
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

Mississippi 64-0666512
521 Main Street
Philadelphia, Mississippi 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
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None

None

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

COMMON STOCK, \$.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 holding company 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, Mississippi 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 may 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, Mississippi. The Bank's principal executive offices are also located at 521 Main Street, Philadelphia, Mississippi 39350, and its telephone number is (601) 656-4692. At December 31, 1998, the Bank was the largest bank headquartered in Neshoba County with total assets of \$333,027,000 and total deposits of \$282,520,000.

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 constituted 69.17% of the earning assets of the Corporation at December 31, 1998 and has in the opinion of management historically produced the highest interest rate 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.

This six county area is mainly rural with Philadelphia at 7,000 in population being the largest city. Agriculture and some light industry are a big part of the economy of this area. The largest employer in the Corporation's service area is the Mississippi Band of Choctaw Indians with their schools, manufacturing plants and their main source of income, The Silverstar Casino and Resort (the "Casino"). The Casino, and its related services employs approximately 2,500 people from the Corporation's service area. Understandably unemployment in the six county area is consistently among the lowest in the state.

The Corporation has in the past and intends to continue to make most types of real estate loans including but not limited to single and multi-family housing, farm loans, residential and commercial construction loans and loans for commercial real estate. At the end of 1998 the Corporation had 28.73% of the loan portfolio in single family and multifamily housing, 15.75% in non-farm, non-residential loans, 13.21% in farm related real estate loans and 3.11% in real estate construction loans.

The Corporation's loan portfolio includes commercial, industrial and agricultural production loans totaling 15.34% of the portfolio at year-end 1998. Consumer loans make up approximately 22.74% of the total loan portfolio. Consumer loans include loans for household expenditures, car loans, credit card loans, student loans and other loans to individuals. While this category has experienced a greater percentage of charge-offs than the other classifications, the Corporation is committed to continue to lend this type of loan to fill the needs of the Corporation's customer base.

All loans in the Corporation's portfolio are subject to risk from the state of the economy in the Corporation's area and also that of the nation. Since the Corporation's local economy has been strong and unemployment is at historic lows, general risk levels would also be considered

to be low. The Corporation has used and continues to use conservative Loan-to-Value ratios and thorough credit evaluation to lessen the risk on all types of loans. The use of conservative appraisals has also reduced exposure on real estate loans. Thorough credit checks and evaluation of past internal credit history has helped to reduce the amount of risk related to consumer loans. Government guarantees of loans are used when appropriate. Commercial loans are evaluated by collateral value and ability to service debt. Businesses seeking loans must have a good product line and sales, responsible management, manageable debt load and a product that is not adversely affected by downturns in the economy.

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, Mississippi. 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, Mississippi. 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 the Corporation's 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. Customers may also access their accounts 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. The Bank also has three automated teller machines available to its customers 24 hours a day, 7 days a week.

EMPLOYEES

The Corporation has no compensated employees. At December 31, 1998, the Bank employed 131 full-time employees and 31 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 registered bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), 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. 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.

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. 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 possible adverse effects associated with those activities.

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 bank's operations. 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 other instruments with some characteristics of equity. The inclusion of elements of Tier 2 capital are subject to 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, 1998:

Risk-based Capital Ratio:	The Corporation Ratio -----	The Bank Ratio -----	Requirement -----
Total Capital	18.13%	17.53%	8.00%
Tier 1 Capital	16.88%	16.28%	4.00%
Tier 1 Capital Leverage Ratio:	10.61%	10.20%	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; or (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. The Corporation and Bank are classified as well-capitalized under these guidelines.

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.

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 shareholder 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. 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 shareholders 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 payment of dividends by a Mississippi state bank is 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.

Finally, 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.

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 currently in effect 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.

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 FRB 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.

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 to 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 FDIC examined the Bank on March 12, 1997 and again most recently on June 1, 1999, 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 both of these examinations.

The Bank's Satisfactory 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 were found. In management's opinion, the Bank has invested in a sizeable amount of local community development issuances.

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 a highly competitive business. 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. A healthy economy, such as the Corporation's market area is experiencing, invites certain challenges, especially that of competition.

All financial institutions today are faced with the challenge of competing for customers' deposits, and the Bank is no exception. The Bank 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.

Currently, there are approximately fourteen different financial institutions in the Corporation's market area competing for the same customer base. Despite these challenges, the Corporation has not only been able to maintain its market share, but has actually increased its share in recent years.

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

The following discussion and analysis is presented to facilitate the understanding of the Corporation's financial condition. This discussion and analysis is broken down into two components. Financial information and results of operations for each of the three years in the period ended December 31, 1996, 1997 and 1998 is found under 2A hereof. The information should be used in conjunction with the accompanying consolidated financial statements and footnotes contained elsewhere in this document. Additionally, unaudited interim financials for the quarter ended March 31, 1999 have been included and are discussed under 2B hereof. Dollar amounts in tables are presented in thousands.

2A. FINANCIAL INFORMATION - YEAR ENDED DECEMBER 31, 1998

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF DECEMBER 31, 1998, 1997 AND 1996

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 (the "Tribe") opened the Silverstar Casino and Resort (the "Casino") on the Reservation in west Neshoba County. This complex has grown in the past three years to include 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 Casino, 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.

Although the Corporation has made bank acquisitions in the last five years, there are currently no pending bank mergers or bank 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.

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 assigned a Y2K Coordinator the task of reviewing the Corporation's systems to make a determination of what adjustments would be required. The Board approved a budget for the solutions of these potential problems in the amount of \$376,713. At the time of this application \$365,773 or 97.1% of this budget had been expended. Although some other benefits were obtained from the upgrades to the computer system, the main force behind the upgrade at this time was the need to address the Y2K issue.

Although the Corporation's computer hardware and software were certified Y2K compliant by the respective vendors, the Corporation engaged the services of an outside consultant to conduct an on-site test of the computer systems. Testing of the system was accomplished by forward dating the system into the year 2000 and running sample transactions on these dates. During this test, no abnormalities in processing were discovered due to this date change. The Corporation will continue to monitor shared application software reviews to keep abreast of the software's compliance with the Y2K event.

The Corporation's personal computers are currently being evaluated and will be 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 Corporation currently requires that Y2K readiness be considered in the credit decision process on all new loan customers. Loan customers that have potential exposure would pose a credit risk if they have not addressed the possibility of business interruptions due to Y2K. The

Corporation's loan personnel have taken steps to identify current loan customers with potential Y2K exposure and have surveyed them to check on their progress in resolving any problems. This process did not identify any problem areas that might be of concern for the Corporation.

Regardless of the Corporation's diligence, several problems could arise as a result of Y2K failures. Loss of electrical power, loss of communications and panic among the general public would require special operating procedures. The Corporation has formulated plans to continue business in the event that any of these situations occur. Specifically, procedures are in place to handle customer requests manually in case use of the computer is lost. Plans for clearing checks and other cash items also have been made. Also, additional cash will be added to the vault to handle the anticipated cash withdrawals in the fourth quarter of 1999.

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				
	1998	1997	1996	1995	1994
SUMMARY OF OPERATIONS					
Interest Income- tax equivalent (1)	23,698	21,588	20,369	18,041	14,068
Interest Expense	10,860	9,659	8,684	7,727	4,934
Net interest income-tax equivalent	12,838	11,929	11,685	10,314	9,134
Tax equivalent adjustment (1)	-147	-82	-114	-96	-80
Net interest income	12,691	11,847	11,571	10,218	9,054
Provision for loan losses	846	740	791	604	593
Net interest income after provision for loan losses	11,845	11,107	10,780	9,614	8,461
Noninterest income	3,320	2,990	2,686	2,433	2,460
Noninterest expenses	7,966	7,046	6,665	6,379	5,899

Income before income taxes	7,199	7,051	6,801	5,668	5,022
Income tax expense	2,487	2,561	2,407	2,046	1,804
	-----	-----	-----	-----	-----
NET INCOME	4,712	4,490	4,394	3,622	3,218
	=====	=====	=====	=====	=====

PER SHARE DATA (2)

Net Income	\$ 1.42	1.36	\$ 1.33	\$ 1.15	\$ 1.02
Cash dividends	0.24	0.17	0.15	0.14	0.15
Shareholders' equity, end of year	10.72	9.44	8.09	6.91	5.84

SELECTED ACTUAL YEAR-END BALANCES

Total assets	334,232	286,634	270,679	264,453	215,939
Earning Assets	305,963	267,467	252,047	241,495	202,586
Investment securities available for sale	91,539	67,292	72,472	76,022	5,899
Investment securities held for maturity	0	0	0	0	71,991
Loans-Net	208,449	191,605	177,005	154,380	123,715
Allowance for loan losses	-2,900	-2,700	-2,500	-2,300	-2,100
Total deposits	282,242	248,984	229,443	238,677	186,784
Noninterest-bearing demand deposits	37,983	35,526	34,353	35,492	31,213
Interest-bearing demand deposits	68,394	56,904	54,960	75,857	44,105
Savings deposits	19,106	17,188	16,994	15,617	14,426
Time deposits	156,761	139,365	123,136	111,711	97,039
Long term borrowings	10,000	0	33	65	198
Shareholders' equity	35,455	31,220	26,758	22,858	19,331
Equity to assets ratio	10.61%	10.89%	9.89%	8.64%	8.95%

SELECTED AVERAGE BALANCES

Total Assets	314,896	279,961	271,241	242,024	204,720
Earning Assets	293,120	259,036	250,670	224,492	187,257
Securities	79,401	70,023	76,138	75,847	68,199
Loans	202,228	187,150	168,542	141,192	113,628
Allowance for loan losses	2,701	2,523	2,342	2,103	1,927
Total deposits	268,514	242,331	238,358	216,479	182,707
Noninterest-bearing demand deposits	34,909	34,995	37,894	34,213	29,607
Interest-bearing demand deposits	68,330	57,281	68,036	59,134	45,126
Savings deposits	18,201	17,313	16,681	15,154	14,556
Time deposits	147,074	132,742	115,747	107,978	93,418
Long-term borrowings	7,630	3	35	127	292
Shareholders' equity	33,513	28,920	24,610	21,195	18,391

RATIOS BASED ON AVERAGE BALANCES

Loans to deposits	75.31%	76.95%	76.16%	64.68%	65.34%
Return on average assets	1.50%	1.60%	1.62%	1.50%	1.61%
Return on average equity	14.08%	15.24%	17.77%	17.15%	17.41%
Dividend payout ratio	16.85%	12.52%	11.29%	12.15%	14.33%
Leverage capital ratio	10.61%	10.92%	9.88%	8.74%	9.20%
Efficiency ratio (3)	48.01%	45.56%	45.29%	49.02%	50.24%

OTHER DATA

Number of employees (FTE)	140	138	137	133	122
Average common stock outstanding	3,308,750	3,308,750	3,308,750	3,151,240	3,151,240
Cash dividends declared	794	562	496	441	473

- (1) Net interest income has been presented on both a tax equivalent and non-tax equivalent 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, including the five to one (5:1) stock split that was effective January 1, 1999.
- (3) The efficiency ratio is calculated by dividing noninterest income expense by the sum of the interest income, on a fully tax equivalent basis, and noninterest income.

The Corporation earned \$4,712,000 or \$1.42 per share, for 1998, compared to \$4,490,000, or \$1.36 per share, for 1997. Although the 4.9% increase in earnings in 1998 over 1997 earnings was more than the 2.2% increase of 1997 over 1996, the yearly increase was still less than that of the previous four years. In 1998 the decline in the net interest margin stabilized due to a decline in the rates paid on time deposits. Loan rates also declined during this period but to a lesser degree and loan demand remained strong. The increase in income in 1998 was due to an increase in the Bank's assets during the year.

Earnings in 1997 were impacted by a decline in the net interest margin. The small increase in net income was due to an increase in asset size and an increase in fee income. Net charge-offs decreased both as a percentage of loans outstanding and as an actual dollar amount of loans charged off in 1997.

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, 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 1994 through 1998. Table 2 - Average Balance Sheets and Interest Rates represent the major components of interest earning assets and interest-bearing liabilities.

TABLE 2 - AVERAGE BALANCE SHEETS AND INTEREST RATES

	YEARS ENDED DECEMBER 31					
	1998			1997		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
ASSETS						
INTEREST EARNING ASSETS						
Securities						
Taxable	70,801	4,213	5.95%	63,333	4,117	6.50%
Tax-exempt (1)	8,600	565	6.57%	5,345	350	6.55%
Total Securities	79,401	4,778	6.02%	68,678	4,467	6.50%
Loans (2)						
Commercial	181,931	16,122	8.86%	167,628	15,033	8.97%
Installment	20,297	2,185	10.77%	19,552	2,073	10.60%
Total loans	202,228	18,307	9.05%	187,180	17,106	9.14%
Federal Home Loan Bank Account	1,576	91	5.77%	78	4	5.13%
Federal Funds Sold	9,804	523	5.33%	2,112	125	5.92%
TOTAL EARNING ASSETS	293,009	23,699	8.09%	258,048	21,702	8.41%
NONINTEREST EARNING ASSETS						
Allowance for loan losses	(2,701)			(2,523)		
Premises and equipment	4,374			3,915		
Cash and due from banks	11,818			11,821		
Accrued interest and other assets	8,396			8,700		
TOTAL ASSETS	\$314,896			\$279,961		

LIABILITIES AND SHAREHOLDERS' EQUITY
INTEREST BEARING LIABILITIES

Deposits						
Interest-bearing demand deposits	68,330	1,958	2.87%	57,281	1,590	2.78%
Savings Deposits	18,201	678	3.73%	17,313	675	3.90%
Time Deposits	147,074	7,761	5.28%	132,742	7,192	5.42%
	-----	-----	-----	-----	-----	-----
Total interest-bearing deposits	233,605	10,397	4.45%	207,336	9,457	4.56%
Borrowed funds						
Short-term borrowings	635	33	5.20%	4,148	202	4.87%
Long-term debt	7,630	430	5.64%	0	0	0.00%
	-----	-----	-----	-----	-----	-----
Total borrowed funds	8,265	463	5.60%	4,148	202	4.87%
	-----	-----	-----	-----	-----	-----
TOTAL INTEREST-BEARING LIABILITIES	241,870	10,860	4.49%	211,484	9,659	4.57%
	=====	=====	=====	=====	=====	=====
NONINTEREST-BEARING LIABILITIES						
Noninterest-bearing demand deposits	34,909			34,995		
Accrued interest and other liabilities	4,604			4,562		
Shareholders' equity	33,513			28,920		
	-----			-----		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$314,896			\$279,961		
	=====			=====		
NET INTEREST INCOME AND INTEREST RATE SPREAD						
		12,839	3.60%		12,043	3.84%
		=====	=====		=====	=====
NET INTEREST MARGIN						
			4.38%			4.67%
			=====			=====

YEAR ENDED DECEMBER 31

1996

AVERAGE BALANCE	INTEREST	AVERAGE RATE
-----------------	----------	--------------

ASSETS

INTEREST EARNING ASSETS

Securities			
Taxable	68,692	4,325	6.30%
Tax-exempt (1)	6,539	463	7.08%
	-----	-----	-----
Total Securities	75,231	4,788	6.36%
Loans (2)			
Commercial	149,697	13,365	8.93%
Installment	18,394	1,979	10.76%
	-----	-----	-----

Total loans	168,091	15,344	9.13%
Federal Home Loan Bank Account	40	3	7.50%
Federal Funds Sold	5,768	313	5.43%
	-----	-----	-----
TOTAL EARNING ASSETS	249,130	20,448	8.21%
NONINTEREST EARNING ASSETS			
Allowance for loan losses	(2,343)		
Premises and equipment	3,837		
Cash and due from banks	13,020		
Accrued interest and other assets		7,597	
TOTAL ASSETS	\$271,241		
	=====		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES			
Deposits			
Interest-bearing demand deposits	67,906	1,794	2.64%
Savings Deposits	16,397	639	3.90%
Time Deposits	115,746	6,027	5.21%
	-----	-----	-----
Total interest-bearing deposits	200,049	8,460	4.23%
Borrowed funds			
Short-term borrowings	4,114	220	5.35%
Long-term debt	35	4	11.43%
	-----	-----	-----
Total borrowed funds	4,149	224	5.40%
	-----	-----	-----
TOTAL INTEREST-BEARING LIABILITIES	204,198	8,684	4.25%
NONINTEREST-BEARING LIABILITIES			
Noninterest-bearing demand deposits	38,175		
Accrued interest and other liabilities	4,258		
Shareholders' equity	24,610		

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$271,241		
	=====		
NET INTEREST INCOME AND INTEREST RATE SPREAD		11,764	3.96%
		=====	=====
NET INTEREST MARGIN			4.72%
			=====

(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 \$146 for 1998, \$81 for 1997, and \$110 for 1996. Tax equivalent loan adjustments were \$1 for 1998, \$1 for 1997, and \$4 for 1996.

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

Table 3 - Net Interest Earning Assets illustrates net interest earning assets and liabilities for 1998, 1997 and 1996.

TABLE 3 - NET INTEREST EARNING ASSETS

	1998 -----	1997 -----	1996 -----
Average interest earning assets	\$293,009	\$258,048	\$249,130
Average interest bearing liabilities	241,870 -----	211,484 -----	204,198 -----
	\$ 51,139 =====	\$ 46,564 =====	\$ 44,932 =====

Table 4 - Volume and Rate Analysis depicts the dollar effect of volume and rate changes from 1996 through 1998. 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 basis adjusted to a tax equivalent using a marginal federal income tax rate of 34%.

TABLE 4 - VOLUME/RATE ANALYSIS

	1998 change from 1997 due to			1997 change from 1996 due to		
	Volume -----	Rate -----	Total -----	Volume -----	Rate -----	Total -----
INTEREST INCOME -----						
Loans	1,367	(166)	1,201	1,745	17	1,762
Securities						
Taxable	448	(352)	96	(346)	138	(208)
Tax-exempt	213	2	215	(78)	(35)	(113)
Federal Home Loan Bank Account	77	10	87	2	(1)	1
Federal Funds Sold	410 -----	(12) -----	398 -----	(216) -----	28 -----	(188) -----
TOTAL INTEREST INCOME	2,515	(518)	1,997	1,107	147	1,254

INTEREST EXPENSE

Interest-bearing demand deposits	317	51	368	(295)	91	(204)
Savings deposits	33	(30)	3	36	0	36
Time deposits	756	(187)	569	922	243	1,165
Short-term borrowings	(183)	14	(169)	2	(20)	(18)
Long-term borrowings	430	0	430	(4)	0	(4)
	-----	-----	-----	-----	-----	-----
TOTAL INTEREST EXPENSE	1,353	(152)	1,201	661	314	975
	-----	-----	-----	-----	-----	-----
NET INTEREST INCOME	1,162	(366)	796	446	(167)	279
	=====	=====	=====	=====	=====	=====

Net interest income for 1998 on a tax equivalent basis was 6.61% higher than that for 1997, while the net interest margin for 1998 was 4.38% compared to 4.67% for 1997. Tax equivalent net interest income for 1997 was 2.37% higher than that for 1996 while the net interest margin decreased to 4.67% from 4.72% in 1996.

The increase in net interest income during 1998 was predominantly a result of increases in earning asset volume. The loan growth experienced in 1998 was due to a continuing strong loan demand in the Corporation's service area. This increase in interest income was partially offset by volume increases in interest-bearing liabilities. The earning asset yield decreased to 8.09% in 1998, compared to 8.41% in the previous year, predominantly 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 decreased to 9.05% in 1998 compared to the 1997 yield of 9.14%. Although there was an increase in the investment securities average balance, the average yield decreased to 6.02% in 1998 from 6.50% in 1997. Total interest-bearing liabilities increased in 1998 primarily due to continued strong growth in the Corporation's area. The interest-bearing deposit growth of 12.67% was offset by a slightly lower interest rate paid, 4.45% in 1998 compared to 4.56% in 1997.

Net interest income in 1997 increased 2.37% over 1996 due mainly to an increase in the volume of interest-bearing assets. The earning asset yield increased to 8.41% in 1997 compared to 8.21% in 1996 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, and the interest rates paid on deposits increased from 4.23% in 1996 to 4.56% in 1997, increasing the rate on total interest-bearing liabilities to 4.57% in 1997 compared to the 1996 rate of 4.25%.

