult. The nature of those amendments, as to be proposed, will be described below.

Staggered Board of Directors; Filling Vacancies on the Board of Directors

Currently the Corporation's Bylaws provide that all of the members of the Board of Directors are elected annually at the shareholders' meeting. The proposal contains recommendations that the shareholders consider for approval an amendment to the Articles of Incorporation and Bylaws providing for a staggered Board of Directors. Under a staggered Board of Directors, the Board of Directors would be divided into three classes of directors serving staggered three-year terms.

Currently the Corporation's Bylaws and the Mississippi Business Corporation Act provide that a vacancy on the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled by the shareholders at an annual meeting or at a special meeting called for that purpose, and that the newly elected director(s) shall serve until the expiration of the term of the predecessor director.

Under the proposed Amendment to the Articles of Incorporation, and amended and restated provisions of the Bylaws, a vacancy on the Board of Directors, including a vacancy created by an increase in the number of directors, can be filled only at the annual shareholder meeting succeeding the creation of the vacancy. In addition, such provision provides that any director elected to the Board of Directors to replace another director will hold office for the unexpired term of the director he replaced. The proposed provision would give the holders of 75% of the voting power of the Corporation's voting stock, voting together as a single class, the power to remove directors, but only the shareholders voting at the next annual meeting of shareholders would have the power to fill the vacancies created by such removal.

Adoption of the Mississippi Controlled Share Act

In 1990, Mississippi adopted the Mississippi Controlled Share Act in response to perceived abuses related to tender offers and other transactions that result in a change of control of a corporation. The effect of adopting the Mississippi Controlled Share Act is to deprive a person acquiring "controlled shares" in an issuing public corporation from voting such shares unless approved by the holders of a majority of the shares that are not "interested shares." Basically, the term "controlled shares" is defined as the shares that when added to the shares already held, either alone or as part of a group, would enable the acquiror to have either (a) one-fifth or more but less than one-third of the voting power; (b) one-third or more but less than a majority voting power; or (c) a majority or more of all voting power. In the event of a controlled share acquisition (the direct or indirect acquisition of ownership of voting power over controlled shares), the acquiring person is required to file an acquiring person's statement with the company setting forth the number of shares acquired and certain other specified information. The company would then be required to call a special shareholders meeting for the purpose of considering the voting rights to be afforded the shares acquired or to be acquired in the controlled shares acquisition. At the meeting, the voting rights to be afforded the controlled shares are to be voted on by the voting shares other than the "interested shares," defined to include the shares owned by the acquiring person or group, the officers of the company, and any director of the corporation who is an employee of the company. Unless approved by the vote of a majority of the shares other than the interested shares, the controlled shares are afforded no voting rights.

Shareholders Rights Agreement

The Shareholder Rights Agreement provides for the issuance of rights to purchase additional shares of the Common Stock ("Rights") and contains provisions that are designed to protect shareholders in the event of an unsolicited attempt to acquire the Corporation. The implementation of the Shareholder Rights Agreement

increases the Board of Directors' ability to represent effectively the interests of shareholders of the Corporation in the event of an unsolicited acquisition proposal by enabling it, among other things, to assure the various constituencies of the Corporation (i.e., its creditors, customers, employees, etc.) that the Corporation's stability can be maintained in a takeover environment. In addition, the Shareholder Rights Agreement will give the Board of Directors more time and the opportunity to evaluate an offer and exercise its good faith business judgment to take appropriate steps to protect and advance shareholder interests by negotiating with the bidder, auctioning the Corporation, implementing a recapitalization or restructuring design as an alternative to the offer, or taking other action.

The Rights are not intended to prevent a takeover of the Corporation and will not preclude a successful cash tender offer for all of the outstanding shares of Common Stock coupled with a requirement for the tender of Rights formerly attached to such shares. However, the Shareholder Rights Agreement should discourage most efforts to acquire the Corporation (short of such an all inclusive tender offer) in a manner or on terms not approved by the Board of Directors. The Rights may be redeemed by the Corporation at a redemption price of \$.001 per Right, and thus they should not interfere with any merger or other business combination approved by the Board of Directors nor affect any prospective offeror willing to negotiate in good faith with the Board of Directors.

Distribution of the Rights will not in any way alter the financial strength of the Corporation or interfere with its business plans. The distribution of the Rights is not dilutive, does not effect reported earnings per share, is not taxable either to the recipient or to the Corporation, and will not change the way in which shareholders can currently trade shares of the Corporation's common stock. However, under certain circumstances, more specifically described below, exercise of the Rights may be dilutive or affect reported earnings per share. Set forth below is a summary of specific provisions of the Shareholders Rights Agreement.

Dividend Declaration; Purchase Price. The Board of Directors of the Corporation will declare a dividend distribution of one purchase right (a "Right") for each outstanding share of Common Stock, \$.20 par value (the "Common Stock"), of the Corporation. The distribution will be payable on a future record date (the "Rights Record Date") to the shareholders of record on that date and a Right will be included with each new share of Common Stock issued after that date. Each Right will entitle the registered holder to purchase from the Corporation one share of Common Stock of the Corporation at a price of \$150.00 per share (the "Purchase Price"), subject to adjustment in specified circumstances.

Common Stock Certificates Evidencing Rights. Initially, the Rights are not exercisable, and only become exercisable upon the occurrence of a Distribution Date, as described below. Certificates for the Rights will not be sent to shareholders, and the Rights will attach to and trade only together with the Common Stock until the Distribution Date. Accordingly, Common Stock certificates outstanding on the Rights Record Date evidence the Rights related thereto, and Common Stock certificates issued after the Rights Record Date will contain a notation incorporating the Rights Agreement by reference.

Distribution Date. The Rights will separate from the Common Stock ("Distribution Date") upon the earlier of (i) ten business days following a public announcement (the "Share Acquisition Date") that a person or group of affiliated or associated persons (an "Acquiring Person"), other than the Corporation or certain other exempt persons, has acquired or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding Common Stock of the Corporation, or (ii) ten business days following the commencement of, or announcement of an intention to make, a tender offer or exchange offer by any person or group of affiliated or associated persons, (after the acquisition of 20% or more that person also being an "Acquiring Person") other than the Corporation or certain other exempt persons, the consummation of which would result in the beneficial ownership by a person or group of affiliated or associated persons of 20% or more of such outstanding Common Stock.

Issuance of Right Certificates; Expiration of Rights. If the Distribution Date occurs, then as soon as practical following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates")

will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights from and after the Distribution Date. The Rights will expire ten (10) years from the date they are declared (the "Expiration Date"), unless earlier redeemed by the Corporation as described below.

Right to Buy Corporation Common Stock at Half Price. Unless the Rights are earlier redeemed, in the event that a person (other than an exempt person) becomes the beneficial owner of 20% or more of the Corporation's Common Stock then outstanding, then proper provision will be made so that each holder of a Right (other than Rights that were beneficially owned by the Acquiring Person, which will thereafter be void) will thereafter have the right to receive, upon exercise, Common Stock having a value equal to two times the Purchase Price. In other words, a stockholder who owned one right to buy a share of stock at \$150 per share would have the right to buy \$300 worth of stock (valued at the public market price at that time) for a purchase of \$150.

Right to Buy Acquiring Corporation Stock at Half Price. Similarly, unless the Rights are earlier redeemed, in the event that, after there is an Acquiring Person, (i) the Corporation were to be acquired in a merger or other business combination transaction in which the Corporation was not the surviving corporation or in which the Corporation's outstanding Common Stock were changed or exchanged for stock or assets of another person or (ii) fifty percent (50%) or more of the Corporation's consolidated assets or earning power were to be sold (other than transactions in the ordinary course of business), proper provision will be made so that each holder of a Right (other than Rights that were beneficially owned by the Acquiring Person, which will thereafter be void) will thereafter have the right to receive, upon exercise, shares of common stock of the acquiring company having a value equal to two times the Purchase Price.

Redemption. At any time on or prior to the close of business on the earlier of (i) the Expiration Date, or (ii) the occurrence of an event whereby the Rights are exercisable for Common Stock of the Corporation (or of the Acquiring Corporation, as the case may be), the Corporation may redeem the Rights in whole, but not in part, at a price of \$.001 per Right ("Redemption Price"). Immediately upon the action of the Board of Directors authorizing redemption of the rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

No Shareholders' Rights Prior to Exercise. Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Corporation (other than rights resulting from such holder's ownership of Common Stock), including, without limitation, the right to vote or to receive dividends.

Increase Shareholder Vote for Amendment or Repeal of Proposed Amendments

Under the Mississippi Business Corporation Act, amendments to a corporation's Articles of Incorporation require the approval of shareholders, which is ordinarily given if the number of votes cast in favor exceed the number of votes cast against. Under the provisions stated above, the concurrence of the holders of at least 75% of the voting power of the Corporation's voting stock would be required for the amendment or repeal of, or the adoption of any provisions inconsistent with, any of the above provisions. The requirement of an increased shareholder vote for amendment of the provisions is designed to prevent a shareholder with a majority of the Corporation's stock from avoiding the requirements of such provisions by simply amending all the provisions again.

Increase in Authorized Shares

After taking into account the stock split, the Corporation will have authorized shares of 3,750,000 with 3,353,750,000 shares issued and outstanding. In order for the Shareholders' Rights Agreement to be effective, it will be necessary for the Corporation to increase its authorized shares to allow the Corporation to issue additional shares, if required, under the Agreement. The proposed amendments would increase the authorized shares to 15,000,000 shares at .20c par value per share. This increase is intended to provide the Corporation sufficient shares to utilize in the event the Shareholders Rights Agreement is triggered and also to utilize in potential future acquisitions of other financial institutions.

Potential Disadvantages to Shareholders

Although the purpose of these provisions is to ensure fair treatment of shareholders in the event of certain mergers, tender offers, or other attempts to acquire control of the Corporation (a "takeover"), the provisions regarding business combinations (as well as the provisions providing for the division of the Board of Directors into classes of Directors serving staggered terms) may have certain adverse effects in that they may make more difficult the accomplishment of certain takeovers at prices or on terms that some shareholders may consider beneficial, impede the assumption of control by principal shareholders in some cases, or make more difficult the removal of current management even if favorable by a majority of the shareholders.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to Article VI of the Corporation's Bylaws filed as an exhibit to this Form 10, which contains certain indemnification provisions pursuant to authority contained in the Mississippi Business Corporation Act.

In addition, the Corporation also maintains insurance coverage for the benefit of Directors and officers with respect to many types of claims that may be made against them, some of which claims are in addition to those described in Article VI of the Bylaws.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Attached.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There has been no change in accountants of the Corporation or the Bank during the 24-month period prior to December 10, 1998, or subsequently. The Corporation's current accountant, A. T. Williams, CPA ("Williams"), has indicated that once the Corporation is registered with the Securities Exchange Commission he will no longer be able to handle the Corporation's accounting matters. Williams' reports on the financial statements of the Corporation for the years ending December 31, 1996 and December 31, 1997 did not contain any adverse opinions or disclaimers of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. Moreover, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure between Williams and the Corporation during the 1996 and 1997 calendar years, or during any subsequent interim period during 1998.

The Board of Directors has requested and is currently reviewing proposals from several accounting firms and anticipates employing a new accounting firm for the Corporation in the next 30-45 days.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements filed as part of this Form 10

The following are included in Item 13 of this Form 10:

Consolidated Financial Statements and Supplementary Information for years ended December 31, 1997 and 1996.

- (a) Independent Auditor's Report
- (b) Consolidated Statements of Financial Condition
- (c) Consolidated Statements of Income
- (d) Consolidated Statements of Comprehensive Income
- (e) Consolidated Statements of Changes in Stockholders' Equity
- (f) Consolidated Statements of Cash Flows
- (g) Notes to Consolidated Financial Statements

(b)Exhibits filed as part of this Form 10

The Exhibits described in the Exhibit List immediately following the signature page of this Form 10 (which is incorporated by reference) are hereby filed as part of this Form 10.

(c)Financial Statement Schedules

None

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated this the day of December, 1998.

