



THE CITIZENS BANK

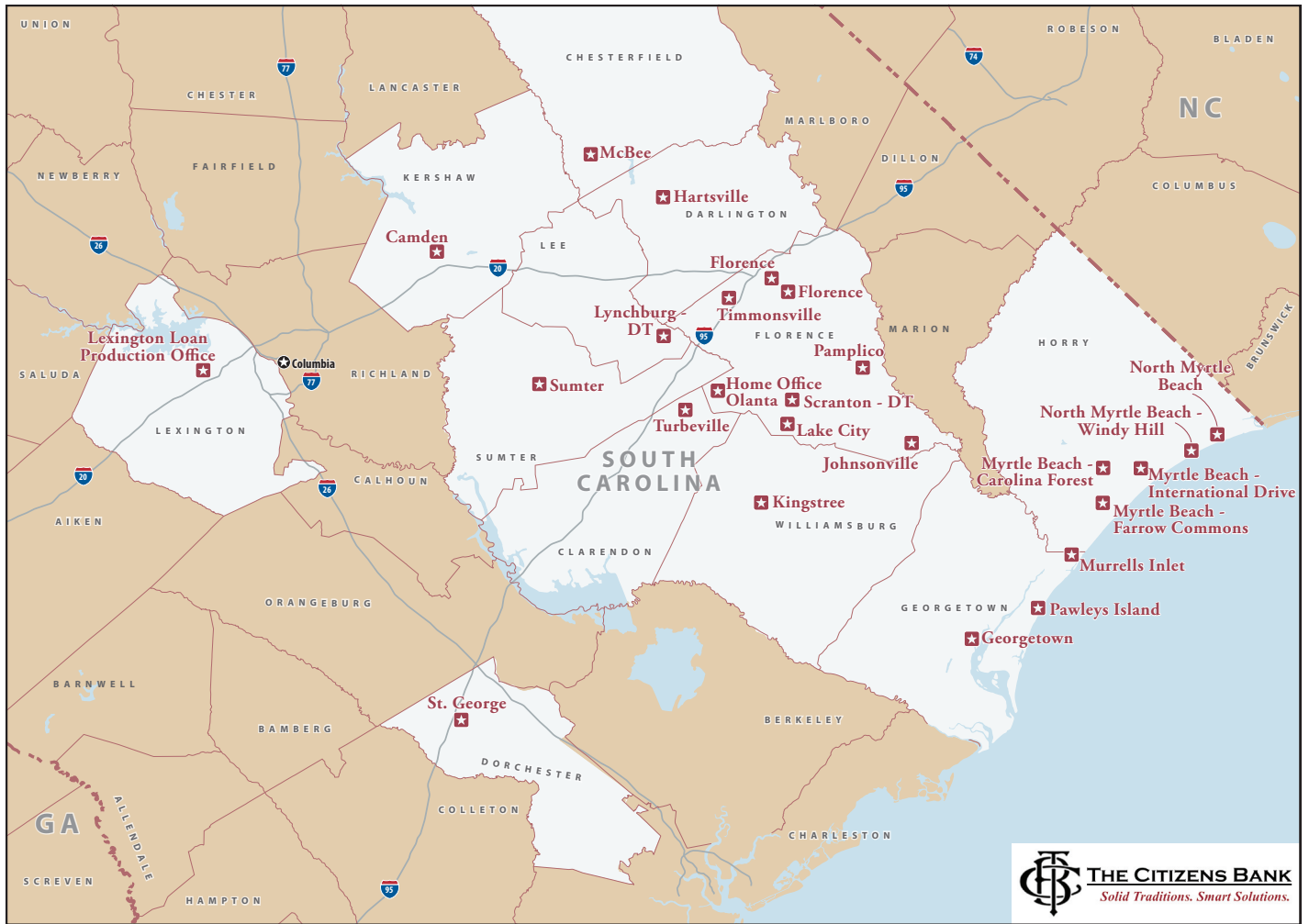
Solid Traditions. Smart Solutions.

