FORM 10−K

CITIZENS HOLDING CO /MS/ − CIZ

Filed: March 31, 2003 (period: December 31, 2002)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-25221
CITIZENS HOLDING COMPANY
(Exact Name of Registrant as Specified in Its Charter)

MISSISSIPPI	64-0666512
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
521 Main Street, Philadelphia, MS	39350
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: 601-656-4692

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.20 par value	American Stock Exchange

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

None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES [_] NO [X]

As of June 30, 2002, the aggregate market value of the registrant's common stock, $.20 par value, held by non-affiliates of the registrant was $61,085,221.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 14, 2003
Common stock, $.20 par value	4,974,578 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference to Part II and III of the Form 10-K: 2002 Annual Report to Shareholders (Part II) and the Definitive Proxy Statement dated March 21, 2003 for the registrant's Annual Meeting of Stockholders to be held April 22, 2003 (Part III).

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PART I

In addition to historical information, this report contains statements which constitute forward-looking statements and information which are based on management's beliefs, plans, expectations, assumptions and on information currently available to management. The words "may," "should," "expect," "anticipate," "intend," "plan," "continue," "believe," "seek," "estimate" and similar expressions used in this report that do not relate to historical facts are intended to identify forward-looking statements. These statements appear in a number of places in this report, including, but not limited to, statements found in Item 1 "Business" and in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 operation, performance, development and results of the Corporation's and the Bank's business include, but are not limited to, 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 institutions; (d) the impact of technological advances; (e) expectations about the movement of interest rates, including actions that may be taken by the Federal Reserve Board in response to changing economic conditions; (f) changes in asset quality and loan demand; (g) expectations about overall economic strength and the performance of the economy in the Corporation's market area; and (h) 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 1. BUSINESS

BACKGROUND

Citizens Holding Company (the "Corporation") is a one-bank holding company that holds 97.52% 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 Bank was opened on February 8, 1908 as The First National Bank of Philadelphia. 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. At December 31, 2002, the Bank was the largest bank headquartered in Neshoba County with total assets of $517,895,749 and total deposits of $433,674,581.

The principal executive offices of both the Corporation and the Bank are located at 521 Main Street, Philadelphia, Mississippi 39350 and its telephone number is (601) 656-4692. All references hereinafter to the activities or operations of the Corporation reflect the Corporation's activities or operations through the Bank.

The Corporation acquired by merger CB&T Capital Corporation and Citizens Bank & Trust Company in Louisville, Mississippi in the second quarter of 2002. This acquisition added approximately $70 million in assets to the Corporation. The purchase price of the net assets totaled approximately $12.3 million cash and was based on a multiple of approximately 1.505 times the book value, subject to certain adjustments, of the acquired company. OPERATIONS

The Corporation, through the Bank, engages in a wide range of commercial and personal banking activities, including accepting demand deposits, savings and time deposit accounts, making secured and unsecured loans, issuing letters of credit, originating mortgage loans, and providing personal and corporate trust services; and provides certain services that are closely related to commercial banking such as credit life insurance and title insurance for its loan customers.

Revenues from the Corporation's lending activities constitute the largest component of the Corporation's operating revenues. Such lending activities include commercial, real estate, installment (direct and indirect) and credit card loans. The Corporation's primary lending area is East Central Mississippi, specifically Neshoba, Newton, Leake, Scott, Attala, Lauderdale, Winston 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 eight county lending area is mainly rural with Meridian, at 41,036 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 Pearl River Resort (the "Resort"). The Resort and its related services employs approximately 5,000 people from the Corporation's service area.

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, residential and commercial construction and commercial real estate loans. Historically, approximately 32.6% of the Corporation's loan portfolio has been attributed to this category of lending. Another 48.2% of the Corporation's loan portfolio has been comprised of commercial, industrial and agricultural production loans, with consumer loans making up the remaining 19.2% of the total loan portfolio.

The Corporation's loan personnel have the authority to extend credit under guidelines established and approved by the Board of Directors. Any aggregate credit that 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 the communication and pooling of knowledge, judgment and experience of its members.

Of course, all loans in the Corporation's portfolio are subject to risk based on the economy in the Corporation's area and also that of the nation. However, because the Corporation's local economy has been strong and unemployment has remained at historic lows, management continues to believe that general risk levels are low.

In addition to lending services, the Corporation provides a wide range of personal and corporate trusts and trust-related services, which include its serving as executor of estates, as trustee under testamentary and inter vivos trusts and various pension and other employee benefit plans, as the guardian of the estates of minors and incompetents, and as escrow agent under various agreements. The Corporation also offers discount brokerage services through First Tennessee Bank.

Through such innovations as its VISA Checkcard program, the 24 Hour Phone Teller and its Internet site (http://www.thecitizensbankphila.com), the Corporation's customers have the ability to have easy and convenient access to their funds and account balances 24 hours a day, 7 days a week. Additionally, the Internet site enables the Corporation's customers to review their accounts in detail, make transfers between their accounts and pay bills from anywhere in the world.

EXECUTIVE OFFICERS OF THE REGISTRANT

From 1982 until his retirement on December 31, 2002, Steve Webb, who is 70 years old, served as Chief Executive Officer and President of the Corporation. Mr. Webb had served as Chief Executive Officer of the Bank from 1978 until December 31, 2002 and President of the Bank from 1978 until January 2002. Mr. Webb has served as a member of the Board of Directors of the Corporation since 1982 and of the Bank since 1970. Mr. Webb has served as Chairman of the Board of both the Bank and Corporation since 1997.

Greg L. McKee, who is 41 years old, was named President and Chief Executive Officer of the Corporation and Chief Executive Officer of the Bank in January 2003. He has served as President of the Bank since January 2002 and served as Chief Operating Office of the Bank from January 2002 until December 31, 2002. He has also been a member of the Board of Directors of both the Corporation and the Bank since 2001. Previous to this, he served as Executive Vice-President of the Bank from 2001 to 2002, Senior Vice-President of the Bank from 2000 to 2001, Vice-President of the Bank from 1992 to 2000, Assistant Vice-President of the Bank from 1989 to 1992, and Assistant Cashier of the Bank from 1984 to 1989.

Robert T. Smith, who is 51 years old, has been employed by the Bank since 1986 and has been in his current position of Senior Vice-President and Chief Financial Officer since January 2001. Prior to January 2001, Mr. Smith held the title of Vice-President and Controller from 1987 until 2001 and Assistant Vice-President from 1986 to 1987. In addition to his position with the Bank, Mr. Smith has served as Treasurer of the Corporation since February 1996.

EMPLOYEES

The Corporation has no compensated employees. At December 31, 2002, the Bank employed 192 full-time employees and 28 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.

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 engages in any unsafe or unsound practice or that violates certain laws, regulations, or conditions imposed in writing by the FRB.

Capital Standards.

The FRB, FDIC and other federal banking agencies have established 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.

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. 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%.

Prompt Corrective Action and Other Enforcement Mechanisms.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("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.

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.

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.

The Corporation's ability to pay dividends depends in large part on the ability of the Bank to pay dividends to the Corporation. Certain provisions of state law restrict the payment of dividends by a Mississippi state bank.

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.

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.

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

Community Reinvestment Act.

The revised Community Reinvestment Act ("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 continues to be a factor in review of applications to merge, to establish new branches or for the formation of bank holding companies. Different evaluation methods are used depending on the asset size of the bank.

The FDIC examined the Bank on June 1, 1999 and again most recently on August 21, 2001, for its performance under the CRA. The Bank was rated Satisfactory during both of these examinations. No discriminatory practices or illegal discouragement of applications were found.

Impact of Monetary Policies.

Banking is a business that 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. The nature and timing of any future changes in such policies and their impact on the Corporation cannot be predicted.

COMPETITION

The banking business is a highly competitive business. The Corporation's market area consists principally of Neshoba, Newton, Leake, Scott, Attala, Lauderdale, Winston 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 Corporation is no exception. The Corporation competes with savings and loan associations, credit unions, production credit associations, federal land banks, 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.

ITEM 2. PROPERTIES

The Corporation, through the Bank, currently operates from its main office in downtown Philadelphia, and from 18 additional branches in Neshoba, Newton, Leake, Scott, Attala, Lauderdale, Winston and Kemper counties, 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	Full Service; 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	Full Service; 24 Hour Teller
Northside Branch	720 Pecan Avenue Philadelphia, Mississippi (601) 656-4977	Deposits; 24 Hour Teller
Pearl River Branch	110 Choctaw Town Center Philadelphia, Mississippi (601) 656-4971	Full Service; 24 Hour Teller
Union Branch	Corner of Horne &Bank Union, Mississippi (601) 774-9231	Full Service
Carthage Main Office	219 West Main Street Carthage, Mississippi (601) 267-4525	Full Service
Crossroads Branch	Highways 35 &16 Carthage, Mississippi (601) 267-4525	Drive-up
Madden Branch	Highway 488 Madden, Mississippi (601) 267-7366	Deposits

Sebastopol Branch	24 Pine Street Sebastopol, Mississippi (601) 625-7447	Full Service; 24-Hour Teller
DeKalb Branch	Corner of Main &Bell DeKalb, Mississippi (601) 743-2115	Full Service
Kosciusko Branch	775 North Jackson Avenue Kosciusko, Mississippi (662) 289-4356	Full Service; 24-hour Teller
Scooba Branch	1048 Johnston Street Scooba, Mississippi (662) 476-8431	Full Service
Meridian Branch	1825 Highway 39 North Meridian, Mississippi (601) 693-8367	Full Service; 24-Hour Teller
Decatur Branch	15520 Highway 15 South Decatur, Mississippi (601) 635-2321	Full Service; 24-Hour Teller
Forest Branch	247 Woodland Drive North Forest, Mississippi (601) 469-3424	Full Service; 24-Hour Teller
Louisville Main Branch	100 East Main Street Louisville, MS (662) 773-6261	Full Service
Industrial Branch	803 South Church Street Louisville, MS (662) 773-6261	Drive-Up
Noxapater Branch	45 Main Street Noxapater, MS (662) 724-4261	Deposits

The Bank owns its main office and its branch offices, except for the Pearl River Branch Office, which is leased. 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 related departments of the Corporation. The other branches range in size from nearly 4,000 square feet to 1,000 square feet.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the Company's shareholders during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price.

The Corporation's Common Stock is traded on the American Stock Exchange ("AMEX") under the symbol "CIZ." The stock began trading on the AMEX on October 19, 1999 and prior to that date was sold by private transactions between parties. On December 31, 2002, the Common Stock's closing price was $16.00.

2001	High	Low	Dividends Declared (per common share)
January - March	11.17	10.33	0.083
April - June	11.83	10.77	0.100
July - September	13.17	11.50	0.100
October - December	16.60	12.17	0.100

2002	High	Low	Dividends Declared (per common share)
January - March	16.26	14.25	0.120
April - June	16.00	14.65	0.120
July - September	16.85	15.75	0.140
October - December	17.35	15.70	0.140

Per share information included in the above table has been adjusted to reflect the three-for-two (3:2) common stock split effective January 2, 2002.

On March 14, 2003, the shares of Common Stock were held of record by approximately 454 shareholders.

Dividends

Dividends, retroactively adjusted to give effect to the three-for-two stock split, totaled $0.52 per share for 2002 compared to $0.383 in 2001 and $.283 in 2000. These dividends reflect a 36% increase in 2002 over 2001 and a 35% increase in 2001 over 2000.

The Corporation declares dividends on a quarterly basis in March, June, September and December with payment following at the end of the month in which the dividend was declared.