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

	1998	1997	1996	1995	1994
	-----	-----	-----	-----	-----
BALANCE AT BEGINNING OF YEAR	\$2,700	\$2,500	\$2,300	\$2,100	\$1,925
LOANS CHARGED-OFF					
- - - - -					
Commercial and agricultural	364	326	287	163	245
Real estate	10	13	41	72	159
Installment	434	383	377	350	203
Credit card	71	66	51	17	0
	-----	-----	-----	-----	-----
TOTAL CHARGE-OFFS	879	788	756	602	607
CHARGE-OFFS RECOVERED					
- - - - -					
Commercial and agricultural	55	89	41	76	72
Real estate	3	0	0	22	0
Installment	147	145	115	100	117
Credit card	28	14	9	0	0
	-----	-----	-----	-----	-----
TOTAL RECOVERIES	233	248	165	198	189
	-----	-----	-----	-----	-----
Net loans charged-off	646	540	591	404	418
Current year provision	846	740	791	604	593
	-----	-----	-----	-----	-----

BALANCE AT END OF YEAR	2,900	2,700	2,500	2,300	2,100
	=====	=====	=====	=====	=====
Loans at year end	208,449	191,605	177,005	154,380	123,715
Ratio of allowance to loans at year end	1.39%	1.41%	1.41%	1.49%	1.70%
Average loans	202,228	186,843	168,542	141,192	113,628
Ratio of net loans charged-off to average loans	0.32%	0.29%	0.35%	0.29%	0.37%

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES AT DECEMBER 31,

	1998	1997	1996	1995	1994
	-----	-----	-----	-----	-----
Commercial and Agricultural	\$ 500	\$ 450	\$ 400	\$ 350	\$ 300
Real Estate	300	300	250	200	200
Consumer	800	750	700	650	650
Unallocated	1,300	1,200	1,150	1,100	950
	-----	-----	-----	-----	-----
	\$ 2,900	\$ 2,700	\$ 2,500	\$ 2,300	\$ 2,100
	=====	=====	=====	=====	=====

COMPOSITION OF LOAN PORTFOLIO BY TYPE AT DECEMBER 31,

	1998	1997	1996	1995	1994
	-----	-----	-----	-----	-----
Commercial and agricultural	15.34%	13.15%	13.75%	15.72%	17.69%
Real estate	60.80%	62.81%	63.08%	60.60%	58.49%
Installment	22.74%	23.25%	22.41%	22.99%	23.19%
Other	1.12%	0.79%	0.76%	0.69%	0.63%
	-----	-----	-----	-----	-----
	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

PRINCIPAL BALANCE	As of December 31,				
	1998	1997	1996	1995	1994
Nonaccrual	\$ 649	\$ 344	\$ 171	\$ 91	\$ 117
90 days or more past due	1,641	1,862	1,731	1,303	511
TOTAL NONPERFORMING LOANS	2,290	2,206	1,902	1,394	628
Nonperforming as a percent of loans	1.10%	1.15%	1.07%	0.90%	0.51%
Other real estate owned	57	10	132	217	321
OREO as a percent of loans	0.03%	0.01%	0.07%	0.14%	0.26%
Allowance as a percent of nonperforming loans	126.64%	122.39%	122.44%	164.99%	334.39%

The consolidated provision for loan losses was \$846,000 for 1998, \$740,000 for 1997, and \$791,000 for 1996. Net charge-offs ranged from .37% in 1994 to .32% in 1998 with the highest percentage year being 1996 at .35%. The percentage of the allowance compared to nonperforming loans increased to 126.64% in 1998 from 122.39% in 1997 after having decreased from 334.39% in 1994. The amount of the future years' provision for loan losses will be subject to adjustment based on the evaluations of the loan portfolio for loss reserve adequacy.

During the time period from 1994 to 1998, nonperforming loans increased from \$628,000 in 1994 to \$2,290,000 in 1998. Nonperforming loans as a percent of loans increased from .90% in 1995 to 1.10% in 1998 with the highest percentage year being 1997 at 1.15%. The allowance as a percent of loans was 1.39% in 1998 compared to 1.70% in 1994. During this period, nonaccrual loan balances increased slightly due to the Corporation's aggressive policy 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 recognized any loans as being impaired in conformity with FASB 114 and 118 for the years 1998, 1997, and 1996. 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 the Corporation's 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, less disposal costs.

Management believes loans classified for regulatory purposes as loss, doubtful or substandard 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. The most recent safety and soundness exam conducted concurrently as of October 12, 1998 by the FDIC and the Mississippi Department of Banking and Consumer Finance, classified \$5,821,000 as Substandard loans, and \$177,000 as Loss loans. All loans that were classified Loss were charged off by December 31, 1998 except for three loans totaling \$21,000 that were paid up current by that date and remain current.

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 policies require 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, 1998, the Corporation had a total of \$5,723,434 of loans on its watch list, which included \$5,453,171 in loans classified by regulatory authorities. Non-accrual loans in the amount of \$649,353 are included in the regulatory classification total. Other loans in the amount of \$270,263 were placed on the watch list by management due to marginal capacity, insufficient collateral, delinquency or poor performance.

NON-INTEREST INCOME AND EXPENSE

A listing of noninterest income and expense from 1996 through 1998 and percentage changes between years is included in Table 7 - Noninterest Income and Expense.

TABLE 7 - NONINTEREST INCOME & EXPENSE

	1998	% CHANGE FROM '97	1997	% CHANGE FROM '96	1996
	-----	-----	-----	-----	-----
NONINTEREST INCOME					
Income from fiduciary activities	\$ 1	-66.67%	\$ 3	200.00%	\$ 1
Service charges on deposit accounts	2,178	12.62%	1,934	8.17%	1,788
Other operating income	1,141	8.36%	1,053	17.39%	897
	-----	-----	-----	-----	-----
TOTAL NONINTEREST INCOME	\$3,320	11.04%	\$2,990	11.32%	\$2,686
	=====	=====	=====	=====	=====
NONINTEREST EXPENSE					
Salaries and employee benefits	\$4,664	15.82%	\$4,027	3.92%	\$3,875
Occupancy expense	1,226	27.05%	965	14.61%	842
Other operating expense	2,076	1.07%	2,054	5.44%	1,948
	-----	-----	-----	-----	-----
TOTAL NONINTEREST EXPENSE	7,966	13.06%	7,046	5.72%	6,665
	=====	=====	=====	=====	=====

Noninterest income increased 11.04% to \$3,320,000 in 1998 compared to \$2,990,000 in 1997. The primary source of the increase in 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. Noninterest income increased 11.32% in 1997 compared to 1996. Service charges on deposit accounts increased 8.17%, again due to an increase in the number of new customers being serviced and an increase in fee related activities.

Total non-interest expense increased 13.06% to \$7,966,000 in 1998 compared to \$7,046,000 in 1997. As a percentage of average total assets, total noninterest expense was 2.53% in 1998 compared to 2.52% in 1997. Salaries and employee benefits increased 15.82% due to annual salary adjustments, new hire, increased benefit costs and payment of an extra payroll in 1998 due to the Corporation's bi-weekly payroll periods. Total noninterest expense increased 5.72% to \$7,046,000 in 1997 compared to \$6,665,000 in 1996. As a percentage of average total assets, total noninterest expense was 2.52% in 1997 compared to 2.46% in 1996. Salaries and employee benefits increased 3.92% during 1997 due mainly to annual salary adjustments.

Occupancy expense increased 27.05% to \$1,226,000 in 1998 compared to \$965,000 in 1997. The increase was due primarily to an increase in depreciation related to the new Kosciusko branch. Occupancy and equipment expense increased 14.61% during 1997, primarily as a result

of the first full year of operation of the new Philadelphia, Mississippi Westside branch, purchases of new equipment and increases in the maintenance costs of the equipment.

Other operating income increased 8.36% in 1998 from 1997. Other operating expense increased 1.07% to \$2,076,000 in 1998. This increase was due to larger than normal increases in postage, office supplies and legal and accounting expenses. Other operating expenses was \$2,054,000 in 1997, compared to \$1,948,000 in 1996, an increase of 5.44%. Several expenses experienced decreases during this period including, FDIC assessment and travel.

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 33.77%, 35.05% and 34.02% in 1998, 1997 and 1996, respectively. Further tax information regarding the Corporation is disclosed 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 1998, 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 1996 through 1998 and the maturity distribution at December 31, 1998, 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

	1998	1997	1996
SECURITIES AVAILABLE FOR SALE			
U. S. Treasuries	\$37,879	\$31,345	\$ 5,181
U. S. Agencies	15,757	15,261	26,449
Mortgage Backed	23,556	14,336	33,598
States, municipals and other	14,347	6,350	7,244
TOTAL SECURITIES AVAILABLE-FOR-SALE	\$91,539	\$67,292	\$72,472
SECURITIES HELD-TO-MATURITY			
U. S. Treasuries	0	0	0
U. S. Agencies	0	0	0
Mortgage Backed	0	0	0
States, municipals and other	0	0	0
TOTAL SECURITIES HELD-TO-MATURITY	\$ 0	\$ 0	\$ 0
TOTAL SECURITIES	91,539	67,292	72,472

SECURITIES MATURITY SCHEDULE

	1 Year and less		1 to 5 Years		5 to 10 Years		Over 10 years	
	Balance	Average Rate	Balance	Average Rate	Balance	Average Rate	Balance	Average Rate
AVAILABLE-FOR-SALE								
U. S. Treasury	8,513	5.43%	29,366	6.38%	0	0.00%	0	0.00%
U. S. Agencies	301	5.75%	8,685	6.53%	5,335	6.15%	1,436	5.56%
Mortgage-backed States, municipal and other (1)	99	5.80%	1,057	6.06%	2,704	6.03%	19,696	6.32%
	1,956	6.30%	4,196	7.72%	884	6.87%	7,311	7.84%
TOTAL AVAILABLE-FOR-SALE	\$24,524	5.60%	\$49,486	6.53%	\$9,106	6.18%	\$ 8,423	6.67%
TOTAL HELD-TO-MATURITY	0	0.00%	0	0.00%	0	0.00%	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, 1998. The risk of non-rated municipal bonds is minimized by limiting the amounts invested 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, 1998. 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."

As total earning assets have increased over the past years, the security portfolio balances have also increased. Total securities were \$91,539,000, \$67,292,000 and \$72,472,000 as of December 31, 1998, 1997 and 1996, respectively.

The Corporation had an increase in the amount of securities available for sale in 1998 of \$24,247,000 or 36.03%. This increase is due in part to the purchase of \$5,000,000 in GNMA securities and \$5,000,000 of municipals that were purchased with \$10,000,000 borrowed from the Federal Home Loan Bank. This arrangement allowed the Corporation to take advantage of

its heavy capital position to increase its income. The remainder of the increase was due to the investment of funds not currently needed for loans.

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 its 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.

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, 1998, the Corporation did not have any structured notes in its portfolio. As of December 31, 1997, and 1996, the security portfolio held structured notes totaling \$0.00 and \$3,459,000, 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, 1998, 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 in the opinion of management 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 has stated in its Loan Policy the following objectives for its loan portfolio: (a) to make loans on sound and thorough credit analysis, (b) proper documentation of all loans, (c) to eliminate loans from the portfolio that are under-priced, high risk or difficult and costly to administer, (d) to seek good relationships with the customer, (e) to avoid undue concentrations of loans, and (f) to keep non-accrual loans to a minimum by aggressive collection policies.

The Corporation, through its policy, seeks to maintain a diversification of its loan portfolio by limiting the various types of loans relative to the size of the total portfolio. Agricultural loans and real estate loans are limited to 35% of total loans; land acquisition and development to 40%; commercial construction to 25%; residential construction to 50%; and residential mortgage to 60%.

The Corporation will extend credit both on a secured and unsecured basis to borrowers whose credit, character and capacity to repay are firmly established. In addition, there must be a clear purpose for the loan and a reliable and sufficient source of repayment. Financial statements are required for all unsecured loans of \$10,000 and above. If collateral is to be used to secure the loan, the quality and liquidity of the asset must be confirmed before the loan is approved. All loan officers are granted lending limits under which they can advance funds without the prior approval of the Chief Executive Officer. These limits are assigned by the Chief Executive Officer and are subject to change when necessary. The Chief Executive Officer can lend up to \$250,000 on a secured basis and \$100,000 on an unsecured basis without the approval of the Executive Loan Committee, which consists of the Chief Executive Officer and at least two outside directors.

The Corporation has established certain Loan to Value (LTV) limitations for the various types of loans offered to its customers. Each loan type has a percentage LTV that represents the liquidity of the collateral. Real estate LTV's range from 65% for raw land purchase to 85% for 1-4 residential properties. LTV's on consumer loans such as automobiles, boats, aircraft and

mobile homes are limited to 80% for new collateral and 75% for used collateral. Timber deed loans are restricted to 80% of timber cruise.

The Corporation expects each loan to be paid in full at time of maturity. In certain circumstances, loans may not be paid in full but renewed for another period of time. In this event, it is the policy of the Corporation that a principal reduction must be made on or prior to the second renewal date. Generally, unsecured loans must have a 10% reduction before the first renewal.

In general, the loan growth experienced in 1998 was due to a continuation of the overall growth in the area that is served by the Corporation. The continued success of the Casino 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 \$4,518,000 or 8.35% in 1998, \$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 \$8,266,000 or 9.11% in 1998, \$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,				
	1998	1997	1996	1995	1994
Commercial and agricultural	\$ 98,956	\$ 90,690	\$ 81,089	\$ 66,781	\$ 51,476
Real estate - construction	6,645	4,533	5,826	6,174	3,006
Real estate - mortgage	58,637	54,119	50,916	47,481	39,825
Consumer	49,734	47,466	44,015	38,482	31,102
TOTAL LOANS	213,972	196,808	181,846	158,918	125,409

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, 1998

	1 YEAR AND LESS -----	1 - 5 YEARS -----	OVER 5 YEARS -----	Total -----
All loans	\$ 87,912	\$ 89,736	\$ 36,324	\$213,972

SENSITIVITY TO CHANGES IN INTEREST RATES

	1 - 5 YEARS -----	OVER 5 YEARS -----
Fixed rates	\$86,412	\$21,417
Variable rates	3,324	14,907
	-----	-----
	\$89,736	\$36,324
	=====	=====

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 10.75% and 1.72% in 1998 and 1997, respectively. The decrease shown in interest-bearing demand accounts and the increase in certificates of deposit since 1996 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 three 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

	1998		1997		1996	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Noninterest-bearing	\$ 34,909		\$ 34,717		\$37,895	
Interest-bearing demand	68,330	2.87%	57,406	2.78%	68,036	2.64%
Savings	18,201	3.73%	17,594	3.90%	16,681	3.90%
Certificates of deposit	147,074	5.28%	132,742	5.42%	115,746	5.19%
	-----		-----		-----	
	\$268,514	3.88%	\$242,459	3.91%	\$238,358	3.55%
	=====		=====		=====	

MATURITY RANGES OF TIME DEPOSITS
WITH BALANCES OF \$100K OR MORE AT DECEMBER 31, 1998

3 months or less	\$29,503
3 through 6 months	11,642
6 through 12 months	16,970
over 12 months	1,486

	\$59,601
	=====

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,		
	1998	1997	1996
	-----	-----	-----
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	700	438
	-----	-----	-----
	\$700	\$ 700	\$9,238
	=====	=====	=====
Average balance of short term borrowings	\$635	\$4,148	\$4,114
Weighted average rate of borrowings	5.20%	4.87%	5.34%

As of December 31, 1998 and 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 \$59 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 Corporation, at the end of 1998, had long-term debt in the amount of \$10,000,000 to the Federal Home Loan Bank for advances and \$2,416,000 payable to the State of Mississippi for advances under the Agribusiness Enterprise Loan program. This program provides monies to banks to be extended to qualifying farmers at no interest. Farmers that qualify for the program receive 20% of their loan at zero interest. When the loan is repaid, the State receives its pro-rata share of 20% of the principal payment. The last of the Corporation's debentures matured on January 31, 1997 in the amount of \$32,695. The remaining maturity schedule of the long-term debt at December 31, 1998 is listed below.

Less than one year	\$	1,000
One year to three years		18,000
Over three years		12,397,000

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

The Bank'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 1998 and 1997.

TABLE 13 - FUNDING USES AND SOURCES

	1998			1997		
	Average Balance	Increase/(decrease) Amount	(decrease) Percent	Average Balance	Increase/(decrease) Amount	(decrease) Percent
FUNDING USES						
Loans	\$202,228	\$ 15,048	8.04%	\$187,180	\$45,988	32.57%
Taxable securities	70,801	\$ 7,468	11.79%	63,333	(6,109)	-8.80%
Tax-exempt securities	8,600	\$ 3,255	60.90%	5,345	(368)	-6.44%
Federal Home Loan Bank stock	1,142	(\$ 203)	-15.09%	1,345	653	94.36%
Federal funds sold	9,804	\$ 7,692	364.20%	2,112	(5,203)	-71.13%
	-----	-----	-----	-----	-----	-----
	\$292,575	\$ 33,260	12.83%	\$259,315	\$34,961	15.58%
	=====	=====	=====	=====	=====	=====
FUNDING SOURCES						
Noninterest-bearing deposits	\$ 34,909	\$ (86)	(0.25)%	\$ 34,995	\$ 782	2.29%
Interest-bearing demand and savings deposits	86,531	\$ 11,937	16.00%	74,594	306	0.41%
Time Deposits	147,074	\$ 14,332	10.80%	132,742	24,764	22.93%
Short-term borrowings	635	\$ (3,513)	(84.69)%	4,148	2,904	233.44%
Long-term debt	7,630	\$ 7,627	254233.33%	3	(124)	(97.64)%
	-----	-----	-----	-----	-----	-----
	\$276,779	\$ 30,297	12.29%	\$246,482	\$28,632	13.14%
	=====	=====	=====	=====	=====	=====

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 time frames. 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, 1998

	1 - 90 Days	91 - 365 Days	1 - 5 Years	Over 5 years	Total
INTEREST EARNING ASSETS					
Loans	\$ 59,431	\$52,635	\$ 88,504	\$ 7,879	\$ 208,449
Investment securities	11,452	13,347	50,711	15,110	90,620
Federal Home Loan Bank stock	0	0	0	919	919
Federal Funds Sold	4,500				4,500
	75,383	65,982	139,215	\$23,908	304,488
INTEREST BEARING LIABILITIES					
Interest bearing demand deposits	68,394	0	0	0	68,394
Savings deposits	19,106	0	0	0	19,106
Time deposits	67,206	84,108	5,447	0	156,761
Short term borrowings	700	0	0	0	700
Long term borrowings	0	0	0	10,000	10,000
TOTAL INTEREST BEARING LIABILITIES	155,406	84,108	5,447	\$10,000	\$ 254,961
Rate sensitive gap	(80,023)	(18,126)	133,768	13,908	49,527
Rate sensitive cumulative gap	(80,023)	(98,149)	35,619	49,527	
Cumulative gap as a percentage of total earning assets	(26.28)%	(32.23)%	(11.70)%	16.27%	

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 time frame.

The Corporation's large negative cumulative gap position in the one year time period as of December 31, 1998 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 during 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, as discussed in greater detail under Item 1 hereof. These guidelines define the various components of core capital and assign risk weights to various categories of 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, 1998, 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 \$794,100 in 1998 compared to \$562,000 in 1997, an increase of \$232,100 or 41.30%. 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, 1998, 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,		
	1998	1997	1996
Tier 1 capital			
Shareholders' equity	\$ 35,456	\$ 31,221	\$ 26,753
Less: Intangibles	(717)	(784)	(851)
Add/less: Unrealized loss/(gain) on securities	(930)	(613)	(78)
Add: Minority interest in equity accounts of unconsolidated subsidiaries	1,200	1,106	(944)
	-----	-----	-----
TOTAL TIER 1 CAPITAL	35,009	30,930	26,773
		=====	=====
Total capital			
Tier 1 capital	35,009	30,930	26,773
Allowable allowance for loan losses	2,597	2,356	2,205
	-----	-----	-----
TOTAL CAPITAL	37,606	33,286	28,978
	=====	=====	=====
RISK WEIGHTED ASSETS	207,437	188,098	176,077
	=====	=====	=====
AVERAGE ASSETS (FOURTH QUARTER)	330,079	283,195	271,087
	=====	=====	=====
RISK BASED RATIOS			
TIER 1	16.88%	16.44%	15.21%
	=====	=====	=====
TOTAL CAPITAL	18.13%	17.70%	16.46%
	=====	=====	=====
LEVERAGE RATIOS	10.61%	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 institutions that sell certain assets. 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 did not have any transactions that would be subject to SFAS 125 at December 31, 1998 or 1997 and does not have any at the current time. However, the Statement will be followed in the future should the Corporation have any activity that would fall under this accounting standard.