ANNUAL REPORT

2023



OUR LOCATIONS



**FROM THE COAST TO COLUMBIA,
THE CITIZENS BANK HAS YOU COVERED!**



Georgetown Branch



Camden Branch



To Our Shareholders and Friends:

We are pleased to present this annual report of the financial condition of Citizens Bancshares Corporation, and its wholly owned subsidiary, The Citizens Bank (collectively, the "Company"). The past year was challenging due to rising interest rates. After a decade of essentially free deposits, banks had to abruptly change their business model to fund their assets with higher-cost deposits. Unfortunately, there were a few banks that could not adapt quickly enough and failed. For many others, margin compression crippled earnings and caused disruption that will be reflected in their performance for years.

I am happy to report that The Citizens Bank ("TCB") was not negatively impacted by the change in interest rates. We were well positioned for just such an event with a high level liquidity on our balance sheet and a stable base of low-cost deposits which allowed us to operate from a position of strength. While our cost of funding has increased, we still maintain lower deposit costs than most of our peers. Consequently, we did not experience as much margin erosion.

In fact, I am happy to report 2023 was the most profitable year in our 80-year history.

TCB's conservative and simple approach to banking kept us strong in another banking industry disruption cycle. At TCB our strategy is to gather low-cost deposits, make loans, collect the loans we make, and invest excess cash in safe bonds and securities with limited duration risk. We focus on soundness, profitability, and growth, in that order. We will not sacrifice long term performance for the sake of growth.

During 2023, we made significant investments in operations and technology. We implemented electronic signature capabilities for deposit customers, added new commercial cash management functionality, expanded online banking transfer options, and upgraded our telephone system at all locations. Fraud was a major challenge in 2023, and we expect it to become even more challenging going forward. Acting on these concerns, we hired a full time fraud investigator, implemented new fraud controls, added payee positive pay, and provided security tokens for cash management customers. These efforts were made to defend our customers and help to prevent them from becoming a victim of fraud, thereby reducing the fraud losses we incur. During 2023, we also invested in a complete remodel of our Operations Center located in Turbeville, SC.

I am proud of our employees' performance in 2023. It was our sixth consecutive year of record net earnings while maintaining pristine credit quality and a conservative approach to enterprise risk management.

Our success in 2023 was a direct result of our employees' commitment, hard work, and dedication to our customers, the Company, and to each other.

Net income for the year was \$11.2 Million, compared to \$7.4 Million in 2022. Basic earnings per share for 2023 were \$5.67 as compared to \$3.74 in 2022. The increase in net income was primarily driven by an increase in interest income. As a result of this performance, we were able to increase our annual dividend to \$0.40 per share during the fourth quarter of 2023.

Total assets of the Company as of 12/31/2023 were \$964 Million compared to \$1 Billion at year-end 2022. Total deposits were \$853 Million compared to \$897 Million at year-end 2022. Loans net of

unearned income and the allowance for loan losses totaled \$538 Million as of 12/31/2023, compared to \$512 Million at year-end 2022. The Company's capital position remained strong as of 12/31/2023, with Shareholders' Equity increasing to \$77 Million as compared to \$67 Million at year-end 2022. Book value per share was \$39.14 as of 12/31/2023, as compared to \$33.79 at year-end 2022. The rapid increase in interest rates at the beginning of this rate cycle caused declines in Shareholder's Equity and Book Value due to declines in the fair value of investment securities available-for-sale and are indicative of market forces impacting most banks in the face of rapidly rising rates. These declines, although still present, have moderated. Our investment securities continue to be highly rated; we believe these declines are temporary, and fully anticipate that our investment securities will perform as originally expected.

The loan portfolio continued to perform exceptionally well in 2023, indicative of our strong credit culture. The allowance for credit losses totaled \$5.9 Million or 1.08% of total loans and is considered more than adequate in our current credit cycle. Nonperforming loans to total loans as of 12/31/2023 was 0.09% compared to 0.21% at the end of 2022. Net loan charge-offs to average total loans was 0.011% at year-end 2023, compared to 0.005% at year-end 2022.