CITIZENS HOLDING COMPANY

By: _____
Title: _____

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3(i)	Articles of Incorporation of the Corporation, as amended
3(ii)	Bylaws of the Corporation
10	Material Contract: --Directors Deferred Compensation Plan and Form of Agreement
21	Subsidiaries
27	Financial Data Schedule

CITIZENS HOLDING COMPANY
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 1997 AND 1996

CITIZENS HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997 AND 1996

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[LETTERHEAD OF A.T. WILLIAMS APPEARS HERE]

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Citizens Holding Company
Philadelphia, Mississippi

I have audited the accompanying consolidated statements of financial condition of Citizens Holding Company and Subsidiary as of December 31, 1997 and 1996, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citizens Holding Company and Subsidiary as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ A. T. Williams

July 2, 1998

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 1997 AND 1996

ASSETS	1997	1996 RESTATED
-----	-----	-----
Cash and due from banks.....	\$ 10,025,883.07	\$ 10,183,911.77
Interest bearing deposits with other banks...	147,441.00	33,423.77
Federal funds sold.....	5,500,000.00	100,000.00
Investment Securities (Note 3)		
Securities available for sale.....	67,292,271.54	72,472,038.77
Loans receivable.....	194,304,715.52	179,504,590.98
Less allowance for loan losses.....	(2,700,000.00)	(2,500,000.00)
	-----	-----
Net loans (Note 4).....	191,604,715.52	177,004,590.98
Properties and equipment (net)(Note 5).....	4,250,819.42	3,779,753.57
Accrued interest receivable.....	3,153,867.63	2,889,762.37
Prepaid expenses.....	174,020.15	119,782.63
Deferred income tax.....	432,382.16	600,379.04
Other real estate.....	9,920.31	132,226.04
Cash value of life insurance.....	2,217,613.14	1,907,904.64
Goodwill (net).....	783,869.78	850,877.90
Other assets.....	1,041,196.86	604,007.96
	-----	-----
TOTAL ASSETS.....	\$286,634,000.58	\$270,678,659.44
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 1997 AND 1996

LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996 RESTATED
LIABILITIES		
Deposits		
Demand.....	\$ 35,526,425.76	\$ 34,352,691.80
NOW and money market accounts.....	56,904,290.76	54,959,997.60
Time deposits.....	139,364,724.26	123,135,577.37
Savings.....	17,188,103.80	16,994,452.26
	-----	-----
Total deposits.....	248,983,544.58	229,442,719.03
Federal funds purchased.....	--	8,800,000.00
Accrued liabilities.....	155,507.08	142,232.05
Accrued interest payable.....	1,316,056.84	1,126,761.27
Income taxes payable--current.....	34,029.41	166,458.50
Treasury tax and loan.....	700,000.00	437,946.94
Debentures (Note 9).....	--	32,695.00
Directors deferred compensation payable.....	630,310.95	566,007.29
ABE loans.....	2,488,318.75	2,261,578.62
	-----	-----
Total Liabilities.....	254,307,767.61	242,976,398.70
	-----	-----
Minority interest.....	1,105,752.11	943,900.01
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value		
Authorized 750,000 shares; 670,750 shares issued.....	670,750.00	670,750.00
Paid in capital.....	3,353,127.00	3,353,127.00
Retained earnings.....	26,822,611.77	22,895,525.85
Net unrealized gain on securities available for sale, net of tax of \$327,663.31 in 1997 and \$41,873.71 in 1996.....	613,392.09	78,357.88
Treasury stock--9,000 shares, at cost.....	(239,400.00)	(239,400.00)
	-----	-----
Total Stockholders' Equity.....	31,220,480.86	26,758,360.73
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS'		
EQUITY.....	\$286,634,000.58	\$270,678,659.44
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	-----
INTEREST INCOME		
Loans.....	\$17,104,693.40	\$15,341,060.16
Investment securities:		
Taxable.....	4,034,213.44	4,274,823.57
Exempt from Federal income tax.....	238,050.11	323,318.35
	-----	-----
	4,272,263.55	4,598,141.92
Federal funds sold.....	124,850.58	312,938.94
Deposits with banks.....	4,290.74	2,365.22
	-----	-----
Total Interest Income.....	21,506,098.27	20,254,506.24
	-----	-----
INTEREST EXPENSE		
Deposits.....	9,659,138.51	8,679,540.14
Debentures and notes.....	333.24	4,256.64
	-----	-----
Total Interest Expense.....	9,659,471.75	8,683,796.78
	-----	-----
NET INTEREST INCOME.....	11,846,626.52	11,570,709.46
Provision for possible loan losses.....	(740,308.74)	(790,760.64)
	-----	-----
Net interest income after provision for possible loan losses.....	11,106,317.78	10,779,948.82
	-----	-----
OTHER INCOME		
Service charges on deposit accounts.....	1,933,769.15	1,788,210.89
Fees for trust services.....	3,043.06	510.00
Loan servicing fees.....	155,178.58	168,420.15
Other service charges and fees.....	263,137.26	254,984.63
Other income (Note 12).....	634,998.18	473,943.25
	-----	-----
Total Other Income.....	2,990,126.23	2,686,068.92
	-----	-----
OTHER EXPENSE		
Salaries and employee benefits.....	4,027,334.86	3,875,368.00
Occupancy expense.....	339,233.91	327,669.80
Equipment expense.....	626,165.41	514,206.19
Net bond losses.....	116,859.45	47,381.58
Earnings applicable to minority interest....	165,120.67	160,994.64
Other expense (Note 13).....	1,771,461.10	1,739,181.26
	-----	-----
Total Other Expense.....	7,046,175.40	6,664,801.47
	-----	-----
Income Before Income Taxes.....	7,050,268.61	6,801,216.27
Income tax expense (Note 7).....	2,560,695.19	2,407,000.70
	-----	-----
NET INCOME.....	\$ 4,489,573.42	\$ 4,394,215.57
	=====	=====
Net income per share of common stock.....	\$ 6.78	\$ 6.64
	=====	=====
Average shares outstanding.....	661,750	661,750
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	-----
Net income.....	\$4,489,573.42	\$4,394,215.57
Unrealized gains on securities (net of income taxes of \$285,789.60 in 1997 and \$1,047.28 in 1996).....	535,034.21	2,175.91
	-----	-----
COMPREHENSIVE INCOME.....	\$5,024,607.63	\$4,396,391.48
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1997 AND 1996

	COMMON STOCK	PAID IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	NET UNREALIZED GAIN ON SECURITIES AVAILABLE FOR SALE
	-----	-----	-----	-----	-----
Balance at December 31, 1995.....	\$639,248.00	\$3,353,127.00	\$19,029,124.78	\$(239,400.00)	\$ 76,181.97
Additions:					
Net income for 1996...	--	--	4,394,215.57	--	--
Stock dividend--5%....	31,502.00	--	(31,502.00)	--	--
Net change in unrealized appreciation on securities available for sale, net of tax of \$1,047.28.....	--	--	--	--	2,175.91
Reductions:					
Cash dividends paid-- \$0.75/share.....	--	--	(496,312.50)	--	--
Balance at December 31, 1996.....	\$670,750.00	\$3,353,127.00	\$22,895,525.85	\$(239,400.00)	\$ 78,357.88
Additions:					
Net income for 1997...	--	--	4,489,573.42	--	--
Net change in unrealized appreciation on securities available for sale, net of tax of \$285,789.60.....	--	--	--	--	535,034.21
Reductions:					
Cash dividends paid-- \$0.85/share.....	--	--	(562,487.50)	--	--
Balance at December 31, 1997.....	\$670,750.00	\$3,353,127.00	\$26,822,611.77	\$(239,400.00)	\$613,392.09
	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 RESTATED
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income.....	\$4,489,573.42	\$4,394,215.57
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	402,071.01	366,169.92
Amortization of goodwill.....	67,008.12	67,008.12
Accretion of investment securities.....	(106,503.53)	(72,776.25)
Loan loss provision.....	740,308.74	790,760.64
Deferred income taxes.....	(117,792.72)	(215,067.17)
Net earnings applicable to minority interest.....	142,119.67	135,902.64
Net investment securities losses.....	116,859.45	47,381.58
Increase in prepaid expenses.....	(54,237.52)	(28,231.18)
Decrease in other real estate.....	122,305.73	84,940.90
Increase in cash value of life insurance.....	(309,708.50)	(291,856.18)
Increase in other assets.....	(437,188.90)	(198,918.96)
Increase (decrease) in income taxes payable..	(132,429.09)	303,307.66
Increase in accrued liabilities.....	13,275.03	24,273.18
Increase in treasury tax and loan.....	262,053.06	108,603.09
Increase in accrued interest payable.....	189,295.57	23,641.02
Gain on disposal of land.....	--	(55,000.00)
Increase in director's deferred compensation.....	64,303.66	73,106.47
	-----	-----
Total adjustments.....	961,739.78	1,163,245.48
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	5,451,313.20	5,557,461.05
	-----	-----

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 RESTATED
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in interest bearing deposits with other banks.....	\$ (114,017.23)	\$ (6,206.86)
(Increase) decrease in federal funds sold..	(5,400,000.00)	9,350,000.00
Purchases of securities available for sale.....	(29,112,959.81)	(22,628,458.84)
Proceeds from sales of securities available for sale.....	23,211,855.68	5,620,827.82
Proceeds from maturities of securities available for sale.....	11,911,071.68	20,586,469.92
Increase (decrease) in federal funds purchased.....	(8,800,000.00)	8,800,000.00
Increase in loans.....	(15,340,433.28)	(22,438,030.66)
Purchase of furniture and equipment.....	(329,815.36)	(284,576.35)
Addition to buildings and land.....	(543,321.50)	(173,383.32)
Proceeds from sale of land.....	--	80,000.00
Increase in accrued interest receivable....	(264,105.26)	(188,473.78)
ABE loans.....	226,740.13	1,284,224.96
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES.....	(24,554,984.95)	2,392.89
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits.....	19,540,825.55	(9,234,663.20)
Payments of dividends.....	(562,487.50)	(496,312.50)
Redeemed debentures.....	(32,695.00)	(32,695.00)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES.....	18,945,643.05	(9,763,670.70)
Net decrease in cash and due from banks.....	(158,028.70)	(4,203,816.76)
Cash and due from banks at January 1.....	10,183,911.77	14,387,728.53
CASH AND DUE FROM BANKS AT DECEMBER 31.....	\$ 10,025,883.07	\$ 10,183,911.77
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 RESTATED
	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest.....	\$ 9,470,176.18	\$ 8,660,155.76
	=====	=====
Income taxes.....	\$ 2,810,917.00	\$ 2,317,212.00
	=====	=====
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Recorded unrealized gain on securities.....	\$ 840,556.24	\$ 3,081.28
	=====	=====
Decrease in deferred income tax asset on unrealized gain on securities.....	\$ (285,789.60)	\$ (1,047.28)
	=====	=====
Minority interest on unrealized (gain) loss on securities.....	\$ (19,732.43)	\$ 141.91
	=====	=====

See notes to consolidated financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Citizens Holding Company and Subsidiary conform with generally accepted accounting principles and practices within the banking industry. The following summarizes significant accounting policies:

GENERAL. Citizens Holding Company was incorporated on February 15, 1982. The Company owns 113,018 of the 117,200 outstanding shares of The Citizens Bank of Philadelphia, Mississippi.

The Citizens Bank operates at thirteen locations in the towns of Philadelphia, Carthage, Union, Sebastopol, Madden, DeKalb, Scooba and Kosciusko.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONSOLIDATION. The consolidated financial statements include the accounts of Citizens Holding Company and its 96.43% owned subsidiary, The Citizens Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

TRUST ASSETS. Assets held by the trust department of The Citizens Bank in fiduciary or agency capacities are not assets of the Bank and are not included in these statements of financial condition.

INVESTMENTS IN SECURITIES. The Bank's investments in securities are classified and accounted for as securities available for sale.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary have resulted in write-downs of the individual securities to their fair value. The related write-downs have been included in earnings as realized losses.

Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a net amount in a separate component of shareholders' equity until realized.

Gains and losses on the sale of securities available for sale are determined using the specific-identification method.

Premiums and discounts are recognized in income using the interest method over the period to maturity.

LOANS. Loans are stated at the amount of the unpaid principal, reduced by unearned income and an allowance for loan losses. Unearned income on installment loans is recognized as income over the terms of the loans. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Loan origination fees are recognized in income when received.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

ALLOWANCE FOR LOAN LOSSES. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is based on management's evaluation of the loan portfolio considering economic conditions, volume and composition of the loan portfolio, past experience and other relevant factors.

BANK PREMISES AND EQUIPMENT. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis for buildings and on an accelerated method for fixtures and equipment. Expenditures for maintenance and repairs are charged against income and renewals and betterments are capitalized. Depreciable lives were 20-39 years for buildings and 5-7 years for fixtures and equipment.

OTHER REAL ESTATE OWNED. Other real estate properties, acquired principally through foreclosure, are stated at the lower of cost or estimated fair value.

INCOME TAXES. Provisions for income taxes are based on amounts reported in the statements of income (after exclusion of non-taxable income such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes.

COMPENSATED ABSENCES. Compensated absences are not material and have not been accrued.

NET INCOME PER SHARE OF COMMON STOCK. Net income per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period.

CASH AND CASH EQUIVALENTS. For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and Due from Banks."

INTEREST INCOME ON LOANS. Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

OFF BALANCE SHEET FINANCIAL INSTRUMENTS. In the ordinary course of business the Bank has entered into off balance sheet financial instruments consisting of commitments to extend credit, and letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

GOODWILL. Goodwill which resulted from the acquisition of the Kosciusko and Scooba branches is being amortized over a life of fifteen years.

RECLASSIFICATIONS. ABE Loans are presented as liabilities in these financial statements. They were netted against loans receivable in past years. The 1996 amounts have been reclassified to conform with 1997 classifications. Such reclassifications had no effect on reported net income.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

NOTE 2. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value estimates, methods and assumptions used by the Bank in estimating its fair value disclosures for financial instruments were:

	DECEMBER 31, 1997		DECEMBER 31, 1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash and due from banks..	\$ 10,025,883	\$ 10,025,883	\$ 10,183,912	\$ 10,183,912
Interest bearing deposits with banks.....	147,441	147,441	33,424	33,424
Federal Funds Sold.....	5,500,000	5,500,000	100,000	100,000
Securities available for sale.....	67,292,272	67,292,272	72,472,039	72,472,039
Loans receivable.....	191,604,716	191,316,224	177,004,591	175,297,226
Accrued interest receivable.....	3,153,868	3,153,866	2,889,762	2,889,762
Financial Liabilities:				
Deposits.....	\$248,983,545	\$248,983,545	\$229,442,719	\$229,442,719
Other borrowed funds.....	700,000	700,000	437,947	437,947
Debentures.....	--	--	32,695	34,719
Federal funds purchased..	--	--	8,800,000	8,800,000
ABE loans.....	2,488,319	2,488,319	2,261,579	2,261,579
Off Balance Sheet Instruments:				
Commitments to extend credit.....		\$ 1,384,088		\$ 1,006,142
Letters of Credit.....		1,358		4,253

CASH AND DUE FROM BANKS: The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

INVESTMENT SECURITIES (INCLUDING MORTGAGE-BACKED SECURITIES): Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

LOANS RECEIVABLE: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans (e.g., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans, and agricultural loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

DEPOSIT LIABILITIES: The fair values for demand deposits, NOW and money market accounts and savings accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate, fixed-term money market accounts and time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

LONG-TERM BORROWINGS: The fair values of the Bank's long-term borrowings (other than deposits) are estimated using discounted cash flow analyses, based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

SHORT-TERM BORROWINGS: The carrying amounts of other borrowed funds approximate their fair values.