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.

2B. QUARTER ENDED MARCH 31, 1999

All information concerning the period ending December 31, 1998 presented under 2B has been retroactively adjusted to reflect the 5:1 stock split which was effective January 1, 1999 in order to assist the reader in making an informed analysis of these materials.

FINANCIAL INFORMATION

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CONDITION
(UNAUDITED)

	March 31, 1999	December 31, 1998
ASSETS		
Cash and due from banks	\$ 11,580,939	\$ 15,234,594
Interest bearing balances at Federal Home Loan Bank	855,480	1,063,244
Federal funds sold	10,000,000	4,500,000
	-----	-----
Cash and cash equivalents	22,436,419	20,797,838
Federal Home Loan Bank stock	1,011,600	918,500
Investment securities available for sale, at fair value	92,965,961	90,620,004
Loans, net of allowance for loan losses of \$2,950,000 in 1999 and \$2,900,000 in 1998	212,566,279	208,449,416
Premises and equipment, net	4,338,316	4,433,652
Other real estate owned, net	68,281	57,094
Accrued interest receivable	3,838,160	3,697,109
Cash value of life insurance	2,516,361	2,516,361
Goodwill (net)	700,110	716,862
Other Assets	2,349,055	2,024,973
	-----	-----
TOTAL	\$342,790,542	\$334,231,809
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing demand	37,849,937	37,983,554
Interest-bearing NOW and money market accounts	76,541,438	68,391,505
Savings deposits	19,433,622	19,106,323
Certificates of deposit	155,100,974	156,760,846
	-----	-----
Total deposits	288,925,971	282,242,228
Accrued interest payable	1,203,420	1,274,059
Federal Home Loan Bank advances	10,000,000	10,000,000
ABE loan liability	2,734,548	2,416,327
Treasury tax and loan note option	700,000	700,000
Directors deferred compensation payable	741,517	718,868
Income taxes payable	727,341	0
Other liabilities	68,722	225,390
	-----	-----
Total liabilities	305,101,519	297,576,872
	-----	-----
Minority interest in consolidated subsidiaries	1,235,185	1,199,628
SHAREHOLDERS' EQUITY		
Common stock; \$.20 par value, 3,750,000 shares authorized, and 3,353,750 shares outstanding at March 31, 1999 and \$1.00 par value, 750,000 shares authorized and 670,750 shares outstanding at December 31, 1998	670,750	670,750

Less: Treasury stock, at cost 45,000 shares at March 31, 1999 and 9,000 at December 31, 1998	(239,400)	(239,400)
Additional paid-in capital	3,353,127	3,353,127
Retained earnings	32,136,096	30,740,947
Unrealized gain on securities available for sale, net of income taxes of \$290,725 in 1999 and \$495,909 in 1998	533,265	929,885
	-----	-----
Total Shareholders' equity	36,453,838	35,455,309
	-----	-----
TOTAL	\$342,790,542	\$334,231,809
	=====	=====

See notes to consolidated financial statements

CITIZENS HOLDING COMPANY
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the three months ended
March 31,

	1999	1998
	-----	-----
INTEREST INCOME:		
Loans, including fees	4,737,316	4,476,051
Federal funds sold	62,469	129,961
Investment securities	1,302,222	1,063,329
Other interest	11,781	2,778
	-----	-----
Total interest income	6,113,788	5,672,119
INTEREST EXPENSE:		
Deposits	2,491,068	2,499,515
Other borrowed funds	147,871	32,974
	-----	-----
Total interest expense	2,638,939	2,532,489
	-----	-----
NET INTEREST INCOME	3,474,849	3,139,630
	-----	-----
PROVISION FOR LOAN LOSSES	145,634	51,262
	-----	-----
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,329,215	3,088,368
	-----	-----
OTHER INCOME:		
Service charges on deposit accounts	562,629	511,541
Other service charges and fees	91,166	91,166
Other income	86,656	109,714
	-----	-----
Total other income	740,451	712,421
OTHER EXPENSES:		
Salaries and employee benefits	1,052,322	1,129,288
Occupancy expense	308,069	308,857
Other operating expense	313,725	317,233
Office supplies	74,605	76,950
Postage and freight	52,465	60,986
Advertising	37,760	51,748
Earnings applicable to minority interest	49,279	41,883
	-----	-----
Total other expenses	1,888,225	1,986,945
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	2,181,441	1,813,844
	-----	-----
PROVISION FOR INCOME TAXES	786,291	636,653
	-----	-----
NET INCOME	\$ 1,395,150	\$ 1,177,191
	=====	=====
NET INCOME PER SHARE	\$2.11	\$1.78
	=====	=====

See notes to consolidated financial statements

CITIZENS HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the three months ended	
	March 31,	
	1999	1998
	-----	-----
Net Income	\$ 1,395,150	\$ 1,177,191
Other comprehensive income, net of tax		
Unrealized gains (losses)	(396,620)	(81,678)
Less reclassification adjustment	0	0
Total other comprehensive income	(396,620)	(81,678)
Comprehensive income	\$ 998,530	\$ 1,095,513
	=====	=====

CITIZENS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended	
	March 31,	
	1999	1998
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,395,150	\$ 1,177,191
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	123,000	115,500
Amortization of goodwill	16,752	16,752
Amortization of premium and accretion of discounts on investment securities	57,692	861
Provision for loan losses	145,634	51,262
Investment security losses	0	0
Deferred income tax benefit	(22,433)	(12,615)
Net earnings applicable to minority interest	49,279	41,883
(Increase) decrease in foreclosed real estate	(11,187)	956
Increase in accrued interest receivable	(141,051)	35,447
Increase (decrease) in other assets	(112,695)	(67,114)
Increase (decrease) in income taxes payable	749,774	578,551
Increase (decrease) in accrued interest payable	(70,639)	(40,209)
Increase in directors deferred compensation	22,649	17,024
Increase in other liabilities	(156,667)	(102,234)
Net Cash Provided by Operating Activities	2,045,258	1,813,255
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities avail for sale	8,677,036	2,742,655

Purchases of investment securities	(11,795,515)	(10,197,627)
Purchases of bank premises, furniture, fixtures and equipment	(27,664)	(228,846)
Increase in interest bearing deposits with other banks	207,764	(22,186)
Net (increase) decrease in federal funds sold	(5,500,000)	(9,000,000)
Net increase in loans	(4,262,497)	(4,225,032)
	-----	-----
Net Cash Used by Investing Activities	(12,700,876)	(20,931,036)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	6,683,743	16,982,020
Net increase (decrease) in ABE loans	318,220	(13,058)
Increase in FHLB advances	0	5,000,000
	-----	-----
Net Cash Provided by Financing Activities	7,001,963	21,968,962
Net Increase (Decrease) in Cash and Due from Banks	(3,653,655)	2,851,181
Cash and Due From Banks, beginning of year	15,234,594	10,025,883
Cash and Due from Banks, end of period	\$ 11,580,939	\$ 12,877,064
	=====	=====

NOTES TO UNAUDITED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 1999

- The interim consolidated financial statements are unaudited and reflect all adjustments and reclassifications which, in the opinion of management, are necessary for a fair presentation of the results of operations and financial condition of the interim period. All adjustments and reclassifications are of a normal and recurring nature. Results for the period ending March 31, 1999, are not necessarily indicative for results which may be expected for any other interim period or for the year as a whole.
- Summary of Significant Account Policies. See note 1 of the Notes to Consolidated Financial Statements in the Citizens Holding Company 1998 Audit Report that is a part of this filing.

Statements concerning future performance, developments or events, concerning expectations for growth and market forecasts, and any other guidance on future periods, constitute forward-looking statements which are subject to a number of risks and uncertainties which might cause actual results to differ materially from stated expectations. These factors include, but are not limited to, the approval of regulatory agencies and shareholders, the effect of interest rates changes, the growth of the Corporation, competition in the financial services market for both deposits and loans, and general economic conditions.

Investment Securities - The Corporation classifies all of its securities as available-for-sale and carries them at fair value with unrealized gains or losses reported as a separate component of capital, net of any applicable income taxes. Realized gains or losses on the sale of securities available-for-sale, if any, are determined on an identification basis. The Corporation does not have any securities classified as Held for Trading.

3. In the ordinary course of business, the Corporation enters into commitments to extend credit to its customers. These commitments are not reflected in the accompanying financial statements. As of March 31, 1999, the Corporation had entered into commitments with certain customers amounting to \$16,241,000 compared to \$19,350,000 at December 31, 1998. There were \$313,000 of letters of credit outstanding at March 31, 1999, compared to \$290,000 at December 31, 1998.
4. Net income per share - Basic, has been computed based on the weighted average number of shares outstanding during each period. Net income per share - Diluted, has been computed based on the weighted average number of shares outstanding during each period plus the dilutive effect of outstanding granted options. Basic weighted average shares for 1998 have been adjusted to reflect the five-for-one stock split on the common stock effective January 1, 1999. Earnings per share were computed as follows:

	March 31, 1999	March 31, 1998
	-----	-----
Basic weighted average shares outstanding	3,308,750	3,308,750
Dilutive effect of granted options	12,100	0
	-----	-----
Diluted weighted average shares outstanding	3,320,850	3,308,750
	=====	=====
Net income	\$1,395,150	\$1,177,191
Net income per share - Basic	\$.42	\$.36
Net income per share - diluted	\$.42	\$.36

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

Management's discussion and analysis is written to provide greater insight into the results of operations and the financial condition of the Corporation.

LIQUIDITY

The Corporation has an asset and liability management program that assists management in maintaining its interest margins during times of both rising and falling interest rates and in

maintaining sufficient liquidity. Liquidity of the Corporation at March 31, 1999, was 39.48% and at December 31, 1998 was 38.21%. Liquidity is the ratio of short-term investments to potentially volatile liabilities. Management believes it maintains adequate liquidity for the Corporation's current needs.

When the Corporation has more funds than it needs for its reserve requirements or short term liquidity needs, the Corporation increases its securities investments or sells federal funds. It is management's policy to maintain an adequate portion of its portfolio of assets and liabilities on a short term basis to insure rate flexibility and to meet loan funding and liquidity needs. The Corporation has federal funds lines with correspondent banks in the amount of \$28,500,000. In addition, the Corporation has the ability to draw on its line of credit with the Federal Home Loan Bank in excess of \$20,000,000 at March 31, 1999.

CAPITAL RESOURCES

The Corporation's equity capital was \$36,453,838 at March 31, 1999. The main source of capital for the Corporation has been the retention of net income.

On January 1, 1999, the Corporation issued a five-for-one (5:1) split to the shareholders of the Corporation. This split increased the number of shares outstanding to 3,308,750 from 661,750. The number of shares authorized increased from 750,000 to 3,750,000 after the split. No dividends were paid during this period as the custom of the Corporation is to pay dividends semi-annually in June and December. Dividends paid in June and December of 1998 totaled \$.24 per share, adjusted for the five-for-one split.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation to maintain minimum amount and ratios of Total and Tier 1 capital (primarily common stock and retained earnings less goodwill) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of March 31, 1999, that the Corporation meets all capital adequacy requirements to which it is subject.

The Corporation's actual capital amounts and ratios for the periods indicated are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 1999						
Total Capital (to Risk-Weighted Assets)	\$37,849,906	17.99%	\$16,828,433	*8.00%	\$21,035,542	*10.00%
Tier 1 Capital (to Risk-Weighted Assets)	\$35,220,463	16.74%	\$ 8,414,217	*4.00%	\$12,621,325	*6.00%
Tier 1 Capital (to Average Assets)	\$35,220,463	10.42%	\$13,518,360	*4.00%	\$16,897,950	*5.00%

- -----
* Denotes greater than.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, certain items in the consolidated statements of income of the Corporation and the related changes between those periods:

	For the three Months Ended		Amount of Increase (Decrease)	Percent of Increase (Decrease)
	March 31, 1999	March 31, 1998		
Interest Income	\$6,113,788	\$5,672,119	\$441,669	7.79%
Interest Expense	2,638,939	2,532,489	106,450	4.20%
Net Interest Income	3,474,849	3,139,630	335,219	10.68%
Provision for Loan Losses	145,634	51,262	94,372	184.10%
Net Interest Income after Provision for Loan Losses	3,329,215	3,088,368	240,847	7.80%
Other Income	740,451	712,421	28,030	3.93%
Other Expense	1,888,225	1,986,945	(98,720)	(4.97%)
Income before Provision For Income Taxes	2,181,441	1,813,844	367,597	20.27%
Provision for Income Taxes	786,291	636,653	149,638	23.50%
Net Income	\$1,395,150	\$1,177,191	217,959	18.52%
Net Income Per Share-Basic	\$.42	\$.36	\$.06	16.67%
Net Income Per Share- Diluted	\$.42	\$.36	\$.06	16.67%

Net Income Per Share - Basic is calculated using weighted average number of shares outstanding for the period. Net Income Per Share - Diluted is calculated using the weighted average number of shares outstanding for the period, plus the net effect of granted stock options.

Annualized return on average equity was 15.52% for the three months ended March 31, 1999, and 13.34% for the three months ended March 31, 1998.

The book value per share increased to \$11.02 at March 31, 1999 compared to \$10.72 at December 31, 1998. This increase is due to the increased earnings during this period. Average assets for the three months ended March 31, 1999, were \$337,959,000 compared to \$295,869,000 for the same period in 1998; average equity increased to \$35,955,000 for the three months ended March 31, 1999, from \$31,768,000 for the same period in 1998.

NET INTEREST INCOME / NET INTEREST MARGIN

One component of the Corporation's earnings is net interest income, which is the difference between the interest and fees earned on loans and investments and the interest paid for deposits and borrowed funds. The net interest margin is net interest income expressed as a percentage of average earning assets.

The annualized net interest margin was 4.50% for the three months ended March 31, 1999, compared to an annualized net interest margin of 4.61% for the three months ended March 31, 1998. The decrease resulted primarily from a decrease in loan interest rates and deposit interest rates not declining proportionately due to local competition. Earnings assets averaged \$314,829,000 for the three months ended March 31, 1999. This represented an increase of \$40,770,000 or 14.88%, over average earning assets of \$274,059,000 for the three months ended March 31, 1998. This increase in average earning assets was due to normal growth of the Corporation and not from any special program or promotion.

The net interest income figures above include income from the Corporation's securities. The following table shows the interest and fees and corresponding yields for loans only.

	For the Three Months Ended	
	March 31, 1999	March 31, 1998
Interest and Fees	\$ 4,669,473	\$ 4,436,654
Average Loans	\$211,930,929	\$195,454,670
Annualized Yield	8.92%	9.19%

CREDIT LOSS EXPERIENCE

The following table summarizes the Corporation's allowance for loan loss for the dates indicated:

	March 31, 1999	December 31, 1998	Amount of Increase (Decrease)	Percent of Increase (Decrease)
BALANCES:	-----	-----	-----	-----
Gross loans	\$218,081,536	\$213,972,111	\$4,109,425	1.92%
Allowance for loan losses	2,950,000	2,900,000	50,000	1.72%
Nonaccrual loans	525,000	649,000	(124,000)	19.11%
Ratios:				
Allowance for loan losses to gross loans	1.35%	1.36%		
Net loans charged off to allowance For loan losses	3.25%	22.28%		

The provision for loan losses was \$145,634 for the three months ended March 31, 1999. This is an increase of \$94,372 or 184.1%, over the \$51,262 for the three months ended March 31, 1998. Gross loans outstanding increased 8.5% from March 1998 to March 1999. For the three months ended March 31, 1999, losses charged to the allowance for loan losses totaled \$187,911. This was offset by recoveries of \$92,277, with the net effect being \$95,634 in loans charged to the allowance.

Management of the Corporation reviews with the Board of Directors the adequacy of the allowance for possible loan losses on a quarterly basis. The loan loss provision is adjusted when specific items reflect a need for such an adjustment. Management believes that there were no material loan losses during the last fiscal year that has not been charged off. Management also believes that the Corporation has adequately reserved for all credits in its portfolio which may result in a loss to the Corporation.

OTHER OPERATING INCOME

Other operating income includes service charges on deposit accounts, wire transfer fees, safe deposit box rentals and other revenue not derived from interest on earning assets. Other operating income for the three months ended March 31, 1999, increased 3.93% over the three months ended March 31, 1998. In periods of declining net interest margins, the Corporation has sought to increase the income derived from these sources and will continue to seek opportunities to do so.

OTHER OPERATING EXPENSE

Other expenses include salaries and employee benefits, occupancy and equipment, and other operating expenses. The continued growth of the Corporation has put pressure on Management to control overhead expenses. This desire to control overhead has resulted in a decrease in other operating expenses in the three months ended March 31, 1999 compared to the three months ended March 31, 1998 of \$98,720 or 4.97%. The Corporation's efficiency ratio at March 31, 1999 was 47.64%.

BALANCE SHEET ANALYSIS

	March 31, 1999	December 31, 1998	Amount of Increase (Decrease)	Percent of Increase (Decrease)
	-----	-----	-----	-----
Cash and Cash Equivalents	\$ 22,436,419	\$ 20,797,838	1,638,581	7.88%
Investment Securities	93,977,561	91,538,504	2,439,057	2.66%
Loans	212,566,279	195,778,485	16,787,794	8.57%
Total Assets	342,790,542	334,231,809	8,558,733	2.56%
Total Deposits	288,925,971	282,242,228	6,683,743	2.37%
Total Shareholders' Equity	36,453,838	35,455,309	998,529	2.81%

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of cash and federal funds sold. The decrease of 18.42% is partly because of an effort by the Corporation to reduce the float on cash letters sent to clearing banks. During this period federal funds sold were reduced to fund the strong loan demand and the increase in investment securities.

INVESTMENT SECURITIES

The investment securities are made up of U. S. Treasury Notes, U. S. Agency debentures, mortgage-backed securities, obligations of states, counties and municipal governments and Federal Home Loan Bank Stock. The increase of 2.66% was due to need for additional pledging for governmental deposit accounts and the desire to move surplus funds from the traditionally lower yielding federal funds sold into higher yielding investments.

LOANS

Loan demand remained strong in the service area of the Corporation as evidenced by the 8.57% increase in loans. Residential housing loans continue to be in demand along with commercial and industrial loans. No special loan programs were initiated during this period to add to this growth.

DEPOSITS

The following shows the balance and percentage change in the various deposits:

	March 31, 1999	December 31, 1998	Amount of Increase (Decrease)	Percent of Increase (Decrease)
	-----	-----	-----	-----
Noninterest-bearing Deposits	\$ 37,849,937	\$ 37,983,554	(133,617)	(.35%)
Interest-Bearing Deposits	76,541,438	68,391,505	8,149,933	11.92%
Savings	19,433,622	195,778,485	327,299	1.71%
Certificates of Deposit	155,100,974	156,760,846	(1,659,872)	1.06%
Total Deposits	\$288,925,971	\$282,242,228	\$ 6,683,743	2.37%
	=====	=====	=====	=====

The increase in deposits reflected in the above table is solely the result of normal deposit growth for the Corporation's service area. The Corporation does not have any brokered deposits. There were no special deposit programs or incentives in place during this period.

YEAR 2000

Management believes that the Corporation has been diligent in preparing for the possible consequences of the date change on January 1, 2000. As previously discussed herein, the Board has undertaken a diligent review of its operations and in management's opinion made the necessary adjustments. The Board approved a budget for the solutions of these potential problems in the amount of \$376,713. As of March 31, 1999, \$365,773 or 97.1% of this budget had been expended, and the Corporation's efforts were nearly 100% complete. The balance of this budget was due to certain savings over originally proposed costs, plus a portion of the budget was and is intended for continued advertisement and customer awareness programs. The Corporation has set a goal to have identified and corrected all potential Y2K problems by June 30, 1999.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material change in the Corporation's market risk since the end of the last fiscal year end of December 31, 1998.