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 6. SELECTED FINANCIAL DATA

FIVE YEAR SUMMARY OF CONSOLIDATED STATEMENTS AND RELATED STATISTICS
(amounts in Thousands, Except Percent and Per Share Data)
(Per Share Data adjusted for 3:2 split of January 2, 2002)

	2002	2001	2000	1999	1998
Summary of Earnings					
Total Interest Income	$ 30,197	$ 29,119	$ 28,638	$ 25,476	$ 23,956
Total Interest Expense	9,746	13,399	14,064	10,974	10,860
Provision for loan losses	1,758	1,123	918	849	846
Non-interest income	4,435	3,980	3,285	3,122	2,2897
Non-interest expense	13,865	10,308	8,772	8,361	7,948
Income tax expense	2,965	2,558	2,635	2,793	2,487
Net Income	6,298	5,711	5,534	5,621	4,712
Per Share Data					
Earnings-basic	$ 1.27	$ 1.15	$ 1.12	$ 1.13	$ 0.95
Earnings-diluted	1.26	1.15	1.11	1.13	0.95
Cash dividends	0.520	0.383	0.283	0.213	0.160
Book value at year end	10.81	9.51	8.74	7.57	7.15
Selected Year End Actual Balances					
Loans, net of unearned income	$ 308,175	$ 264,278	$ 252,022	$ 234,349	$ 211,349
Allowance for possible loan losses	(4,222)	(3,375)	(3,325)	(3,100)	(2,900)
Investment securities	162,276	122,567	103,533	102,451	91,539
Total assets	518,450	427,213	382,800	362,790	334,232
Deposits	432,768	359,309	289,908	284,462	282,242
Long term borrowings	24,606	14,629	10,000	10,000	10,000
Shareholder's equity	53,783	47,182	43,377	37,546	35,455
Selected Year End Average Balances					
Loans, net of unearned income	$ 289,407	$ 255,185	$ 244,307	$ 221,165	$ 202,228

Allowance for possible loan losses	(3,905)	(3,335)	(3,198)	(2,974)	(2,701)
Investment securities	153,726	106,632	102,325	97,219	79,401
Total assets	491,833	403,881	374,439	347,613	314,896
Deposits	414,135	327,536	290,704	288,176	268,514
Long term borrowings	19,301	14,815	10,000	10,000	7,630
Shareholders' equity	51,304	47,664	40,701	37,603	33,513
Selected Ratios					
Return on average assets	1.28%	1.41%	1.48%	1.62%	1.50%
Return on average equity	12.28%	11.98%	13.60%	14.95%	14.08%
Dividend payout ratio	40.98%	33.31%	25.41%	18.84%	16.85%
Equity to year end assets	10.37%	11.04%	11.33%	10.35%	10.61%
Total risk-based capital to risk-adjusted assets	15.57%	18.40%	18.88%	18.52%	18.13%
Leverage capital ratio	8.53%	10.51%	11.61%	11.06%	10.61%
Efficiency ratio	54.51%	51.32%	47.20%	45.48%	48.01%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information on the Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002, 2001, and 2000 required by this Item 7 can be found under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002, 2001 and 2000" and "Consolidated Financial Statements" in the 2002 Annual Report to Shareholders, a copy of which is filed as an Exhibit to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information on the Quantitative and Qualitative Disclosures about Market Risk, required by this Item 7A can be found under the headings "Quantitative and Qualitative Disclosures about Market Risk" in the 2002 Annual Report to Shareholders, a copy of which is filed as an Exhibit to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information on Financial Statements and Supplementary Data required by this Item 8 can be found under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002, 2001 and 2000", "Consolidated Financial Statements" and "Quarterly Financial Trends" in the 2002 Annual Report to Shareholders, a copy of which is filed as an Exhibit to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the Directors and Executive Officers of the Corporation required by this Item 10 can be found under the headings "Executive Officers of the Registrant" in Item 1 of this Annual Report on Form 10-K and "Section 16(a) Beneficial Ownership Reporting Compliance" and "Board of Directors" in the Corporation's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 21, 2003, relating to its 2003 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Executive Compensation paid by the Corporation required by this Item 11 can be found under the headings "Executive Compensation", "Compensation of the Board of Directors", "Stock Performance Graph" and "Compensation Committee Interlocks and Insider Participation" in the Corporation's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 21, 2003, relating to its 2003 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In partial response to this Item, the Corporation incorporates by reference the information under the headings "Security Ownership of Directors, Nominees and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the Corporation's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 21, 2003, relating to its 2003 Annual Meeting of Shareholders.

The following table summarizes the Company's equity compensation plan information as of December 31, 2002. the underlying plans, which are more fully described in Note 16 to the consolidated financial statements included in Item 8, have been previously approved by a vote of the shareholders.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
Equity compensation plans approved by security holders	124,700	$11.65	315,970 /(1)(2)/
Equity compensation plans not approved by security holders	_____	_____	_____
Total	124,700	$11.65	315,970

/(1)/ Includes 34,200 shares that remain available for future issuance under the 1999 Directors' Stock Compensation Plan.

/(2)/ Includes 281,770 shares available for future issuance under the 1999 Employees' Long-Term Incentive Plan. Under the terms of this plan, the number of shares that may be issued cannot exceed 7% of the total number of shares issued and outstanding from time to time. In addition to stock options, restricted stock may be granted or awarded under the plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding Certain Relationships and Related Transactions can be found under the headings "Indebtedness of Related Parties" and "Interests of the Board of Directors" in the Corporation's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 21, 2003, relating to its 2003 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this Annual Report on Form 10-K, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as defined in Rule 13a-14(c) and Rule 15d-14(c) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Corporation's principal executive officer and principal financial officer concluded that the Corporation's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the Corporation's SEC reports. There have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Corporation carried out its evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements

Consolidated Financial Statements and Supplementary Information for years ended December 31, 2000, 2001 and 2002, 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

(b) Reports on Form 8-K

The following report on form 8-K was filed by the Corporation during the last quarter of the period covered by this Form 10-K:

On December 30, 2002, the Corporation filed on Form 8-K under Item 7(a) and Item 9 a press release announcing the change in Chief Executive Officer upon the retirement of Steve Webb.

(c) Exhibits required by Item 601 of Regulation S-K

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(a)	Directors' Deferred Compensation Plan - Form of Agreement	*
10(b)	Citizens Holding Company 1999 Directors' Stock Compensation Plan	*
10(c)	Citizens Holding Company 1999 Employees' Long-Term Incentive Plan	*
10(d)	Change in Control Agreement dated December 10, 2002 between the Company and Greg L. McKee	
10(e)	Summary of Consulting Agreement between the Company and Steve Webb	
13	2002 Annual Report to Shareholders	
21	Subsidiaries of Registrant	*
23	Consent of Independent Auditors	
99(a)	Section 906 Certification of Chief Executive Officer	
99(b)	Section 906 Certification of Treasurer	

* Filed as an exhibit to the Form 10 Registration Statement of the Corporation (File No. 000-25221) filed on December 30, 1998 and incorporated herein by reference, and also filed as an exhibit to Amendment No. 1 to Form 10 Registration Statement of the Corporation (File No. 000-25221) filed on June 21, 1999 and incorporated herein by reference.

(d) Financial Statement Schedules.
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITIZENS HOLDING COMPANY

Date: March 20, 2003

By: /s/ Greg L. McKee
Greg L. McKee
President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURES	CAPACITIES	DATE
/s/ Karl Brantley	Director	March 20, 2003
/s/ W. W. Dungan	Director	March 20, 2003
/s/ Don L. Fulton	Director	March 20, 2003
/s/ David A. King	Director	March 20, 2003
/s/ Herbert A. King	Director	March 20, 2003
/s/ William M. Mars	Director	March 20, 2003
/s/ Greg L. McKee	Director, President and Chief Executive Officer	March 20, 2003
/s/ Robert T. Smith	Treasurer	March 20, 2003
/s/ Steve Webb	Chairman of the Board	March 20, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Greg L. McKee, certify that:

1. I have reviewed this annual report on Form 10-K of The Citizens Holding Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

By: /s/ Greg L. McKee
Greg L. McKee
Chief Executive Officer

CERTIFICATION OF TREASURER

I, Robert T. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of The Citizens Holding Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

By: /s/ Robert T. Smith

Robert T. Smith
Treasurer

</TEXT>
</DOCUMENT>

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

/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

NESHOBA COUNTY

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

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

/s/ BOBBY G. POSEY Clerk

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

STATE OF MISSISSIPPI

[SHIELD APPEARS HERE]

OFFICE OF SECRETARY OF STATE
JACKSON

CERTIFICATE OF AMENDMENT

OF

CITIZENS HOLDING COMPANY

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

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

[SEAL Given under my hand and Seal of Office, APPEARS
this the 30th day of April 1982. [HERE]

/s/ EDWIN LLOYD PITTMAN

SECRETARY OF STATE.

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:

	Number of Shares Voted	
Class	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 NESHOBA

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

/s/ LUCILLE M. MYATT

Notary Public

[SEAL]

My commission expires 9/13/84

(Notary Seal)

This page conforms with the duplicate original filed with Secretary of State.
/s/ EDWIN LLOYD PITTMAN
Secretary of State
State of Mississippi

THE STATE OF MISSISSIPPI

NESHOBA COUNTY

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

In Volume 101 Number 20 dated 5-20 1982

In Volume ___ Number __ dated ____ 19__

In Volume ___ Number __ dated ____ 19__

In Volume ___ Number __ dated ____ 19__

In Volume ___ Number __ dated ____ 19__

In Volume ___ Number __ dated ____ 19__

/s/ STANLEY DEARMAN
____ Affiant

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

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

My commission expires December 1, 1984 (Seal)

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

STATE OF MISSISSIPPI
NESHOBA COUNTY

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

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

/s/ BOBBY G. POSEY Clerk
____

/s/ M. CROSWELL D.C.
____

STATE OF MISSISSIPPI

[SHIELD APPEARS HERE]

OFFICE OF SECRETARY OF STATE
JACKSON

CERTIFICATE OF AMENDMENT

OF

CITIZENS HOLDING COMPANY

The undersigned, as Secretary of State of the State of Mississippi, hereby certifies that duplicate originals of Articles of 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 Given under my hand and Seal of Office, APPEARS this the 26th day of January 1983. [HERE]

/s/ EDWIN LLOYD PITTMAN

SECRETARY OF STATE.

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 NESHOBA

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.

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. outstanding shares	No. of votes entitled to be cast	No. of votes indisputably represented
___________	_____________	______________	_________________
___________	_____________	______________	_________________

(b) Either

(i) the total number of votes cast for and against the amendment by each 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.

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:

[SEAL]
FILED
11/20/1998
Eric Clark
Secretary of State
State of Mississippi

1. TYPE OF CORPORATION

[X] Profit   Nonprofit

2. NAME OF CORPORATION

Citizens Holding Company

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   [X] directors without shareholder action and shareholder action was not required

FOR NONPROFIT CORPORATION (Check the appropriate box)

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

FOR PROFIT CORPORATION

7. IF THE AMENDMENT WAS APPROVED BY SHAREHOLDERS

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

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

(B) EITHER

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

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

OR

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

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

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

FOR NONPROFIT CORPORATION

8. IF THE AMENDMENT WAS APPROVED BY THE MEMBERS

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

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

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 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

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

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

The above Amendment the Articles of Incorporation for the above referenced Corporation were adopted by the Board of Directors on October 23, 2001, to be effective December 31, 2001.

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 Twenty-Two Million Five Hundred Thousand (22,500,000) of the par value of Twenty Cents ($0.20) per share.

CITIZENS HOLDING COMPANY

By:/s/ Joe Steve Webb

Joe Steve Webb, President

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EXHIBIT 10(d)

Change In Control Agreement dated December 10, 2002

CHANGE IN CONTROL AGREEMENT

This Agreement, made this 10th day of December, 2002, by and between THE CITIZENS BANK OF PHILADELPHIA, MISSISSIPPI (referred to herein as "Employer") and GREG L. MCKEE (referred to herein as "Employee").