OFF-BALANCE SHEET INSTRUMENTS: The fair value of commitments to extend credit and letters of credit are estimated using current interest rates and committed rates.

NOTE 3. INVESTMENT SECURITIES

The carrying amounts of investment securities as shown in the consolidated statements of financial condition and their approximate market values at December 31 were as follows:

1997				
	AMORTIZED GROSS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
AVAILABLE FOR SALE				
U. S. Treasury Direct...	\$30,752,250.19	\$ 592,665.00	\$ 50.00	\$31,344,865.19
U. S. Agency.....	15,198,262.54	78,290.27	15,881.00	15,260,671.81
Mortgage backed securities.....	14,111,650.38	234,961.00	10,209.00	14,336,402.38
State, County and Municipals.....	4,755,893.16	105,709.00	21,770.00	4,839,832.16
Federal Home Loan Bank Stock.....	1,510,500.00	--	--	1,510,500.00
	<u>\$66,328,556.27</u>	<u>\$1,011,625.27</u>	<u>\$47,910.00</u>	<u>\$67,292,271.54</u>

1996				
	AMORTIZED GROSS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
AVAILABLE FOR SALE				
U.S. Treasury Direct....	\$ 5,171,405.58	\$ 11,864.00	\$ 2,499.04	\$ 5,180,770.54
U.S. Agency.....	26,565,590.77	82,278.00	198,486.93	26,449,381.84
Mortgage backed securities.....	33,442,818.81	314,814.00	160,048.00	33,597,584.81
State, County and Municipals.....	6,050,464.58	134,590.00	59,353.00	6,125,701.58
Federal Home Loan Bank Stock.....	1,118,600.00	--	--	1,118,600.00
	<u>\$72,348,879.74</u>	<u>\$543,546.00</u>	<u>\$420,386.97</u>	<u>\$72,472,038.77</u>

U.S. Government and municipal securities with a carrying amount of \$61,301,916 (market value \$61,301,916) at December 31, 1997 and \$65,214,677 (market value \$65,214,677) at December 31, 1996 were pledged to secure public and trust deposits and for other purposes as required by law.

Total gross realized gains and gross realized losses from the sale of investment securities for each of the years ended December 31 were:

1997	1996
-----	-----

GROSS REALIZED GAINS

U. S. Agency.....	\$ 2,815.65	\$ --
Mortgage backed securities.....	49,173.94	--
	-----	-----
	\$51,989.59	\$ --
	=====	=====

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	-----
GROSS REALIZED LOSSES		
U. S. Agency.....	\$ 88,085.71	\$ 26,937.27
Mortgage backed securities.....	80,763.33	20,444.31
	-----	-----
	\$168,849.04	\$ 47,381.58
	=====	=====

The carrying amounts and fair values of the maturities of investment securities at December 31, 1997 were as follows:

	CARRYING AMOUNT	FAIR VALUE
	-----	-----
Due in one year or less.....	\$18,425,490.90	\$18,425,490.90
Due in one to five years.....	44,303,515.65	44,303,515.65
Due from five to ten years.....	4,494,097.09	4,494,097.09
Due after ten years.....	69,167.90	69,167.90
	-----	-----
	\$67,292,271.54	\$67,292,271.54
	=====	=====

NOTE 4. LOANS

The components of loans in the consolidated balance sheets are as follows:

	1997		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	-----	-----	-----	-----
Commercial, financial and agricultural.....	\$ 90,690,515.27	\$ 89,426,763.95	\$ 81,088,722.36	\$ 79,095,891.77
Real estate-- construction.....	4,533,188.44	4,457,787.10	5,826,595.30	5,684,707.54
Real estate--mortgage...	54,119,087.54	53,156,175.36	50,915,769.31	49,514,229.23
Consumer.....	47,465,548.85	46,779,121.76	44,014,916.62	43,343,809.36
	-----	-----	-----	-----
Unearned discount.....	196,808,340.10	193,819,848.17	181,846,003.59	177,638,637.90
Allowance for loan losses.....	(2,503,624.58)	(2,503,624.58)	(2,341,412.61)	(2,341,412.61)
	-----	-----	-----	-----
Loans, net.....	\$191,604,715.52	\$191,316,223.59	\$177,004,590.98	\$175,297,225.29
	=====	=====	=====	=====

Changes in the reserve for possible loan losses are summarized as follows:

	1997	1996
	-----	-----
Balance at January 1,.....	\$2,500,000.00	\$2,300,000.00
Recoveries on loans previously charged-off.....	247,689.09	165,219.76
Loans charged-off.....	(787,997.83)	(755,980.40)
	-----	-----
Net charge-offs.....	(540,308.74)	(590,760.64)

Provision charged to expense.....	740,308.74	790,760.64
	-----	-----
Balance at December 31,.....	\$2,700,000.00	\$2,500,000.00
	=====	=====

Loans on nonaccrual status amounted to approximately \$344,000.47 at December 31, 1997 and \$215,241.49 at December 31, 1996. The effect of such loans was to reduce net income by approximately \$32,305.01 in 1997 and \$21,261.33 in 1996. No loans have been recognized as impaired in conformity with FASB Statement 114 for 1997 and 1996.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

NOTE 5. PROPERTIES AND EQUIPMENT

Components of properties and equipment included in the consolidated balance sheets at December 31, 1997 and 1996 were as follows:

	1997	1996
	-----	-----
Cost		
Land.....	\$ 746,968.26	\$ 746,968.26
Buildings.....	5,357,170.34	4,813,848.84
Furniture & equipment.....	3,638,546.85	3,323,266.49
	-----	-----
Total cost.....	9,742,685.45	8,884,083.59
Less accumulated depreciation.....	5,491,866.03	5,104,330.02
	-----	-----
Bank premises and equipment, net.....	\$4,250,819.42	\$3,779,753.57
	=====	=====

Depreciation expense amounted to \$402,071.01 and \$366,169.92 for the years ended December 31, 1997 and 1996, respectively.

NOTE 6. OTHER REAL ESTATE

Other real estate is presented net of allowances of \$16,205.87 and \$42,023.96 at December 31, 1997 and 1996, respectively. Activity in the allowance for losses on other real estate is as follows:

Balance at December 31, 1995.....	\$ 47,459.24
Provision charged to income.....	33,249.96
Charge-offs, net of recoveries.....	(38,685.24)

Balance at December 31, 1996.....	42,023.96
Provision charged to income.....	3,825.24
Charge-offs, net of recoveries.....	(29,643.33)

Balance at December 31, 1997.....	\$ 16,205.87
	=====

NOTE 7. INCOME TAXES

The consolidated provision for income taxes consisted of the following:

	1997	1996
	-----	-----
Currently payable		
Federal.....	\$2,422,779.34	\$2,344,873.18
State.....	255,708.57	277,194.69
	-----	-----
	2,678,487.91	2,622,067.87
Deferred federal (benefit).....	(117,792.72)	(215,067.17)
	-----	-----
Total income tax expense.....	\$2,560,695.19	\$2,407,000.70
	=====	=====

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

The differences between the federal statutory rate and the effective tax rates for 1997 and 1996 were as follows:

	1997	1996
	-----	-----
Federal tax based on statutory rate.....	\$2,310,150.41	\$2,218,167.34
State income tax.....	255,708.57	277,194.69
Change due to:		
Tax exempt investment interest.....	(82,050.42)	(113,675.60)
Minority interest.....	56,141.03	54,738.18
Other, net.....	20,745.60	(29,423.91)
	-----	-----
Income taxes.....	\$2,560,695.19	\$2,407,000.70
	=====	=====

Deferred tax assets at December 31 consist of the following:

	1997	1996
	-----	-----
Allowance for loan losses.....	\$635,139.37	\$492,167.41
Deferred compensation liability.....	214,305.72	192,442.48
Other real estate.....	5,510.00	14,288.15
Investment securities basis.....	(94,909.62)	(56,645.29)
Unrealized gain or loss on available for sale securities.....	(327,663.31)	(41,873.71)
	-----	-----
	\$432,382.16	\$600,379.04
	=====	=====

NOTE 8. DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of \$100,000, was approximately \$44,823,620.64 and \$35,089,752.89 in 1997 and 1996, respectively.

At December 31, 1997, the scheduled maturities of time deposits are as follows:

1998.....	\$125,624,245.31
1999.....	7,587,897.82
2000.....	6,122,581.13
2001.....	30,000.00

	\$139,364,724.26
	=====

NOTE 9. DEBENTURES

In January 1997, the Company paid in full the final \$32,695 on the Class D 12% debentures issued in 1982. Interest expense on the debentures was \$333.24 and \$4,256.64 in 1997 and 1996, respectively.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

NOTE 10. LEASES

The Bank leases computer equipment and some branch facilities under operating leases. Rent expense was \$43,611 and \$36,430 for 1997 and 1996, respectively. At December 31, 1997, the future minimum lease commitments for leases which have terms in excess of 1 year are:

1998.....	19,140
1999.....	9,250

NOTE 11. RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Bank has made loans to its directors and significant stockholders and their 10% or more owned businesses. As of December 31, 1997 and 1996, these loans totaled \$2,362,452.21 and \$2,254,333.07, respectively. During 1997, new loans to such related parties amounted to \$2,275,238.81 and repayments amounted to \$2,167,119.67. The amount of deposits from related parties held by the Bank at December 31, 1997 and 1996 was \$2,384,856.06 and \$1,676,732.95, respectively.

NOTE 12. OTHER INCOME

The components of other income are as follows:

	1997	1996
	-----	-----
Income from New South Life.....	\$176,114.00	\$142,949.00
Other recoveries.....	118,318.99	38,053.89
Other income.....	85,507.46	105,297.09
Accreted taxable discount.....	83,523.87	51,204.90
Dividend income FHLB.....	80,151.69	54,184.32
Credit life premiums.....	61,686.95	59,568.55
Accreted tax exempt discount.....	22,979.66	21,571.35
Split dollar life.....	5,883.66	--
Brokerage fees.....	831.90	1,114.15
	-----	-----
	\$634,998.18	\$473,943.25
	=====	=====

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

NOTE 13. OTHER EXPENSE

Components of other expense are as follows:

	1997	1996
	-----	-----
Office supplies.....	\$ 269,751.74	\$ 254,198.78
Advertising.....	172,533.97	173,437.34
Miscellaneous expense.....	169,640.95	142,095.71
Postage.....	167,157.91	164,952.52
State, county & municipal taxes.....	151,676.45	135,201.76
Telephone.....	149,742.67	154,198.66
Other losses.....	140,236.92	137,076.89
Travel.....	101,244.71	112,269.51
Legal & professional.....	80,661.94	47,588.18
Amortization of goodwill.....	67,008.12	67,008.12
Dues & subscriptions.....	61,463.74	47,650.27
FDIC & State Assessment.....	58,102.11	73,105.01
Insurance.....	57,883.97	40,920.24
Donations.....	30,340.29	24,318.86
Deferred compensation expense.....	26,520.99	34,742.30
Loan collection expense.....	21,505.80	33,416.45
Meals & entertainment.....	19,673.02	21,153.74
Sales & Use tax.....	9,119.32	5,415.28
Cash short & over.....	8,765.93	4,489.53
Cleaning supplies.....	7,555.55	11,648.26
Bond portfolio expense.....	875.00	1,575.00
Split dollar life insurance.....	--	52,718.85
	-----	-----
	<u>\$1,771,461.10</u>	<u>\$1,739,181.26</u>
	=====	=====

NOTE 14. PROFIT SHARING PLAN

The Bank has a profit sharing and savings plan in effect for substantially all full-time employees.

Under the profit sharing and savings plan, the Bank automatically contributes an amount equal to 2.7% of each participant's base salary to the plan. A participant, in addition, may elect to make contributions to the plan. The Bank matches 100% of employee contributions up to a limit of 6% of each employee's salary.

Contributions to the profit sharing plan in 1997 and 1996, respectively, totaled \$383,693 and \$347,286 of which \$217,932 and \$196,675 was made by the Bank and \$165,761 and \$150,611 was made by employees, respectively.

NOTE 15. CONCENTRATIONS OF CREDIT RISK

All of the Bank's loans, commitments, and letters of credit have been granted to customers in the Bank's market area. All such customers are depositors of the Bank. Investments in state and municipal securities also involve governmental entities within the Bank's market area. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Letters of credit were granted primarily to commercial borrowers.