The interest rate environment will loom large in 2024, just as it did in 2023. With rising deposit cost, earnings will be more challenged in 2024 than they were in 2023. We expect our mortgage lending business to continue to be soft in 2024 due to higher mortgage rates. Competitors with high loan to deposit ratios, are forced to chase liquidity and funding for their loan portfolio and will have few choices other than to offer higher deposit rates.

Technology and regulatory compliance costs will continue to cause a drag on earnings while requiring more of management's attention. Deposit account fraud losses have grown significantly and now pose a significant financial risk. Customers expect community banks like TCB to offer all the products and technology available at big banks, regardless of size. To remain relevant in our industry, more investments in technology, enterprise risk management, and human capital is essential. We must become more efficient which usually means economies of scale created by growth. However, growth must be balanced with increasing shareholder value. We will continue to pursue growth both organically and through acquisitions without sacrificing long term soundness or profitability for the sake of growth.

On behalf of our employees, customers, and the community, thank you for being a shareholder.

We never forget that The Citizens Bank exists because of our shareholders, Board of Directors, employees, and most of all, our customers. As always, we welcome your comments and suggestions. Please do not hesitate to call me if I can be of service in any way.

Sincerely,

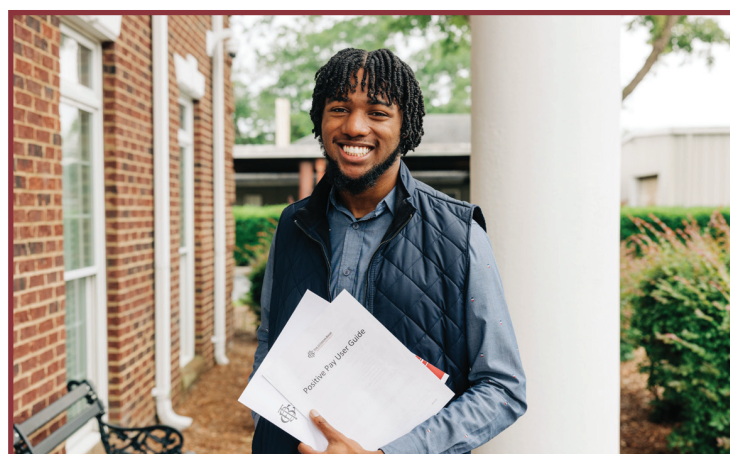


Thomas Bouchette
President
Chief Operating Officer



FINANCIAL HIGHLIGHTS

FOR YEARS ENDED DECEMBER 31	2023	2022	2021
<u>For the Year (In thousands)</u>			
Total Revenue	53,011	37,878	30,001
Net Income	11,166	7,356	6,524
<u>Per Common Share (\$)</u>			
Basic Earnings per Share	5.67	3.74	3.31
Diluted Earnings per Share	5.47	3.60	3.19
Book Value per Share	39.14	33.79	36.81
Common Stock Closing Price	28.00	30.05	28.00
<u>Financial Ratios (%)</u>			
Return on Average Assets	1.14	0.79	0.86
Return on Average Equity	15.99	11.15	9.22
Net Interest Margin	3.90	3.20	3.05
Efficiency Ratio	67.41	73.82	71.75
<u>At December 31 (In thousands)</u>			
Total Assets	963,522	1,000,170	795,004
Total Loans	544,063	516,675	381,105
Allowance for Credit Loss	5,899	4,898	4,869
Total Deposits	853,131	896,963	687,561
Shareholders' Equity	77,226	66,525	72,469
Weighted Average Common Shares Outstanding	1,970,400	1,968,755	1,968,755



PROJECT HIGHLIGHTS

At The Citizens Bank, you can expect an old-fashioned style of service coupled with modern day financial products. We're delighted to share some of the projects we've been working on during 2023 to help improve your experience and meet your banking needs!

Fraud Control

We are dedicated to keeping our customers safe and staying active against fraud attempts. Some examples of this continued commitment include adding a corporate investigator position and fraud specialist for more fraud review and detection, enhancing firewalls for network security, and adding additional fraud controls on checks.