WITNESSETH:

WHEREAS, the Employee will be employed by Employer as Chief Executive Officer and President effective January 1, 2003;

WHEREAS, the Employer recognizes the valuable services hereto to be performed for it by Employee and wishes to entice Employee to continue said employment;

WHEREAS, the Employee wishes to be assured that he will be entitled to a certain amount of additional compensation for some definite period of time from and after any Change in Control of the Employer;

WHEREAS, the parties hereto wish to provide the terms and conditions upon which the Employer shall pay certain compensation to Employee after a Change in Control of the Employer;

WHEREAS, the Employee and the Employer have entered into this Change in Control Agreement ("Agreement') which controls all issues relating to the compensation to be paid by Employer to Employee in the event of a Change in Control as herein described; and

WHEREAS, the Employee and Employer acknowledge that this is not an employment agreement and that Employee's employment with the Corporation is on an at will basis only.

NOW, THEREFORE, in consideration of the premises and of the mutual promises herein contained, the parties hereto agree as follows:

Article 1
Definitions

Whenever used within this Agreement, the following terms shall have the meanings hereinafter set forth.

1.1 "Board of Directors" means board of directors of the Employer.

1.2 "Change in Control" means the earliest of the following events with respect to the Employer:

(i) The acquisition by any entity, person, or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than fifty percent (50%) of the outstanding capital stock of Employer entitled to vote for the election of directors ("Voting Stock");

(ii) The effective time of (1) a merger or consolidation of Employer with one or more other corporations as a result of which the holders of the outstanding Voting Stock of Employer immediately prior to such merger hold less than fifty percent (50%) of the Voting Stock of the surviving or resulting corporation, or (2) a transfer of substantially all of the property of Employer other than to an entity of which Employer owns at least fifty percent (50%) of the Voting Stock; or

(iii) The election to the Board of Directors of Employer, without the recommendation or approval of a majority of the incumbent Board of Directors of Employer, of directors constituting a majority of the number of directors of Employer then in office.

Article 2
Term of Agreement

2.1 The term of this Agreement shall commence on January 1, 2003 ("Effective Date") and end on the earlier of (i) the termination or resignation of Employee's employment with the Employer; or (ii) upon the payment of compensation by Employer to Employee in the event of a Change in Control pursuant to Article 4. Upon the termination of this Agreement, neither party shall have any further obligation hereunder.

Article 3
Obligation of Employee

3.1 Employee's obligation under this Agreement shall be to perform the duties required of him as President and Chief Executive Officer of the Employer and such other duties as reasonably associated with such positions and as may be reasonably requested by the Board of Directors of the Employer.

Article 4
Payment to Employee - Change in Control

4.1 Payment to Employee. In the event there is a Change in Control during the term of this Agreement, Employer shall make certain payments to the Employee as described below.

(i) Amount of Payment. Employer shall commence payments to Employee equal to 2.99 times the Employee's average annual compensation for the five calendar years immediately proceeding the year in which the Change in Control occurs. For purposes of this provision average annual compensation shall have the same meeting as "base amount" which is provided in Section 280G of the Internal Revenue Code and accompanying regulations and includes all compensation includable in the Employee's gross income during the applicable period.

(ii) Internal Revenue Code of Limitations. Notwithstanding any provision of this Agreement to the contrary, if payments to Employee under this Agreement and/or any other payment or benefit from the Employer to Employee in connection with a Change in Control is subject (or would be subject to if Employee was considered as a "disqualified individual" under Code Section 280G(c)) to the excise tax imposed under Code Section 4999 or any similar excise or penalty tax payable under any United States federal, state, local or other law, such payments or benefits shall be reduced to the extent necessary to avoid the excise tax (or to avoid such tax if Employee was considered as a "disqualified individual"). The determination of whether a reduction is required under this Section shall be made by the Employer's independent accountants, and, to the extent practicable, Employee shall be entitled to reasonably select the payments or property that will remain payable after the application of this Section. Employee shall be deemed to have forfeited any right to any payment or property that is subject to reduction hereunder, without requirement of further notice.

(iii) Timing of Payments. Such payments shall be payable in twelve (12) equal monthly installments commencing on the first business day of the month next following the date of a Change in Control.

(iv) Mitigation of Payment. Employee shall not be required to terminate employment with the Employer in order to receive the benefits hereunder or to mitigate the amount of any payment provided for by this Agreement by seeking other employment or otherwise. In addition, any other amounts received by the Employee from the Employer or a successor company shall not mitigate the amount of any payment hereunder.

(v) Death of Employee. If the Employee shall die while any amounts would still be payable to him on an installment basis as provided in (a) above if he had continued to live, as a result of a Change in Control which occurred prior to his death and during the term of this Agreement, such amounts shall be paid in accordance with the terms of this Agreement to the Employee's designees or beneficiaries or, if there is no such designee or beneficiary, to the Employee's estate.

Article 5
Successors

5.1 Successors in Interest. This Agreement shall be binding upon any and all successors and assigns of the Employer.

Article 6
Miscellaneous

6.1 Waiver. The waiver by the Employer of a breach by Employee of any provision of this Agreement shall not be construed as a waiver of any subsequent breach by Employee.

6.2 Severability. If any clause, phrase, provision or portion of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not effect or render invalid or unenforceable the remainder of this Agreement and shall not affect the application of any clause, provision, or portion hereof to other persons or circumstances.

6.3 Relevant Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Mississippi.

6.4 Attorneys' Fees. Should either the Employer or Employee bring an action under this Agreement, the prevailing party will be entitled to reimbursement from the non-prevailing party as to attorney fees, filing fees and other such costs related to the enforcement of the terms of this Agreement.

6.5 Notices. All notices, requests, demands and other communications in connection with this Agreement shall be made in writing and shall be deemed to have been given when delivered by hand or 48 hours after mailing at any general or branch United States Post Office, by registered or certified mail, postage prepaid, addressed as follows, or to such other address as shall have been designated in writing by the addressee:

(i) If to the Employer:

The Citizens Bank of Philadelphia, Mississippi
P. O. Box 209
Philadelphia, Mississippi 39350
Attention: Mr. Steve Webb

(ii) If to the Employee:

Greg L. McKee

Philadelphia, Mississippi 39350

6.6 Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration. Such arbitration shall be conducted in the City of Jackson, Mississippi, in accordance with the Rules of American Arbitration Association.

6.7 Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements, and communications, whether oral or written, pertaining to the subject matter hereof; and this Agreement shall not be modified or amended except by written Agreement of the Employer and Employee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

EMPLOYER:

THE CITIZENS BANK OF PHILADELPHIA, MISSISSIPPI

By: /s/ Steve Webb

Title: Chief Executive Officer

EMPLOYEE:

/s/ Greg L. McKee

GREG L. MCKEE

EMPLOYEE'S DESIGNATED BENEFICIARY:

Linda L. McKee

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EXHIBIT 10(e)

SUMMARY OF CONSULTING AGREEMENT

The Citizens Holding Company has entered into an oral agreement with Steve Webb, Chairman of the Board of Directors, pursuant to which Mr. Webb will provide general consulting services to the Citizens Holding Company. The term of the agreement is one year and it will expire on December 31, 2003. In consideration for providing these general consulting services, Mr. Webb is paid $2,000 per month and provided with the use of a company automobile.

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EXHIBIT 13

CITIZENS HOLDING COMPANY

2002 ANNUAL REPORT

INTEGRITY

Dear Stockholder:

Let me begin by thanking you for the opportunity to serve as the Chief Executive Officer of this great company.

I recently stated that, "To have a great bank, you must have great stockholders, great customers and great employees." We certainly enjoy all three of these within our company.

Your management team is excited about the opportunities available to us in the future. We are operational in our new branch in Sebastopol and are expecting good returns on our investment in that community. We are extremely pleased with the results thus far from our new Meridian Branch. The Lauderdale County market is very active, and we intend to pursue our share of this activity. After ten months of operation in the Winston County market, we are beginning to establish a strong presence in this market. This acquisition continues our growth strategy into contiguous markets which have historically proven successful.

Across the nation, many companies are suffering from deteriorating confidence in their abilities and integrity. Sadly much of this deterioration has been caused by their own actions. I take great comfort in the confidence I have in the integrity of our company and the abilities of our employees.

I feel very honored to have been chosen to lead our company into the future. I am very much aware of my responsibility to serve our communities while maximizing the value of your investment. I assure you this responsibility will never be taken lightly.

Thank you for your support.

Greg L. McKee
President and Chief Executive Officer

Dear Stockholder:

My journey as your Chief Executive Officer ended December 31, 2002 as I passed the title of Chief Executive Officer to Greg McKee. I am confident that he will continue the growth of your company and take us to new highs in the future. Even though I have retired from the day-to-day operations, I will remain on the Board as Chairman and will be available for consultation when needed.

The past year presented us with the continued decline of the stock market, a drop in interest rates to a level not seen for many years and the lack of integrity in a few public companies. These factors along with the fear of terrorism and the possibility of war have caused some uncertainty in our economy.

I am most troubled by the apparent lack of integrity in some publicly traded companies. Although when you look at The Wall Street Journal and see the numerous pages of publicly traded companies, you realize that the percentage of companies that have allegedly misstated their financials is very small. In the past, some stocks were overpriced without real fundamentals to provide a basis for being as highly priced as they were. The recent adjustment in stock prices was going to happen at some point and hopefully that is now behind us.

I am pleased that with all of the negative factors affecting our economy, we were able to increase our 2002 earnings 10.3% over 2001, increasing basic per share earnings from $1.15 in 2001 to $1.27 in 2002. Our assets grew 21.4%, deposits grew 20.4% and loans increased 16.6%. In 2002 we continued a long tradition of improving performance every year.

During the past year, we acquired Citizens Bank & Trust Company in Louisville and expanded our Meridian presence with the completion of our new branch building. This rapid growth had some impact on our earnings this year but we expect these investments to have a positive impact on earnings in the future. Loan losses in 2002 were higher than last year, a reflection of the national economy. There is continuing growth at the Pearl River Resort and the Nissan Plant in Madison County will begin operation in 2003. We have increased our presence in this area and I believe this will present a great opportunity for the growth of our Bank.

Thank you for allowing me to serve in this great organization.

Steve Webb
Chairman of the Board

Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002, 2001 and 2000

BACKGROUND

Citizens Holding Company (the "Company") is a one-bank holding company that holds 97.52% of the outstanding shares of The Citizens Bank of Philadelphia, Mississippi (the "Bank"). The Company was incorporated under Mississippi law on February 16, 1982.

The Bank was opened on February 8, 1908 as The First National Bank of Philadelphia. 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. At December 31, 2002, the Bank was the largest bank headquartered in Neshoba County with total assets of $517,895,699 and total deposits of $433,674,581. The principal executive offices of both the Company and the Bank are located at 521 Main Street, Philadelphia, Mississippi 39350 and its telephone number is (601) 656-4692. All references hereinafter to the activities or operations of the Company reflect the Company's acting or operating through the Bank.

OVERVIEW

In 2002, the Company had significant growth in assets, loans and deposits in large part due to the acquisition of CB&T Capital Corporation and it's subsidiary, Citizens Bank and Trust Company ("CB&T") in Louisville, Mississippi for a net purchase price of $4,300,300. Assets increased $91,237,244 or 21.4%, net loans increased $43,049,436 or 16.5% and deposits increased $73,459,168 or 20.4% over 2001 with $71.7 million of the increase in assets, including $15.0 million in net loans and $57.9 million of the increase in deposits attributable to the Louisville purchase.

The Company also showed good growth in assets and loans for 2001. Total assets at the end of 2001 were $427,212,874, an increase of 11.6% over 2000; net loans were $260,903,091, an increase of 4.9% over 2000; and deposits increased to $359,309,007, an increase of 24.9% over 2000. This increase was aided by the acquisition in July 2001 of the two Union Planters branches in Forest and Decatur for a net purchase price of $2,453,390; which added $30,506,745 in assets, including $11,703,517 in loans and $30,284,185 in deposits.