At times the Bank has balances in due from bank accounts in excess of federal deposit insurance limits.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

NOTE 16. COMMITMENTS AND CONTINGENCIES

In the normal course of business, various commitments and contingent liabilities are outstanding, such as guarantees and commitments to extend credit, that are not reflected in the accompanying consolidated financial statements. At December 31, 1997 and 1996, a summary of such commitments and contingent liabilities is as follows:

	1997	1996
	-----	-----
Commitments to extend credit.....	\$16,283,341.60	\$11,836,930.78
Letters of credit.....	362,000.00	1,134,132.00
	-----	-----
	\$16,645,341.60	\$12,971,062.78
	=====	=====

Commitments to extend credit, and letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated statements of financial condition. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. The Bank's experience has been that approximately fifty-four percent of loan commitments are drawn upon by customers. When letters of credit are utilized, a significant portion of such utilization is on an immediate payment basis. The Bank has not been required to perform on any financial guarantees during the past two years. The Bank has not incurred any losses on its commitments in either 1997 or 1996.

NOTE 17. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements by the 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 Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank'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 Bank 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, 1997, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 1997, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as adequately capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the institution's category.

CITIZENS HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

The Bank's actual capital amounts and ratios are also presented in the table.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES:		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS:	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 1997:						
Total Capital (to Risk-Weighted Assets).....	\$31,913,008	17.02%	\$14,997,503	>8.0%	\$18,746,688	>10.0%
Tier I Capital (to Risk-Weighted Assets).....	\$29,569,648	15.77%	\$ 7,498,751	>4.0%	\$11,248,127	> 6.0%
Tier I Capital (to Average Assets).....	\$29,569,648	10.46%	\$11,303,560	>4.0%	\$14,129,450	> 5.0%
As of December 31, 1996:						
Total Capital (to Risk-Weighted Assets).....	\$27,705,968	15.84%	\$13,991,762	>8.0%	\$17,489,703	>10.0%
Tier I Capital (to Risk-Weighted Assets).....	\$25,519,755	14.59%	\$ 6,995,881	>4.0%	\$10,493,822	> 6.0%
Tier I Capital (to Average Assets).....	\$25,519,755	9.43%	\$10,827,200	>4.0%	\$13,534,000	> 5.0%

> = Greater than or equal to.

NOTE 18. SUBSEQUENT EVENTS

The Bank is a defendant in a legal proceeding arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of the matter is not expected to have a material adverse effect on the consolidated financial condition of the Bank.

EXHIBIT 3(i)
ARTICLES OF INCORPORATION,
AS AMENDED

STATE OF MISSISSIPPI

[SHIELD APPEARS HERE]

OFFICE OF SECRETARY OF STATE
JACKSON

CERTIFICATE OF INCORPORATION

OF

CITIZENS HOLDING COMPANY

The undersigned, as Secretary of State of the State of Mississippi, hereby certifies that duplicate originals of Articles of Incorporation for the above named corporation duly signed and verified pursuant to the provisions of the Mississippi Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this CERTIFICATE OF INCORPORATION, and attaches hereto a duplicate original of the Articles of Incorporation.

[SEAL
APPEARS
[HERE]

Given under my hand and Seal of Office,
this the 16th day of February 1982.

/s/ EDWIN LLOYD PITTMAN

SECRETARY OF STATE

EXHIBIT A

ARTICLES OF INCORPORATION

OF

CITIZENS HOLDING COMPANY

We, the undersigned persons of the age of twenty-one years or more, acting as incorporators of a corporation under the Mississippi Business Corporation Act, adopt the following Articles of Incorporation for such corporation:

FIRST: The name of the corporation is Citizens Holding Company.

SECOND: The period of its duration is ninety-nine (99) years.

THIRD: The specific purpose or purposes for which the corporation is organized stated in general terms are:

Primarily, to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination "holding corporation" or "holding company," and especially to direct the operations of other corporations through the ownership of stock therein; to purchase, subscribe for, acquire, own, hold, sell, exchange, assign, transfer, create security interest in, pledge or otherwise dispose of shares of the capital stock, or any bonds, notes, securities or evidences of indebtedness created by any other corporation or corporations organized under the laws of this state or any other state or district or country, nation or government and also bonds or evidences of indebtedness of the United States or any other state, district, territory, dependency or country or subdivision or municipality thereof; to issue in exchange therefor shares of the capital stock, bonds, notes or other obligations of the corporation and while the owner thereof to exercise all the rights, powers and privileges of ownership including the right to vote on any shares of stock; to promote, lend money to and guarantee the bonds, notes, evidences of indebtedness, contracts or other obligations of, and otherwise aid in any manner which shall be lawful, any corporation or association of which any bonds, stocks or other securities or evidences of indebtedness shall be held by or for this corporation, or in which, or in the welfare of which, this corporation shall have any interest, and to do any acts and things permitted by law and designed to protect, preserve, improve or enhance the value of any such bonds, stocks or other securities or evidences of indebtedness or the property of this corporation.

And, to engage in such activities or businesses as may from time to time be permitted by State or Federal statutes, regulations or authorities, including, but not limited to, the business of acting as agent or broker for insurance companies in soliciting and receiving application for any and all types of insurance, collecting premiums and doing such other business as may be delegated to agents or brokers by such insurance companies and to conduct an insurance agency and insurance brokerage business.

To do any and all things and exercise any and all powers, rights and privileges which the corporation may now or hereafter be authorized to do under the Mississippi Business Corporation Act.

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

FOURTH: The aggregate number of shares which the corporation shall have authority to issue is 150,000 of the par value of Five Dollars (\$5.00) each.

FIFTH: The corporation will not commence business until consideration of the value of at least \$1,000 has been received for the issuance of shares.

SIXTH: The post office address of its initial registered office is 521 Main Street, P.O. Box 209, Philadelphia, Mississippi 39350, and the name of its initial registered agent at such address is Steve Webb.

SEVENTH: The number of directors constituting the initial board of directors of the corporation, which must not be less than three (3), is nine (9) and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and shall qualify are:

NAME	STREET AND POST OFFICE ADDRESS
D. Allan King	P.O. Box 209, 514 Rose, Philadelphia, MS 39350
Herman Alford	P.O. Box 96, 313 West Beech, Philadelphia, MS 39350
W.W. Dungan	P.O. Box 647, 502 Church, Philadelphia, MS 39350
Norman A. Johnson, Jr.	P.O. Box 209, 506 Peebles Philadelphia, MS 39350
George R. Mars	P.O. Box 184, Woodland Hills, Philadelphia, MS 39350
William M. Mars	P.O. Box 96, 517 Holland Ave., Philadelphia, MS 39350
Willis R. McKee	Route 1, Box 75, Philadelphia, MS 39350
Steve Webb	P.O. Box 209, 534 Poplar Ave., Philadelphia, MS 39350
W.G. Yates, Sr.	P.O. Box 54, 450 Pecan Ave., Philadelphia, MS 39350

EIGHTH: The name and post office address of each incorporator is:

NAME	STREET AND POST OFFICE ADDRESS
D. Allan King	P.O. Box 209, 514 Rose, Philadelphia, MS 39350
Steve Webb	P.O. Box 209, 534 Poplar Ave., Philadelphia, MS 39350

DATED: February 15, 1982

/s/ D. ALLAN KING

D. Allan King, Incorporator

/s/ STEVE WEBB

Steve Webb, Incorporator

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

ACKNOWLEDGMENT

STATE OF MISSISSIPPI

COUNTY OF HINDS

This day personally appeared before me, the undersigned authority within and for the aforesaid jurisdiction, D. Allan King and Steve Webb, incorporators of the corporation known as the Citizens Holding Company who acknowledged that they signed and executed the above and foregoing Articles of Incorporation as their act and deed on this the 15th day of February, 1982.

/S/ DEBRA MITCHELL

Notary Public

My Commission Expires:

My Commission Expires Jan. 18, 1984

(NOTARY SEAL)

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

STATE OF MISSISSIPPI

NESHOBA COUNTY

I, Bobby G. Posey, Chancery Clerk and Ex-officio Recorder in and for said State and County, hereby certify that the foregoing instrument was filed for record at 2:20 o'clock P.M. on the 18th day of February, 1982 and duly recorded in Charter of Incorporation Book A-130 Pages 281-284, each inclusive of the records of this office.

Given under my hand and seal of office, this the 18th day of February, 1982.

/s/ BOBBY G. POSEY Clerk

By: /s/ M. Croswell D.C.

STATE OF MISSISSIPPI

[SHIELD APPEARS HERE]

OFFICE OF SECRETARY OF STATE
JACKSON

CERTIFICATE OF AMENDMENT

OF

CITIZENS HOLDING COMPANY

The undersigned, as Secretary of State of the State of Mississippi, hereby certifies that duplicate originals of Articles of Amendment to the Articles of Incorporation of the above corporation duly signed and verified pursuant to the provisions of the Mississippi Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Amendment to the Articles of Incorporation and attaches hereto a duplicate original of the Articles of Amendment.

[SEAL
APPEARS
[HERE]

Given under my hand and Seal of Office,
this the 30th day of April 1982.

/s/ EDWIN LLOYD PITTMAN

SECRETARY OF STATE.

(TO BE EXECUTED IN DUPLICATE)

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
CITIZENS HOLDING COMPANY

Pursuant to the provisions of Section 61 of the Mississippi Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of this corporation is Citizens Holding Company.

SECOND: The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on April 28, 1982, in the manner prescribed by the Mississippi Business Corporation Act:

The Articles of Incorporation are amended to add the following ARTICLE NINTH:

NINTH: If any person, firm, or corporation, (herein referred to as the Tender Offeror) or any person, firm, or corporation controlling the Tender Offeror, controlled by the Tender Offeror, or under common control with the Tender Offeror, or any group of which the Tender Offeror or any of the foregoing persons, firms, or corporations are members, or any other group controlling the Tender Offeror, controlled by the Tender Offeror, or under common control with the Tender Offeror owns of record, or owns beneficially, directly or indirectly, more than 10% of any class of equity voting security of this Corporation with the Tender Offeror, then any merger or consolidation of this corporation with the Tender Offeror, or any sale, lease, or exchange of substantially all of the assets of this Corporation or of the Tender Offeror to the other may not be effected under the laws of Mississippi unless a meeting of the shareholders of this Corporation is held to vote thereon and the votes of the holders of voting securities of this Company representing not less than 80% of the votes entitled to vote thereon, vote in favor thereof. As used herein, the term group includes persons, firms, and corporations acting in concert, whether or not as a formal group, and the term equity security means any share or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant to subscribe to or purchase such a security; or any such warrant or right. The foregoing provision is to require a greater vote of shareholders than is required by Mississippi Code of 1972 Section 79-3-145 (dealing with mergers and consolidations) and Section 79-3-157 (dealing with sales, mortgages, etc. of assets outside the ordinary course of business) and the provisions of this Article NINTH shall not be amended, changed or repealed without a similar 80% vote of the voting securities in this Corporation, which is a greater vote than required by Mississippi Code of 1972 Section 79-3-117 (dealing with amendments to these Articles of Incorporation).

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

THIRD: The number of shares of the corporation outstanding at the time of such adoption was Two Hundred (200); and the number of shares entitled to vote thereon was Two Hundred (200).

FOURTH: The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class	Number of Shares
Common	200

FIFTH: The number of shares voted for such amendment was 200; and the number of shares voted against such amendment was -0-.

SIXTH: The number of shares of each class entitled to vote thereon as a class voted for and against such amendment, respectively was:

Class	Number of Shares Voted	
	For	Against
Common	200	-0-

SEVENTH: The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

No Change

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

EIGHTH: The manner in which such amendment effects a change in the amount of stated capital (expressed in dollars) as changed by such amendment, are as follows:

No Change

Dated April 28, 1982

CITIZENS HOLDING COMPANY

By /s/ STEVE WEBB

Steve Webb, President

By /s/ JEAN S. FULTON

Jean S. Fulton, Secretary

STATE OF MISSISSIPPI

COUNTY OF NESHOPA

I, Lucille M. Myatt, a notary public, do hereby certify that on this 28th day of April, 1982, personally appeared before me Steve Webb and Jean S. Fulton, who, being by me first duly sworn, declared that they are the President and Secretary of Citizens Holding Company, that they executed the foregoing document as President and Secretary of the corporation, and that the statements therein contained are true.

/s/ LUCILLE M. MYATT

Notary Public

[SEAL]

My commission expires 9/13/84

(Notary Seal)

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

THE STATE OF MISSISSIPPI

NESHOBA COUNTY

Personally appeared before me, the undersigned authority in and for the above state and county, Stanley Dearman, Publisher of The Neshoba Democrat, a newspaper published in the city of Philadelphia, in aforesaid county and state, and having a general circulation therein, AND HAVING BEEN ESTABLISHED FOR MORE THAN 12 MONTHS NEXT PRIOR TO THE FIRST PUBLICATION OF THE ATTACHED NOTICE AND BEING A LEGAL PUBLICATION AS DEFINED BY SENATE BILL NO. 318 OF THE LAWS OF 1936 OF THE STATE OF MISSISSIPPI, and who, being by me first duly sworn, says on oath that the notice, a copy of which is hereto attached, was published in said newspaper as follows, to-wit:

- In Volume 101 Number 20 dated 5-20 1982
- In Volume ___ Number ___ dated ___ 19__
- In Volume ___ Number ___ dated ___ 19__
- In Volume ___ Number ___ dated ___ 19__
- In Volume ___ Number ___ dated ___ 19__
- In Volume ___ Number ___ dated ___ 19__

/S/ STANLEY DEARMAN
_____ Affiant

Sworn to and subscribed before me this the 20TH day of May A.D. 1982

Notary Public
_____ Title
/s/ CAROLYN M. DEARMAN
_____ Name

My commission expires December 1, 1984 (Seal)

5-27-82, 9:30 A.M. Bill: Lawyer & Growlary
Attorneys
P.O. Box 12468
Jackson, MS 39211

STATE OF MISSISSIPPI
NESHOBA COUNTY

I, Bobby G. Posey, Chancery Clerk and Ex-Officio Recorder in and for said State and county, hereby certify that the foregoing instrument was filed for record at 9:30 o'clock A.M. on the 27th day of May 1982, and duly recorded in Book A-130 Page 355-359 of the records of this office.