OTHER INFORMATION

LEGAL PROCEEDINGS - None.

CHANGES IN SECURITIES - See discussions of items presented to and approved by the shareholders at the April 13, 1999 Annual Shareholders meeting, found under Item 11 herein..

DEFAULTS UPON SENIOR SECURITIES - None.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - See discussion of items presented to and approved by the shareholders at the April 13, 1999 Annual Shareholders meeting, found under Item 11 herein.

OTHER INFORMATION - None.

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, Mississippi (601) 656-4692	Loans Trust
Eastside Branch	585 East Main Street Philadelphia, Mississippi (601) 656-4976	Drive-up
Westside Branch	912 West Beacon Street Philadelphia, Mississippi (601) 656-4978	Loans 24 Hour Teller
Northside Branch	720 Pecan Avenue Philadelphia, Mississippi (601) 656-4977	24 Hour Teller
Pearl River Branch	Choctaw Shopping Center Philadelphia, Mississippi (601) 656-4971	Drive-up
Union Branch	Corner of Horne & Bank Philadelphia, Mississippi (601) 774-9231	Loans
Carthage Main Office	219 West Main Street Carthage, Mississippi (601) 267-4525	Loans
Crossroads Branch	Intersection of Hwys 35 & 16 Carthage, Mississippi (601) 267-4525	Drive-up
Madden Branch	Highway 488 Madden, Mississippi (601) 267-7366	Deposits

Sebastopol Branch	Main Street Sebastopol, Mississippi (601) 625-7447	Loans
DeKalb Branch	Corner of Main & Bell DeKalb, Mississippi (601) 743-2115	Loans
Kosciusko Branch	775 North Jackson Avenue Kosciusko, Mississippi (601) 289-4356	Loans 24-hour Teller
Scooba Branch	1048 Johnston Street Scooba, Mississippi (601) 476-8431	Loans
Meridian Office	1821 Hwy 39 North Meridian, Mississippi (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 STOCK

At April 13, 1999, the Corporation had three shareholders that were the beneficial owners of more than 5% of the common stock of the Corporation (the "Common Stock") and are listed below:

- (i) The Molpus Company
Philadelphia, Mississippi 39350
252,525 shares or 7.63%

NAME/ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----	PERCENT OF CLASS -----
Richard H. Molpus, Jr. 502 Valley View Drive Philadelphia, MS 39350	63,131.25	25%
Melanie Molpus Meyers same address as above	63,131.25	25%
Nancy Molpus Pace same address as above	63,131.25	25%
Dorothy Molpus Howorth same address as above	63,131.25	25%

(ii) Herbert A. King
Starkville, Mississippi
239,015 shares or 7.22%

(iii) George R. Mars
Philadelphia, Mississippi
194,210 shares or 5.8%

(b) SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth as of April 13, 1999 the number and percentage of Common Stock 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 April 13, 1999. 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 STOCK BENEFICIALLY OWNED -----	PERCENT OF CLASS -----
M. G. Bond	33,085	1.00%
Karl Brantley	10,160	.31
W. W. Dungan	140,140 (1)	4.24
Don Fulton	5,250	.16
Andy King	50,355 (2)	1.52
Herbert A. King	239,015 (3)	7.22
George R. Mars	194,210 (4)	5.87
William M. Mars	12,335 (5)	.37
David P. Webb	14,075 (7)	.43
J. Steve Webb	90,305 (7)	2.73
	-----	-----
All Directors and Executive Officers as a group (10 persons)	788,830 (8)	23.84
	-----	-----

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- (1) Includes 94,500 shares owned by Mr. Dungan's spouse.
 - (2) Includes 890 shares owned by Mr. King's spouse and 1,460 shares owned by his children.
 - (3) Includes 7,275 shares owned jointly by Mr. King's spouse, 42,920 owned by his children; also includes 147,260 shares held in trust for his children.
 - (4) Includes 20,000 shares owned by Mr. Mars' spouse and 20,000 owned by his child; also includes 45,795 shares owned by Mr. Mars' mother that he has authority to vote.
 - (5) Includes 3,285 shares owned by Mr. Mars' spouse.
 - (6) Includes 170 shares owned by Mr. Webb's spouse and 90,000 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) David P. Webb is the son of J. Steve Webb.
 - (8) Includes 7,275 shares owned jointly with or of record by others with Directors and Executive Officers; also includes 237,260 in various entities controlled by Directors and 45,745 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. As of April 13, 1999, the Directors serve on a staggered Board, of staggered three year terms. The 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, L.L.P.
Joe Steve Webb, 67	Director, Chairman, 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 1998. 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, President and CEO of the Corporation and the Bank	1998	\$130,000	\$30,000	\$22,741 (1)
	1997	\$125,000	\$25,000	(2)
	1996	\$115,062	\$20,000	(2)

- (1) Represents matching contributions of \$10,734 under The Citizens Bank Profit Sharing and Savings Plan (the 401-k plan), Directors fees in the amount of \$10,925, and includes the value of the use of a company automobile in the amount of \$1,082.
- (2) Information for previous years not required to be disclosed.

EMPLOYEES' LONG-TERM INCENTIVE PLAN

On April 13, 1999, the Corporation adopted 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, is available for grant under the Employees Plan, which shares are authorized but unissued shares, treasury shares or shares acquired on the open market. The only options granted during this fiscal year were to Steve Webb. See table below.

The Board of Directors will administer the Employees' Plan.

OPTION GRANTS UNDER EMPLOYEE PLAN DURING 1999 FISCAL YEAR

The following table presents information on the stock option grants that were made during fiscal year 1999 to the Executive Officers of the Corporation, pursuant to the Employee Plan. (Numbers of options and per share exercise prices have been adjusted to reflect the five for one (5:1) split that occurred January 1, 1999).

INDIVIDUAL GRANTS

	Number of Options Granted	% of Options Granted	Exercise Price	Expiration Date	Potential Realizable Value at Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
Steve Webb-Initial Grant	2,800	13.12%	10.72	01/01/09	9,233.04	20,579.30
Annual Grant	1,000	4.52%	11.02	04/14/09	3,134.11	6,949.09

- (1) The amounts in the table are not intended to forecast possible future appreciation, if any, of the Corporation's Common Stock. Actual gains, if any, are dependent upon the future market price of the Corporation's Common Stock and there can be no assurance that the amounts reflected in this table will be achieved. Furthermore, because there is no established market for the shares of Common Stock of the Corporation, there is no accurate market value to assign as of the date of grant.

AGGREGATED OPTION EXERCISES TO DATE

At the time of this application, no options have been exercised under the Employee Plan because no options are currently exercisable.

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.

DIRECTORS' STOCK COMPENSATION PLAN

On April 13, 1999, the Company adopted 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. All non-employee Directors are eligible to receive options under the Directors' Plan. 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 the Board of Directors effective as of January 1, 1999) were made available for grant under the Directors' Plan. Such shares are 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.

The Board of Directors will administer the Directors' Plan.

OPTION GRANTS UNDER THE DIRECTORS' PLAN DURING FISCAL YEAR 1999

Pursuant to the Directors' Plan, effective January 1, 1999, the Non-Employee Directors were compensated with the grant of certain options. For the years of service prior to January 1, 1999, options were granted at the rate of 100 per year of service, otherwise the grants were all on the same terms and conditions. On April 14, 1999, each Director was granted 1,000 options for the annual option grant provided for in the Directors' Plan. The Directors' Plan further provides that the options are first exercisable six months and one day from the date of grant and must be exercised no later than ten years from the date of grant. However, the options must be exercised within one year from the date of cessation of service as a director. If a Director ceases to serve as a member of the Board of Directors on account of Cause, Options granted hereunder which are unexercised as of the occurrence of such Cause shall be forfeited.

AGGREGATED OPTION EXERCISES TO DATE

At the time of this application, no options have been exercised under the Directors' Plan because no options are currently exercisable. The Initial Grant Options cannot be exercised earlier than July 2, 1999 and the Annual Grant Options cannot be exercised until October 15, 1999.

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 any of its property is subject.

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

MARKET PRICE

The Common Stock of the Corporation is fairly closely held and is not traded on a regular basis, therefore, there is no established market for the shares of common stock of the Corporation. According to the best knowledge of the management of the Corporation, there have been only 30 sales transactions in Common Stock since November 1996, at prices ranging from \$7 to \$12 per share, as adjusted for the 5:1 stock split effective January 1, 1999. Management has not verified the accuracy of the prices that have been reported. Because of the lack of active trading of the Common Stock, these prices do not necessarily reflect the prices at which the Common Stock would trade in an active market.

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

DIVIDENDS

The Corporation paid cash dividends totaling \$.17 per share in 1997 and \$.24 per share in 1998. 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.

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 common stock 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

As a result of a 5:1 stock split approved on October 27, 1998 and effective January 1, 1999, the Corporation's Amended Articles of Incorporation authorized the issuance of 3,750,000 shares of Common Stock, \$.20 par value, of which 3,308,750 shares were issued and outstanding at April 13, 1999. However, at the April 13, 1999 Annual Shareholders Meeting, the Shareholders voted to increase the number of authorized shares to 15,000,000. Therefore, as of April 14, 1999, 15,000,000 shares were authorized and 3,308,750 were issued and outstanding.

The remaining authorized but unissued Shares of Common Stock 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 Shares of Common Stock 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.

COMMON STOCK

VOTING RIGHTS

Except for (a) supermajority votes required to approve certain business combinations and certain other specific 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 cumulative voting.

DIVIDEND RIGHTS

The holders of shares of Common Stock 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. BUSINESS -- "Supervision and Regulation," and Item 9, MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS -- "Dividends."

LIQUIDATION

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

OTHER MATTERS

Holders of the Common Stock 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 Stock. All outstanding Shares of Common Stock 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 Stock.

STAGGERED BOARD OF DIRECTORS; FILLING VACANCIES ON THE BOARD OF DIRECTORS

The Corporation's Bylaws and Articles of Incorporation, both as amended, provide for a staggered Board of Directors. Under this staggered Board of Directors, the Board of Directors are divided into three classes of directors serving staggered three-year terms.

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. 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 holders of 75% of the voting power of the Corporation's voting stock have the power to remove directors, but only the shareholders voting at the next annual meeting of shareholders have the power to fill the vacancies created by such removal.

Pursuant to shareholder action at the Annual Shareholder meeting held on April 13, 1999, any future amendment, repeal, or attempted adoption of any provision inconsistent with the above provisions shall require the affirmative vote of the holders of at least 75% of the voting power of the Corporation's voting stock.

ADOPTION OF THE MISSISSIPPI CONTROLLED SHARE ACT

The Corporation has elected, effective May 1, 1999, to be governed by 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.

Pursuant to shareholder action at the Annual Shareholder meeting held on April 13, 1999, any future amendment, repeal, or attempted adoption of any provision inconsistent with the Mississippi Controlled Share Act shall require the affirmative vote of the holders of at least 75% of the voting power of the Corporation's voting stock.

SHAREHOLDERS RIGHTS AGREEMENT

On April 13, 1999, the Shareholders of the Corporation adopted a Shareholder 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 shareholder 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.

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

The Consolidated Financial Statements and Supplementary Information for years ended December 31, 1996, 1997 and 1998, identified in Item 15(a), and attached immediately after the Exhibit List, are hereby filed as part of this Form 10, and consist of the following:

- (i) Independent Auditor's Report
- (ii) Consolidated Statements of Financial Condition
- (iii) Consolidated Statements of Income
- (iv) Consolidated Statements of Comprehensive Income
- (v) Consolidated Statements of Changes in Shareholders' Equity
- (vi) Consolidated Statements of Cash Flows
- (vii) Notes to Consolidated Financial Statements

The Interim Unaudited Financial Statements and Supplementary Information for the quarter ended March 31, 1999, included under 2B of Item 2 hereof are also filed as part of this Form 10 and consist of the following:

- (i) Consolidated Financial Statements
- (ii) Unaudited Consolidated Balance Sheets
March 31, 1999 and December 31, 1998

- (iii) Unaudited Consolidated Statements of Income
Three months ended March 31, 1999 and 1998
- (iv) Unaudited Consolidated Statements of Comprehensive Income
Three months ended March 31, 1999 and 1998
- (v) Unaudited Consolidated Statements of Cash Flows
Three months ended March 31, 1999 and 1998
- (vi) Notes to Unaudited Consolidated Financial Statements

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

A. T. Williams, CPA ("Williams"), the Corporation's prior accountant, indicated in late December of 1998 that because the Corporation is seeking to register its Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended, he would no longer be able to stand as the Corporation's accountant. A copy of Williams' letter is attached to this filing as Exhibit 16. Therefore, the Board of Directors, after reviewing proposals from several accounting firms, selected The Horne Group as the new accountant for the Corporation. The Horne Group was responsible for preparing the audited financial statements of the Corporation for the year ending December 31, 1998.

The Horne Group's reports on the financial statement of the Corporation for the year ending December 31, 1998 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 The Horne Group and the Corporation during the 1998 calendar year, or during any subsequent interim period during 1999.

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.

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, and are attached immediately after the Exhibit List:

Consolidated Financial Statements and Supplementary Information for years ended December 31, 1996, 1997 and 1998, which include the following:

- (i) Independent Auditor's Report
- (ii) Consolidated Statements of Financial Condition
- (iii) Consolidated Statements of Income
- (iv) Consolidated Statements of Comprehensive Income
- (v) Consolidated Statements of Changes in Shareholders' Equity
- (vi) Consolidated Statements of Cash Flows
- (vii) Notes to Consolidated Financial Statements

Included under 2B of Item 2 are Interim Unaudited Consolidated Financial Statements and Supplementary Information for the quarter ended March 31, 1999, which include the following:

- (i) Unaudited Consolidated Balance Sheets
March 31, 1999 and December 31, 1998
- (ii) Unaudited Consolidated Statements of Income
Three months ended March 31, 1999 and 1998
- (iii) Unaudited Consolidated Statements of Comprehensive Income
Three months ended March 31, 1999 and 1998
- (iv) Unaudited Consolidated Statements of Cash Flows
Three months ended March 31, 1999 and 1998
- (v) Notes to Unaudited Consolidated Financial Statements

(b) Exhibits filed as part of this Form 10

The following Exhibits are hereby filed as part of this Form 10:

- 3(i) Amended Articles of Incorporation of the Corporation

3(ii)	Amended and Restated Bylaws of the Corporation
4	Rights Agreement between Citizens Holding Company and The Citizens Bank of Philadelphia, Mississippi
10	Directors' Deferred Compensation Plan - Form of Agreement
10(a)	Citizens Holding Company 1999 Directors' Stock Compensation Plan
10(b)	Citizens Holding Company 1999 Employees' Long-Term Incentive Plan
16	CPA Letter
21	Subsidiaries of Registrant
27	Financial Data Schedule
(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 18th day of June, 1999.

CITIZENS HOLDING COMPANY

BY: /S/STEVE WEBB

STEVE WEBB, CHAIRMAN, PRESIDENT AND CHIEF
EXECUTIVE OFFICER

EXHIBIT INDEX

EXHIBIT NUMBER:

DESCRIPTION:

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16.	CPA Letter
21	Subsidiaries of Registrant
27	Financial Data Schedule

CITIZENS HOLDING COMPANY
AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 1998, 1997 and 1996

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Citizens Holding Company
Philadelphia, Mississippi

We have audited the accompanying consolidated balance sheets of Citizens Holding Company and Subsidiary as of December 31, 1998, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated balance sheet of Citizens Holding Company and Subsidiary at December 31, 1997 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years ended December 31, 1997 and 1996 were audited by other auditors whose report, dated July 2, 1998, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1998 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Holding Company and Subsidiary as of December 31, 1998 and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

Jackson, Mississippi
February 26, 1999

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 1998 and 1997

	1998	1997
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Cash and due from banks	\$ 15,234,594	\$ 10,025,883
Interest bearing deposits with other banks	1,063,244	147,441
Federal funds sold	4,500,000	5,500,000
Securities Available for Sale, at Fair Value (amortized cost of \$90,079,947 in 1998, and \$66,328,556 in 1997)	91,538,504	67,292,272
Loans, net of allowance for loan losses of \$2,900,000 in 1998 and \$2,700,000 in 1997	208,449,416	191,604,716
Bank premises, furniture, fixtures and equipment, net	4,433,652	4,250,819
Real estate acquired by foreclosure	57,094	9,920
Accrued interest receivable	3,697,109	3,153,868
Cash value of life insurance	2,516,361	2,217,613
Goodwill (net)	716,862	783,870
Other assets	2,024,973	1,647,599
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total Assets	\$ 334,231,809	\$ 286,634,001
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand deposits	\$ 37,983,554	\$ 35,526,426
Interest bearing NOW and money market accounts	68,391,505	56,904,291
Interest bearing time deposits	156,760,846	139,364,724
Interest bearing savings deposits	19,106,323	17,188,104
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total deposits	282,242,228	248,983,545
Federal funds purchased	10,000,000	-
Accrued interest payable	1,274,059	1,316,057
Income taxes payable - current	-	34,029
Directors deferred compensation payable	718,868	630,311
Treasury tax & loan	700,000	700,000
ABE loans	2,416,327	2,488,319
Other Liabilities	225,389	155,507
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total Liabilities	297,576,871	254,307,768
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Minority interest	1,199,628	1,105,752
Stockholders' Equity		
Common stock, \$1 par value, authorized 750,000 shares; 670,750 shares issued	670,750	670,750
Additional paid in capital	3,353,127	3,353,127
Accumulated other comprehensive income, net of income taxes of \$495,909 in 1998 and \$327,663 in 1997	929,885	613,392
Retained earnings	30,740,948	26,822,612
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	35,694,710	31,459,881
Less cost of treasury stock - 9,000 shares in 1998 and 1997	(239,400)	(239,400)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total Stockholders' Equity	35,455,310	31,220,481
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total Liabilities and Stockholders' Equity	\$ 334,231,809	\$ 286,634,001
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

See accompanying notes.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Income
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
<hr/>			
Interest Income			
Loans	\$ 18,305,619	\$ 17,104,693	\$ 15,341,060
Investment securities			
Taxable	4,212,634	4,034,214	4,274,824
Non-taxable	418,787	238,050	323,318
Other	614,469	129,141	315,304
Total Interest Income	<hr/> 23,551,509	<hr/> 21,506,098	<hr/> 20,254,506
<hr/>			
Interest Expense			
Deposits	10,397,077	9,659,139	8,679,540
Other borrowed funds	463,051	333	4,257
Total Interest Expense	<hr/> 10,860,128	<hr/> 9,659,472	<hr/> 8,683,797
<hr/>			
Net Interest Income	12,691,381	11,846,626	11,570,709
Provision for loan losses	(846,466)	(740,309)	(790,761)
Net interest income after provision for loan losses	<hr/> 11,844,915	<hr/> 11,106,317	<hr/> 10,779,948
<hr/>			
Non-Interest Income			
Service charges on deposit accounts	2,177,631	1,933,769	1,788,211
Other service charges and fees	427,008	263,137	254,985
Other income	716,011	793,220	642,873
Total Non-Interest Income	<hr/> 3,320,650	<hr/> 2,990,126	<hr/> 2,686,069
<hr/>			
Non-Interest Expense			
Salaries and employee benefits	4,663,908	4,027,335	3,875,368
Occupancy expense	533,091	339,234	327,670
Equipment expense	693,107	626,165	514,206
Net bond losses	18,941	116,859	47,382
Earnings applicable to minority	163,662	165,121	160,995
Other expense	1,893,738	1,771,461	1,739,181
Total Non-Interest Expense	<hr/> 7,966,447	<hr/> 7,046,175	<hr/> 6,664,801
<hr/>			
Income Before Income Taxes	7,199,118	7,050,269	6,801,216
Income tax expense	2,486,682	2,560,695	2,407,001
Net Income	<hr/> \$ 4,712,436	<hr/> \$ 4,489,573	<hr/> \$ 4,394,216
<hr/>			
Net income per share of common stock	\$ 1.42	\$ 1.36	\$ 1.33
<hr/>			
Average shares outstanding	3,308,750	3,308,750	3,308,750