Net income after taxes of the Company for 2002 increased by 10.3% from 2001 to $6,297,500. Net income was affected in 2002 by a decrease in interest paid on deposits and other borrowed money. Net income for 2001 and 2000 was up 3.2% and down 1.6%, respectively, both years' changes in net income being influenced greatly by the fluctuating interest rate environment and asset and loan growth. Net income for 2002 produced, on a fully diluted basis, earnings per share of $1.26 compared to $1.15 for 2001 and $1.11 for 2000.

The Company's Return on Average Assets (ROA) was 1.28% in 2002, compared to 1.41% in 2001 and 1.48% in 2000, and our Return on Average Equity (ROE) was 12.28% in 2002, 11.98% in 2001 and 13.60% in 2000. Although net income increased in each year, ROA decreased because net income increased at a lower rate than average assets and average equity. In 2000, ROE and ROA also decreased due to a larger growth in assets and equity at the same time when earnings were relatively flat. Although ROE increased somewhat in 2002, ROE has generally declined over the last five years due to the retention of retained earnings that caused our capital percentages to rise. During this period, leverage capital ratios increased from 10.61% in 1998 to 10.51% in 2001 but declined to 8.83% in 2002. The decline in leverage capital in 2002 relates to the significant increase in assets related to the acquisition of CB&T and an increase in the Company's dividend payout ratio from approximately 33% to 41%.

SELECTED DATA

The following selected data has been taken from the Company's consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes included elsewhere. The major components of the Company's operating results for the past five years are summarized in Table 1 - Five Year Financial Summary of Consolidated Statements and Related Statistics. All dollar references in the following tables are in thousands except for per share data. All per share data has been adjusted to give effect to the three-for-two stock split of January 2, 2002.

TABLE 1 - FIVE YEAR SUMMARY OF CONSOLIDATED STATEMENTS AND RELATED STATISTICS
(amounts in thousands, except percent and per share data)

	2002	2001	2000	1999	1998
Summary of Earnings					
Total Interest Income	$ 30,197	$ 29,119	$ 28,638	$ 25,476	$ 23,956
Total Interest Expense	9,746	13,399	14,064	10,974	10,860
Provision for loan losses	1,758	1,123	918	849	846
Non-interest income	4,435	3,980	3,285	3,122	2,897
Non-interest expense	13,865	10,308	8,772	8,361	7,948
Income tax expense	2,965	2,558	2,635	2,793	2,487
Net Income	6,298	5,711	5,534	5,621	4,712
Per Share Data					
Earnings-basic	$ 1.27	$ 1.15	$ 1.12	$ 1.13	$ 0.95
Earnings-diluted	1.26	1.15	1.11	1.13	0.95
Cash dividends	0.520	0.383	0.283	0.213	0.160
Book value at year end	10.81	9.51	8.74	7.57	7.15
Selected Year End Actual Balances					
Loans, net of unearned income	$ 308,175	$ 264,278	$ 252,022	$ 234,349	$ 211,349
Allowance for possible loan losses	(4,222)	(3,375)	(3,325)	(3,100)	(2,900)
Investment securities	162,276	122,567	103,533	102,451	91,539
Total assets	518,450	427,213	382,800	362,790	334,232
Deposits	432,768	359,309	289,908	284,462	282,242
Long term borrowings	24,606	14,629	10,000	10,000	10,000

Shareholders' equity	53,783	47,182	43,377	37,546	35,455
Selected Year End Average Balances					
Loans, net of unearned income	$ 289,407	$ 255,185	$ 244,307	$ 221,165	$ 202,228
Allowance for possible loan losses	(3,905)	(3,335)	(3,198)	(2,974)	(2,701)
Investment securities	153,726	106,632	102,325	97,219	79,401
Total assets	491,833	403,881	374,439	347,613	314,896
Deposits	414,135	327,536	290,704	288,176	268,514
Long term borrowings	19,301	14,815	10,000	10,000	7,630
Shareholders' equity	51,304	47,664	40,701	37,603	33,513
Selected Ratios					
Return on average assets	1.28%	1.41%	1.48%	1.62%	1.50%
Return on average equity	12.28%	11.98%	13.60%	14.95%	14.08%
Dividend payout ratio	40.98%	33.31%	25.41%	18.84%	16.85%
Equity to year end assets	10.37%	11.04%	11.33%	10.35%	10.61%
Total risk-based capital to risk-adjusted assets	15.57%	18.40%	18.88%	18.52%	18.13%
Leverage capital ratio	8.83%	10.51%	11.61%	11.06%	10.61%
Efficiency ratio	54.51%	51.32%	47.20%	45.48%	48.01%

NET INTEREST INCOME

Net interest income is the most significant component of the Company'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.

Net interest income on a tax equivalent basis was $21,014,000, $16,047,000 and $14,403,000 and the net interest margin percentage was 4.67%, 4.32% and 4.16% for the years 2002, 2001, and 2000, respectively. In 2002, the yield on earnings assets decreased to 6.83% from 7.91% in 2001 while the rate on interest-bearing liabilities decreased to 2.59% from 4.35% in 2001. Earning assets volume increased 21.0% while interest-bearing liabilities volume increased 21.8% in 2002. The increases in volume of interest-bearing assets combined with a smaller interest rate reduction on loans than deposits combined to cause the rise in net interest income in 2002.

For 2001, the yield on earning assets decreased to 7.91% from 8.22% in 2000 while the earning asset volume increased 7.4%. The rate on interest bearing liabilities decreased to 4.35% in 2001 from 4.85% in 2000 and the interest bearing volume increased 6.2% in 2001.

In 2000, the yield on earning assets increased to 8.22% from 7.94% in 1999 and the rate on interest-bearing liabilities increased to 4.85% from 4.11% in 1999. Total volume of earning assets increased 8.2% while interest-bearing liabilities increased 8.8% in 2000.

During this three-year period, loan demand has remained strong and has allowed the Company to continue to invest its available funds in loans that provide the Company with yields that are greater than the yields on investment securities. The volume increases in both interest bearing assets and liabilities was aided by the acquisitions of CB&T in May 2002 and the Union Planters branch acquisitions in July 2001.

TABLE 2 - AVERAGE BALANCE SHEETS AND INTEREST RATES

	Average Balance			Income/Expense			Average Yield/Rate		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Loans:									
Commercial Loans	$265,178	$232,424	$221,671	$20,130	$20,275	$19,568	7.59%	8.72%	8.83%
Installment Loans (Net)	22,747	21,521	21,572	2,506	2,503	2,319	11.02%	11.63%	10.75%
Total Loans	287,925	253,945	243,243	22,636	22,778	21,887	7.86%	8.97%	9.00%
Investment Securities									
Taxable	115,510	78,423	79,533	5,772	4,671	5,067	5.00%	5.96%	6.37%
Tax-exempt	34,166	23,952	22,370	2,143	1,498	1,438	6.27%	6.25%	6.43%
Total Investment Securities	149,676	102,375	101,903	7,915	6,169	6,505	5.29%	6.03%	6.38%
Federal Funds Sold and Other	12,428	15,681	1,181	198	487	75	1.59%	3.11%	6.35%
Total Interest Earning Assets	450,029	372,001	346,327	30,749	29,434	28,467	6.83%	7.91%	8.22%
Non-Earning Assets	41,804	31,880	28,112						
Total Assets	$491,833	$403,881	$374,439						
Deposits:									
Interest-bearing Demand Dep	$117,989	$ 82,127	$ 75,810	$ 1,499	$ 1,930	$ 2,333	1.27%	2.35%	3.08%
Savings	27,653	19,828	19,271	483	521	672	1.75%	2.63%	3.49%
Time	209,610	183,883	158,185	6,702	9,727	8,747	3.20%	5.29%	5.53%
Total Deposits	355,252	285,838	253,266	8,684	12,178	11,752	2.44%	4.26%	4.64%
Borrowed Funds									
Short-term Borrowings	659	9,721	26,696	12	544	1,748	1.82%	5.60%	6.55%
Long-term Borrowings	19,301	12,407	10,000	1,039	665	564	5.38%	5.36%	5.64%
Total Borrowed Funds	19,960	22,128	36,696	1,051	1,209	2,312	5.27%	5.46%	6.30%
Total Interest-Bearing Liabilities	375,212	307,966	289,962	9,735	13,387	14,064	2.59%	4.35%	4.85%
Non-Interest Bearing Liabilities									
Demand Deposits	58,883	41,368	37,439						
Other Liabilities	6,434	6,883	6,334						
Shareholders' Equity	51,304	47,664	40,704						
Total Liabilities and Shareholders' Equity	$491,833	$403,881	$374,439						
Interest Rate Spread							4.24%	3.56%	3.37%
Net Interest Income				$21,014	$16,047	$14,403			
Net Interest Margin							4.67%	4.32%	4.16%

Table 3 - Net Average Interest Earning Assets illustrates net interest earning assets and liabilities for 2002, 2001, and 2000.

TABLE 3 - NET AVERAGE INTEREST EARNING ASSETS

	2002	2001	2000
Average interest earning assets	$450,029	$372,001	$346,327
Average interest bearing liabilities	375,212	307,966	289,962
Net average interest earning assets	$ 74,817	$ 64,035	$ 56,365

Table 4 - Volume/Rate Analysis depicts the dollar effect of volume and rate changes from 2000 through 2002. 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. Non-accruing loans were included in the average loan balances used in determining the yields. Interest income on tax-exempt securities and loans has been adjusted to a tax equivalent basis using a marginal federal income tax rate of 34%.

TABLE 4 - VOLUME/RATE ANALYSIS

	2002 change from 2001			2001 change from 2000		
	Volume	Rate	Total	Volume	Rate	Total
INTEREST INCOME						
Loans	2,671	-2,813	-142	960	-69	891
Taxable Securities	1,854	-753	1,101	-66	-330	-396
Non-Taxable Securities	640	5	645	99	-39	60
Federal Funds Sold and Other	-51	-238	-289	450	-38	412
TOTAL INTEREST INCOME	$ 5,114	-$3,799	$ 1,315	$ 1,443	-$476	$ 967
INTEREST EXPENSE						
Interest-bearing demand deposits	456	-887	-431	148	-551	-403
Savings Deposits	137	-175	-38	15	-166	-151
Time Deposits	823	-3,848	-3,025	1,359	-379	980
Short-term borrowings	-165	-367	-532	-950	-254	-1,204
Long-term borrowings	371	3	374	129	-28	101
TOTAL INTEREST EXPENSE	1,622	-5,274	-3,652	701	-1,378	-677
NET INTEREST INCOME	$ 3,492	$ 1,475	$ 4,967	$ 742	$ 902	$ 1,644

PROVISION FOR LOAN LOSSES AND ASSET QUALITY

The provision for loan losses represents charges against operations to establish reserves for probable loan losses inherent in the Company's loan portfolio. This expense is determined by a number of factors including historical loan losses, assessment of specific credit weaknesses within the portfolio, assessment of the prevailing economic climate, and other factors that may affect the overall condition of the loan portfolio. The ratio of net loans charged off to average loans was .61% in 2002, .42% in 2001, .28% in 2000, .29% in 1999 and .32% in 1998. These percentages are representative of normal loan charge-offs and are not the result of an economic downturn in any particular segment of our economy. Management evaluates the adequacy of the allowance for loan loss on a quarterly basis and makes provisions to the allowance based on this analysis.

The provision was $1,757,516 in 2002, $1,123,166 in 2001, $917,519 in 2000, $849,344 in 1999 and $846,466 in 1998. At the end of 2002, the allowance for loan losses was $4,222,342, an amount that management believes to be sufficient to protect against future loan losses.

Activity in the allowance for loan losses is reflected in Table 5 - Analysis of Allowance for Loan Losses. The Company's policy is to charge-off loans, when, in management's opinion, the loan is deemed uncollectable, although concerted efforts are made to maximize recovery of the loan after it is charged off.