Given under my hand and seal of office, this the 27th day of May, 1982.

/s/ BOBBY G. POSEY Clerk

/s/ M. CROSWELL D.C.

STATE OF MISSISSIPPI

[SHIELD APPEARS HERE]

OFFICE OF SECRETARY OF STATE
JACKSON

CERTIFICATE OF AMENDMENT

OF

CITIZENS HOLDING COMPANY

The undersigned, as Secretary of State of the State of Mississippi, hereby certifies that duplicate originals of Articles of Amendment to the Articles of Incorporation of the above corporation duly signed and verified pursuant to the provisions of the Mississippi Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Amendment to the Articles of Incorporation and attaches hereto a duplicate original of the Articles of Amendment.

[SEAL
APPEARS
[HERE]

Given under my hand and Seal of Office,
this the 26th day of January 1983.

/s/ EDWIN LLOYD PUTTMAN

SECRETARY OF STATE

(TO BE EXECUTED IN DUPLICATE)

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
CITIZENS HOLDING COMPANY

Pursuant to the provisions of Section 61 of the Mississippi Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of this corporation is Citizens Holding Company.

SECOND: The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on January 11, 1983, in the manner prescribed by the Mississippi Business Corporation Act:

The Articles of Incorporation are amended to add the following ARTICLE TENTH:

TENTH: Citizens Holding Company shall have the right to purchase its own shares to the extent of its unreserved and unrestricted earned surplus and capital surplus available therefor.

THIRD: The number of shares of the corporation outstanding at the time of such adoption was 99,825; and the number of shares entitled to vote thereon was 99,825.

FOURTH: The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class	(If inapplicable insert	Number of Shares "None".)
Common		

FIFTH: The number of shares voted for such amendment was 74,494; and the number of shares voted against such amendment was -0-.

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

SIXTH: The number of shares of each class entitled to vote thereon as a class voted for and against such amendment, respectively was:

Class (If inapplicable, insert "None".)	Number of Shares Voted	
	For	Against

Common

SEVENTH: The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

(If inapplicable, insert "No Change".)

No Change

EIGHTH: The manner in which such amendment effects a change in the amount of stated capital (expressed in dollars) as changed by such amendment, are as follows: (if inapplicable, insert, "No Change".)

No Change

Dated: January 11, 1983

CITIZENS HOLDING COMPANY

By /s/ STEVE WEBB

Steve Webb, President

By /s/ JEAN S. FULTON

Secretary

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

STATE OF MISSISSIPPI

COUNTY OF NESHOPA

I, Lucille M. Myatt, a notary public, do hereby certify that on this 11th day of January, 1983, personally appeared before me Steve Webb and Jean S. Fulton, who, being by me first duly sworn, declared that they are the President and Secretary, respectively, of Citizens Holding Company, that they executed the foregoing document as duly authorized officers of the corporation, and that the statements therein contained are true.

/s/ LUCILLE M. MYATT

Notary Public

[SEAL]

MY COMMISSION EXPIRES 9/13/84
(NOTARIAL SEAL)

This page conforms with the duplicate original filed with Secretary of State.

/s/ EDWIN LLOYD PITTMAN

Secretary of State
State of Mississippi

I, Bobby G. Posey, Chancery Clerk and Ex-Officio Recorder in and for said State and county, hereby certify that the foregoing instrument was filed for record at 10:00 o'clock A.M. on the 3rd day of February 1983, and duly recorded in Charter of Inc./Book A-130 Page 671-675 of the records of this office.

Given under my hand and seal of office, this the 3rd day of February, 1983.

/s/ BOBBY G. POSEY Clerk

/s/ M. CROSWELL D.C.

ARTICLES OF AMENDMENT TO
ARTICLES OF INCORPORATION
CITIZENS HOLDING COMPANY

The following Amendment to the Articles of Incorporation for the above referenced Corporation were adopted by the Board of Directors on September 18, 1991.

Article Four of the Articles of Incorporation is amended to read as follows:

FOURTH: The aggregate number of shares which the corporation shall have the authority to issue is 750,000 of the par value of One Dollars (\$1.00) each.

[LETTERHEAD OF THE CITIZENS BANK APPEARS HERE]

October 23, 1991

Mr. Dick Molpus, Secretary of State
Business Services Division
P.O. Box 136
Jackson, MS 39205-0136

Dear Mr. Molpus:

We enclose herewith Articles of Amendment to Articles of Incorporation of
Citizens Holding Company, Philadelphia, MS, which we ask that you please record
and return one copy for our file.

Thank you,

Sincerely,

/s/ Lucille M. Myatt

- - - - -
(Mrs.) Lucille M. Myatt
Secretary

LMM/s

Enclosure: Cashier's Check No. 227979

P.O. BOX 209 . PHILADELPHIA, MISSISSIPPI 39350 . PHONE (601) 656-4692

OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
P.O. BOX 136, JACKSON, MS 39205-0136 (601)359-1333
ARTICLES OF AMENDMENT

The undersigned persons, pursuant to Section 79-4-10.06 (if a profit corporation) or Section 79-11-305 (if a nonprofit corporation) of the Mississippi Code of 1972, hereby execute the following document and set forth:

1. TYPE OF CORPORATION

Profit Nonprofit

2. NAME OF CORPORATION

Citizens Holding Company

3. THE FUTURE EFFECTIVE DATE IS January 1, 1999
(COMPLETE IF APPLICABLE) -----

4. SET FORTH THE TEXT OF EACH AMENDMENT ADOPTED. (ATTACH PAGE)

5. IF AN AMENDMENT FOR A BUSINESS CORPORATION PROVIDES FOR AN EXCHANGE, RECLASSIFICATION, OR CANCELLATION OF ISSUED SHARES, SET FORTH THE PROVISIONS FOR IMPLEMENTING THE AMENDMENT IF THEY ARE NOT CONTAINED IN THE AMENDMENT ITSELF. (ATTACH PAGE)

6. THE AMENDMENT(S) WAS (WERE) ADOPTED ON

October 27, 1998 Date(s)

FOR PROFIT CORPORATION (Check the appropriate box)

Adopted by the incorporators directors without shareholder action and shareholder action was not required.

FOR NONPROFIT CORPORATION (Check the appropriate box)

Adopted by the incorporators board of directors without member action and member action was not required.

FOR PROFIT CORPORATION

7. IF THE AMENDMENT WAS APPROVED BY SHAREHOLDERS

(a) The designation, number of outstanding shares, number of votes entitled to be cast by each voting group entitled to vote separately on the amendment, and the number of votes of each voting group indisputably represented at the meeting were

Designation	No. of outstanding shares	No. of votes entitled to be cast	No. of votes indisputably represented
[_____]	[_____]	[_____]	[_____]

[_____] [_____] [_____] [_____]

(b) EITHER

(i) the total number of votes cast for and against the amendment by each voting group entitled to vote separately on the amendment was

Voting group	Total no. of votes cast FOR	Total no. of votes cast AGAINST
[_____]	[_____]	[_____]
[_____]	[_____]	[_____]

OR

(ii) the total number of undistributed votes cast for the amendment by each voting group was

Voting group	Total no. of undisputed votes cast FOR the plan
[_____]	[_____]
[_____]	[_____]

and the number of votes cast for the amendment by each voting group was sufficient for approval by that voting group.

FOR NONPROFIT CORPORATION

8. IF THE AMENDMENT WAS APPROVED BY THE MEMBERS

(a) The designation, number of memberships outstanding, number of votes entitled to be cast by each class entitled to vote separately on the amendment, and the number of votes of each class indisputably represented at the meeting were

Designation	No. of memberships outstanding	No. of votes entitled to be cast	No. of votes indisputably represented
[_____]	[_____]	[_____]	[_____]
[_____]	[_____]	[_____]	[_____]

(B) EITHER

(i) the total number of votes cast for and against the amendment by each class entitled to vote separately on the amendment was

Voting class	Total no. of votes cast FOR	Total no. of votes cast AGAINST
[]	[]	[]
[]	[]	[]

OR

(ii) the total number of undistributed votes cast for the amendment by each class was

Voting class	Total no. of undisputed votes cast FOR the amendment
[]	[]
[]	[]

and the number of votes cast for the amendment by each voting group was sufficient for approval by that voting group.

By: Signature [/s/ Joe Steve Webb] (Please keep writing within blocks)

Printed Name [Joe Steve Webb] Title [President]

ARTICLES OF AMENDMENT TO
ARTICLES OF INCORPORATION
CITIZEN HOLDING COMPANY

The above Amendment to the Articles of Incorporation for the above referenced Corporation were adopted by the Board of Directors on October 27, 1998, to be effective January 1, 1999.

Article Four of the Articles of Incorporation is amended to read as follows:

FOURTH: The aggregate number of shares which the corporation shall have the authority to issue is 3,750,000 of the par value of Twenty Cents (\$.20) per share.

CITIZENS HOLDING COMPANY

By: /s/ Joe Steve Webb

Joe Steve Webb, President

BYLAWS:

BYLAWS
OF
CITIZENS HOLDING COMPANY
PHILADELPHIA, MISSISSIPPI

ADOPTED FEBRUARY 19, 1982

CITIZENS HOLDING COMPANY

PHILADELPHIA, MISSISSIPPI

BYLAWS

ARTICLE I. OFFICES

SECTION 1.01. Principal Office. The principal office shall be at 521 Main Street, Philadelphia, Neshoba County, Mississippi. The corporation may have such other offices as are allowable by the laws of the State of Mississippi and as the Board of Directors may designate or the business of the corporation may require from time to time.

SECTION 1.02. Registered Office. The registered office of the Corporation required by the Mississippi Business Corporation Act to be maintained in the State of Mississippi may be, but need not be identical with the principal office in the State of Mississippi, and the address of the registered office may be changed from time to time by the Board of Directors as provided by law.

ARTICLE II. STOCKHOLDERS

SECTION 2.01. Annual Meeting. The annual meeting of the stockholders for the purpose of fixing the number of Directors to be elected and electing such number of Directors and for the transaction of such other business as may come before the Board of Directors shall each year fix, which date shall be no later than thirteen months subsequent to the last annual meeting of stockholders. The date fixed for the annual meeting shall not be a legal holiday in the State of Mississippi. The annual meeting of stockholders may be held conjointly with the annual meeting of the Board of Directors.

SECTION 2.02. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by a majority of the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting. On failure of the President so to issue such call, same may be made, and notice given as hereinafter prescribed, by those demanding such meeting. Such request shall state the purposes of the proposed meeting. Business transacted at all special meetings shall be confined to the objects stated in the call.

SECTION 2.03. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Mississippi, as the place of meeting for any annual meeting or for any special meeting of the stockholders. If no designation is made, the place of meeting shall be at the principal office of the corporation in Philadelphia, Neshoba County, Mississippi.

SECTION 2.04. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

SECTION 2.05. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, such date to be not more than fifty days and in case of a

meeting of stockholders, not less than ten days prior to the date on which the particular action, requiring such defemination of stockholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 2.06. Presiding Officer and the Secretary. The President or, in his absence, an officer designated by the Board of Directors shall preside at all stockholder meetings, and the Secretary shall serve as secretary. Otherwise, a Chairman or Secretary shall be elected by the stockholders present to act in the absence of those officers.

SECTION 2.07. Voting Lists. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the corporation and shall be subject to inspection by any stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at any meeting of stockholders.

SECTION 2.08. Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, as long as not less than one-third of the shares entitled to vote at the meeting are represented. If a quorum is present, or the above conditions are fulfilled so that business may be transacted, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the vote of a greater number is required by law or the articles of incorporation or elsewhere in these bylaws by specific provision.

SECTION 2.09. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of meeting. No

proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

SECTION 2.10. Voting of Shares. Subject to the provisions of Section 12 of this Article II, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote of a meeting of stockholders.

SECTION 2.11. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

The corporation may own shares of its own stock as provided by Mississippi law. If the corporation owns shares of its own stock at any time, those shares shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

SECTION 2.12. Cumulative Voting. At each election for Directors every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are Directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such Directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates.

SECTION 2.13. Action by Stockholders Without a Meeting. Any action required to be taken at a meeting of the stockholders of the corporation, or any action which may be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the stockholders entitled to vote with respect to the subject matter thereof.

SECTION 2.14. Stockholder Proposals or Nominations. Except as otherwise provided herein or by action of the Board of Directors, stockholder proposals for any action at a stockholder meeting or nomination for election to the Board of Directors may be made by any stockholder entitled to vote at the meeting when the proposal is to be acted upon, or election to be held. Proposals and nominations, other than those made by or on behalf of the existing management of the corporation, shall be made in writing and shall be delivered or mailed to the President of the corporation not less than 14 days nor more than 50 days prior to the meeting when the proposal is to be acted upon, or election to be held, provided however, that if less than 21 days' notice of the meeting is given to stockholders, such proposal or nomination shall be mailed or delivered to the President of the corporation not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Proposals and nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such proposal or nominee.