New Accounts

At The Citizens Bank, we know as life changes that the financial services you need will change as well. That's why we offer our customers everything from IRA's to savings accounts to business checking accounts and more. Visit your local branch anytime to talk about what new accounts might be right for you this year!

Loans

The Citizens Bank offers an array of consumer, business, and mortgage loans, but we take it a step further. We have local friendly lenders who can help you navigate the loan process. These are the same lenders that you see around town, at the little league games, and day in and day out helping the community. At The Citizens Bank, we have local lenders that you can trust who make local decisions.



Training & Talent

To keep performing at the level expected, we are continuing to train staff and recruit the best talent in the region. Staff across all our branches consistently receive personal thanks by our customers, and this service, which is hallmark of The Citizens Bank, is celebrated and recognized.



COMMUNITY HIGHLIGHTS



Attending the South Carolina Young Bankers Conference.



TCB Bankers enjoy the North Myrtle Beach Chamber Gala!



Participating in community clean-up events.

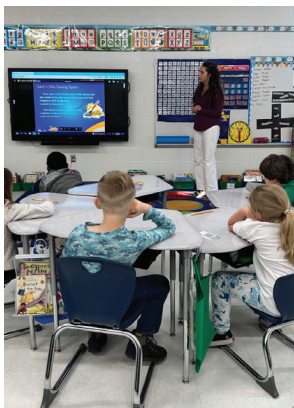


The Turbeville Branch participates in the New Zion Independence Day Parade.

The Citizens Bank is always proud to sponsor local sports team including this baseball team in Hartsville, SC.



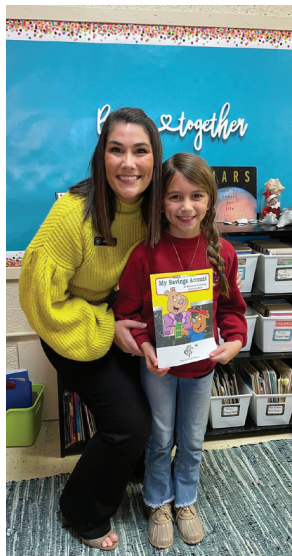
Even Santa appreciates a community minded bank!



First graders at Lugoff Elementary learn all about savings.



In Florence, SC our bankers participated in Read Across America Week by reading for students at local elementary schools.



TCB presented for career day in local schools.



The Citizens Bank branch in Lake City, SC participates as an art venue in the annual ArtFields Festival each year.



COMMUNITY HIGHLIGHTS



TCB Banker Darrell Cassidy hosted and volunteered for the Hartsville YMCA Fishing Camp.



Halloween fun at The Citizens Bank!



The Citizens Bank Team won 1st place at the SC Southern Sporting Classic!



The McBee Branch had some cute visitors stop by to learn about Savings!



The Citizens Bank Bankers enjoyed the McLeod Jockey and Julips Event.



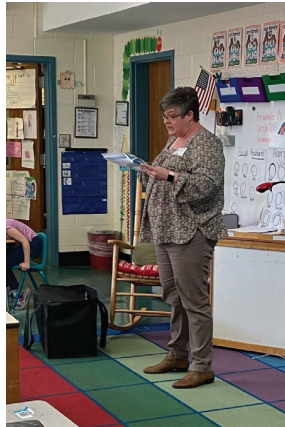
Sharing our appreciation for the St. George police department and Chief Camp.



COMMUNITY HIGHLIGHTS



Our Olanta Branch was honored to host the Olanta Senior Luncheon!



Teaching about saving at South Side Elementary.



The Citizens Bank staff at the 2023 South Carolina Business Hall of Fame.



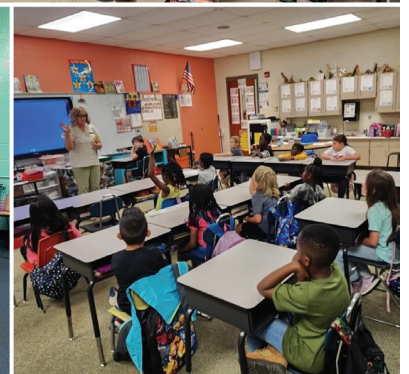
The Citizens Bank was honored to host a luncheon for USC First Lady Ero Aggelopoulou-Amiridis.