TABLE 5 - ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

	2002	2001	2000	1999	1998
BALANCE AT BEGINNING OF YEAR	$ 3,375	$ 3,325	$ 3,100	$ 2,900	$ 2,700
LOANS CHARGED-OFF					
Commercial, financial and agricultural	935	612	186	320	364
Real estate - construction	23	0	0	0	0
Real estate - mortgage	122	36	26	74	10
Consumer	957	675	801	522	505
TOTAL CHARGE-OFFS	2,037	1,323	1,013	916	879
CHARGE-OFFS RECOVERED					
Commercial, financial and agricultural	54	22	121	122	55
Real estate - construction	0	0	0	0	0
Real estate - mortgage	4	26	24	0	3
Consumer	221	202	175	145	175
TOTAL RECOVERIES	279	250	320	267	233
Net loans charged-off	1,758	1,073	693	649	646
Current year provision	1,758	1,123	918	849	846
Other increases attributed to acquisition	847	0	0	0	0
BALANCE AT END OF YEAR	$ 4,222	$ 3,375	$ 3,325	$ 3,100	$ 2,900
Loans at year end	$308,175	$264,278	$252,022	$234,349	$211,349
Ratio of allowance to loans at year end	1.37%	1.28%	1.32%	1.32%	1.37%
Average loans - net of unearned	$289,407	$255,185	$244,307	$221,165	$202,228
Ratio of net loans charged-off to average loans	0.61%	0.42%	0.28%	0.29%	0.32%

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES AT DECEMBER 31,

	2002	2001	2000	1999	1998
Commercial, financial and agricultural	$1,700	$1,200	$1,000	$ 900	$ 850
Real estate - construction	200	250	250	225	225
Real estate - mortgage	800	700	650	600	575
Consumer	1,475	1,175	1,075	1,050	950
Unallocated	47	50	350	325	300
Total	$4,222	$3,375	$3,325	$3,100	$2,900

COMPOSITION OF LOAN PORTFOLIO BY TYPE AT DECEMBER 31,

	2002	2001	2000	1999	1998
Commercial, financial and agricultural	48.22%	47.25%	48.02%	47.52%	46.25%
Real estate - construction	3.77%	2.26%	2.08%	3.02%	3.11%
Real estate - mortgage	28.80%	30.18%	29.35%	28.43%	27.40%
Consumer	19.21%	20.31%	20.55%	21.03%	23.24%
	100.00%	100.00%	100.00%	100.00%	100.00%

Non-performing assets and relative percentages to loan balances are presented in Table 6 - Non-performing Assets. Non-performing loans include non-accrual loans, restructured loans, and loans delinquent 90 days or more. Loans are classified as non-accrual 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 Company through loan defaults by customers.

Loans on non-accrual status amounted to $357,640 in 2002. Interest income forgone on loans classified as non-accrual is $69,888. All interest accrued on these loans at the time they are classified as non-accrual is reversed and interest accruals are suspended until such time that the loan is in compliance with its terms.

TABLE 6 - NON-PERFORMING ASSETS

As of December 31,

	2002	2001	2000	1999	1998
PRINCIPAL BALANCE - DOMESTIC					
Non-accrual	$ 358	$ 419	$ 590	$ 390	$ 649
90 days or more past due	5,117	2,918	1,746	1,643	1,641
Troubled debt restructuring	0	0	0	0	0
TOTAL DOMESTIC LOANS	$5,475	$3,337	$2,336	$2,033	$2,290
PRINCIPAL BALANCE - FOREIGN					
Non-accrual	$ 0	$ 0	$ 0	$ 0	$ 0
90 days or more past due	0	0	0	0	0
Troubled debt restructuring	0	0	0	0	0
TOTAL FOREIGN LOANS	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL NON-PERFORMING LOANS	$5,475	$3,337	$2,336	$2,033	$2,290
Income on non-accrual loans not recorded	$ 69	$ 31	$ 147	$ 110	$ 135
Non-performing as a percent of loans	1.78%	1.27%	0.93%	0.87%	1.08%
Other real estate owned	$1,286	$ 340	$ 133	$ 292	$ 57
OREO as a percent of loans	0.42%	0.13%	0.05%	0.15%	0.03%
Allowance as a percent of non-performing loans	77.11%	101.14%	142.34%	152.48%	126.64%

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 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 2002, 2001, 2000, 1999 and 1998.

Management believes loans classified for regulatory purposes as loss, doubtful or substandard that are not included in non-performing or impaired loans do not represent or result from trends or uncertainties which will have a material impact on future operating results, liquidity, or capital resources. In addition to loans classified for regulatory purposes, management also designates certain loans for internal monitoring purposes in a watch category. Loans may be placed on management's watch list as a result of delinquent status, concern about the borrower's financial condition or the value of the collateral securing the loan, substandard classification during regulatory examinations, or simply as a result of management's desire to monitor more closely a borrower's financial condition and performance. Watch category loans may include loans with loss potential that are still performing and accruing interest and may be current under the terms of the loan agreement; however, management may have a significant degree of concern about the borrowers' ability to continue to perform according to the terms of the loan. Loss exposure on these loans is typically evaluated based primarily upon the estimated liquidation value of the collateral securing the loan. Also, watch category loans may include credits which, although adequately secured and performing, reflect a past delinquency problem or unfavorable financial trends exhibited by the borrower.

NON-INTEREST INCOME AND EXPENSE

A listing of non-interest income and expense from 2000 through 2002 and percentage changes between years is included in Table 7 - Non-interest Income and Expense.

TABLE 7 - NON-INTEREST INCOME &EXPENSE

	2002	% CHANGE FROM '01	2001	% CHANGE FROM '00	2000
NON-INTEREST INCOME					
Income from fiduciary activities	$ 3	50.00%	$ 2	0.00%	$ 2
Service charges on deposit accounts	3,027	7.72%	2,810	13.77%	2,470
Other operating income	1,405	20.29%	1,168	43.79%	813
TOTAL NON-INTEREST INCOME	$ 4,435	11.43%	$ 3,980	21.19%	$ 3,285
NON-INTEREST EXPENSE					
Salaries and employee benefits	$ 7,103	26.91%	$ 5,597	14.18%	$ 4,902
Occupancy expense	2,312	41.75%	1,631	17.68%	1,386
Other operating expense	4,450	44.48%	3,080	23.99%	2,484
TOTAL NON-INTEREST EXPENSE	$13,865	34.51%	$10,308	17.51%	$ 8,772

Non-interest income typically consists of service charges on checking accounts and other financial services. With continued pressure on interest rates, the Company has sought to increase its non-interest income through the expansion of fee income and the development of new services. Currently, the Company's main sources of non-interest income are service charges on checking, safe deposit box rentals, credit life insurance premiums, title insurance service fees and income contributions from the Company's credit life insurance subsidiary.

Non-interest income for 2002 increased 11.43% over 2001. The increase in the customer base and the resulting fee income was the main reason for the increase. The acquisition of

CB&T in May 2002 and the effect of a full year's income from the Decatur and Forest branches acquired in July 2001 are responsible for this increase.

Non-interest income for 2001 was $3,980,612, an increase of $695,792 or 21.2% over 2000. This increase was attributable to increases in checking account service charges related to volume increases, an increase in the number of safe deposit boxes rented, and another year of increased income from its credit life and title insurance subsidiaries and fees from its mortgage origination department.

Non-interest expenses consist of salaries and benefits, occupancy expense and other overhead expenses incurred by the Company in the transaction of its business. Non-interest expense increased $3,556,715 or 34.51% in 2002 and $1,536,558 or 17.5% in 2001 over 2000. The increases in both years were mainly from normal growth activity in the Company although the purchase of the Decatur and Forest branches acquired in July 20001 contributed significantly to the increase in 2001 and the acquisition of CB&T in May 2002 contributed to the increase in 2002.

In 2002, the Company's efficiency ratio was 54.51% compared to 51.32% in 2001 and 47.20% in 2000. The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income, on a fully tax equivalent basis, and non-interest income. The increase in the efficiency ratio over the past three years reflects the increases in non-interest expense required to manage the growth in assets during the period and the additional personnel costs associated with the CB&T and Union Planters branch acquisitions.

INCOME TAXES

The Company records a provision for income taxes currently payable, along with a provision for deferred taxes to be realized 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 Company's financial statement income and the federal statutory rate of 34% is interest on tax-exempt securities and loans.

The Company's effective tax rate was 32.01%, 30.93% and 32.26% in 2002, 2001, and 2000, respectively. Further tax information is disclosed in Note 5 to the consolidated financial statements.

SECURITIES

At December 2002, the Company classified all of its securities as available-for-sale. 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 Company does not classify any securities as held to maturity or held for trading purposes.

Table 8 - Securities and Securities Maturity Schedule summarizes the carrying value of securities from 2000 through 2002 and the maturity distribution at December 31, 2002, by classification.

TABLE 8 - SECURITIES

	2002	2001	2000
SECURITIES AVAILABLE FOR SALE			
U. S. Treasury	$ 19,093	$ 31,014	$ 41,341
U. S. Agencies	11,921	10,676	20,147
Mortgage Backed	87,687	52,362	15,925
State, Municipal and Other	43,575	28,515	26,120
TOTAL SECURITIES AVAILABLE FOR SALE	$162,276	$122,567	$103,533
SECURITIES HELD TO MATURITY			
TOTAL SECURITIES HELD TO MATURITY	$ 0	$ 0	$ 0
TOTAL SECURITIES	$162,276	$122,567	$103,533

SECURITIES MATURITY SCHEDULE

	1 year or less		1 to 5 years		5 to 10 years		over 10 years	
	Actual Balance	Average Yield	Actual Balance	Average Yield	Actual Balance	Average Yield	Actual Balance	Average Yield
AVAILABLE-FOR-SALE								
U. S. Treasury	$3,083	4.98%	$16,010	4.36%	$ 0	0.00%	$ 0	0.00%
U. S. Agencies	37	9.56%	1,631	6.00%	9,691	6.16%	562	5.39%
Mortgage Backed	17	5.91%	800	7.14%	2,897	5.03%	83,973	5.29%
State, Municipal and Other (1)	3,408	4.02%	5,917	5.99%	10,392	6.62%	23,858	7.38%
TOTAL AVAILABLE-FOR-SALE	$6,545	4.51%	$24,358	4.96%	$22,980	6.23%	$108,393	5.75%
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%.

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 2002 and 2001 was a result of the changing in the interest rate environment during that period, in conjunction with the change in the portfolio mix.

LOANS

The loan portfolio constitutes the major earning asset of the Company and, in the opinion of management, offers the best alternative for maximizing interest spread above the cost of funds. The Company's loan personnel has the authority to extend credit under guidelines established and approved by the Board of Directors. Any aggregate credit that 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 Company's loan policy but also provides valuable insight through communication and pooling of knowledge, judgment, and experience of its members.

The Company 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.

Loan demand has remained strong in the Company's market area over the past three years. In general, the loan growth experienced in 2002 and 2001 was due to a continuation of the overall growth in the area that is served by the Company. However, the acquisitions of CB&T in 2002 and the Decatur and Forest branches in 2001 added approximately $15.0 million and $11.7 million in loans, respectively. The continued success of the casino on the nearby 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 $8,904,468 or 11.1% in 2002, $5,724,725 or 7.7% in 2001 and $7,447,552 or 11.1% in 2000.

Commercial and agricultural loans also showed large growth during this period. These loans grew $23,630,697 or 18.7% in 2002, $3,718,912 or 3.0% in 2001, and $9,777,317 or 8.7% in 2000. 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 loans to poultry producers originated during this period.

Consumer loans have shown moderate growth during the period. This category increased $5,441,264 or 10.0% in 2002, $1,824,679 or 3.5% in 2001 and $2,554,094 or 5.1% in 2000. Changes in consumer purchasing habits and the increase in loan sources have affected the growth of this segment of loans. Low unemployment has insured that more people have jobs and that some people have improved their employment and in turn has lessened the dependence on consumer loans for some purchases.