See accompanying notes.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
 Consolidated Statements of Comprehensive Income
 Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Net Income	\$ 4,712,436	\$ 4,489,573	\$ 4,394,216
Other comprehensive income, net of tax			
Unrealized holding gains (losses) during period	297,552	418,185	(45,206)
Less reclassification adjustment for gains included in net income	(18,941)	(116,849)	(47,382)
	316,493	535,034	2,176
Comprehensive Income	\$ 5,028,929	\$ 5,024,607	\$ 4,396,392

See accompanying notes.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Cash Flows from Operating Activities			
Net Income	\$ 4,712,436	\$ 4,489,573	\$ 4,394,216
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	450,039	402,071	366,170
Amortization of goodwill	67,008	67,008	67,008
Amortization of premiums and accretion of discounts on investment securities	(46,683)	(106,504)	(72,776)
Provision for loan losses	846,466	740,309	790,761
Investment securities losses	18,940	116,859	47,382
Gain on sale of land	-	-	(55,000)
Deferred income tax benefit	(113,214)	(117,793)	(215,067)
Net earnings applicable to minority interest	93,876	142,120	135,903
(Increase) decrease in real estate acquired by foreclosure	(47,174)	122,306	84,941
Increase in accrued interest receivable	(543,241)	(264,105)	(188,474)
Increase in cash value of life insurance	(298,748)	(309,709)	(291,856)
Increase in other assets	(439,529)	(491,427)	(227,152)
Increase (decrease) in income taxes payable	(34,029)	(132,429)	303,308
Increase (decrease) in accrued interest payable	(41,998)	189,296	23,641
Increase in directors deferred compensation	88,557	64,304	73,106
Increase in other liabilities	69,882	13,275	24,273
Net Cash Provided By Operating Activities	4,782,588	4,925,154	5,260,384
Cash Flows from Investing Activities			
Proceed from maturities of securities available-for-sale	18,965,865	11,911,072	20,586,470
Proceed from sales of securities available-for-sale	11,812,981	23,211,856	5,620,828
Purchases of investment securities	(54,505,473)	(29,112,960)	(22,628,459)
Proceeds from sale of land			80,000
Purchases of bank premises, furniture, fixtures and equipment	(632,872)	(873,137)	(457,959)
Increase in interest bearing deposits with other banks	(915,803)	(114,017)	(6,207)
Net (increase) decrease in federal funds sold	1,000,000	(5,400,000)	9,350,000
Net decrease in loans	(17,691,166)	(15,078,380)	(22,329,428)
Net Cash Used By Investing Activities	(41,966,468)	(15,455,566)	(9,784,755)
Cash Flows from Financing Activities			
Net increase (decrease) in federal funds purchased	10,000,000	(8,800,000)	8,800,000
Net increase (decrease) in deposits	33,258,683	19,540,826	(9,234,663)
Net increase (decrease) in ABE Loans	(71,992)	226,740	1,284,225
Dividends paid to stockholders	(794,100)	(562,487)	(496,313)
Redeemed debentures	-	(32,696)	(32,695)
Net Cash Provided By Financing Activities	42,392,591	10,372,383	320,554
Net Increase (Decrease) in Cash and Due from Banks	5,208,711	(158,029)	(4,203,817)
Cash and due from banks, beginning of year	10,025,883	10,183,912	14,387,729
Cash and due from banks, end of year	\$ 15,234,594	\$ 10,025,883	\$ 10,183,912
Supplemental Disclosures of Cash Flow Information			
Cash Paid for			
Interest	\$ 10,902,126	\$ 9,470,176	\$ 8,660,156
Income taxes	\$ 2,647,655	\$ 2,810,917	\$ 2,317,212
Supplemental Schedule of Noncash Activities			
Unrealized gain on securities available for sale	\$ 494,841	\$ 840,556	\$ 3,081
Decrease in deferred income tax asset on unrealized gain on securities	\$ (168,246)	\$ (285,790)	\$ (1,047)
Minority interest on unrealized (gain) loss on securities	\$ (10,102)	\$ (19,732)	\$ 142

See accompanying notes.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 1998, 1997 and 1996

	NUMBER OF SHARES ISSUED	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	TREASURY STOCK	TOTAL
Balance at December 31, 1995	639,248	\$ 639,248	\$ 3,353,127	\$ 76,182	\$ 19,029,125	\$ (239,400)	\$ 22,858,282
Net income	-	-	-	-	4,394,216	-	4,394,216
Stock dividend	31,502	31,502	-	-	(31,502)	-	-
Dividends paid	-	-	-	-	(496,313)	-	(496,313)
Other comprehensive income	-	-	-	2,176	-	-	2,176
Balance, December 31, 1996	670,750	670,750	3,353,127	78,358	22,895,526	(239,400)	26,758,361
Net income	-	-	-	-	4,489,573	-	4,489,573
Dividends paid	-	-	-	-	(562,487)	-	(562,487)
Other comprehensive income	-	-	-	535,034	-	-	535,034
Balance, December 31, 1997	670,750	670,750	3,353,127	613,392	26,822,612	(239,400)	31,220,481
Net income	-	-	-	-	4,712,436	-	4,712,436
Dividends paid	-	-	-	-	(794,100)	-	(794,100)
Other comprehensive income	-	-	-	316,493	-	-	316,493
Balance, December 31, 1998	670,750	\$ 670,750	\$ 3,353,127	\$ 929,885	\$ 30,740,948	\$ (239,400)	\$ 35,455,310

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accounting policies of Citizens Holding Company and Subsidiary conform to generally accepted accounting principles and to general practices within the banking industry. At December 31, 1998, 1997 and 1996, the consolidated financial statements of Citizens Holding Company include the accounts of its 96.59% owned subsidiary, The Citizens Bank (collectively referred to as "the Company"). All significant intercompany transactions have been eliminated in consolidation.

Nature of Business

Citizens Bank operates under a state bank charter and provides general banking services. As a state bank, the bank is subject to regulations of the Mississippi Department of Banking and Consumer finance and the Federal Deposit Insurance Corporation. Citizens Holding Company is subject to the regulations of the Federal Reserve. The area served by Citizens Bank is Neshoba County, Mississippi, and the immediately surrounding areas. Services are provided at several branch offices.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of financial instruments' fair values, as well as the methodology and significant assumptions used in estimating fair values. These requirements have been incorporated throughout the notes to the consolidated financial statements. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Statement No. 107 excludes certain financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation and may not be indicative of amounts that might ultimately be realized upon disposition or settlement of those assets and liabilities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CONTINUED

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

A portion of the Company's loan portfolio consists of loans secured by residential property in the East Central Mississippi area. The regional economy depends heavily on light industry, agriculture and the gambling industry. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio and the recovery of a substantial portion of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and foreclosed real estate may change materially in the near term.

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.

Cash and Due from Banks

Cash and due from banks consist of cash on hand, demand deposits with banks, and time deposits maturing within three months. Cash flows from loans originated by the Bank, deposits, and federal funds purchased and sold are reported at net in the statement of cash flows.

Securities Available-for-Sale

Securities available-for-sale are reported at fair value with unrealized gains and losses net of income taxes, reported as other comprehensive income. Fair values for 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. Gains or losses on the sale of securities are determined using the specific identification method. The bank classifies its portfolio of U.S. Treasury notes, U.S. Government and Agency securities, taxable state and municipal obligations, and mortgage-backed securities as securities available for sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CONTINUED

Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. The amortization of premiums and accretion of discounts are recognized in interest income, using the interest method.

Loans and Allowances for Loan Losses

Loans are reported at the principal amount outstanding, net of unearned discounts and unearned finance charges. Unearned discounts on installment loans are recognized as income over the terms of the loans by a method which approximates the interest method. Unearned finance charges and interest on commercial loans are recognized based on the principal amount outstanding.

The allowance for loan losses is established through a provision for loan losses. The allowance represents an amount, which, in management's judgment, will be adequate to absorb probable losses on existing loans that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectibility of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrowers' ability to pay, overall portfolio quality, and a review of specific problem loans.

The Bank generally discontinues the accrual of interest income when a loan becomes 90 days past due as to principal or interest; however, management may elect to continue the accrual when the estimated net realizable value of collateral is sufficient to cover the principal balance and the accrued interest. Interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Any unpaid interest previously accrued on nonaccrual loans is reversed from income to charges to the allowance for loan losses. Interest income, generally, is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received.

The fair values of loans, as disclosed in Note 16, are estimated for portfolios of loans with similar financial characteristics. The fair values of certain mortgage loans, such as one-to-four family residential properties, are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values of other types of loans are estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CONTINUED

Bank Premises, Furniture, Fixtures, and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation computed on the straight-line basis for buildings and on an accelerated method for fixtures and equipment.

Real Estate Acquired by Foreclosure

Real estate acquired by foreclosure consists of properties repossessed by the Company on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value based on appraised value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses; declines in value resulting from subsequent reappraisals or losses resulting from disposition of such property are expensed.

Deposits

The fair values of deposits with no stated maturity, such as noninterest-bearing demand deposits, NOW accounts, MMDA products and savings accounts are, by definition, equal to the amount payable on demand. This amount is commonly referred to as the carrying value. Fair values for certificates of deposit approximates carrying value.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of nontaxable income such as interest on state and municipal securities) and deferred taxes on temporary differences between the amount of taxable and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax asset and liabilities are expected to be realized or settled as described in FASB Statement No. 109, "Accounting for Income Taxes". As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision of income taxes.

The Company and its subsidiary file a consolidated Federal income tax return. Its subsidiary provides for income taxes on a separate return basis, and remits to the Company amounts determined to be currently payable.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CONTINUED

Net Income Per Share

Net income per share of common stock is computed by dividing net income by the weighted average number of common shares outstanding during the period. The weighted average number of shares outstanding was 3,308,750 for each of the years ended December 31, 1998, 1997 and 1996, respectively.

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 an estimated useful life of fifteen years.

Investment - Insurance Company

The Company is accounting for its investment in New South Life Insurance Company, a 20% owned affiliate, by the equity method of accounting. The Company's share of the net income of the affiliate is recognized as income in the Company's income statement and added to the investment account, and dividends received from the affiliate are treated as a reduction of the investment account.

The fiscal year of New South Life Insurance Company ends on November 30 and the Company follows the practice of recognizing the net income of the affiliate on that basis.

The investment, which is included in other assets, totaled \$895,443 and \$705,432 at December 31, 1998 and 1997, respectively. Income from the investment for the years ended December 31, 1998, 1997 and 1996 included in other income totaled \$190,011, \$176,114 and \$142,943, respectively.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. 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:

1998				
AVAILABLE-FOR-SALE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Direct	\$ 36,837,158	\$ 1,042,087	\$ 110	\$ 37,879,135
U.S. Agency	15,637,483	119,048	-	15,756,531
Mortgage backed securities	23,424,118	161,449	29,365	23,556,202
State, County and Municipals	13,262,688	201,894	36,446	13,428,136
Federal Home Loan Bank Stock	918,500	-	-	918,500
	\$ 90,079,947	\$ 1,524,478	\$ 65,921	\$ 91,538,504

1997				
AVAILABLE-FOR-SALE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Direct	\$ 30,752,250	\$ 592,665	\$ 50	\$ 31,344,865
U.S. Agency	15,198,263	78,290	15,881	15,260,672
Mortgage backed securities	14,111,650	234,961	10,209	14,336,402
State, County and Municipals	4,755,893	105,710	21,770	4,839,833
Federal Home Loan Bank Stock	1,510,500	-	-	1,510,500
	\$ 66,328,556	\$ 1,011,626	\$ 47,910	\$ 67,292,272

U. S. Government and municipal securities with a carrying amount of \$72,253,231 (market value \$73,659,355) at December 31, 1998, and \$61,301,916 (market value \$61,301,916) at December 31, 1997 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:

	1998	1997	1996
Gross realized gains	\$ 3,408	\$ 51,990	\$ -
Gross realized losses	(22,349)	(168,849)	(47,382)
	\$ (18,941)	\$ (116,859)	\$ (47,382)

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. CONTINUED

The carrying amounts and fair values of the maturities of investment securities at December 31, 1998 were as follows:

	CARRYING AMOUNT	FAIR VALUE
Due in one year or less	\$ 24,341,068	\$ 24,523,898
Due in one to five years	48,285,982	49,484,997
Due from five to ten years	9,010,667	9,106,202
Due after ten years	8,442,230	8,423,408
	<u>\$ 90,079,947</u>	<u>\$ 91,538,504</u>

The amortized cost and fair value of mortgaged-backed securities are presented by contractual maturity in the preceding table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

NOTE 3. LOANS

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

	1998 CARRYING AMOUNT	1997 CARRYING AMOUNT
Commercial, financial and agricultural	\$ 98,956,147	\$ 90,690,515
Real estate - construction	6,644,663	4,533,188
Real estate - mortgage	58,637,604	54,119,088
Consumer	49,733,697	47,465,549
	<u>213,972,111</u>	<u>196,808,340</u>
Unearned discount	(2,622,695)	(2,503,626)
Allowance for loan losses	(2,900,000)	(2,700,000)
Loans, net	<u>\$ 208,449,416</u>	<u>\$ 191,604,716</u>

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

	1998	1997
Balance at January 1	\$ 2,700,000	\$ 2,500,000
Recoveries on loans previously charged-off	233,278	247,689
Loans charged-off	(879,744)	(787,998)
Provision charged to expense	846,466	740,309
Balance at December 31,	<u>\$ 2,900,000</u>	<u>\$ 2,700,000</u>

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. CONTINUED

Loans on nonaccrual status amounted to approximately \$649,353, \$344,000 and \$215,241 at December 31, 1998, 1997 and 1996, respectively. The effect of such loans was to reduce net income by approximately \$135,049, \$32,305 and \$21,261 in 1998, 1997 and 1996, respectively. No loans have been recognized as impaired in conformity with FASB Statement 114 for 1998 and 1997.

NOTE 4. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

Components of premises, furniture, fixtures and equipment included in the consolidated balance sheets at December 31, 1998, 1997 and 1996 were as follows:

	1998	1997

Cost		
Land	\$ 746,968	\$ 746,968
Buildings	5,498,898	5,357,170
Furniture & equipment	4,129,692	3,638,547
	-----	-----
Total cost	10,375,558	9,742,685
Less accumulated depreciation	5,941,906	5,491,866
	-----	-----
Bank premises, furniture, fixtures and equipment, net	\$ 4,433,652	\$ 4,250,819
	=====	=====

Depreciation expense amounted to \$450,039, \$402,071 and \$366,170 for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 5. INCOME TAXES

The consolidated provision for income taxes consisted of the following:

	1998	1997

Currently payable		
Federal	\$ 2,370,478	\$ 2,422,779
State	229,418	255,709
	-----	-----
2,599,896	2,678,488	
Deferred federal (benefit)	(113,214)	(117,793)
	-----	-----
Total income tax expense	\$ 2,486,682	\$ 2,560,695
	=====	=====

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. CONTINUED

The differences between the federal statutory rate and the effective tax rates for 1998, 1997 and 1996 were as follows:

	1998	1997	1996
Federal tax based on statutory rate	\$ 2,447,700	\$ 2,310,150	\$ 2,218,167
State income tax	151,416	255,708	277,195
Change due to:			
Tax exempt investment interest	(146,507)	(82,050)	(113,676)
Minority interest	46,424	56,141	54,738
Other, net	(12,351)	20,745	(29,424)
Income taxes	<u>\$ 2,486,682</u>	<u>\$ 2,560,695</u>	<u>\$ 2,407,000</u>

The net deferred tax asset at December 31 consisted of the following:

	1998	1997
Allowance for loan losses	\$ 763,493	\$ 635,139
Deferred compensation liability	244,415	214,306
Other real estate	7,401	5,510
Investment securities basis	(141,037)	(94,910)
Unrealized gain or loss on available for sale securities	(495,909)	(327,663)
	<u>\$ 378,363</u>	<u>\$ 432,382</u>

The net deferred tax assets is included in other assets. A valuation allowance was not considered necessary at December 31, 1998 and 1997.

NOTE 6. DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of \$100,000, was approximately \$59,600,591 and \$44,823,621 in 1998 and 1997, respectively.

At December 31, 1998, the scheduled maturities of time deposits are were follows:

1999	\$ 142,285,782
2000	10,260,749
2001	4,056,182
2003	158,133
	<u>\$ 156,760,846</u>

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. INVESTMENT IN NEW SOUTH LIFE INSURANCE COMPANY

Condensed financial information of New South Life Insurance Company as of November 30, 1998 and 1997 and for the years ended November 30, 1998, 1997 and 1996 was as follows:

	1998	1997
Assets		
Cash	\$ 358,153	\$ 254,246
Investments	4,846,909	4,309,958
Deferred acquisition costs	781,928	556,062
Other assets	835	77,334
Total assets	\$ 5,987,825	\$ 5,197,600
Liabilities and Stockholders' Equity		
Unearned premium reserves	\$ 1,885,097	\$ 1,916,933
Claims liability	135,613	192,456
Income taxes payable	139,678	84,182
Other liabilities	48,617	18,366
	2,209,005	2,211,937
Common stock	250,000	250,000
Preferred stock	400,000	400,000
Paid-in capital	600,000	600,000
Retained earnings	2,528,820	1,735,663
	3,778,820	2,985,663
Total liabilities and stockholders' equity	\$ 5,987,825	\$ 5,197,600

	1998	1997	1996
Income			
Insurance premiums earned	\$ 358,633	\$ 1,402,455	\$ 1,255,656
Investment income	69,870	227,066	201,283
Total income	428,503	1,629,521	1,456,939
Expenses			
Claims incurred	13,030	311,134	268,177
Commissions and service fees incurred	165,619	466,469	433,156
Other expenses	15,266	63,999	43,774
Income taxes	50,436	166,300	249,124
Total expenses	244,351	1,007,902	994,231
Net income	\$ 184,152	\$ 621,619	\$ 462,708

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. SUMMARIZED FINANCIAL INFORMATION OF CITIZENS HOLDING COMPANY

Summarized financial information of Citizens Holding Company, parent company only, at December 31, 1998, 1997 and 1996, was as follows:

Balance Sheets
December 31, 1998, 1997 and 1996

	1998	1997	1996
Assets			
Cash	\$ 278,156	\$ 199,029	\$ 256,539
Investment securities available-for-sale	1,308,605	1,201,250	1,047,992
Investment in bank subsidiary	33,975,863	29,882,806	25,508,774
Other assets	21,235	24,737	20,789
Total assets	\$ 35,583,859	\$ 31,307,822	\$26,834,094
Liabilities			
Income taxes payable - current	\$ 50,424	\$ 66,820	\$ 23,038
Other liabilities	78,126	20,521	52,695
	128,550	87,341	75,733
Stockholders' Equity	35,455,309	31,220,481	26,758,361
Total liabilities and stockholders' equity	\$ 35,583,859	\$ 31,307,822	\$26,834,094

Income Statements
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Interest income Assets	\$ 88,827	\$ 81,086	\$ 58,500
Interest expense	1,151	333	4,257
Net interest income	87,676	80,753	54,243
Other income			
Other	114,201	31,504	34,827
Equity in undistributed earnings of subsidiary	4,634,119	4,462,364	4,350,859
Total other income	4,748,320	4,493,868	4,385,686
Other expense	77,138	18,228	22,676
Income before income taxes	4,758,858	4,556,393	4,417,253
Income tax benefit	46,423	66,820	23,038
Net income	\$ 4,712,435	\$ 4,489,573	\$ 4,394,215

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. CONTINUED

Statements of Cash Flows
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Cash Flows from Operating Activities			
Net income	\$ 4,712,435	\$ 4,489,573	\$ 4,394,215
Adjustments to reconcile net income to net cash provided by operating activities			
(Increase) decrease in other assets	3,502	(3,948)	18,892
Increase (decrease) in income taxes payable	(16,396)	43,782	5,594
Increase (decrease) in other liabilities	57,605	(32,174)	(28,122)
Net cash provided by operating activities	4,757,146	4,497,233	4,390,579
Cash Flows from Investing Activities			
Increase in investment securities available for sale	209,138	381,777	(137,012)
Increase in investment in bank subsidiary	(4,093,057)	(4,374,032)	(3,668,916)
Net cash used by operative activities	(3,883,919)	(3,992,255)	(3,805,928)
Cash Flows from Financing Activities			
Dividends paid to stockholders	(794,100)	(562,488)	(496,313)
Net increase or (decrease) in cash	79,127	(57,510)	88,338
Cash, beginning of year	199,029	256,539	168,201
Cash, end of year	\$ 278,156	\$ 199,029	\$ 256,539

NOTE 9. LEASES

The Bank leases computer equipment and some branch facilities under operating leases. Rent expense was \$43,767, \$43,611 and \$36,430 for 1998, 1997 and 1996, respectively. At December 31, 1998, the future minimum lease commitments for leases which have terms in excess of 1 year are:

1999 \$ 9,250

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. 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, 1998, 1997 and 1996, these loans totaled \$2,412,957 and \$2,254,333, respectively. During 1998, new loans to such related parties amounted to \$844,720 and repayments amounted to \$734,211. The Bank has received commissions related to credit life insurance for the years ending December 31, 1998, 1997 and 1996 totaling \$108,382, \$61,686 and \$45,174, respectively.

