



**ANNUAL USE OF CAPITAL SURVEY - 2009**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Citizens Bancshares Corporation (Citizens Trust Bank, wholly owned bank subsidiary)

Person to be contacted regarding this report:	James E. Young Cynthia N. Day
UST Sequence Number:	318
CPP Funds Received:	7,462,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Mar 6, 2010
Date Repaid <sup>1</sup> :	N/A

RSSD: (For Bank Holding Companies)	1078958
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	8033
City:	Atlanta
State:	Georgia

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Having CPP funds helped Citizens Trust Bank avoid further reduced lending than we would have otherwise experienced. The use of the funds was helpful two fold as it allowed us to fund \$12 million of loans through loan purchases from other institutions who needed liquidity and capital.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	In 2009, we added almost \$3 million of earnings to our loss reserve to cover potential loan losses. The infusion of CPP funds provided an additional buffer to ensure that the bank maintained its "well capitalized" capital position.
<input checked="" type="checkbox"/>	Reduce borrowings	As a result of the branch acquisition discussed below, the bank became less reliant on borrowed funds, such as FHLB borrowings which declined by \$12 million during the period, in exchange for a more stable source of funding from core deposits.
<input type="checkbox"/>	Increase charge-offs	
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	On March 27, 2009, Citizens Trust Bank acquired the Lithonia, Georgia branch of the Peoples Bank. The bank acquired the in-market deposits of the branch which totalled approximately \$50 million. The acquisition afforded the bank greater liquidity and more than 2,000 new customers.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The CPP funds has afforded the bank the ability to maintain a healthy capital cushion and reserves required by regulators to be able to absorb unanticipated losses.

What actions were you able to avoid because of the capital infusion of CPP funds?

Primarily, the capital infusion of CPP funds allowed Citizens Trust Bank to avoid limited capital growth and maintain a healthy capital cushion and reserves required by regulators to absorb unanticipated losses. The infusion alleviated some of the pressure, in a difficult economic environment, of a sole reliance on earnings which traditionally augments capital growth. The infusion accompanied by our profitable operations boosted our capital base. Though, unlike 63% of the 500 plus banks in Georgia, Citizens Trust Bank operated profitably in 2009, we were not spared the negative impact of the poor economy and its impact on loan quality. Indeed, we added almost \$3 million of earnings to our loss reserve. Therefore, having the capital infusion strengthened and positioned the bank for future opportunities and increased lending when the demand for credit improves and the economic environment experiences sustainable signs of stabilization.

It should be further noted that access to capital for financial institutions was severely curtailed in 2008, 2009 and thus far in 2010. This was particularly problematic for community banks and even more so for community banks like Citizens Trust Bank which primarily operates in distressed market areas that are also predominately minority populated. Considering all such factors, if capital was available, it would be prohibitively expensive and negatively impact the bank's overall mission. Consequently, the capital infusion of CPP funds relieved us of the need to seek expensive funds from traditional capital markets. We do, however, regard the mandatory dividend rate of 5% to be a bit pricey and welcome consideration of the reduction of the dividend rate.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

As mentioned earlier, Citizens Trust Bank acquired the Lithonia, Georgia branch of the Peoples Bank. The capital infusion of CPP funds allowed Citizens Trust Bank to acquire approximately \$50 million of in-market deposits and 2,000 new customers. We also acquired the branch office, other related real estate, furniture and fixtures. The acquisition allowed for a more cost effective way to gain additional deposits that, in turn, will facilitate an even greater amount of lending when the demand for credit fully returns. Further, the transaction provided immediate support for the "selling" bank by providing greater liquidity and capital that should also support their future lending ability.

The community benefited from the continuation of banking services in the market area and Citizens Trust Bank gained liquidity that allowed it to reduce its reliance on borrowings and enhance its core deposits from customers in its natural market area. While we have always been regarded as a "well capitalized" bank by regulatory standards, the infusion of CPP funds permitted us to maintain a healthy margin between the minimum "well capitalized" requirement and the comfortable margin we enjoy today.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

We never stopped lending and have plenty of liquidity and we would like nothing more than to put it to good use. The problem is that businesses are not looking to borrow. They have little or no reason to do so, since they are generally dealing with lower sales and a need to reduce expenses in response to a terrible economy. As a result, they are not building inventory, buying new equipment or expanding their operations. In addition, other potential borrowers have seen their balance sheets hurt by the recession and no longer qualify for conventional community bank financing in the "new normal". What loan demand we have seen is the result of other community banks in our market area being forced to shrink their balance sheets. In that regard, Citizens Trust Bank has purchased some \$12 million in performing commercial real estate loans from other community banks. These loans continue to perform as agreed. Undoubtedly, the capital infusion of CPP funds contributed to our ability to reduce the impact of loan "run off" in our bank. These transactions, at the same time, enhanced the liquidity and capital positions of the banks from which we made such purchases.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

See comments in box above, unable to wrap text in this text box.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.