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 growth of loans 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,

	2002	2001	2000	1999	1998
Commercial, financial and agricultural	$149,762	$126,131	$122,412	$112,634	$ 98,956
Real estate - construction	11,708	6,036	5,310	7,157	6,645
Real estate - mortgage	89,452	80,548	74,824	67,376	58,637
Consumer	59,660	54,218	52,394	49,840	49,734
TOTAL LOANS	$310,582	$266,933	$254,940	$237,007	$213,972

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, 2002

	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS	Total
Commercial, financial and agricultural	$ 47,712	$ 77,191	$ 24,859	$149,762
Real estate - construction	11,102	565	41	$ 11,708
Real estate - mortgage	9,427	58,889	21,136	$ 89,452
Consumer	25,128	32,192	2,340	$ 59,660
Total loans	$ 93,369	$168,837	$ 48,376	$310,582

SENSITIVITY TO CHANGES IN INTEREST RATES

	1 - 5 YEARS	OVER 5 YEARS
Fixed rates	$164,970	$ 35,244
Variable rates	3,867	13,132
Total loans	$168,837	$ 48,376

DEPOSITS

The Company offers a wide variety of deposit services to individual and commercial customers, such as non-interest-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. Time deposits continue to be the largest single source of the Company'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

	2002		2001		2000	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Noninterest-bearing	$ 58,883		$ 41,698		$ 37,438	
Interest-bearing demand	117,989	1.27%	82,127	2.35%	75,810	3.08%
Savings	27,653	1.75%	19,828	2.63%	19,271	3.43%
Certificates of deposit	209,610	3.20%	183,883	5.29%	158,185	5.53%
	$414,135	2.10%	$327,536	3.72%	$290,704	4.04%

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

	2002
3 months or less	$36,644
3 through 6 months	15,152
6 through 12 months	19,055
over 12 months	6,548
	$77,399

The Company 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 Company.

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 and long-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, 2002	2001	2000
Federal Home Loan Bank borrowings			
Year-end balance	$ 0	$ 0	$32,000
Weighted average rate	0.00%	0.00%	6.39%
Maximum month-end balance	$ 0	$34,300	$32,000
Year to date average balance	$ 0	$ 7,862	$14,389
Weighted average rate	0.00%	5.38%	6.61%

The Company 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 Company has the capacity to borrow up to $176,959,051 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 Company, at the end of 2002, had long-term debt in the amount of $24,606,135 to the Federal Home Loan Bank for advances and $2,319,558 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 remaining maturity schedule of the long-term debt at December 31, 2002 is listed below.

	2002
Less than one year	$ 969
One year to three years	2,132
Over three years	23,825
Total Long-term borrowings	$26,926

LIQUIDITY AND RATE SENSITIVITY

Liquidity management is the process by which the Company 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 of Company earnings and capital to changes in 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 Company's interest margin to swings in interest rates to assuring that there is sufficient capital and liquidity to support future balance sheet growth.

The Bank's source of funding is predominantly core deposits consisting of both commercial and individual deposits, proceeds from maturities of securities, repayments of loan principal and interest, federal funds purchased, and short-term and long-term borrowing from the FHLB. The growth of core deposits has been at a lower growth rate than that of loans. As a result, the Company is increasingly dependent upon non-core sources of funding such as federal funds purchased and short and long term borrowings from the FHLB.

The deposit base is diversified between individual and commercial accounts which help avoid dependence on large concentrations of funds. The Company 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 2002 and 2001.

TABLE 13 - FUNDING USES AND SOURCES

	2002			2001		
	Average Balance	Increase/(decrease) Amount	Percent	Average Balance	Increase/(decrease) Amount	Percent
FUNDING USES						
Loans, net of unearned income	$289,407	$ 34,222	13.41%	$255,185	$ 10,878	4.45%
Taxable securities	115,510	$ 37,087	47.29%	78,423	-1,110	-1.40%
Tax-exempt securities	34,166	$ 10,214	42.64%	23,952	1,582	7.07%
Federal funds sold and other	12,428	-$3,253	-20.74%	15,681	14,500	1227.77%
TOTAL USES	$451,511	$ 78,270	20.97%	$373,241	$ 25,850	7.44%
FUNDING SOURCES						
Noninterest-bearing deposits	$ 58,452	$ 16,754	40.18%	$ 41,698	$ 3,929	10.49%
Interest-bearing demand and savings deposits	145,642	$ 43,687	42.85%	101,955	6,874	7.23%
Time Deposits	209,610	$ 25,727	13.99%	183,883	25,698	16.25%
Short-term borrowings	659	-$9,062	-93.22%	9,721	-16,975	-63.59%
Long-term debt	19,301	$ 2,345	13.83%	16,956	4,285	33.82%
TOTAL SOURCES	$433,664	$ 79,451	22.43%	$354,213	$ 23,811	7.21%

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 Company'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 as of December 31, 2002. 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, 2002				
	1 - 90 Days	91 - 365 Days	1 - 5 Years	Over 5 years	Total
INTEREST EARNING ASSETS					
Loans	$ 69,790	$ 75,635	$143,940	$ 10,692	$300,057
Investment securities	4,320	10,789	111,203	33,957	160,269
Federal Home Loan Bank Account	1,366	0	0	0	1,366
Federal Funds Sold	2,300	0	0	0	2,300
TOTAL INTEREST BEARING ASSETS	$ 77,776	$ 86,424	$255,143	$ 44,649	$463,992
INTEREST BEARING LIABILITIES					
Interest bearing demand deposits	$107,439	$ 0	$ 0	$ 0	$107,439
Savings and Money Market deposits	48,351	0	0	0	48,351
Time deposits	89,018	108,859	19,195	0	217,072
Short term borrowings					0
Long term borrowings	238	731	17,737	5,900	24,606
TOTAL INTEREST BEARING LIABILITIES	$245,046	$109,590	$ 36,932	$ 5,900	$397,468
Rate sensitive gap	-$167,270	-$23,166	$218,211	$ 38,749	$ 66,524
Rate sensitive cumulative gap	-167,270	-190,436	27,775	66,524	
Cumulative gap as a percentage of total earning assets	-36.05%	-41.04%	5.99%	14.34%	

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 Company'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 Company's large negative cumulative gap position in the one-year period ending December 31, 2002 was mainly due to: (1) the interest-bearing and savings deposits being classified in the 1-90 day category; (2) approximately 91% of certificates of deposit maturing during the next twelve months; and (3) a significant portion of the Company'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 RESOURCES

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

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%, a total capital ratio of at least 10.00%, 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 Company's financial statements. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions, asset growth, and expansion are limited, and the institution is required to submit a capital restoration plan.

Management believes the Company and the Bank meet all the capital requirements to be well-capitalized under the guidelines established by the banking regulators as of December 31, 2002, as noted below in Table 15 - Capital Ratios. To be well-capitalized, the Company and Bank must maintain the prompt corrective action capital guidelines described above.

Management has sought in the past to maintain a high level of capital to allow the Company to respond to growth and acquisition opportunities in our service area. This strategy has allowed us to purchase the Decatur and Forest branches from Union Planters in July 2001 and to purchase CB&T in May 2002 without having to raise additional capital. Because the Company has been able to increase capital through the retention of earnings, the Company has not implemented a plan to raise additional capital at this time nor does it have any plans to do so.

TABLE 15 - CAPITAL RATIOS

	At December 31, 2002	2001	2000
Tier 1 capital			
Shareholders' equity	$ 53,783	$ 47,182	$ 43,377
Less: Intangibles	-6,814	-2,974	-654
Add/less: Unrealized loss/(gain) on securities	-2,931	-157	-161
Add: Minority interest in equity accounts of unconsolidated subsidiaries	1,376	1,212	1,452
TOTAL TIER 1 CAPITAL	$ 45,414	$ 45,263	$ 44,014
Total capital			
Tier 1 capital	$ 45,414	$ 45,263	$ 44,014
Allowable allowance for loan losses	3,849	3,299	3,124
TOTAL CAPITAL	$ 49,263	$ 48,562	$ 47,138
RISK WEIGHTED ASSETS	$307,573	$263,901	$249,683
AVERAGE ASSETS (FOURTH QUARTER)	$514,249	$430,607	$379,130
RISK BASED RATIOS			
TIER 1	14.77%	17.15%	17.63%
TOTAL CAPITAL	16.02%	18.40%	18.88%
LEVERAGE RATIOS	8.83%	10.51%	11.61%

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 operating 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.

RECENT PRONOUNCEMENTS

In September 2001, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125)." SFAS No. 140 replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 revises the standard for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125's provisions without reconsideration. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2001. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

During 2001, the FASB issued SFAS No. 141 "Business Combinations" and SFAS No. 142, "Goodwill and other Intangible Assets". SFAS No. 141 requires that all business combinations entered into after June 30, 2001 be accounted for under the purchase method. SFAS No. 142 requires that all intangible assets, including goodwill, that result from business combinations be periodically (at least annually) evaluated for impairment, with any resulting impairment loss being charged against earnings. Also, under SFAS No. 142, goodwill resulting from any business combination accounted for according to SFAS No. 141 is not amortized, and the amortization of goodwill related to business combinations entered into prior to June 30, 2001 was discontinued effective, for the Company, January 1, 2002. The Company adopted the provisions of SFAS No. 141 immediately and the provisions of SFAS No. 142 related to discontinuation of goodwill amortization effective January 1, 2002. See Note 2 to the Company's consolidated financial statements for additional information concerning the Company's goodwill and other intangible assets.

Also during 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 requires estimated future asset retirement costs to be are recognized as a liability, recorded at their fair value and capitalized as part of the asset and depreciated. Under the new pronouncement, the resulting retirement obligation liability is discounted and accretion expense is recognized using the credit-adjusted risk- free interest rate. The pronouncement is effective for years beginning after June 15, 2002 although early application is permitted. The Company will adopt the provisions of SFAS No. 143 effective January 1, 2003. Management does not expect the adoption of this pronouncement to have a material effect on the Company's financial statements.

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" was also issued by the FASB during 2001 and is effective for years beginning after December 31, 2001. The new pronouncement sets forth requirements for testing and accounting for impairment or disposal of assets to be held and used, assets to be disposed of other than by sale, and assets to be sold. The Company adopted SFAS No. 144 on January 1, 2002. Its adoption did not have a material impact on the Company's financial statements.

In October 2002, the FASB issued Standard No. 147 related to Acquisitions of Certain Financial Institutions. The standard clarifies the requirements of Standards No. 141 and 142 as they relate to business combinations between financial institutions and makes the provisions of Standard No. 144 applicable to long-term customer relationship intangible assets. The standard is effective for transactions on or after October 1, 2002. Adopting the standard by the Company did not have a material effect on the Company's financial statements.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains statements which constitute forward-looking statements and information which are based on management's beliefs, plans, expectations, assumptions and on information currently available to management. The words "may," "should," "expect," "anticipate," "intend," "plan," "continue," "believe," "seek," "estimate," and similar expressions used in this report that do not relate to historical facts are intended to identify forward-looking statements. These statements appear in a number of places in this report. The Company 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 operation, performance, development and results of the Company's and the Bank's business include, but are not limited to, the following: (a) the risk of adverse changes in business conditions in the banking industry generally and in the specific markets in which the Company operates; (b) changes in the legislative and regulatory environment that negatively impact the Company and Bank through increased operating expenses; (c) increased competition from other financial institutions; (d) the impact of technological advances; (e) expectations about the movement of interest rates, including actions that may be taken by the Federal Reserve Board in response to changing economic conditions; (f) changes in asset quality and loan demand; (g) expectations about overall economic strength and the performance of the economy in the Company's market area; and (h) other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company does not undertake any obligation to update or revise any forward-looking statements subsequent to the date on which they are made.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

The definition of market risk is the possibility of loss that could result from adverse changes in market prices and rates. The Company has taken steps to assess the amount of risk that is associated with its asset and liability structure. The Company measures the potential risk on a regular basis and makes changes to its strategies to manage these risks. The Board of Directors reviews important policy limits each month with a more detailed risk analysis completed on a quarterly basis. These measurement tools are important in allowing the Company to manage market risk and to plan effective strategies to respond to any adverse changes in risk. The Company does not participate in some of the financial instruments that are inherently subject to substantial market risk.