NOTE 11. 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.

The Bank's contributions to the profit sharing plan in 1998, 1997 and 1996, respectively, totaled \$238,104, \$217,932 and \$196,675.

NOTE 12. 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 3. 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.

NOTE 13. 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, 1998, 1997 and 1996, a summary of such commitments and contingent liabilities is as follows:

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. CONTINUED

	1998	1997	1996
Commitments to extend credit	\$ 20,702,966	\$ 16,283,342	\$ 11,836,931
Letters of credit	290,025	362,000	1,134,132
	\$ 20,992,991	\$ 16,645,342	\$ 12,971,063

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 1998, 1997 or 1996.

NOTE 14. 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, 1998, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 1998, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as "well 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
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. CONTINUED

The Bank's (rounded to the nearest thousand) 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, 1998						
Total Capital						
(to Risk-Weighted Assets)	\$ 37,606,000	18.13%	\$ 16,595,000	8.0%	\$ 20,744,000	10.0%
Tier I Capital						
(to Risk-Weighted Assets)	\$ 35,009,000	16.88%	\$ 8,297,000	4.0%	\$ 12,446,000	6.0%
Tier I Capital						
(to average Assets)	\$ 35,009,000	10.61%	\$ 13,204,000	4.0%	\$ 16,504,000	5.0%

NOTE 15. 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, 1998		DECEMBER 31, 1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets				
Cash and due from banks	\$ 15,234,594	\$ 15,234,594	\$ 10,025,883	\$ 10,025,883
Interest bearing				
deposits with banks	1,063,244	1,063,244	147,441	147,441
Federal Funds Sold	4,500,000	4,500,000	5,500,000	5,500,000
Securities available for sale	91,538,504	91,538,504	67,292,272	67,292,272
Loans receivable	208,449,416	209,080,983	191,604,716	191,316,224
Accrued interest receivable	3,697,109	3,697,109	3,153,868	3,153,866
Financial Liabilities				
Deposits	282,942,228	28,942,228	249,683,545	249,683,545
Federal funds purchased	10,000,000	10,000,000	-	-
ABE loans	2,416,327	2,416,327	2,488,319	2,488,319
Off Balance Sheet				
Instruments				
Commitments to extend credit		-		-
Letters of Credit		2,900		3,620

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. CONTINUED

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.

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 fees currently charged to enter into similar agreements.

NOTE 16. YEAR 2000 ISSUE

The Company is conducting a comprehensive review of its computer systems to identify the systems that could be affected by the Year 2000 Issue, and is developing an implementation plan to resolve the Issue.

The Issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail or miscalculate. The Company is heavily dependent on computer processing that is date-sensitive in the conduct of its business activities.

Based on the review of the computer systems, management does not believe the cost of remediation will be material to the Company's financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Years Ended December 31, 1998, 1997 and 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. COMMON STOCK SPLIT

On January 1, 1999, the Company reduced the par value of its common stock from \$1 per share to \$.20 per share and issued the 2,647,000 additional shares necessary to effect a 5-for-1 common stock split. The earnings per common share for the years ended December 31, 1998, 1997 and 1996 have been retroactively adjusted for this split as if it occurred on January 1, 1996.

NOTE 18. NEW ACCOUNTING PRONOUNCEMENT ADOPTED

The Financial Accounting Standards Board issued Statement No. 130 which requires the reporting and display of comprehensive income and its components in the financial statements. The statement requires that an enterprise (1) classify items of other comprehensive income by their nature in the financial statements and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. The Company adopted Statement No. 130 during the current year.

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

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

NESHOPA 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

NESHOPA 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
NESHOPA 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 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 26th day of January 1983.

/s/ EDWIN LLOYD PITTMAN

SECRETARY OF STATE.

EXHIBIT A

(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 the 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 "None".)	Number of Shares
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

My Commission Expires:

My Commission Expires Sept. 13, 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 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

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

ARTICLES OF AMENDMENT
(Attach conformed copy)

[X] PROFIT [] NONPROFIT
(Mark appropriate box)

The undersigned corporation pursuant to Section 79-4-10 06 (if a profit corporation) or Section 79-11-300 if a nonprofit corporation of the Mississippi Code of 1972 hereby executes the following document and sets forth

1. The name of the corporation is Citizens Holding Company
2. Set forth the text of each amendment adopted. (Attach page.) SEE ATTACHED
3. If a profit amendment 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)
4. The amendment(s) was (were) adopted September 18, 1991
DATE(S)

FOR PROFIT CORPORATION

(a) adopted by [] the incorporators [X] directors without shareholder action and shareholder action was not required. (Check appropriate box)

FOR NONPROFIT CORPORATION

(b) adopted by [] board of directors [] incorporators without member action and member action was not required. (Check appropriate box)

FOR PROFIT CORPORATIONS

5. 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 was

N/A

Designation	No. outstanding shares	No. of votes entitled to be cast	No. of votes indisputably represented
-----	-----	-----	-----
-----	-----	-----	-----

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

N/A

Voting group	Total no. of votes cast FOR	Total no. of votes cast AGAINST
-----	-----	-----
-----	-----	-----

or the total number of undisputed votes cast for the amendment by each voting group was

Voting group	Total no. of undisputed votes cast FOR the plan
-----	-----
-----	-----

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

FOR NONPROFIT CORPORATIONS

6. 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 number of votes of each class indisputably represented at the meeting

N/A

Designation	No. 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 the amendment	Total no. of votes cast AGAINST the amendment
----- -----	----- -----	----- -----

or

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

Voting group	Total no. of undisputed votes cast FOR the amendment
----- -----	----- -----

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

BY: JOE STEVE WEBB, PRESIDENT /s/ JOE STEVE WEBB, PRESIDENT

Printed Name/Corporate Title Signature

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

EXHIBIT 3(i) Continued

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 [SEAL]

<input checked="" type="checkbox"/> Profit	<input type="checkbox"/> Nonprofit	FILED
		11/20/1998

2. NAME OF CORPORATION Eric Clark
Citizens Holding Company Secretary of State
State of Mississippi

3. THE FUTURE EFFECTIVE DATE IS January 1, 1999
(COMPLETE IS 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	<input checked="" type="checkbox"/> 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 No. of votes entitled No. of votes
shares to be cast indisputably represented
F0012 - PAGE 2 OF 3 OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
P.O. BOX 136, JACKSON, MS 39205-0136 (601) 359-1333
ARTICLES OF AMENDMENT

(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	To 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 (Please keep writing within blocks)

/s/Joe Steve Webb

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

EXHIBIT 3(i)

ARTICLES OF AMENDMENT
FOR CITIZENS HOLDING COMPANY

Pursuant to paragraph (d) of Section 79-4-10.07 of the Mississippi Business Corporation Act (the "Act"), the undersigned, does hereby deliver to the Secretary of State of Mississippi these Articles of Amendment for Citizens Holding Company, a Mississippi profit corporation and sets forth the following:

1. That pursuant to paragraph (d) (1) of Section 79-4-10.07 of the Act, these Articles of Amendment contain various amendments to the Articles of Incorporation which require shareholder approval.
2. That pursuant to paragraph (d) (2) of Section 79-4-10.07 of the Act, the undersigned does further set forth the information required by Section 79-4-10.06 of the Act as follows:
 - a. The name and type of corporation is: Citizens Holding Company, a Mississippi Profit Corporation.
 - b. The text of the Amended Articles of Incorporation are attached hereto.
 - c. The amendments to the Articles of Incorporation were adopted on April 13, 1999 at the Annual Meeting of the Shareholders.
 - d. The amendments were voted on separately and approved by the shareholders of the Corporation and the designation, number of outstanding shares, number of votes entitled to be cast on the amendments, and the number of votes indisputably represented at the meeting were:

Designation	No. of Outstanding shares	No. of Votes entitled to be cast	No. of Votes indisputably represented
Common	3,353,750	3,353,750	3,000,112

And the total number of votes cast for and against each of the amendments was:

AMENDMENT NUMBER 1

The following Article Ten will be added to the Articles of Incorporation:

TENTH: The number of directors of the Corporation shall be not less than nine (9), nor more than twenty-five (25), and the stockholders shall establish by resolution at each annual meeting the number of directors to serve, subject to the provisions of this Article Ten. The Corporation shall have three classes of directors, each class to be as nearly equal in number as possible, the term of office of directors of the first class to expire at the first annual meeting of the shareholders after their election, that of the second class to expire at the second annual meeting after their election, and that of the third class to expire at the third annual meeting after their election. At each annual meeting after such initial classification, the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office for a term of three (3) years.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
Common	2,934,817	47,145

AMENDMENT NUMBER 2

The following Article Eleven will be added to the Articles of Incorporation:

ELEVENTH: Directors shall be elected only at annual meetings of shareholders, and any vacancy in the Board of Directors, however created, shall be filled at the annual meeting succeeding the creation of such vacancy. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
Common	2,903,507	41,315

AMENDMENT NUMBER 3

The following Article Twelve will be added to the Articles of Incorporation:

TWELFTH: The Corporation hereby elects to be governed by the provisions of the Mississippi Control Share Act, (S)79-27-1 et. seq., and to be an "issuing public corporation" for all purposes thereof, effective May 1, 1999.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
-----	-----	-----
Common	2,897,807	83,070
-----	-----	-----

AMENDMENT NUMBER 4

The following Article Thirteen will be added to the Articles of Incorporation:

THIRTEENTH: No member of the Board of Directors may be removed, with or without cause, except at a meeting called in accordance with the Bylaws expressly for that purpose and except upon a vote in favor of such removal of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors; and in the event that less than the entire Board is to be removed, no one of the directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the class of directors of which he is a part.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
-----	-----	-----
Common	2,845,597	137,830
-----	-----	-----

AMENDMENT NUMBER 5

The following Article Fourteen will be added to the Articles of Incorporation:

FOURTEENTH: The vote of shareholders required to alter, amend or repeal Articles Ten, Eleven, Twelve or Thirteen, or to alter, amend or repeal any other Article of the Articles of Incorporation in any respect which would or might have the effect, direct or indirect, of modifying, permitting any action inconsistent with, or permitting circumvention of this Article Fourteen, shall be by the affirmative vote of at least seventy-five percent (75%) of the total voting power of all shares of stock of the Corporation entitled to vote in the election of directors, considered for purposes of this Article as one class.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
----- Common	2,768,867	230,380 -----

AMENDMENT NUMBER 6

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 fifteen million (15,000,000) of the par value of twenty cents (\$.20) each.

Designation	Total No. Of Votes cast FOR this Amendment	Total No. Of Votes cast AGAINST this Amendment
----- Common	2,819,287	179,910 -----

and the number of votes cast for all of the above amendments was sufficient for approval.

CITIZENS HOLDING COMPANY

BY: /s/ STEVE WEBB

STEVE WEBB, President

EXHIBIT 3(ii)

AMENDED AND RESTATED
BYLAWS

Of

CITIZENS HOLDING COMPANY
PHILADELPHIA, MISSISSIPPI

Amended and Restated April 13, 1999

CITIZENS HOLDING COMPANY

PHILADELPHIA, MISSISSIPPI

AMENDED AND RESTATED BYLAWS

Preamble: These Bylaws are subordinate to and governed by the provisions of (1) the Articles of Incorporation of this Corporation; and (2) the Mississippi Business Corporation Act, except to the extent that these Bylaws or the Articles of Incorporation specifically provide to the contrary, to the extent allowed by the Mississippi Business Corporation Act and Mississippi state law.

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 determination 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 as provided in the Articles of Incorporation

SECTION 3.03. Number, Tenure and Qualifications. The number of Directors of the Corporation and their tenure shall be as set forth in the Articles of Incorporation.

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 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 on the Board of Directors shall be filled as provided in the Articles of Incorporation.

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, 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 cancelled, 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 certificates 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 reasonable 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)

EXHIBIT 4

RIGHTS AGREEMENT

between

CITIZENS HOLDING COMPANY

and

CITIZENS BANK OF PHILADELPHIA, MS

Dated as of May 1, 1999

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RIGHTS AGREEMENT

Agreement, dated as of May 1, 1999, between Citizens Holding Company, a Mississippi corporation (the "Company"), and Citizens Bank of Philadelphia, MS (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one common share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding on May 1, 1999 (the "Record Date"), each Right representing the right to purchase one Common Share, upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 20% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary (as such term is hereinafter defined) of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 p.m., Philadelphia, Mississippi time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 p.m., Philadelphia, Mississippi time on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value \$.20 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(i) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(j) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(k) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(l) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issuance of Right Certificates. (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 20% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b)

hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit A hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Common Shares, in substantially the form of Exhibit B hereto (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between Citizens Holding Company and Citizens Bank of Philadelphia, MS dated as of May 1, 1999 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Citizens Holding Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Citizens Holding Company will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. As described in the Rights Agreement, Rights issued to

any Person who becomes an Acquiring Person (as defined in the Rights Agreement) shall become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Common Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit A hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of Common Shares as shall be set forth therein at the price per Common Share set forth therein (the "Purchase Price"), but the number of such Common Shares and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, or its President, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder.

Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of Common Shares as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon, the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate, if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each Common Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on May 1, 2009 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each Common Share purchasable pursuant to the exercise of a Right shall initially be \$150.00, and shall be subject to adjustment from time to time as

provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) requisition from any transfer agent of the Common Shares certificates for the number of Common Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) The issuance of Rights pursuant to this Agreement shall be deemed to be an issuance of rights created in connection with the prior and prospective issuance and sale of the Company's Common Shares and has been authorized by a vote of the Board of Directors of the Company by a vote of more than two-thirds of the directors then in office. If any registered holder of Rights, other than Rights that are or were acquired or beneficially owned by any Acquiring Person or any Associate or Affiliate of such Acquiring Person and voided pursuant to Section 11(a)(ii) of this Agreement, is prevented from exercising the Rights pursuant to the terms of this Section 7 of the Agreement or any other section of this Agreement for reasons other than as set forth in this Agreement, then the Company shall take all steps necessary and obtain all required authorizations to allow such registered holder to exercise his or her Rights. If the Company is unable to take steps necessary or obtain required authorizations to allow such holder to exercise his or her Rights, then the Company shall provide cash compensation to such registered holder in such an amount as is required to place said registered holder in the same economic position to the fullest extent possible after giving effect to taxes and all other relevant considerations as he or she would have been in had he or she been permitted to exercise the Rights as contemplated by the terms of this Agreement; provided, however, that if the Company is unable to pay such cash compensation or if the obligation of the Company to pay such cash compensation is unenforceable, then no Rights granted pursuant to this Agreement shall be exercisable until such time as all holders intended to be able to exercise Rights under the terms of this Agreement are permitted to do so.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Common Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Common Shares or any Common Shares held in its treasury, the number of Common Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Common Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates for the Common Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates for Common Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Common Shares Record Date. Each person in whose name any certificate for Common Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Common Shares for which the Rights shall be exercisable,

including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price; Number of Shares or Number of Rights. The Purchase Price, the number of Common Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Common Shares payable in Common Shares, (B) subdivide the outstanding Common Shares, (C) combine the outstanding Common Shares into a smaller number of Common Shares, or (D) issue any shares of its capital stock in a reclassification of the Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Common Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event that any Person should become an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of Common Shares for which a Right is then exercisable, in accordance with the terms of this Agreement, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of Common Shares for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

From and after the occurrence of such event, any Rights that are or were acquired or beneficially owned by any Acquiring Person or any Associate or Affiliate of such Acquiring Person (including, without limitation, any Rights issued in respect of any Common Shares that are beneficially owned by any Acquiring Person at the time such Acquiring Person becomes an

Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares or securities convertible into Common Shares at a price per Common Share (or having a conversion price per share, if a security convertible into Common Shares) less than the then current per share market price of the Common Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date plus the number of Common Shares which the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Common Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Common Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Common Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Common Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Common Share and the denominator of which shall be such current per share market price of the Common Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) For the purpose of any computation hereunder, the "current per share market price" of the Common Shares on any date shall be deemed to be the average of the daily closing prices per share of such Common Shares for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Common Shares is determined during a period following the announcement by the issuer of such Common Shares of (A) a dividend or distribution on such Common Shares payable in shares of such Common Shares or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Common Shares and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per Common Share. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Shares are listed or admitted to trading is open

for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Shares are not publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one ten-thousandth of a share as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Common Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of Common Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of Common Shares (calculated to the nearest one ten-thousandth of a share) obtained by (i) multiplying (x) the number of shares covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of Common Shares for

which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of Common Shares issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of Common Shares which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the Common Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Common Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Common Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Common Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Common Shares, issuance wholly for cash of any Common Shares at less than the current market price, issuance wholly for cash of Common Shares or securities which by their terms are convertible into or exchangeable for Common Shares, dividends on Common Shares payable in Common Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Common Shares shall not be taxable to such stockholders.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate, and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving entity of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of Common Shares for which a Right is then exercisable, in accordance with the terms of this Agreement, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving entity) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of Common Shares for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall

thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing, which agreement shall provide among other things that all Persons who are registered holders of the Rights entitled to exercise said Rights in accordance with the provisions of this Agreement shall be entitled to exercise the Rights as provided hereunder without any restrictions being imposed thereon. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Common Share. For the purposes of this Section 14(b), the current market value of a Common Share shall be the closing price of a

Common Share (as determined pursuant to the second sentence of Section 11(d) (i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the

holder of the Common Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent

or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, or the President of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or wilful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void

pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Common Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, or the President of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise

become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of Mississippi (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Mississippi, in good standing, having an office in the State of Mississippi), which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of \$.001 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall

promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights, the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Common Shares or to make any other distribution to the holders of its Common Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Common Shares rights or warrants to subscribe for or to purchase any additional Common Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Common Shares (other than a reclassification involving only the subdivision of outstanding Common Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Common Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall

be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Citizens Holding Company
Post Office Box 209
Philadelphia, MS 39350
Attention: Joe Steve Webb

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Citizens Bank of Philadelphia, MS
P. O. Box 209
Philadelphia, MS 39350
Attention: Joe Steve Webb

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Mississippi and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

ATTEST: Citizens Holding Company

_____, Secretary

Joe Steve Webb, President

ATTEST: Citizens Bank of Philadelphia, MS

_____, Secretary

Joe Steve Webb, President

Form of Right Certificate

Certificate No. R-

Rights

NOT EXERCISABLE AFTER MAY 1, 2009 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$.001 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate
CITIZENS HOLDING COMPANY

This certifies that _____ or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of May 1, 1999 (the "Rights Agreement"), between Citizens Holding Company, a Mississippi corporation (the "Company"), and Citizens Bank of Philadelphia, MS (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 p.m., Philadelphia, Mississippi time, on May 1, 2009 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one fully paid non-assessable share of Common Stock par value \$.20 per share (the "Common Shares"), of the Company at a purchase price of \$150.00 per Common Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of Common Shares which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of May 1, 1999 based on the Common Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of Common Shares which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right

Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Common Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$.001 per Right or (ii) may be exchanged in whole or in part for Common Shares.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Common Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____, 19_____.

ATTEST:

CITIZENS HOLDING COMPANY

By: _____
JOE STEVE WEBB

Countersigned:
Citizens Bank of Philadelphia, MS

By: _____
Authorized Signature

Form of Reverse Side of Right Certificate
FORM OF ASSIGNMENT
(To be executed by the registered holder if such
holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and
transfers unto

(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and
does hereby irrevocably constitute and appoint _____
Attorney, to transfer the within Right Certificate on the books of the within-
named Company, with full power of substitution.