SECTION 2.15. Stockholder Approval of Tender Offer. If any person, firm, or corporation, hereinafter referred to as the Tender Offeror, or any person, firm, or corporation controlling the Tender Offeror, controlled by the Tender Offeror, or under common control with the Tender Offeror, or any group of which the Tender Offeror or any of the foregoing group controlling the Tender Offeror, controlled by the Tender Offeror, or under common control with the Tender Offeror owns of record, or owns beneficially, directly or indirectly, more than 10% of any class of equity security of this Company with the Tender Offeror, then any merger or consolidation of this corporation with the Tender Offeror, or any sale, lease, or exchange of substantially all of the assets of this Company or the Tender Offeror to the other may not be effected unless a meeting of the shareholders of this Company is held to act thereon and the votes of the holders of voting securities of this Company representing not less than 80% of the votes entitled to vote thereon voted in favor thereof. As used herein, the term group includes persons, firms, and corporations acting in concert, whether or not as a formal group, and the term equity security means any share or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant to subscribe to or purchase such a security; or any such warrant or right. The foregoing provision is in addition to the requirements of Title 79 of the Mississippi Business Corporation Act and may not be amended or repealed without an 80% vote.

ARTICLE III. BOARD OF DIRECTORS

SECTION 3.01. General Powers. The business and affairs of the corporation shall be managed and administered by its Board of Directors. Except as limited by law, all corporate powers shall be vested in and exercised by the Board.

SECTION 3.02. Election of Directors. The directors of the corporation shall be elected annually by the stockholders at the annual meeting of the stockholders. If the election of directors shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be.

SECTION 3.03. Number, Tenure and Qualifications. The number of directors of the corporation shall be not less than five (5) nor more than twenty-five (25), and the stockholders shall establish by resolution at each annual meeting the number of directors to serve until the next annual meeting. Each director shall hold office from his election until the next annual meeting of stockholders and until his successor shall have been elected and qualified.

SECTION 3.04. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw, immediately after or conjointly with, and at the same place as, the annual meeting of stockholders. The Board of Directors shall provide, by resolution, the time and place, either within or without the State of Mississippi, for the holding of additional meetings without other notice than such resolution.

SECTION 3.05. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President, Chairman of the Board of Directors or by a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Mississippi, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 3.06. Action by Directors Without a Meeting. Any action required to be taken at a meeting of the Directors of the corporation, or any action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof.

SECTION 3.07. Notice. Notice of any special meeting shall be given by written notice delivered personally or mailed to each director at his business address, or by telephone or telegram. If notice is by personal delivery, the delivery shall be at least two days prior to the special meeting. If notice is given by mail, such notice shall be deposited in the United States mail and addressed to each director at his business address with postage thereon prepaid at least five days prior to any special meeting. If notice is given by telegram, such notice shall be delivered to the telegram company at least five days prior to any special meeting. If notice is given by telephone, such notice shall be made at least two days prior to any special meeting. Any

director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 3.08. Quorum. A majority of the number of directors elected and serving within the limits fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at the meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 3.09. Organization. The Board of Directors shall elect one of its members Chairman, who shall preside at all meetings of the Board. By resolution the Directors shall designate from among its members an Executive Committee and may designate from its other committees, each of which shall have all the authority of the Board of Directors except as limited in such resolution or bylaw, and except as provided by law. All such committees shall keep regular minutes of their meetings and shall report their actions to the Board of Directors at its next meeting.

SECTION 3.10. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 3.11. Vacancies. Any vacancy occurring in the Board of Directors by death, resignation or otherwise may be filled by election at an annual meeting of the stockholders or at a special meeting of the stockholders called for such purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at the annual meeting of stockholders, or at a special meeting of stockholders called for that purpose.

SECTION 3.12. Compensation. By resolution of the Board of Directors, the Directors may be paid for the expense, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. However, no such payment shall preclude any director from serving the corporation as an officer or in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending meetings.

SECTION 3.13. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation within twenty-four (24) hours after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE IV. OFFICERS

SECTION 4.01. Generally. The officers of the corporation shall consist of a President, a Vice President, a Secretary and a Treasurer. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. Any one or more offices may be held by the same person, except the offices of President and Secretary. Officers do not have to be stockholders.

SECTION 4.02. President. The Board of Directors shall appoint a President of the corporation to serve at the pleasure of the Board. The President shall supervise the carrying out of the policies adopted or approved by the Board and shall be the Chief Executive Officer of the corporation. He shall have general executive powers, as well as the specific powers conferred by these Bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned to, by him by the Board of Directors. A Vice President shall be designated by the Board of Directors, in the absence of the President, to perform all the duties of the President.

SECTION 4.03. Vice Presidents. The Board of Directors may appoint one or more Vice Presidents and shall have the authority to designate different classes of Vice Presidents, including Executive Vice Presidents, Senior Vice Presidents, Assistant Vice Presidents, and such other classes as from time to time may appear to the Board of Directors to be required or desirable to transact the business of the corporation. Each Vice President shall have such powers and duties as may be assigned to him by the Board of Directors.

SECTION 4.04. Secretary. The Board of Directors shall appoint a Secretary, who shall: (a) keep the minutes of the stockholders and of the Board of Directors meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws and as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by each stockholder; (e) sign with the President or other designated officer stock certificates of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him by the President or by the Board of Directors.

SECTION 4.05. Other Officers. The Board of Directors may appoint one or more such other officers as from time to time may appear to the Board of Directors to be required or desirable to transact the business of the Association. Such officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the Board of Directors or the President.

SECTION 4.06. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed, and the election of another person to an office shall automatically remove the incumbent from such office.

SECTION 4.07. Vacancies. The Board of Directors shall have authority to fill any vacancy occurring in the offices of the corporation or any office to be created by election at any regular meeting of the Board of Directors or at a special meeting of the Board of Directors called for that purpose. An officer elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

SECTION 4.08. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving a salary merely by reason of the fact that he is also a director or employee of the corporation. The President and Secretary may fix the salaries of the employees who are not officers, subject to the approval of the Board of Directors.

ARTICLE V. STOCK CERTIFICATES AND THEIR TRANSFER

SECTION 5.01. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and shall be attested by the corporate seal. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, and the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled, and no new certificates shall be issued until the former certificates for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe. No stock certificate will be issued for fractional shares of stock, and no dividend payment will be made for fractional shares of stock.

SECTION 5.02. Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, save as may be expressly provided by the laws of Mississippi.

ARTICLE VI. INDEMNIFICATION

SECTION 6.01. General Provision. Subject to the provisions of section 4 of this Article, the corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (other than an action by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 6.02. Suits by Corporation. Subject to the provisions of section 4 of this Article, the corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed claim, action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

SECTION 6.03. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in section 1 or 2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, notwithstanding that he has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

SECTION 6.04. Authorization of Indemnification. Any indemnification under section 1 or 2 of this Article shall (unless ordered by a court) be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in section 1 and 2, as the case may be. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to, or who have been wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

SECTION 6.05. Advance Payments. Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the corporation in advance of the final disposition of such claim, action, suit or proceeding as authorized in the manner provided in section 4 of this Article upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if and to the extent it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section.

SECTION 6.06. Exclusivity. The indemnification provided by this section shall not be deemed exclusive of, and shall be in addition to, any other rights to which those indemnified may be entitled under any statute, rule of law, provision in the corporation's certificate of incorporation, bylaw, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 6.07. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his statute as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this section.

SECTION 6.08. Partial Enforcement. The invalidity or unenforceability of any provision hereof shall not in any way affect the remaining provisions hereof, which shall continue in full force and effect.

ARTICLE VII. CONTRACTS, LOANS,
CHECKS, DEPOSITS AND INVESTMENTS

SECTION 7.01. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 7.02. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. Loans may be made by the corporation to its officers or directors subject to the guidelines imposed by law.

SECTION 7.03. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 7.04. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VIII. CONFIRMATION AND
RATIFICATION OF CONTRACTS

SECTION 8.01. Conflicts of Interest. In the absence of fraud, no contract or other transaction of the corporation shall be affected or invalidated in any way by the fact that any of the directors of the corporation are in any wise interested in or connected with any other party to such contract or transaction or are themselves parties to such contract or transaction, provided that such interest shall be fully disclosed or otherwise known to the Board of Directors at its meeting at which such contract or transaction is authorized or confirmed, and provided further that at the meeting of the Board of Directors authorizing or confirming such contract or transaction, there shall be present a quorum of directors not so interested or connected and such contract or transaction shall be approved by a majority of such quorum, which majority shall consist of directors not so interested or connected. Any such contract, transaction or act of the corporation or of the Board of Directors or of any committee thereof which shall be ratified by a majority of the stockholders of the corporation, voting either in person or by proxy, at any annual meeting, or at any special meeting called for such purpose, shall be as valid and as binding as though ratified by every stockholder of the corporation. Any director of the corporation may vote upon any contract or other transaction between the corporation and any subsidiary or affiliated corporation without regard to the fact that he is also a director of such subsidiary or affiliated corporation.

SECTION 8.02. Ratification by Stockholders. Any contract, transaction, or act of the corporation or of the Board of Directors or any committee thereof which shall be ratified by a majority of the stockholders of the corporation, voting either in person or by proxy at any annual meeting, or at any special meeting called for such purpose, shall be as valid and binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction, or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its officers or directors of their right to proceed with such contract, transaction or action.

ARTICLE IX. YEAR

The corporation tax and accounting year shall be a fiscal year ending December 31 of each year.

ARTICLE X. DIVIDENDS

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares, payable in cash, other assets or by the way of stock dividends. No dividends will be made for fractional shares of stock.

ARTICLE XI. SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, state of incorporation and the words "Corporate Seal."

ARTICLE XII. WAIVER OF NOTICE

Whenever any notice is required to be given to any stockholder or director of the corporation under the provisions of these Bylaws or under the provisions of the articles of incorporation or under the provisions of the laws of the State of Mississippi, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII. BYLAWS

SECTION 13.01. Inspection. A copy of the Bylaws, with all amendments thereto, shall at all times be kept in a convenient place at the principal office of the corporation and shall be open for inspection to all stockholders during regular business hours.

SECTION 13.02. Amendments. These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by a two-thirds (2/3s) vote of the Directors then holding office at any regular or special meeting of the Board of Directors.

SECRETARY

(SEAL)

MATERIAL CONTRACTS:

DIRECTORS DEFERRED COMPENSATION PLAN AND FORM OF AGREEMENT

DIRECTORS'
DEFERRED FEE PLAN
OF
THE CITIZENS BANK OF PHILADELPHIA, MS.

THE CITIZENS BANK OF PHILADELPHIA, MS.

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DIRECTORS'
DEFERRED FEE PLAN
OF
THE CITIZENS BANK OF PHILADELPHIA, MS.

PURPOSE AND EFFECTIVE DATE

The purpose of the Directors' Deferred Fee Plan of The Citizens Bank of Philadelphia, MS. is to provide specified benefits to Directors who contribute materially to the continued growth, development and future business success of The Citizens Bank of Philadelphia, MS. It is the intention of The Citizens Bank of Philadelphia, MS. that this program and the individual plans established hereunder be administered as unfunded welfare benefit plans established for Directors of the Bank. The Effective Date of this Plan is September 1, 1986.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For purpose of this Plan, the following phrases or terms shall have the following indicated meanings unless otherwise clearly apparent from the context:

(a) "Beneficiary" shall mean the person, persons, or estate of a Participant, entitled to receive any benefits subsequent to the death of a Participant under a Plan Agreement entered into in accordance with the terms of this Plan.

(b) "Beneficiary Designation" shall mean the form of written agreement, attached hereto as Annex 11, by which the Participant names the Beneficiary(ies) of the Plan.

(c) "Board of Directors" shall mean the Board of Directors of The Citizens Bank of Philadelphia, MS unless otherwise indicated or the context otherwise requires.

(d) "Committee" shall mean the Administrative Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article XV hereof.

(e) "Bank" shall mean The Citizens Bank of Philadelphia, MS and any Subsidiary that duly adopts the Plan as provided in Article XVI hereof. Where the context dictates, the term "Bank" as used herein refers to the particular Bank that has entered into a Plan Agreement with a particular Participant.

(f) "Moody's Average Corporate Bond Rate" shall mean the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Services, Inc. or its successor as stated for the month of October preceding January 1, 1986. Such rate shall then be determined annually in accordance with the average rate for the October preceding January 1 of each year during the term of the Plan.

If the above mentioned "Monthly Average" is no longer published, a substantially similar average will be used.

(g) "Director" shall mean any person who is associated as a Director or as a member of the Advisory Board of Directors with the Bank.

(h) "Participant" shall mean a Director who is selected and elects to participate in the Plan through the execution of a Plan Agreement in accordance with the provisions of Article II.

(i) "Plan" shall mean the Directors' Deferred Fee Plan of The Citizens Bank of Philadelphia, MS. as amended from time to time.

(j) "Plan Agreement" shall mean the form of written agreement, attached hereto as Annex 1, which is entered into from time to time by and between the Bank and a Director selected to become a Participant as a condition to participation in the Plan. Each Plan Agreement executed by a Participant shall provide for the entire benefit to which such Participant is entitled under the Plan, and the Plan Agreement bearing the latest date shall govern such entitlement.

(k) "Subsidiary" shall mean any business organization in which The CITIZENS BANK OF PHILADELPHIA, MS., directly or indirectly, owns an interest, excluding ownership interests THE CITIZENS BANK OF PHILADELPHIA, MS. may hold in their fiduciary capacities as trustee or otherwise, and any other business organization that the Board of Directors designates as a Subsidiary for purposes of this Plan.