The Citizens Bank taught financial literacy to around 130 students at Brockington Elementary!



Honoring Carolyn Haselden for her 25 years of service!



TCB Banker Susie Alexander taught 6 classes at Walker Gamble Elementary School about saving for Teach Children to Save Day!



BOARD OF DIRECTORS

CITIZENS BANCSHARES CORPORATION



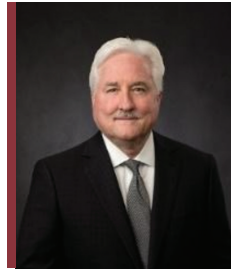
Robert W. Askins
General Contractor
RW Askins Construction, Inc.



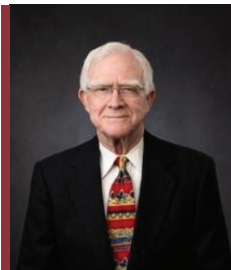
Dawn M. Munn
Pharmacy Manager
Health Care Partners of SC



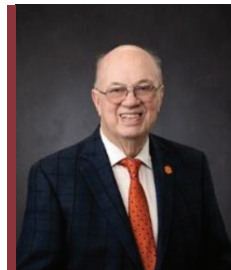
Joseph L. Bostick, Jr.
Retired Oil Distributor



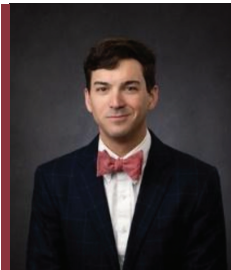
Samuel A. Rodgers Jr.
Executive Vice President
Carolina Eastern, Inc.



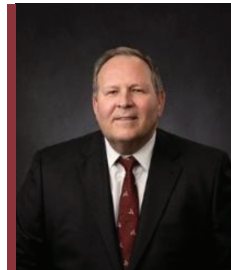
Michael L. Hodge, M.D. FAAN
Neurologist
McLeod Health



Gosnold G. Segars
President
G. Graham Segars & Sons, Inc.
Real Estate Brokerage



James H. Johnson
Owner
Coastal Indian Motorcycle



C. Dorn Smith, III, M.D.
Chief Executive Officer &
Chairman of the Board
Cardio Thoracic Surgeon

Not Pictured:

Dixie S. Bullock
Director

Andrew B. Smith
Director



BOARD OF DIRECTORS

THE CITIZENS BANK



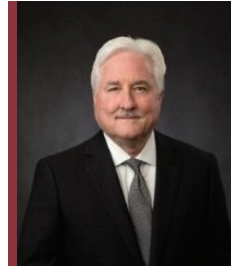
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Kenneth W. Lee
Retired Bank Officer



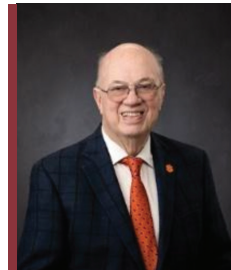
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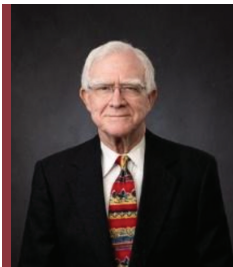
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H. Blake Gibbons, Jr.
Vice Chairman



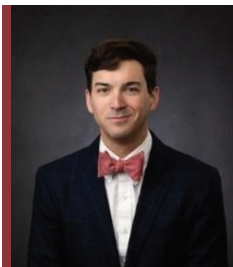
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EXECUTIVE OFFICERS

THE CITIZENS BANK



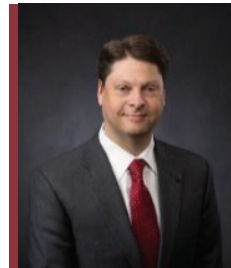
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Chief Executive Officer &
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Cardio Thoracic Surgeon