Dated: _____, 19__.

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national
securities exchange, a member of the National Association of Securities Dealers,
Inc., or a commercial bank or trust company having an office or correspondent in
the United States.

The undersigned hereby certifies that the Rights evidenced by this Right
Certificate are not beneficially owned by an Acquiring Person or an Affiliate or
Associate thereof (as defined in the Rights Agreement).

Signature

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise
Rights represented by the Right Certificate.)

To: CITIZENS HOLDING COMPANY

The undersigned hereby irrevocably elects to exercise _____ Rights
represented by this Right Certificate to purchase the Common Shares issuable
upon the exercise of such Rights and requests that certificates for such Common
Shares be issued in the name of:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right
Certificate, a new Right Certificate for the balance remaining of such Rights
shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated: _____, 19__.

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

SUMMARY OF RIGHTS TO PURCHASE
COMMON SHARES

On April ____, 1999, the Board of Directors of Citizens Holding Company (the "Company") declared a dividend of one common share purchase right (a "Right") for each outstanding share of common stock, par value \$.20 per share (the "Common Shares"), of the Company. The dividend is payable on May 1, 1999 (the "Record Date") to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one Common Share of the Company at a price of \$150.00 per share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and Citizens Bank of Philadelphia, MS, as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 20% or more of the outstanding Common Shares, or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the outstanding Common Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on May 1, 2009 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of Common Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Common Shares, (ii) upon the grant to holders of the Common Shares of

certain rights or warrants to subscribe for or purchase Common Shares at a price, or securities convertible into Common Shares with a conversion price, less than the then-current market price of the Common Shares or (iii) upon the distribution to holders of the Common Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Common Shares) or of subscription rights or warrants (other than those referred to above).

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Common Shares will be issued and in lieu thereof, an adjustment in cash will be made based on the market price of the Common Shares on the last trading day prior to the date of exercise.

At any time prior to such time as any Person becomes an Acquiring Person, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any 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.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

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

CITIZENS HOLDING COMPANY
1999 DIRECTORS' STOCK COMPENSATION PLAN
JANUARY 1, 1999

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CITIZENS HOLDING COMPANY
1999 DIRECTORS' STOCK COMPENSATION PLAN

The purpose of the CITIZENS HOLDING COMPANY 1999 DIRECTORS' STOCK COMPENSATION PLAN (the "PLAN") is to ensure that each member of the Board of Directors of Citizens Holding Company, a corporation organized and existing under the laws of the State of Mississippi (the "CORPORATION"), who is not a common-law employee of the Corporation or any affiliate thereof (a "NON-EMPLOYEE DIRECTOR") possesses a proprietary interest in the Corporation by transferring, for services rendered as a member of the Board of Directors of the Corporation, shares of \$0.20 par value voting common stock issued by the Corporation (the "COMMON STOCK").

ARTICLE I
DEFINITIONS

The following words and phrases shall have the meanings and applications set forth below:

1.1 ACT. The Securities Exchange Act of 1934, as amended, including all rules, regulations and orders promulgated thereunder.

1.2 AFFILIATE. A corporation with respect to which the Corporation owns (within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended) 50% or more of the total combined voting power of all classes of stock.

1.3 BOARD OF DIRECTORS. The Board of Directors of Citizens Holding Company.

1.4 BOOK VALUE. The book value of the Corporation determined in accordance with generally accepted accounting principles as of the last day of the calendar quarter which immediately precedes or coincides with an Option Grant Date hereunder.

1.5 FAIR MARKET VALUE. The mean of the closing bid and asked prices of Common Stock as quoted on the National Association of Securities Dealers Automated Quotation System, National Market Issues or other exchange or system of reporting as of a date specified herein; if no Common Stock is traded on such date, then the Fair Market Value shall be determined using the mean of the closing bid and ask prices on the date Common Stock last traded on such national securities exchange or other recognized system of reporting.

1.6 OPTION GRANT DATE. The first business day immediately following the annual meeting of the shareholders of the Corporation.

1.7 OPTION PRICE. The Book Value of Common Stock if the Corporation is not a Reporting Company as of an Option Grant Date or Fair Market Value if the Corporation is a Reporting Company as of any such date.

1.8 REPORTING COMPANY. The Corporation meets the requirements of a reporting company within Section 12(g) of the Act and Common Stock is regularly traded on an exchange or similar system of reporting.

1.9 OTHER DEFINITIONS. The terms "Option," "Cause," and "Effective Date" shall have the respective meanings set forth below.

ARTICLE II
PARTICIPATION

All Non-Employee Directors of the Corporation shall participate in this Plan; unless otherwise set forth herein, such persons shall include past, present or future members of any committee administering any other stock option, stock appreciation, stock bonus or other form of discretionary stock-related compensation plan maintained by the Corporation or any of its Affiliates.

In addition, each member of the board of directors of an Affiliate who is not a common-law employee of the Corporation or any Affiliate shall participate in this Plan when such Affiliate is designated by the Committee.

ARTICLE III
COMMON STOCK

3.1 SHARES. The maximum number of shares of Common Stock which may be issued under the Plan shall be 70,000 shares, determined immediately after that certain stock split authorized by the Board of Directors which is to be effective as of January 1, 1999. Common Stock issued under the Plan may be authorized but unissued shares, previously issued shares reacquired by the Corporation and held as treasury shares, shares acquired on the open market or shares acquired by private transaction. Shares of Common Stock covered by an Option which expires without exercise or is forfeited shall again be available for grant hereunder.

3.2 ADJUSTMENT. In the event of a merger, consolidation or reorganization of the Corporation with any other corporation, there shall be substituted for Common Stock then subject to the Plan or an Option granted hereunder the number and kind of shares of stock or other securities to which the holders of Common Stock will be entitled pursuant to the terms of the transaction. In the event of a recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock, the number of shares of Common Stock then subject to the Plan or an Option granted hereunder shall be adjusted in proportion to the change in outstanding shares of Common Stock.

ARTICLE IV
OPTIONS

4.1 DEFINITIONS. The term "OPTION" shall mean the right to purchase shares of Common Stock from the Corporation. All Options granted hereunder shall be nonstatutory or nonqualified options.

4.2 PROVISIONS RELATING TO OPTIONS. Options shall be granted to each Non-Employee Director hereunder, subject to the following terms and conditions:

- a. DATE OF GRANT. Options hereunder shall be granted annually, as of each Option Grant Date, provided the recipient thereof is a Non-Employee Director as of such date.
- b. OPTION PRICE. The price of any Option granted hereunder shall be the Option Price, determined as of the Option Grant Date.
- c. AMOUNT. The number of shares of Common Stock subject to each Option granted hereunder shall equal 1,000 shares, which amount shall be subject to adjustment as provided in Paragraph 3.2 hereof.
- d. EXERCISE. Options granted hereunder shall first be exercisable six months and one day from the date of grant and shall expire 10 years from the date of grant, unless subject to earlier termination is provided herein.
- e. AGREEMENT. Options granted hereunder shall be evidenced by a written agreement between the Committee and each Non-Employee Director.

4.3 INITIAL GRANT. As of the Effective Date, each Non-Employee Director shall be granted an Option in accordance with the provisions of this Paragraph 4.3:

- a. OPTION PRICE. The Option Price shall equal the Book Value of Common Stock, determined as of December 31, 1998.
- b. AMOUNT. The number of shares of Common Stock subject to such Option shall equal 100 shares for each year or partial year of service as a member of the Board of Directors of the Corporation or The Citizens Bank of Philadelphia, subject to a maximum of 3,000 shares and adjustment as provided in Paragraph 3.2 hereof.
- c. EXERCISE. Except as provided in Paragraph 4.4, Options granted hereunder shall be exercisable six months and one day from the date of grant and shall expire 10 years from date of grant.

d. AGREEMENT. Options granted hereunder shall be evidenced by a written agreement between the Committee and each Non-Employee Director.

4.4 EARLY TERMINATION OF OPTIONS. If a Non-Employee Director ceases to serve as a member of the Board of Directors for any reason, except Cause, Options granted hereunder shall expire one year from the date of the cessation of service. If a Non-Employee Director ceases to serve as a member of the Board of Directors on account of Cause, Options granted hereunder which are unexercised as of the occurrence of such Cause shall be forfeited.

For this purpose "CAUSE" means that a Non-Employee Director is found guilty by a court of competent jurisdiction, pleads guilty or pleads nolo contendere to any felony or to a misdemeanor which involves fraud or dishonesty or that a Non-Employee Director willfully engages in conduct which is materially injurious to the Corporation or its Affiliates. The Board of Directors shall determine whether Cause has occurred and notify the affected Non-Employee Director.

4.5 RIGHTS AS STOCKHOLDER. Prior to the issuance of shares of Common Stock upon the exercise of Options hereunder, a Non-Employee Director shall have no rights as a stockholder with respect to the shares subject to such Option.

ARTICLE V
GENERAL PROVISIONS

5.1 EFFECTIVE DATE AND TERM. The Plan shall become effective as of January 1, 1999 (the "EFFECTIVE DATE"), contingent upon its approval by a majority of the shareholders of the Corporation present or represented at the next succeeding annual meeting of shareholders. Grants made under the Plan prior to such shareholder approval shall be subject to the approval of the Plan by the shareholders.

Unless earlier terminated under Paragraph 5.3 hereof, the Plan shall remain in effect until the date on which all shares of Common Stock subject to the Plan have been issued hereunder.

5.2 ADDITIONAL CONDITIONS. Notwithstanding any provision of the Plan to the contrary:

- a. The Corporation may, at the time of the issuance of shares of Common Stock, require a Non-Employee Director to deliver to the Corporation a written representation of present intent to hold or acquire shares of Common Stock solely for the account of the Non-Employee Director for investment purposes and not for distribution; and
- b. If at any time the Corporation determines, in its sole discretion, that (i) the listing, registration or qualification (or any updating of any such document) of shares of Common Stock is necessary on any securities exchange or under any federal or

state securities or blue sky law, or (ii) the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, issuance of shares of Common Stock, such shares shall not be issued unless such listing, registration, qualification, consent or approval is effected or obtained free of any conditions not acceptable to the Corporation.

5.3 TERMINATION OF PLAN. The Board of Directors of the Corporation, upon written notice to all Non-Employee Directors, shall have the right, at any time, to terminate this Plan.

5.4 INUREMENT. This Plan shall be binding upon and shall inure to the benefit of the Corporation and each Non-Employee Director hereto and their respective heirs, executors, administrators, successors and assigns.

5.5 AMENDMENT. The Board of Directors of the Corporation may amend or discontinue this Plan at any time, without the consent of any person, to cause the Plan to comply with the requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Otherwise, no amendment or discontinuance by the Board of Directors shall change, impair or adversely affect shares of Common Stock previously transferred to any Non-Employee Director or outstanding grants made to any non-Employee Director without such Non-Employee Director's prior consent.

5.6 TRANSFER OF RIGHTS. No interest or expectancy in the Plan shall be subject to transfer, pledge or assignment, other than by will or the laws of descent and distribution and in accordance with the terms of the Plan, and the Corporation shall not recognize any such assignment, pledge or transfer. During a Non-Employee Director's lifetime, Common Stock shall be transferred only to a Non-Employee Director (or guardian or legal representative of such Non-Employee Director).

5.7 RIGHT OF REPURCHASE. If the Corporation is not a Reporting Corporation at the time a Non-Employee Director receives a bona fide offer to purchase all or a portion of the Common Stock acquired hereunder from a third-party, such shares shall first be offered to the Corporation at the purchase price proposed by such third-party. Notice of such offer shall be furnished to the Corporation, in writing, including the terms and conditions of such offer. The Board of Directors shall notify the affected Non-Employee Director of the Corporation's intent to purchase such shares not later than 30 days following receipt of written notice. If the Corporation elects not to purchase such shares, the provisions of this Paragraph 5.7 shall not restrict such sale, and the Corporation shall take such actions as may be reasonably required to effect the transfer of Common Stock hereunder.

5.8 GOVERNING LAW. This Plan is governed by the laws of the State of Mississippi, in all respects, including matters of construction, validity and performance.

5.9 ADMINISTRATION. To the extent required, this Plan shall be administered by the Board of Directors. Any determination by the Board of Directors shall be conclusive and binding on all persons. Notwithstanding the foregoing, the Board of Directors may delegate such administrative authority to a committee of at least two "non-employee directors" (as defined in the Act). In no event, however, shall any director act with respect to any matter involving an individual, specific grant to such director.

EXECUTED this _____ day of December, 1998, in multiple counterparts, each of which shall be deemed an original.

CITIZENS HOLDING COMPANY

By: /s/ STEVE WEBB

Title: Chairman, President & CEO

EXHIBIT 10(b)

CITIZENS HOLDING COMPANY
1999 EMPLOYEES' LONG-TERM INCENTIVE PLAN

Effective January 1, 1999

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CITIZENS HOLDING COMPANY

1999 EMPLOYEES' LONG-TERM INCENTIVE PLAN

Citizens Holding Company, a corporation organized and existing under the laws of the State of Mississippi (the "CORPORATION"), hereby establishes the 1999 Employees' Long-Term Incentive Plan (the "PLAN"), effective as of January 1, 1999, as provided herein.

SECTION 1

PURPOSE

The Plan is established to optimize the profitability and growth of the Corporation through the use of compensation incentives which link the interests of executives and other key employees with the interests of the Corporation and its shareholders. The Plan is further intended to provide flexibility to the Corporation in connection with its compensation practices and policies and to attract, retain and motivate officers, executives and other key employees through the grant of nonqualified stock options, incentive options, and restricted stock, all as more fully set forth below.

SECTION 2

DEFINITIONS

2.1 "ACT" means the Securities Exchange Act of 1934, as amended, and any rule, regulation or interpretation promulgated thereunder.

2.2 "BOOK VALUE" means the book value of the Corporation, determined in accordance with generally accepted accounting principles as of the last day of the calendar quarter which immediately precedes or coincides with the date on which such value is to be determined hereunder.

2.3 "BOARD OF DIRECTORS" means the Board of Directors of the Corporation.

2.4 "CHANGE IN CONTROL" means and shall be deemed to occur if:

- a. Any "person," including any "group," determined in accordance with Section 13(d)(3) of the Act, other than an employee benefit plan maintained by the Corporation or a Subsidiary, becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities, without the approval, recommendation, or support of the Board of Directors of the Corporation as constituted immediately prior to such acquisition.

- b. The Federal Deposit Insurance Corporation or any other federal or state regulatory agency negotiates and implements a plan for the merger, transfer of assets and liabilities, reorganization and/or liquidation of The Citizens Bank of Philadelphia.
- c. The shareholders of the Corporation approve a reorganization, merger or consolidation of the Corporation with respect to which the individuals and entities who were beneficial owners of Common Stock of the Corporation immediately prior to such reorganization, merger or consolidation do not beneficially own, directly or indirectly, more than 80% of the then outstanding common stock or then outstanding voting securities entitled to vote generally in election of directors of the company resulting from such reorganization, merger or consolidation.
- d. A change in the members of the Board of Directors of the Corporation which results in the exclusion of a majority of the "continuing board." For this purpose, the term "continuing board" means the members of the Board of Directors of the Corporation, determined as of the effective date of this Plan and subsequent members of such board who are elected by or on the recommendation of a majority of such "continuing board."
- e. The sale of substantially all of the stock or the assets of The Citizens Bank of Philadelphia by the Corporation (or any successor thereto).

2.5 "CODE" means the Internal Revenue Code of 1986, as amended.

2.6 "COMMON STOCK" means \$0.20 par value voting common stock issued by the Corporation.

2.7 "EMPLOYEE" means a common law employee of the Corporation and/or its Subsidiaries, determined in accordance with the Corporation's standard personnel policies and practices.

2.8 "FAIR MARKET VALUE" means the mean of the closing bid and asked prices of Common Stock as quoted on the National Association of Securities Dealers Automated Quotation System (NASDAQ) national market or other exchange on which Common Stock is regularly traded on the date of the grant or the exercise of an Incentive or the lapse of restrictions applicable to an Incentive granted hereunder, as the case may be. If no Common Stock is traded on such date, then Fair Market Value shall be the mean of the closing bid and asked prices on the date Common Stock last traded on such system or exchange. If Common Stock is not regularly traded, then for purposes of Section 6.3 hereof, Fair Market Value shall be determined by the Board of Directors in good faith in accordance with generally accepted methods of valuation.

2.9 "INCENTIVE" means a right to purchase or receive shares of Common Stock in accordance with the terms of this Plan. An Incentive may be granted in the form of stock options, restricted stock, or any combination thereof.

2.10 "OPTION PRICE" means the Book Value of Common Stock, if the Corporation is not a Reporting Company as of the date on which such price is determined or Fair Market Value if the Corporation is a Reporting Company as of such date.

2.11 "PARTICIPANT" means an Employee who is granted or awarded an Incentive under this Plan.

2.12 "PLAN" means this 1999 Employees' Long-Term Incentive Plan, as the same may be amended from time to time.

2.13 "REPORTING COMPANY" means that the Corporation is a Reporting Company within the meaning of Section 12(g) of the Act and that Common Stock is actively traded on an established market or similar system of reporting or exchange.

2.14 "SUBSIDIARY" means any corporation of which the Corporation owns, directly or indirectly, more than 50% of the total combined voting power of all classes of stock.

2.15 OTHER DEFINITIONS. The terms "stock option" and "option" are defined in Section 6.1 hereof; the term "non-employee director" is defined in Section 3.1 hereof; the term "nonqualified stock option" is defined in Section 6.1 hereof; the term "incentive stock option" is defined in Section 6.1 hereof; the term "restricted stock" is defined in Section 7.1 hereof; the term "Cause" is defined in Section 8.4 hereof; and the term "Effective Date" is defined in Section 8.1 hereof.

SECTION 3 ADMINISTRATION

3.1 COMPOSITION. This Plan shall be administered by the Board of Directors; provided, however, that the board may delegate the administrative power and authority granted hereunder to a committee appointed by the board, which committee shall consist of at least two "non-employee directors." For this purpose, the term "NON-EMPLOYEE DIRECTOR" shall have the meaning ascribed to it in Rule 16b-3 promulgated under the Act or any successor thereto.

3.2 POWER AND AUTHORITY. The Board of Directors shall have the discretionary power and authority to award Incentives under the Plan, including determination of the terms and conditions thereof, to construe and interpret the provisions of the Plan and any form or agreement related thereto, to establish and adopt rules, regulations, and procedures relating to the Plan and to interpret, apply and construe such rules, regulations and procedures and to make any other determination which it believes necessary or advisable for the proper administration of the Plan.

Decisions, interpretations and actions of the Board of Directors concerning matters related to the Plan shall be final and conclusive on the Corporation, its Subsidiaries and stockholders and Participants and beneficiaries hereunder. The Board of Directors' determinations under the Plan need not be uniform, and the board may make determinations selectively among the Participants who receive or are eligible to receive Incentives, whether or not such Participants are similarly situated.

3.3 HOLD HARMLESS. The Corporation shall indemnify and hold harmless the members of the Board of Directors and individuals, including Employees of the Corporation or a Subsidiary, performing services on behalf of the Board of Directors hereunder, against any liability, cost or expense arising as a result of any claim asserted by any person or entity under the laws of any state or of the United States with respect to any action or failure to act of such individuals taken in connection with the Plan, except claims or liabilities arising on account of the willful misconduct or bad faith of any such individual.

SECTION 4 ELIGIBILITY

Employees of the Corporation and its Subsidiaries shall be eligible to receive Incentives under this Plan, when designated by the Board of Directors. Employees may be designated for participation hereunder individually or by groups or categories, in the discretion of the Board of Directors.

SECTION 5 SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

5.1 NUMBER OF SHARES. Subject to adjustment as provided in Section 8.6 hereof, the number of shares of Common Stock which may be issued under the Plan shall not exceed 7% of the total number of shares of Common Stock which may be issued and outstanding, from time to time. Except as provided in this Section 5, the number of shares available for grant, transfer or issuance under the Plan shall be reduced by the number of shares actually granted, transferred or issued hereunder, from time to time.