(l) "Deferrals" shall be those amounts as set forth in Article II and the Participant's Plan Agreement and any additional amounts as mutually agreeable between the Participant and the Committee.

(m) "Parent" shall mean any corporation, partnership, association or person which at any time owns 50% or more of the voting shares of the Bank or its assigns or successors.

(n) "Deferred Termination Benefit" shall mean the amount of a Participant's benefit as specified in Article IV of this Plan and in the Participant's individual Plan Agreement.

(o) "Effective Date" shall mean the date specified as the Effective Date in this Plan and the Participant's Plan Agreement.

1.2 Construction. The masculine gender when used herein shall be deemed to include the feminine gender, and the singular may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in this Plan, or a cross-reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of this Plan unless otherwise specified.

ARTICLE II

ELIGIBILITY AND PARTICIPATION

2.1 Eligibility. In order to be eligible for participation in the Plan, a Director must be selected by the Committee. The Committee, in its sole and absolute discretion, shall determine eligibility for participation in accordance with the purposes of the Plan.

2.2 Participation. After being selected by the Committee to participate in this Plan, a Director shall, as a condition precedent to participation herein, complete and return to the Committee a duly executed Plan Agreement electing to participate herein and agreeing to the terms and conditions thereof, and by the execution of such Plan Agreement a Participant shall agree that all amounts deferred thereby shall be irrevocably deferred and that in lieu thereof the Participant shall be entitled solely to the benefits provided under this Plan. Such Plan Agreement shall be completed and returned to the committee at the time specified by the Committee.

2.3 Amount of Participant Deferral and Payments. In consideration for the Death Benefit and Deferred Termination Benefit selected in Participant's Plan Agreement, each Participant shall defer an amount of his or her compensation or make payments to the Bank in such amounts and at such times as shall be specified in his or her Plan Agreement. If a Participant is authorized to take a leave of absence from his or her relationship or is disabled, the Participant shall be required to make payments to the Bank in order to maintain his or her Plan Agreement in force. A Participant's obligation to defer an amount of his or her compensation in accordance with this Section 2.3 or to make the payments otherwise required shall be stated in his or her Plan Agreement, shall commence on the Effective Date, and shall continue thereafter during the term of his or her Plan Agreement for the period of time set forth in such Plan Agreement.

2.4 Time and Manner of Deferring or Making Payments. A Participant shall, in his or her Plan Agreement, authorize the Bank to defer an amount of such Participant's compensation equal to the amount specified pursuant to Section 2.3. A Participant who is on authorized leave of absence or is disabled, and is therefore required to make the payments shall make such payments at such time and in such manner as the Bank shall provide.

2.5 Participant Deferrals and Payments - Use and Forfeitability. The amount of each Participant's compensation deferred pursuant to Sections 2.3 and 2.4 shall be and remain solely the property of the Bank and the amount collected by the Bank pursuant to

Sections 2.3 and 2.4 from each Participant shall be and become solely the property of the Bank, and a Participant shall have no right thereto, nor shall the Bank be obligated to use such amounts in any specific manner. Except as provided in Article IV, if a Participant's death occurs under circumstances other than those specified in Section 3.1 or 3.2, no benefit shall be payable hereunder or under his or her Plan Agreement to his or her Beneficiary or any other person or entity on his or her behalf, and any payments made by such Participant under Sections 2.3 and 2.4 shall be forfeited.

2.6 Participant's Payments. In the event there is a Reorganization as defined under Article XI, or a "Change in Control" as defined in Section 10.4(b) or a "Change in Voting Control" as defined in Section 12.2 (collectively referred to as "Sale"), and the Sale occurs on or after the Effective Date, and either immediately before or after such Sale the Participant ceases to be a Director ("Former Director"), then the Former Director may make monthly payments to the Bank in an amount equal to the Deferrals that would have otherwise been made had the Former Director not ceased to be a Director and the Former Director shall be entitled to all the benefits under this Plan and as specified in his Plan Agreement as if he had remained a Director.

ARTICLE III

DEATH BENEFIT

3.1 Amount and Payment of Death Benefit. Upon the Participant's death, if the Plan is in effect at that time, the Bank will pay or cause to be paid a Death Benefit to such Participant's Beneficiary. The said Death Benefit shall be set forth in the Plan Agreement payable monthly for the next one hundred and twenty (120) months. Such payments shall commence effective the first day of the month following the date of death.

Notwithstanding the immediately preceding paragraph of this Section 3.1, the Bank will pay or cause to be paid the Death Benefit specified therein only if:

(a) At the time of the Participant's death such Participant was a Director and all Deferrals and payments required to be made by such Participant under Sections 2.3 et seq., and as specified in his Plan Agreement, have been made, or

(b) The Participant's Plan Agreement had been kept in force throughout the period commencing on the date of such Plan Agreement and ending on the date of his or her death; and

(c) The Participant's death was due to causes other than suicide within two (2) years of the date of his or her original Plan Agreement or within two (2) years of the date of any amendment to his or her Plan Agreement or any subsequent Plan Agreement resulting from additional Death Benefits granted; but the Participant's suicide shall relieve the Bank only of its

obligation to pay that portion of the Death Benefit that was granted within two (2) years prior to the date of such suicide; and

(d) The Participant's death is determined not to be from a bodily or mental cause or causes, information about which was withheld, or knowingly concealed, or falsely provided by the Participant when requested by the Bank to furnish evidence of good health upon the Participant's enrolling in the Plan or upon an application for an increase in benefits because of an increase in Death Benefits; and

(e) Proof of death in such form as determined acceptable by the Committee is furnished.

3.2 Completion of Deferrals or Payments. Notwithstanding any provision in this Plan except for (c), (d), and (e) of Section 3.1, a Participant shall be entitled to the Death Benefit specified in his or her Plan Agreement provided the Participant has completed all Deferrals and other payments required under this Plan.

ARTICLE IV

DEFERRED TERMINATION BENEFIT

4.1 Deferred Termination Benefit. In the event a Participant ceases to be a Director, other than by reason of death, prior to completion of his or her Deferrals, the Bank shall pay or cause to be paid a Deferred Termination Benefit to the Participant's Beneficiary upon the Participant's death. Said benefit shall be determined by improving the Participant's Deferrals by the rate specified in the Participant's Plan Agreement, as compounded on an annual basis, with such amount being calculated from the date of entry until the time Participant ceases being a Director. That amount will continue to be improved by the rate specified in the Participant's Plan Agreement until the payments are initiated. That amount will then be improved by the rate specified in the Participant's Plan Agreement as compounded on an annual basis until the benefit is completed, ten (10) years from the initiation of said Benefit, payable in monthly installments. If Participant's Beneficiary shall die before receipt of one hundred and twenty (120) installments, said amount shall be continued as set forth in the Beneficiary Designation until the balance of one hundred and twenty (120) payments have been made.

It is further stipulated that the minimum interest rate at which the Deferrals will accrue is the rate specified in each Participant's Plan Agreement.

4.2 The Committee, in its sole and absolute discretion, may permit Participant's Beneficiary to receive in lieu of those benefits as set forth in Sections 3.1 and 4.1, his or her current account balance as set forth in Section 4.1 as of the date payments are first initiated under Section 4.1 or in the event 3.1 applies the lump sum benefit as specified in the Plan Agreement. In order to qualify for the lump sum benefit the Beneficiary shall make a written request to the Committee within 30 days after the Participant's death. The Committee shall make a written response to the Beneficiary, in writing, within ten (10) days after receipt of the request.

ARTICLE V

BENEFICIARY

A Participant shall designate his or her Beneficiary to receive benefits under the Plan and his or her Plan Agreement by completing the Beneficiary Designation. If more than one Beneficiary is named, the shares and/or precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Committee a new Beneficiary Designation. The Beneficiary Designation must be approved in writing by the Bank; however, upon the Bank's acknowledgment of approval, the effective date of the Beneficiary Designation shall be the date it was executed by the Participant. If the Bank has any doubt as to the proper Beneficiary to receive payments hereunder, it shall have the right to withhold such payments until the matter is finally adjudicated. Any payment made by the Bank in good faith and in accordance with the provisions of this Plan and a Participant's Plan Agreement and Beneficiary Designation shall fully discharge the Bank from all further obligations with respect to such payment.

ARTICLE VI

LEAVE OF ABSENCE

6.1 Required Payments. If a Participant is authorized by the Bank for any reason, including military, medical or other, to take a leave of absence, such Participant shall be required to make payments in order to maintain his or her Plan Agreement in force. Such required payments shall be an amount equal to the amount of the Participant's compensation that is to be deferred under the terms of his or her Plan Agreement. A Participant required to make payments under this Section 6.1 shall continue making such required payments until the earlier of (i) the date he or she returns to his or her duties following a leave of absence, or (ii) the effective date that he or she enters into a new Plan Agreement.

6.2 Failure to Make Required Payments. Failure to make payments required by Section 6.1 shall cause Participant's Plan Agreement to terminate without the necessity of any notice from either party to the other. From and after such termination, except as provided in Section 4.1 hereof, neither party shall have any further obligation to the other party under this Plan or such Plan Agreement.

ARTICLE VII

SOURCE OF BENEFITS

7.1 Benefits Payable from General Assets. Amounts payable hereunder shall be paid exclusively from the general assets of the Bank, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, or other asset of the Bank that may be looked to for such payment. The Bank's liability for the payment of benefits hereunder shall be evidenced only by this Plan and each Plan Agreement entered into between the Bank and a Participant.

7.2 Investments to Facilitate Payment of Benefits. Although the Bank is not obligated to invest in any specific asset or fund in order to provide the means for the payment of any liabilities under this Plan, the Bank may elect to do so and, in such event, no Participant shall have any interest whatever in such asset or fund. As a condition precedent to the Bank's obligation to provide any benefits, including incremental increases in benefits, under this Plan, the Participant shall, if so requested by the Bank, provide evidence of insurability at standard and other rates, in such amounts, and with such insurance carrier or carriers as the Bank may require, including the results and reports of previous Bank and other insurance carrier physical examinations, taking such additional physical examinations as the Bank may request, and taking any other action that the Bank may request. If a Participant is requested to and does not or cannot provide evidence of insurability as specified in the immediately preceding sentence, then the Bank shall have no further obligation to such Participant under this Plan, and such Participant's Plan Agreement shall terminate, except as to benefits previously granted. Notwithstanding the foregoing, if a Participant cannot provide evidence of insurability at standard rates or for the amounts initially contemplated in connection with his or her participation in the Plan, the Bank may, at its discretion, permit the Participant to participate herein for such benefits and upon such deferral of his or her compensation as the Bank may, in its sole discretion, deem appropriate.

7.3 Bank Obligation. The Bank shall have no obligation of any nature whatsoever to a Participant under this Plan or a Participant's Plan Agreement, except otherwise expressly provided herein and in such Plan Agreement.

7.4 Withholding of Information, Etc. If, in connection with a Participant's enrolling in or applying for incremental benefit increases under the Plan, the Bank requests the Participant to furnish evidence of insurability, the Participant dies, and it is determined that the Participant withheld, knowingly concealed, or knowingly provided false information about the bodily or mental condition or conditions that caused the Participant's death, the Bank shall have no obligation to provide the benefits contracted for on the basis of such withholding, concealment, or false information.

ARTICLE VIII

TERMINATION OF RELATIONSHIP

Neither this Plan nor a Participant's Plan Agreement, either singly or collectively, in any way obligate the Bank to continue the relationship of a Participant with the Bank nor does either limit the right of the Bank at any time and for any reason to terminate the Participant's relationship. Termination of a Participant's relationship with the Bank for any reason, whether by action of the Bank, shall immediately terminate his or her participation in this Plan and his or her Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Section 4.1. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Bank and a Participant.

ARTICLE IX

TERMINATION OF PARTICIPATION

9.1 Termination of Participation - General. A Participant reserves the right to terminate his or her participation in this Plan and his or her Plan Agreement at his or her election at any time by giving the Committee written notice of such termination not less than 30 days prior to an anniversary date of the date of execution of his or her Plan Agreement. A Participant's termination shall be effective as soon as administratively convenient after such anniversary date.

9.2 Rights After Termination of Participation. Participants who elect to terminate participation in the Plan before their Deferrals are completed will be entitled to the same benefits as a Participant who ceases to be a Director as described in Section 4.1. Such Participants will not be entitled to a Death Benefit under Article III.

ARTICLE X

TERMINATION, AMENDMENTS, MODIFICATION OR SUPPLEMENT OF PLAN

10.1 The Bank reserves the right to terminate this Plan, subject to specific restriction on this right as stipulated in Section 10.4 hereof.

10.2 The Bank reserves the right to totally or partially amend, modify or supplement this Plan at any time, subject to the specific restriction on this right as stipulated in Section 10.4 hereof.

10.3 The Bank reserves the right to terminate the Plan Agreement of any Participant, subject to the specific restriction on this right as stipulated in Section 10.4 hereof.

10.4 (a) Neither the Bank, nor any successor or assignee of the Bank may take any of the actions provided in Section 10.1, 10.2, or 10.3 of this Article X within a period of one hundred twenty (120) months from the point in time that a "Change in Control" of the Bank takes place, as such term is defined in Section 10.4(b), below.

(b) A "Change in Control" of the Bank shall be deemed to have occurred if the persons who were the Directors of the Bank immediately before a tender offer, exchange offer, merger, consolidation, sale of assets, or any combination of said transactions shall cease to constitute a majority of the Board of Directors of the Bank or of any Parent of or successor to the Bank subsequent to the completion of such a transaction.