H. Blake Gibbons, Jr.
Vice Chairman



Thomas Bouchette
President
Chief Operating Officer



James E. Roberts, II
Executive Vice President
Chief Financial Officer



R. Ashley Wheeler, Jr.
Executive Vice President



James B. Smith
Executive Vice President
Regional Executive &
Mortgage Director



Kevin R. Gause
Senior Vice President
Chief Lending Officer



Richard W. McCutcheon
Senior Vice President



Angela S. Langley
Senior Vice President
Chief Credit Officer



OFFICERS

THE CITIZENS BANK

Corporate Office

C. Dorn Smith, III | Chief Executive Officer
H. Blake Gibbons, Jr. | Vice Chairman
Thomas Bouchette | President
James E. Roberts, II | Executive Vice President
R. Ashley Wheeler, Jr. | Executive Vice President
Kevin R. Gause | Senior Vice President
Angela S. Langley | Senior Vice President
Margi M. Fleming | Senior Vice President
Sherry D. Coker | Vice President
Robert F. Dukes, Jr. | Vice President
Cheryl A. Matthews | Vice President
Sherry P. Matthews | Assistant Vice President
Heather R. Thomy | Assistant Vice President

Operations Center

Tiffany P. Sugg | Senior Vice President
Teresa L. Floyd | Vice President
Thomas D. Ham, II | Vice President
Leah C. Hancock | Vice President
Elizabeth M. Atkinson | Assistant Vice President
Eric M. Pagan | Assistant Vice President

Olanta Branch

Jessica L. Craft | Officer

Turbeville Branch

Susan H. Alexander | Vice President

Lynchburg Branch/Operations Annex

Glenn D. Buddin, Jr | Senior Vice President
McKayla C. Shaw | Asst. AML/CFT Officer

Lake City Branch

Richard W. McCutcheon | Senior Vice President
Robert S. Phillips, II | Vice President

Sumter Branch

Samuel T. Dubose | Vice President
Paul E. Robbins | Vice President

Pawleys Island Branch

Joel W. Odom | Senior Vice President
Elliott S. Koonce | Vice President

Timmonsville Branch

Sharon L. Greene | Vice President

St. George Branch

Gregory P. Shuler | Vice President

Florence-Pamplico Hwy Branch

Adam V. Gamble | Vice President
Pamela M. Turner | Vice President
Cherry T. Gerrald | Assistant Vice President

Florence-Palmetto Street Branch

John L. Hanna | Senior Vice President
Robin A. Poston | Banking Officer

Pamplico Branch

Tammy H. Jones | Banking Officer

Johnsonville Branch

Ronald L. Coker, Jr. | Assistant Vice President

Georgetown Branch

Chandler P. Stokes | Assistant Vice President

Kingstree Branch

R. Conrad Kellahan | Vice President
Glenda B. Miller | Banking Officer

Murrells Inlet Branch

Tanya L. Yow | Assistant Vice President

Hartsville Branch

J. Darrell Cassidy | Senior Vice President
William M. Scarborough, Jr. | Vice President
P. Ross Johnson | Vice President

McBee Branch

Denise L. Tedder | Banking Officer

Camden Branch

Jason B. Hutto | Senior Vice President
Deborah P. Outlaw | Vice President

Lexington LPO

Kevin R. Gause | Acting Manager

Carolina Forest Branch

M. Nicole Rabon | Vice President

North Myrtle Beach Branch

James B. Smith | Executive Vice President
Joshua C. Wise | Senior Vice President
K. Gretchen Floyd | Vice President
Kimberly B. Rue | Assistant Vice President
Jennifer A. Scialabba | Assistant Vice President
Kyle D. Tuil | Assistant Vice President

Myrtle Beach - International Drive Branch

M. Nicole Rabon | Vice President

North Myrtle Beach – Windy Hill Branch

Laura L. Newton | Assistant Vice President

Myrtle Beach – Farrow Commons Branch

Jeana R. Tart-Williams | Vice President
Jolene L. Campbell | Vice President





CORPORATE OFFICE:

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