Market/Interest Rate Risk Management

The primary purpose in managing interest rate risk is to effectively invest capital and preserve the value created by the core banking business. The Company utilizes an investment portfolio to manage the interest rate risk naturally created through its business activities. The quarterly interest rate risk report is used to evaluate exposure to interest rate risk, project earnings and manage the composition of the balance sheet and its growth. This report utilizes a 200 basis point rate shock up and down and measures the effect on earnings and the value of equity.

Static gap analysis is also used in measuring interest rate risk. Although management believes that this does not provide a complete picture of the Company's exposure to interest rate risk, it does highlight significant short−term repricing volume mismatches. The following table presents the Company's rate sensitivity static gap analysis at December 31, 2002 ($ in thousands):

	Interest Sensitive Within	
	90 days	One year
Total rate sensitive assets	$ 77,776	$ 86,424
Total rate sensitive liabilities	245,046	109,590
Net gap	($167,270)	($ 23,166)

The analysis indicates a negative gap position over the next three− and twelve −month periods which indicates that the Company would benefit somewhat from a decrease in market interest rates. Although rate increases would be detrimental to the interest rate risk of the Company, management believes there is adequate flexibility to alter the overall rate sensitivity structure as necessary to minimize exposure to these changes.

The static gap analysis does not fully capture the impact of interest rate movements on interest sensitive assets and liabilities. The interest rate sensitivity table that follows provides additional information about the financial instruments that are sensitive to changes in interest rates. This tabular disclosure is limited by its failure to depict accurately the effect on assumptions of significant changes in the economy or interest rates as well as changes in management's expectations or intentions. The information in the interest rate sensitivity table below reflects contractual interest rate pricing dates and contractual maturity dates. For indeterminate maturity deposit products (money market, NOW and savings accounts), the tables present principal cash flows in the shortest term. Although these deposits may not reprice within this time frame, they certainly have the opportunity to do so. Weighted average floating rates are based on the rate for that product as of December 31, 2002 and 2001.

INTEREST RATE SENSITIVITY

December 31, 2002

	2003	2004	2005	2006	2007	Thereafter	Carrying Value	Fair Value
Loans								
Fixed Rate	$ 111,290	$ 48,344	$ 34,487	$ 33,729	$ 31,801	$ 12,297	$271,948	$273,472
Average Int Rate	7.46%	7.97%	7.82%	7.49%	7.02%	7.31%	7.54%	
Floating Rate	$ 15,325	$ 5,067	$ 3,570	$ 3,149	$ 2,955	$ 8,568	$ 38,634	$ 38,634
Average Int Rate	5.07%	5.15%	5.31%	5.31%	5.39%	5.12%	5.16%	
Investment securities								
Fixed Rate	$ 6,545	$ 13,734	$ 4,816	$ 4,007	$ 1,801	$ 131,373	$162,276	$162,276
Average Int Rate	4.51%	4.54%	5.11%	5.61%	6.27%	5.84%	5.65%	
Floating Rate								
Average Int Rate								
Other earning assets								
Fixed Rate	$ 2,300						$ 2,300	$ 2,300
Average Int Rate	1.13%						1.13%	
Floating Rate								
Average Int Rate								
Interest-bearing deposits								
Fixed Rate	$ 324,420	$ 18,691	$ 8,092	$ 1,362	$ 1,235	$ 0	$353,800	$354,591
Average Int Rate	1.81%	3.10%	3.83%	5.39%	4.47%	0.00%	1.95%	
Floating Rate	$ 4,991	$ 6,704	$ 7,475	$ 12	$ 22	$ 3	$ 19,207	$ 19,207
Average Int Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Other int-bearing liabilities								
Fixed Rate	$ 10,969	$ 6,018	$ 1,070	$ 649	$ 0	$ 5,900	$ 24,606	$ 24,606
Average Int Rate	5.50%	5.21%	4.94%	4.94%	0.00%	4.65%	5.03%	
Floating Rate								
Average Int Rate								

December 31, 2001

	2003	2004	2005	2006	2007	Thereafter	Carrying Value	Fair Value
Loans								
Fixed Rate	$ 91,835	$ 35,445	$ 33,870	$ 23,071	$ 27,102	$ 27,820	$239,143	$237,451
Average Int Rate	8.30%	8.15%	7.95%	8.09%	7.66%	7.50%	8.04%	
Floating Rate	$ 8,912	$ 4,222	$ 2,520	$ 2,649	$ 2,004	$ 4,828	$ 25,135	$ 24,957
Average Int Rate	5.34%	6.04%	6.15%	6.12%	6.16%	6.13%	5.84%	
Investment securities								
Fixed Rate	$ 14,632	$ 10,709	$ 13,021	$ 6,008	$ 6,212	$ 71,985	$122,567	$122,567
Average Int Rate	6.35%	6.18%	4.41%	5.76%	5.66%	6.49%	6.15%	
Floating Rate								
Average Int Rate								
Other earning assets								
Fixed Rate	$ 6,100						$ 6,100	$ 6,100
Average Int Rate	1.63%						1.63%	
Floating Rate								
Average Int Rate								
Interest-bearing deposits								
Fixed Rate	$ 272,200	$ 19,298	$ 1,735	$ 181	$ 11		$293,425	$294,221
Average Int Rate	3.00%	4.65%	4.89%	5.85%	4.56%		3.12%	
Floating Rate	$ 6,513	$ 5,414	$ 3,401	$ 9	$ 11		$ 15,348	$ 15,390
Average Int Rate	3.15%	3.15%	3.15%	3.15%	3.15%		3.15%	
Other int-bearing liabilities								
Fixed Rate	$ 923	$ 10,969	$ 1,018	$ 1,070	$ 649		$ 14,629	$ 14,629
Average Int Rate	4.94%	5.51%	4.94%	4.94%	4.94%		5.36%	
Floating Rate								
Average Int Rate								

QUARTERLY FINANCIAL TRENDS

	2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
Interest Income	$ 7,030	$ 7,574	$ 7,891	$ 7,702	$30,197
Interest Expense	2,465	2,380	2,507	2,394	9,746
Net Interest Income	4,565	5,194	5,384	5,308	20,451
Provision for Loan Losses	234	436	337	751	$ 1,758
Non-interest Income	1,006	1,043	1,154	1,232	$ 4,435
Non-interest Expense	3,043	3,364	3,721	3,737	$13,865
Income Taxes	749	775	800	641	$ 2,965
Net Income	$ 1,545	$ 1,662	$ 1,680	$ 1,411	$ 6,298
Per common share:					
Basic	$ 0.31	$ 0.33	$ 0.34	$ 0.28	$ 1.27
Diluted	$ 0.31	$ 0.33	$ 0.34	$ 0.28	$ 1.26
Cash Dividends	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.52

	2001				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
Interest Income	$ 7,259	$ 7,184	$ 7,399	$ 7,277	$29,119
Interest Expense	3,620	3,354	3,417	3,008	13,399
Net Interest Income	3,639	3,830	3,982	4,269	15,720
Provision for Loan Losses	120	449	174	380	$ 1,123
Non-interest Income	905	1,123	1,066	886	$ 3,980
Non-interest Expense	2,417	2,405	2,533	2,953	$10,308
Income Taxes	633	613	781	531	$ 2,558
Net Income	$ 1,374	$ 1,486	$ 1,560	$ 1,291	$ 5,711
Per common share:					
Basic	$ 0.28	$ 0.30	$ 0.31	$ 0.26	$ 1.15
Diluted	$ 0.28	$ 0.30	$ 0.31	$ 0.26	$ 1.15
Cash Dividends	$ 0.083	$ 0.100	$ 0.100	$ 0.100	$ 0.383

MARKET PRICE AND DIVIDEND INFORMATION

Market Price.

The Company's Common Stock is traded on the American Stock Exchange ("AMEX") under the symbol "CIZ". The stock began trading on the AMEX on October 19, 1999 and prior to that date was sold by private transactions between parties. On December 31, 2002, the Common Stock's closing price was $16.00.

2001	High	Low	Dividends Declared (per common share)
January - March	11.17	10.33	0.083
April - June	11.83	10.77	0.100
July - September	13.17	11.50	0.100
October - December	16.60	12.17	0.100

2002	High	Low	Dividends Declared (per common share)
January - March	16.26	14.25	0.120
April - June	16.00	14.65	0.120
July - September	16.85	15.75	0.140
October - December	17.35	15.70	0.140

Per share information included in the above table has been adjusted to reflect the three-for-two (3:2) common stock split effective January 2, 2002.

On March 10, 2003, the shares of Common Stock were held of record by approximately 454 shareholders.

Dividends

Dividends, retroactively adjusted to give effect to the three-for-two stock split, totaled $0.52 per share for 2002 compared to $0.383 in 2001 and $.283 in 2000. These dividends reflect a 36% increase in 2002 over 2001 and a 35% increase in 2001 over 2000.

The Company declares dividends on a quarterly basis in March, June, September and December with payment following at the end of the month in which the dividend was declared.

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

NOTES

CITIZENS HOLDING COMPANY
AND SUBSIDIARY

Philadelphia, Mississippi

Consolidated Financial Statements

Years Ended December 31, 2002, 2001 and 2000

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Citizens Holding Company and Subsidiary
Philadelphia, Mississippi

We have audited the accompanying consolidated balance sheets of Citizens Holding Company and Subsidiary as of December 31, 2002 and 2001 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the 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, 2002 and 2001 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ HOWE CPA GROUP

Jackson, Mississippi
January 31, 2003

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2002 and 2001

	2002	2001
ASSETS		
Cash and due from banks	$ 19,769,712	$ 12,713,482
Interest bearing deposits with other banks	1,365,649	5,421,241
Federal funds sold	2,300,000	6,100,000
Securities available for sale, at fair value (amortized cost of $157,718,929 in 2002 and $122,304,542 in 2001)	162,276,305	122,567,180
Loans, net of allowance for loan losses of $4,222,342 in 2002 and $3,375,000 in 2001	303,952,527	260,903,091
Bank premises, furniture, fixtures and equipment, net	9,399,942	5,143,535
Real estate acquired by foreclosure	1,286,409	340,657
Accrued interest receivable	4,111,199	4,121,922
Cash value of life insurance	3,162,848	2,809,410
Intangible assets, net of accumulated amortization of $1,081,027 in 2002 and $620,480 in 2001	6,813,774	2,974,023
Other assets	4,011,753	4,118,333
Total Assets	$518,450,118	$427,212,874
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand deposits	$ 59,761,550	$ 50,535,929
Interest bearing NOW and money market accounts	122,717,966	91,656,150
Interest bearing time deposits	217,072,653	194,635,343
Interest bearing savings deposits	33,216,006	22,481,585
Total Deposits	432,768,175	359,309,007
Federal Home Loan Bank advances	24,606,135	14,628,788

Accrued interest payable	955,720	1,415,513
Directors deferred compensation payable	1,182,406	1,079,191
Other liabilities	3,779,163	2,386,608
Total Liabilities	463,291,599	378,819,107
Commitments and Contingencies		
Minority interest	1,375,960	1,212,199
Stockholders' Equity		
Common stock, $.20 par value, authorized 22,500,000 shares; 4,974,578 shares issued at 2002 and 4,963,028 at 2001	994,916	992,606
Additional paid-in capital	2,899,331	2,791,871
Accumulated other comprehensive income, net of deferred tax liability of $1,549,508 in 2002 an $89,295 in 2001	2,931,674	157,074
Retained earnings	46,956,638	43,240,017
Total Stockholders' Equity	53,782,559	47,181,568
Total Liabilities and Stockholders' Equity	$518,450,118	$427,212,874