(c) Notwithstanding any other provision in this Plan neither the Bank nor any successor or assignee of the Bank may take any actions provided in Sections 10.1, 10.2 or 10.3 of this Article X on or after the completion of the Deferrals as provided in this Plan or the Participant's Plan Agreement unless requested to do so by the Participant.

10.5 The right to terminate, amend, modify, or supplement the Plan or terminate any Plan Agreement shall be exercised for the Bank by the Committee.

10.6 No action to terminate, amend, modify or supplement the Plan or terminate any Plan Agreement shall be taken except upon written notice to each Participant to be affected thereby not less than 30 days prior to such action.

10.7 The Committee shall take no action to terminate the Plan or a Plan Agreement with respect to a Participant or Participant's Beneficiary after entitlement to any benefits pursuant to Article III or Article IV of the Plan has occurred.

10.8 (a) Upon termination of this Plan as herein provided, the Bank shall, as a minimum provide a benefit to each person who is a Participant at the time of such Plan termination equal to that determined in accordance with the provisions of Section 4.1.

(b) In no event shall any Plan modification permitted hereunder provide a benefit less than that which would be provided by Section 10.8(a), above.

(c) In the event the Bank provides the benefits under this Section 10.8 in the event of Plan termination, no party shall have any further obligation under this Plan or any Plan Agreement.

(d) The provisions of this Section 10.8 shall not be deemed to permit termination or modification within the time period during which such actions are prohibited under Section 10.4 hereof.

ARTICLE XI

REORGANIZATION

In the event the Bank or any Parent of or successor to the Bank shall be merged, consolidated, reorganized, or substantially sells all of its assets to another corporation, firm, or person and such corporation, firm, or person takes such action to terminate this Plan, the Participants will be entitled, at a minimum, to those benefits as described in Section 4.1.

ARTICLE XII

CHANGE IN VOTING CONTROL

12.1 In the event there is an acquisition of Voting Control of the Bank or any Parent of or successor to the Bank and subsequently action is taken to terminate this Plan, the Participants will be entitled, at a minimum, to those benefits as described in Section 4.1.

12.2 "Voting Control" for purposes of this Article means the ownership of 50% or more of the voting shares of the Bank, or any Parent of or successor to the Bank.

ARTICLE XIII

OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his or her Beneficiary hereunder and under such Participant's Plan Agreement are in addition to any other benefits available to such Participant under any other program or plan of the Bank for its Directors, and, except as may otherwise be expressly provided for, this Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other program or plan of the Bank or a Participant. Moreover, benefits under this Plan and Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing deferrals or benefits under any plan maintained by the Bank that is qualified under Section 401 (a) of the Internal Revenue Code of 1954, as amended.

ARTICLE XIV

RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under this Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder or under any Plan Agreement shall in any manner be liable for or subject to the debts, contract, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under this Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, terminate, and, in such event, the Committee shall hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.

ARTICLE XV

ADMINISTRATION OF THIS PLAN

15.1 Appointment of Committee. The general administration of this Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member of the Committee may resign by notice in writing filed with the secretary of the Committee. Vacancies shall be filled promptly by the Board of Directors, but any vacancies remaining unfilled for ninety days may be filled by a majority vote of the remaining members of the Committee. Each person appointed a member of the Committee shall signify his or her acceptance by filing a written acceptance with the Secretary of the Committee.

15.2 Committee Officials. The Board of Directors shall designate one of the members of the Committee as chairman and shall appoint a secretary who need not be a member of the Committee. The Secretary shall keep minutes of the Committee's proceedings and all data, records and documents relating to the Committee's administration of this Plan and any Plan

Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine and may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment on behalf of the Committee.

15.3 Committee Action. All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.

15.4 Committee Rules and Powers - General. Subject to the provisions of this Plan, the Committee shall from time to time establish rules, forms, procedures and make needed determinations and interpretations for the administration of this Plan. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Bank and all persons having or claiming to have any right or interest in or under this Plan.

15.5 Reliance on Certificate, etc. The members of the Committee and the officers and directors of the Bank shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Bank.

15.6 Liability of Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his or her own part, excepting only his or her own willful misconduct. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee, excepting only expenses and liabilities arising out of his or her own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law.

15.7 Determination of Benefits. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under this Plan and any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

15.8 Information to Committee. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their death or other cause for termination of relationship, and such other pertinent facts as the Committee may require.

15.9 Manner and time of Payment of Benefits. The Committee shall have the power, in its sole and absolute discretion, to change the manner and time of payment of benefits to be made to a Participant or his or her Beneficiary from that set forth in the Participant's Plan Agreement if requested to do so by such Participant or Beneficiary.

ARTICLE XVI

ADOPTION OF PLAN BY SUBSIDIARY

AFFILIATED OR ASSOCIATED COMPANIES

Any corporation that is a Subsidiary may, with the approval of the Board of Directors, adopt this Plan and thereby come within the definition of Bank in Article I hereof.

ARTICLE XVII

MISCELLANEOUS

17.1 Execution of Receipts and Releases. Any payment to any Participant, a Participant's legal representative, or Beneficiary in accordance with the provisions of this Plan or Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Bank. The Bank may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine.

17.2 No Guarantee of Interests. Neither the Committee nor any of its members guarantees the payment of any amounts which may be or become due to any person or entity under this Plan or any Plan Agreement executed hereunder. The liability of the Bank to make any payment under this Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Bank.

17.3 Bank Records. Records of the Bank as to a Participant's relationship, termination of relationship and the reason therefore authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.

17.4 Evidence. Evidence required of anyone under this Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

17.5 Notice. Any notice which shall be or may be given under this Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank, such notice shall be addressed to the Bank at:

The Citizens Bank of Philadelphia, MS.
521 Main St.
Philadelphia, MS. 39350

marked to the attention of the Secretary, Administrative Committee, Deferred Fee and Compensation Plans; or, if notice to a Participant, addressed to the address shown on such Participant's Plan Agreement.

17.6 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

17.7 Effect of Provisions. The provisions of this Plan and of any Plan Agreement executed hereunder shall be binding upon the Bank and its successors, and assigns, and upon a Participant, his or her Beneficiary, assigns, heirs, executors, and administrators.

17.8 Headings. The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.

17.9 Governing Law. All questions arising with respect to this Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Mississippi, as in effect at the time of their adoption and execution, respectively.

WITNESS MY SIGNATURE, this the _____ day of April, 1987.

THE CITIZENS BANK OF PHILADELPHIA, MS.

By:

Steve Webb, President

DIRECTORS'

DEFERRED FEE PLAN AGREEMENT

OF

THE CITIZENS BANK OF PHILADELPHIA, MS.

I acknowledge that, as a Director of The Citizens Bank of Philadelphia, MS., I have been offered an opportunity to participate in the Directors' Deferred Fee Plan, as formally adopted by the Citizens Bank of Philadelphia, MS. on April _____, 1987 ("Plan"), which is attached hereto, and that I have irrevocably elected one of the two alternatives set forth as indicated by the space which I have checked:

_____ To participate in the Plan. The Effective Date of this Plan Agreement and the Plan is September 1, 1986.

_____ Not to participate in the Plan.

Participant's benefits, Deferrals and payments with respect to the Death Benefit and Deferred Termination Benefit under the Plan are agreed to be as follows:

1. DEATH BENEFIT (ARTICLE III OF PLAN):

\$ _____ per month for 120 months, or a lump sum amount of \$ _____ if the lump sum amount is permitted pursuant to Section 4.2 of the Plan.

2. DEFERRED TERMINATION BENEFIT (ARTICLE IV OF PLAN):

(a) It is understood that the specified rate for the Participant for purposes of the provisions of Article IV is _____% of Moody's Average Corporate Bond Rate.

(b) It is understood that the amount of the actual Deferred Termination Benefit will be determined by multiplying Participant's Deferral by _____% of the Moody's Average Corporate Bond Rate as compounded on an annual basis until the date payments are initiated under Section 4.1. That result will then be improved by _____% of the Moody's Average Corporate Bond Rate being used at the time payments are initiated under Section 4.1, as compounded on an annual basis until the time the Deferred Termination Benefit is completed in accordance with the provisions of the Plan.

It is further understood that the minimum rate at which the Deferrals will accrue interest is _____%, compounded on an annual basis.

(c) In lieu of benefits under Section 4.1, the Participant may be permitted a lump sum benefit under Section 4.2 of the Plan.

3. Participant's Deferral with respect to Article II, Article III, and IV of the Plan is in total, \$_____ per month from the Effective Date of this Plan Agreement until the earlier of the Participant's death or when 10 years of Deferrals have been made. In addition to the above Deferral, the Participant has also paid in \$21,000, which will be treated in the same manner, for purposes of this Plan, as a Deferral.

Participant hereby authorizes Bank to reduce his or her compensation by the amount specified in the immediately preceding sentence, commencing September 1, 1986, and continuing thereafter until no longer required by the terms of the Plan or by the Committee.

Participant acknowledges that he has received a copy of the Plan, as adopted by the Board of Directors, effective September 1, 1986, and that he is familiar with the provisions of the Plan. Participant agrees to be bound by the provisions of the Plan and this Plan Agreement and that the Citizens Bank of Philadelphia, MS. has no obligations to the Participant with respect to this Plan other than those provided by the Plan and the Plan Agreement.

WITNESS OUR SIGNATURES, this _____ day of April, 1987.

THE CITIZENS BANK OF PHILADELPHIA, MS.

By _____

Title _____

PARTICIPANT

(Signature)

(Type or print name)

(Address of Participant)

BENEFICIARY DESIGNATION

1. Participant: _____
2. Scope: This Beneficiary Designation applies to all benefits of the Plan to which the above-named Participant has the right to name the beneficiary.
3. COUNSEL: THE DESIGNATION OF A BENEFICIARY OR BENEFICIARIES IN SECTIONS 4, 5, AND 6 BELOW MAY HAVE SIGNIFICANT ESTATE AND GIFT TAX CONSEQUENCES TO THE PARTICIPANT. ACCORDINGLY, THE PARTICIPANT SHOULD SEEK THE ADVICE OF PROFESSIONAL COUNSEL WHO IS FAMILIAR WITH THE ESTATE AND GIFT TAX ASPECTS OF NONQUALIFIED RETIREMENT AND SALARY CONTINUATION PLANS BEFORE COMPLETING THIS FORM
4. Identification of Beneficiaries:
 - A. Primary Beneficiary: _____

 - B. Secondary Beneficiary: _____

Methods of Payment (Check One)

Alternative 1. Beneficiary shall mean the Primary Beneficiary if such Primary Beneficiary survives Participant, and shall mean the Primary Beneficiary's estate if such Primary Beneficiary survives Participant but thereafter dies. The term Beneficiary shall mean the Secondary Beneficiary if the Primary Beneficiary fails to survive Participant, and shall mean the Secondary Beneficiary's estate when the Secondary Beneficiary thereafter dies. If both the Primary and Secondary Beneficiaries fail to survive Participant, the term Beneficiary shall mean the Participant's estate.

Alternative 2. Beneficiary shall mean the Primary Beneficiary if such Primary Beneficiary survives Participant, and shall mean the Secondary Beneficiary if either the Primary Beneficiary fails to survive Participant or the Primary Beneficiary survives Participant but thereafter dies. If both the Primary and Secondary Beneficiaries fail to survive Participant, the term Beneficiary shall mean the Participant's estate.

Alternative 3. _____

6. Survivorship (Check One)

_____ Alternative 1. For purposes of this Beneficiary Designation, no person shall be deemed to have survived the Participant if that person dies within thirty (30) days of the Participant's death.

_____ Alternative 2. If the Participant and the Participant's spouse die under circumstances such that there is insufficient evidence to determine the order of their deaths or if the Participant's spouse outlives the Participant for any time whatsoever, the Participant's spouse shall be deemed to have survived the Participant. For all other purposes of this Beneficiary Designation, no person shall be deemed to have survived the Participant if that person dies within thirty (30) days of the Participant's death.

7. Duration. This Beneficiary Designation is effective until the Participant files another such Designation with the Company. Any previous Beneficiary Designations are hereby revoked.

8. Execution.

Date: _____ Participant: _____

Witness: _____

9. Approval. This Beneficiary-Designation is acknowledged and approved April _____, 1987, and shall be effective as of the date executed by the Participant above.

THE CITIZENS BANK OF PHILADELPHIA, MS.

By: _____
Steve Webb, President

SUBSIDIARIES:

NAME:

STATE OF ORGANIZATION:

The Citizens Bank of Philadelphia
Mississippi

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED FINANCIALS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS		9-MOS	
DEC-31-1998		DEC-31-1997	
JAN-01-1998		JAN-01-1997	
SEP-30-1998		SEP-30-1997	
		12,158	12,529
1,191		146	
9,600		4,400	
0		0	
90,419		68,239	
0		0	
0		0	
	204,564		186,762
	2,700		2,500
	330,566		283,164
	279,335		248,700
	283		700
4,475		1,859	
0	10,000	0	0
0	0	0	0
	671		671
	34,489		29,795
330,566	283,164		
	13,719		12,834
	3,509		3,391
	527		74
	17,755		16,299
	7,761		6,996
	8,073		7,188
9,682		9,111	
	406		313
(19)		(117)	
	5,688		5,168
	5,649		5,473
3,660		3,534	
	0		0
	0		0
	3,660		3,534
	\$5.53		\$5.34
	\$5.53		\$5.34
	8.25		8.42
	572		229
	1,656		1,436
	0		0
	0		0
	2,700		2,500
	563		511
	157		198
	2,700		2,500
	0		0
	0		0
2,700		2,500	