5.2 TYPE OF COMMON STOCK. Common Stock issued in connection with the grant or award of an Incentive hereunder may be authorized and unissued shares or issued shares held as treasury shares, open market shares or shares acquired through private transaction.

5.3 CANCELLATION. Shares of Common Stock covered by Incentives which are not earned or which are canceled, forfeited, terminated, expired or otherwise lapsed for any reason and options or stock appreciation rights which expire unexercised, are canceled or forfeited or which are exchanged for other forms of options or Incentives hereunder, shall again be available for grant as an Incentive under the Plan, to the extent permitted under Rule 16b-3 promulgated under the Act or any successor thereto.

SECTION 6
STOCK OPTIONS

6.1 SPECIAL DEFINITION. The term "STOCK OPTION" or "OPTION" means a right to purchase shares of Common Stock from the Corporation. Stock options granted hereunder may be nonqualified stock options or incentive stock options. A "NONQUALIFIED STOCK OPTION" is an option which is designated as nonqualified and is not intended to meet the requirements of Section 422 of the Code; an "INCENTIVE STOCK OPTION" is an option which is designated as such and which is intended to comply with the requirements imposed under Section 422 of the Code. All stock options shall comply with the provisions of Section 6.2 hereof, and incentive stock options shall comply with the provisions of Section 6.3 hereof.

6.2 GENERAL PROVISIONS. All stock options granted under this Plan shall be granted by the Board of Directors, in its discretion, subject to the following general terms and conditions:

- a. The number of shares of Common Stock subject to an option shall be determined by the Board of Directors at the time of grant.
- b. The Option Price per share shall be determined in accordance with Section 2.10 hereof.
- c. Subject to earlier termination as provided in Section 8.4 hereof, the term of each stock option shall be determined by the Board of Directors.
- d. The exercise of an option granted hereunder may be subject to such performance goals and objectives as the Board of Directors deems appropriate. Such goals and objectives may relate to any Participant, individually, or group of Participants or to the Corporation, a Subsidiary, or any unit, division or department thereof. The Board of Directors shall notify any affected Participant of applicable performance goals or objectives, if any.
- e. Each stock option shall be exercisable at such time or times during its term as may be determined by the Board of Directors; provided, however, that no option shall be exercisable later than 10 years after the date of grant and no option shall be exercisable earlier than six months and one day after the date of grant.

Stock options granted hereunder shall be evidenced by a written agreement between the Board of Directors and each affected Participant. Any such agreement shall identify the grant of the option as an incentive stock option or as a nonqualified stock option.

6.3 INCENTIVE STOCK OPTIONS. In addition to the provisions of Section 6.2 hereof, each incentive stock option shall be subject to the following:

- a. The aggregate Fair Market Value (determined as of the time the option is granted) of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by any Participant during any calendar year (under all plans of the Corporation), shall not exceed \$100,000. If and to the extent Fair Market Value exceeds \$100,000, the incentive stock option shall be treated as a nonstatutory stock option.
- b. Incentive stock options must be granted within 10 years from the date on which this Plan is adopted.
- c. Unless sooner exercised, all incentive stock options shall expire no later than 10 years after the date of grant.
- d. Incentive stock options granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant.
- e. No incentive stock option shall be granted to any Participant who at the time such option is granted would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, determined in accordance with Section 422(b)(6) of the Code.
- f. No incentive stock option shall be granted to any Participant who is not an employee (within the meaning of Section 3401 of the Code) of the Corporation or its Subsidiaries during the period described under Section 422(a)(2) of the Code.
- g. Notwithstanding any provision of this Plan to the contrary, the Option Price shall not be less than Fair Market Value.

Any certificate or agreement evidencing an incentive stock option granted under the Plan shall contain such other provisions as the Board of Directors shall deem advisable, but shall in all events be consistent with and contain all provisions required in order to qualify the options as incentive stock options under Section 422 of the Code.

6.4 INITIAL GRANT. As of the Effective Date, each Participant who is a member of the Board of Directors shall be granted an option in accordance with the provisions of this Paragraph 6.4:

- a. OPTION PRICE. The Option Price shall equal the Book Value of Common Stock, determined as of December 31, 1998.
- b. AMOUNT. The number of shares of Common Stock subject to such Option shall equal 100 shares for each year or partial year of service as a member of the Board

of Directors of the Corporation and/or The Citizens Bank of Philadelphia, subject to a maximum of 3,000 shares and adjustment as provided in Paragraph 8.6 hereof.

- c. EXERCISE. The Option granted hereunder shall be exercisable six months and one day from the date of grant and shall expire 10 years from date of grant.

6.5 DIVIDEND EQUIVALENTS. The Board of Directors, in its discretion, may grant dividend equivalents in connection with an option granted hereunder. Dividend equivalents may be granted in cash or in the form of Common Stock and shall be subject to such additional terms and conditions as the Board of Directors, in its sole discretion, deems appropriate.

6.6 MANNER OF EXERCISE. A stock option may be exercised, in whole or in part, by providing written notice to the Board of Directors, specifying the number of shares of Common Stock to be purchased and accompanied by the full purchase price for such shares.

The option price shall be payable to the Corporation in the form of cash (including cash equivalents) or, if the Corporation is a Reporting Company and permitted under the terms and conditions applicable to the specific option, by delivery of previously acquired shares of Common Stock held by the Participant, or in such other manner as may be authorized, from time to time, by the Board of Directors. Common Stock tendered to the Corporation in payment of the option price shall be valued at its Fair Market Value at the date of exercise.

If the Corporation is a Reporting Company at the time of exercise, a Participant or group of Participants may exercise stock options and sell the shares of Common Stock acquired thereby pursuant to a brokerage or similar arrangement and use the proceeds of any such sale as payment of the purchase price of the shares.

As soon as practicable after the receipt of written notification or exercise and payment of the option price in full, the Board of Directors shall cause the Corporation to deliver to the Participant, registered in the Participant's name, certificates representing shares of Common Stock in the appropriate amount.

6.7 EQUITY MAINTENANCE. If a Participant, while an Employee of the Corporation or a Subsidiary, pays the option price by delivery of previously owned shares of Common Stock, the Board of Directors, in its discretion, may grant to such Participant an additional option to purchase the number of shares of Common Stock delivered by the Participant to pay the option price. Any such additional option granted by the Board of Directors shall be exercisable at Fair Market Value determined as of the date on which such additional option is granted.

6.8 RIGHTS AS STOCKHOLDER. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a Participant shall have no rights as a stockholder with respect to the shares subject to such option.

SECTION 7
RESTRICTED STOCK

7.1 SPECIAL DEFINITION. The term "RESTRICTED STOCK" means shares of Common Stock which are sold or transferred by the Corporation to a Participant at a price which may be below Fair Market Value, or for no payment, but subject to restrictions on sale or other transfer by the Participant.

7.2 GENERAL PROVISIONS. The Board of Directors may grant shares of restricted stock, in its discretion, subject to the following terms and conditions:

- a. The number of shares to be transferred or sold by the Corporation to a Participant as restricted stock shall be determined by the Board of Directors.
- b. The Board of Directors shall determine the price, if any, at which shares of restricted stock shall be sold, which may vary from time to time and which may be below the Fair Market Value of such shares as of the date of sale.
- c. All shares of restricted stock transferred or sold to a Participant hereunder shall be subject to such terms, conditions and restrictions for such period or periods as the Board of Directors, in its discretion, may determine (including, without limitation, restrictions on transfer, forfeiture provisions, and restrictions based upon the achievement of specified performance goals and objectives which may relate to the Corporation, a Subsidiary, any unit, department or division of the Corporation or a Subsidiary or any Participant or group of Participants or Employees).

Each grant of restricted stock hereunder shall be evidenced by a written agreement between the Board of Directors and each affected Participant.

7.3 ENFORCEMENT OF RESTRICTIONS. In order to enforce any restrictions imposed by the Board of Directors pursuant to Section 7.2 hereof, a Participant receiving restricted stock shall enter into an agreement with the Corporation setting forth the conditions of the grant. Each certificate issued with respect to restricted shares shall bear such legends as the Board of Directors, in its sole discretion, shall deem necessary or appropriate.

The Board of Directors, in its discretion, may require that shares of restricted stock registered in the name of the Participant be deposited, together with a stock power endorsed in blank, with the Corporation.

7.4 LAPSE OF RESTRICTIONS. At the end of any period during which the shares of restricted stock are subject to forfeiture or restriction on transfer, such restrictions shall lapse and a certificate representing the number of shares of Common Stock with respect to which the restrictions have

lapsed shall be delivered to the Participant free of restriction, except as may be imposed by applicable law or as provided herein.

7.5 SHAREHOLDER RIGHTS. Subject to any restrictions or limitations imposed by the Board of Directors, each Participant receiving restricted stock hereunder shall have the full voting rights of a stockholder with respect to such shares during any period in which the shares are subject to forfeiture or restriction on transfer. During any period of restriction hereunder, dividends paid in cash or property with respect to the underlying shares of restricted stock shall be paid to the Participant currently, accrued by the Corporation as a contingent obligation or converted to additional shares of stock, in the discretion of the Board of Directors.

SECTION VIII
GENERAL

8.1 ADOPTION AND EFFECTIVE DATE. This Plan is effective as of January 1, 1999 (its "EFFECTIVE DATE"), subject to its approval by the affirmative vote of the holders of a majority of the Common Stock of the Corporation present or represented at the immediately succeeding annual meeting of its shareholders. Unless approved within one year after the date of the Plan's adoption by the Board of Directors of the Corporation, the Plan shall not be effective for any purpose. Prior to the approval of the Plan by the shareholders of the Corporation, the Board of Directors may award Incentives hereunder, but if such approval is not received in the specified period, then such awards shall be void and of no effect.

8.2 DURATION. The Plan shall commence on its effective date and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan pursuant to Section 8.10 hereof, until all Incentives granted under the Plan have been satisfied by the issuance of shares of Common Stock or terminated and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed. No Incentive shall be granted under the Plan after the 10th anniversary of the date on which the Plan is approved by the Corporation's stockholders.

8.3 TRANSFERABILITY OF INCENTIVES. No Incentive granted hereunder may be transferred, pledged, assigned, hypothecated, alienated or otherwise encumbered or sold by the holder thereof whether by operation of law or otherwise and whether voluntarily or involuntarily (except in the event of the holder's death by will or the laws of descent and distribution) and neither the Board of Directors nor the Corporation shall be required to recognize any attempted assignment of such rights by any Participant. During a Participant's lifetime, an Incentive may be exercised only by the Participant or by the Participant's guardian or legal representative.

8.4 EFFECT OF TERMINATION OF EMPLOYMENT. In the event that a Participant ceases to be an Employee of the Corporation or a Subsidiary on account of death, disability, retirement or a voluntary or involuntary termination, other than for Cause (as defined below), an Incentive may be exercised or shall expire at such times as may be determined by the Board of Directors; provided,

however, that any extension of the exercise term shall not exceed the original exercise term of the Incentive.

If a Participant's employment with the Corporation or a Subsidiary is terminated for Cause, all rights of such Participant under any Incentive shall expire, be terminated or forfeited, upon receipt by such Participant of notice of such termination. In the event of forfeiture, stock certificates representing such restricted stock shall be returned to the Corporation. For this purpose, the term "CAUSE" shall mean fraud, misappropriation of or intentional material damage to the property or business of the Corporation or a Subsidiary or that a Participant is found guilty by a court of competent jurisdiction, pleads guilty or nolo contendere to any felony or to a misdemeanor which includes fraud or dishonesty. The Board of Directors shall determine whether Cause exists with respect to any affected Participant.

If a Participant ceases to be an Employee of the Corporation or a Subsidiary for any reason and the Participant then "competes" with the business or operations of the Corporation or a Subsidiary, such Participant shall forfeit any stock options not yet exercised, any restricted stock with respect to which the restrictions have not yet lapsed and any credits to such Participant's phantom share account. The Board of Directors shall determine, in accordance with applicable law, whether a Participant's activity constitutes competition for purposes of this Section 8.4

8.5 ADDITIONAL LEGAL REQUIREMENTS. The obligation of the Corporation or any of its Subsidiaries to deliver Common Stock to any Participant hereunder shall be subject to all applicable laws, regulations, rules and approvals deemed necessary or appropriate by the Corporation. Certificates for shares of Common Stock issued pursuant to this Plan may be legended as the Board of Directors shall deem appropriate.

8.6 ADJUSTMENT. In the event of any merger, consolidation or reorganization of the Corporation with any other corporation or corporations, there shall be substituted for each of the shares of Common Stock then subject to the Plan the number and kind of shares of stock or other securities to which the holders of the shares of Common Stock will be entitled pursuant to the transaction.

In the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the number of shares of Common Stock then outstanding for which the Corporation does not receive consideration, the number of shares of Common Stock then subject to the Plan shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such substitution or adjustment, the purchase price of any option, the performance objectives applicable to any Incentive, and the shares of Common Stock issuable pursuant to any Incentive shall be adjusted to the extent necessary to prevent the dilution or enlargement of any right granted hereunder, determined in the discretion of the Board of Directors.

8.7 WRITTEN AGREEMENTS. The terms of each Incentive shall be stated in a plan or agreement approved by the Board of Directors. Neither the Board of Directors nor the Corporation

shall be required to grant any Incentive hereunder to any Participant, unless such Participant executes such agreements or provides such representations as the Board of Directors deems appropriate.

8.8 WITHHOLDING. The Corporation shall have the right to withhold from any payment made under the Plan or to collect as a condition of payment, any taxes required by law to be withheld.

If the Corporation is a Reporting Company, a Participant required to pay to the Corporation an amount required to be withheld under applicable income tax laws in connection with a distribution of Common Stock may satisfy this obligation, in whole or in part, by electing to have the Corporation withhold from the distribution shares of Common Stock having a Fair Market Value equal to the amount required to be withheld. The value of the shares to be withheld shall be based on the Fair Market Value on the date that the amount of tax to be withheld shall be determined. The Board of Directors may disapprove of any such election, may suspend or terminate the right to make elections or may provide with respect to any Incentive that the right to make elections shall not apply. Once delivered to the Board of Directors, an election shall be irrevocable. Any such election shall comply with such additional restrictions as may be imposed under Rule 16b-3 promulgated under the Act.

8.9 NO CONTINUED EMPLOYMENT. No Participant under the Plan shall have any right to continue in the employ of the Corporation or a Subsidiary for any period of time or to any right to continue his or her present or any other rate of compensation on account of participation in the Plan.

8.10 AMENDMENT AND TERMINATION OF THE PLAN. The Board of Directors of the Corporation may amend or discontinue the Plan at any time, in its sole discretion; provided, however, that no such amendment or discontinuance shall materially change or impair, without the consent of each affected Participant, an Incentive previously granted hereunder.

8.11 IMMEDIATE ACCELERATION OF INCENTIVES. Notwithstanding any provision in the Plan or in any Incentive to the contrary and subject to any limitation imposed under the Act (a) the restrictions on all shares of restricted stock awarded under the Plan shall immediately lapse, (b) all outstanding options shall become exercisable immediately, and (c) all performance objectives or other restrictions on Incentives granted under the Plan shall be deemed to be satisfied or lapsed and payment made immediately, upon the occurrence of a Change in Control.

8.12 GOVERNING LAW. The Plan and any Incentive granted under the Plan shall be governed by the laws of the State of Mississippi.

8.13 RIGHT OF REPURCHASE. If the Corporation is not a Reporting Company at the time a Participant receives a bona fide offer to purchase all or a portion of the Common Stock acquired hereunder from a third-party, such shares shall first be offered to the Corporation at the purchase price proposed by such third-party. Notice of such offer shall be furnished to the Corporation, in writing, including the terms and conditions of such offer. The Board of Directors shall notify the

affected Participant of the Corporation's intent to purchase such shares not later than 30 days following receipt of written notice. If the Corporation elects not to purchase such shares, the provision of this Paragraph 8.13 shall not restrict such sale, and the Corporation shall take such actions as may be reasonably required to effect the transfer of Common Stock hereunder.

8.14 OTHER BENEFITS. Incentives granted to a Participant under the terms of the Plan shall not impair or otherwise reduce such Participant's compensation, life insurance or other benefits provided by the Corporation or its Subsidiaries; provided, however, that the value of Incentives shall not be treated as compensation for purposes of computing the value or amount of any such benefit.

THIS PLAN was adopted by the Board of Directors of Citizens Holding Company on December 22, 1998, to be effective as of the time determined under Section 8.1 hereof.

CITIZENS HOLDING COMPANY

By: /s/ STEVE WEBB

Its: Chief Executive Officer

[ON THE CITIZENS BANK
OF PHILADELPHIA LETTERHEAD]

March 9, 1999

Mr. Cottrell Webster, Regional Director
Federal Deposit Insurance Corporation
5100 Poplar Avenue, Suite 1900
Memphis, TN 38137

Dear Mr. Webster:

On December 30, 1998, our parent company, Citizens Holding Company, filed a Form 10 registration application with the Securities and Exchange Commission (SEC) with the intent of listing its stock on the American Stock Exchange (AMEX).

Our external auditor, Mr. A. T. Williams, CPA informed us that with the requirements of reporting to the SEC, it would be in the best interest of the Holding Company and the Bank to engage the services of an accounting firm that has expertise with this type accounting and reporting. It was with regret that we accepted this decision by Mr. Williams and started the search for a new firm to audit our company.

Beginning with the audit for 1998 and subsequent years we have engaged the services of the Horne CPA Group in Jackson, Mississippi. After interviewing three different firms, we determined that Horne was the best qualified to perform the accounting and audit functions for the Holding Company and Bank.

If I can provide any additional information about this change in accountants, please feel free to contact me.

Thank you.

Sincerely,

/s/Steve Webb

Steve Webb
Chairman, President and Chief Executive Officer

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

*Exact copy sent to Mr. Ronny G. Parham, Commission, Mississippi Department of Banking and Consumer Finance and Mr. Jack Guynn, President, Federal Reserve Bank of Atlanta

EXHIBIT 16 (Continued)

[ON A. T. WILLIAMS LETTERHEAD]

A. T. WILLIAMS
CERTIFIED PUBLIC ACCOUNTANT
322 Byrd Avenue, P. O. Box 606
Philadelphia, Mississippi 39350

601 656-2742
FAX 656-2760

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

March 9, 1999

Mr. Cottrell Webster, Regional Director
Federal Deposit Insurance Corporation
5100 Poplar Avenue, Suite 1900
Memphis, TN 38137

Dear Mr. Webster:

I was previously the principal auditor for Citizens Holding Company and its subsidiary, The Citizens Bank of Philadelphia. My appointment as principal auditor was terminated when the Holding Company decided to become listed on the American Stock Exchange. I felt that the Holding Company and the Bank should obtain auditors who had SEC experience, therefore I declined to stand.

I have read the statements of The Citizens Bank of Philadelphia in its letter to you dated March 9, 1999, and I agree with such statements.

Very truly yours,

/s/ A. T. Williams

A. T. Williams, CPA

* Exact copy sent to Mr. Ronny Parham, Commissioner, Mississippi
Department of Banking and Consumer Finance
and Mr. Jack Guynn, President, Federal Reserve Bank of Atlanta

SUBSIDIARIES:

NAME:
STATE OF ORGANIZATION:

The Citizens Bank of Philadelphia
Mississippi

3-MOS	12-MOS	
DEC-31-1999	DEC-31-1998	DEC-31-1998
JAN-01-1999	JAN-01-1998	JAN-01-1998
MAR-31-1999	DEC-31-1998	DEC-31-1998
	11,581	15,235
855	1,063	
10,000	4,500	
0	0	
93,978	91,539	
0	0	
0	0	
	215,516	211,349
	2,950	2,900
342,790	334,279	
	288,926	282,242
	700	701
3,976	3,464	
	12,734	12,415
0	0	
	0	0
	671	671
342,790	35,783	34,785
	334,279	
	4,737	18,488
	1,315	4,869
	74	615
	6,126	23,972
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3,487	13,112	
	146	846
	0	(19)
	1,839	7,730
	2,230	7,363
1,395		
	0	0
	0	0
	1,395	4,712
	0.42	7.12
	0.42	7.12
	4.5	4.38
	525	649
	1,168	1,641
	0	0
	0	0
	2,900	2,700
	188	879
	92	233
	2,950	2,900
	1,600	1,600
	0	0
1,350		
	1,300	