The accompanying notes are an integral part of these statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Income
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
Interest Income			
Interest and fees on loans	$ 22,628,364	$ 22,770,622	$ 22,280,018
Interest on securities			
Taxable	5,771,707	4,670,987	5,066,547
Non-taxable	1,598,983	1,117,874	1,073,142
Other interest	197,476	558,961	218,392
Total Interest Income	30,196,530	29,118,444	28,638,099
Interest Expense			
Deposits	8,696,134	12,189,194	11,751,889
Other borrowed funds	1,050,209	1,209,409	2,312,030
Total Interest Expense	9,746,343	13,398,603	14,063,919
Net Interest Income	20,450,187	15,719,841	14,574,180
Provision for loan losses	(1,757,516)	(1,123,166)	(917,519)
Net Interest Income After Provision for Loan Losses	18,692,671	14,596,675	13,656,661
Non-Interest Income			
Service charges on deposit accounts	3,026,976	2,810,403	2,470,018
Other service charges and fees	749,786	572,187	383,558
Other income	658,400	598,022	431,244
Total Non-Interest Income	4,435,162	3,980,612	3,284,820
Non-Interest Expense			
Salaries and employee benefits	7,102,641	5,597,105	4,901,589
Occupancy expense	1,014,510	741,912	654,037

Equipment expense	1,297,232	888,648	731,878
Earnings applicable to minority interest	172,196	166,196	190,393
Other expense	4,278,599	2,914,602	2,294,008
Total Non-Interest Expense	13,865,178	10,308,463	8,771,905
Income before income taxes	9,262,655	8,268,824	8,169,576
Income tax expense	2,965,155	2,557,926	2,635,211
Net Income	$ 6,297,500	$ 5,710,898	$ 5,534,365
Net Income Per Share - Basic	$ 1.27	$ 1.15	$ 1.12
Net Income Per Share - Diluted	$ 1.26	$ 1.15	$ 1.11
Average Shares Outstanding			
Basic	4,963,448	4,963,028	4,963,028
Diluted	4,999,168	4,980,568	4,975,232

The accompanying notes are an integral part of these statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
Net Income	$ 6,297,500	$ 5,710,898	$ 5,534,365
Other Comprehensive Income (Loss), Net of Tax			
Unrealized holding gains (losses) during year	2,933,318	(3,760)	1,748,548
Reclassification adjustment for (gains) losses included in net income	(158,718)	--	(45,694)
Total Other Comprehensive Income (Loss)	2,774,600	(3,760)	1,702,854
Comprehensive Income	$ 9,072,100	$ 5,707,138	$ 7,237,219

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2002, 2001, and 2000

	Number of Shares Issued	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, December 31, 1999	3,353,750	$ 670,750	$ 3,113,727	$ (1,542,020)	$ 35,303,504	$ 37,545,961
Net income	--	--	--	--	5,534,365	5,534,365
Dividends paid	--	--	--	--	(1,406,219)	(1,406,219)
Other comprehensive income, net	--	--	--	1,702,854	--	1,702,854
Balance, December 31, 2000	3,353,750	670,750	3,113,727	160,834	39,431,650	43,376,961
Net income	--	--	--	--	5,710,898	5,710,898
	--	--	--	--	(1,902,531)	(1,902,531)
Dividends paid 3 for 2 stock split	1,609,278	321,856	(321,856)	--	--	--
Other comprehensive (loss), net	--	--	--	(3,760)	--	(3,760)
Balance, December 31, 2001	4,963,028	992,606	2,791,871	157,074	43,240,017	47,181,568
Net income	--	--	--	--	6,297,500	6,297,500

Dividends paid	--	--	--	--	(2,580,879)	(2,580,879)
Options exercised	11,550	2,310	107,460	--	--	109,770
Other comprehensive income, net	--			2,774,600	--	2,774,600
Balance, December 31, 2002	4,974,578	$ 994,916	$ 2,899,331	$ 2,931,674	$ 46,956,638	$ 53,782,559

The accompanying notes are an integral part of these financial statements.

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
Cash Flows from Operating Activities			
Net income	$ 6,297,500	$ 5,710,898	$ 5,534,365
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	851,977	546,479	476,585
Amortization of intangibles	460,548	193,109	72,110
Amortization of premiums and accretion of discounts on investment securities	(119,776)	(131,470)	(108,863)
Provision for loan losses	1,757,516	1,123,166	917,519
Investment securities (gains) losses	(158,718)	--	(45,694)
Deferred income tax benefit	(99,596)	23,188	(79,528)
Net earnings applicable to minority interest	172,196	166,196	190,393
(Increase) decrease in real estate acquired by foreclosure	(945,752)	(207,332)	158,183
(Increase) decrease in accrued interest receivable	505,876	604,191	(1,042,264)
(Increase) decrease in cash value of life insurance	(353,438)	210,044	(191,189)
(Increase) decrease in other assets	129,726	(577,722)	(302,300)
Increase (decrease) in income taxes payable	(568,552)	(224,387)	30,577
Increase (decrease) in accrued interest payable	(582,954)	(181,932)	354,529
Increase in directors deferred compensation	103,215	162,935	104,126
Increase (decrease) in other liabilities	433,132	(463,391)	(398,390)
Net Cash Provided by Operating Activities	7,882,900	6,953,972	5,670,159
Cash Flows from Investing Activities			
Proceeds from maturities of securities available-for-sale	75,936,011	56,903,832	15,705,000
Proceeds from sales of securities available-for-sale	38,131,901	--	12,442,879
Purchases of investment securities available-for-sale	(100,225,119)	(75,852,844)	(26,479,943)
Purchases of bank premises, furniture, fixtures and equipment	(3,458,384)	(1,327,808)	(427,815)
Net decrease (increase) in interest bearing deposits with other banks	4,055,592	(4,557,870)	(681,329)
Net (increase) decrease in federal funds sold	5,900,000	(3,000,000)	(3,100,000)
Net increase in loans	(29,787,550)	(13,329,502)	(18,365,723)
Cash acquired in CBTacquisition	2,879,581	--	--
Cash paid for acquisitions	(12,284,319)	(2,918,960)	--
Proceeds from exercise of stock options	109,770	--	--
Net Cash Used by Investing Activities	(18,742,517)	(44,083,152)	(20,906,931)

CITIZENS HOLDING COMPANY AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
Cash Flows from Financing Activities			
Net increase (decrease) in federal funds purchased	$ --	$ --	$(10,600,000)
Net increase in deposits	15,519,379	69,401,250	5,446,118
Net decrease in Treasury tax and loan advances	--	(700,000)	--
Dividends paid to stockholders	(2,580,879)	(1,902,531)	(1,406,219)
Net increase in Federal Home Loan Bank advances	4,977,347	(27,371,212)	18,900,000
Net Cash Provided by Financing Activities	17,915,847	39,427,507	12,339,899
Net Increase (Decrease) in Cash and Due from Banks	7,056,230	2,298,327	(2,896,873)
Cash and due from banks, beginning of year	12,713,482	10,415,155	13,312,028
Cash and due from banks, end of year	$ 19,769,712	$ 12,713,482	$ 10,415,155
Supplemental Disclosures of Cash Flow Information			
Cash paid for			
Interest	$ 10,206,139	$ 13,580,534	$ 13,717,444
Income taxes	$ 3,390,278	$ 2,805,550	$ 2,744,590
Supplemental Schedule of Noncash Activities			
Unrealized gain (loss) on securities available-for-sale	$ 4,294,738	$ (46,476)	$ 2,594,191
Increase (decrease) in deferred income tax liability on unrealized gain (loss) on securities	$ (1,462,213)	$ 42,716	$ (891,340)
Minority interest in unrealized gain (loss) on securities	$ 114,670	$ (1,194)	$ 87,113

The accompanying notes are an integral part of these financial statements.

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 accounting principles generally accepted in the United States of America and to general practices within the banking industry. The consolidated financial statements of Citizens Holding Company include the accounts of its approximately 97 percent-owned subsidiary, The Citizens Bank of Philadelphia, Mississippi (collectively referred to as "the Company"). All significant intercompany transactions have been eliminated in consolidation.

Nature of Business

The Citizens Bank of Philadelphia, Mississippi ("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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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 allowance for losses on loans and valuation of foreclosed real estate, management obtains independent appraisals for significant properties.

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 allowance for losses on loans and valuation of foreclosed real estate may change materially in the near term.

Note 1. Continued

Cash and Due from Banks

For the purpose of reporting cash flows, cash and due from banks include cash on hand, demand deposits and interest bearing deposits with banks. Cash flows from loans originated by the Company, deposits, and federal funds purchased and sold are reported at net in the statement of cash flows. The Company is required to maintain average reserve balances with the Federal Reserve Bank based on a percentage of deposits. The total of those reserves for the years ended December 31, 2002 and 2001 was $616,000 and $227,000, respectively.

At December 31, 2002, the Company had deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of the financial institutions and believes there is minimal risk.

Investment Securities

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," securities are classified as available-for-sale, held-to-maturity or trading. 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.

Securities Available-for-Sale

Securities available-for-sale are reported at fair value with unrealized gains and losses reported as a separate component of stockholders' equity. Securities that are held for indefinite periods of time or used as part of the Company's asset/liability management strategy and that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available-for-sale. The Company 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.

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.

Securities Held-to-Maturity

The Company has no held-to-maturity securities.

Trading Securities

The Company has no trading securities.

Note 1. Continued

Loans Held-for-Sale

Loans held-for-sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Effective for reporting periods beginning with the quarter ending September 30, 2002, commitments to originate or acquire mortgage loans that will be held-for-sale must be accounted for as derivative financial instruments under FAS No. 133. Therefore, the fair value of the commitments must be determined and recorded in the Company's financial statements at the end of each reporting period. As of December 31, 2002, the Company had no loans held-for-sale.

Loans and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal amount outstanding, net of unearned discounts and unearned finance charges.

Loan origination and commitment fees and direct loan origination costs attributable to loans held with a maturity of more than one year are not significant and are, therefore, recognized as income or expense, as applicable in the period received or incurred.

Unearned discounts on installment loans are recognized as income over the terms of the loans by a method that approximates the interest method. Unearned finance charges and interest on commercial loans are recognized based on the principal amount outstanding. For all other loans, interest is accrued daily on the outstanding balances. For impaired loans, interest is discontinued on a loan when management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Cash collections on impaired loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected. The Company 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 income on other nonaccrual loans is recognized only to the extent of interest payments received.

A loan is impaired when it is probable the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

The allowance for loan losses is established through a provision for loan losses charged against net income. Loans declared to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. The allowance represents an amount, which in management's judgment, will be adequate to absorb estimated 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 and prior loss experience. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, review of specific problem loans, the Company's past loan loss experience, adverse situations that may affect the borrowers' ability to pay, the estimated value of any underlying collateral, current economic conditions, and other relevant factors. While management uses the best information available to make its evaluation, this evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant change. As a result, future adjustments may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses, and may require additions to the allowance based on their judgment about information available to them at the time of their examinations.

Premises and Equipment

The Company's premises and equipment are stated at cost less accumulated depreciation computed primarily by straight-line methods over the estimated useful lives of the assets. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

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 the fair 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 revaluation of the property or losses resulting from disposition of such property are expensed. Revenue and expenses from operations of other real estate owned are reflected as other income (expense). At December 31, 2002 and 2001, real estate acquired by foreclosure totaled $1,286,409 and $340,657, respectively.

Intangibles

Intangibles include core deposits purchased and goodwill. Core deposits intangibles are amortized on a straight-line basis over their estimated economic lives ranging from 5 to 10 years. Prior to 2002, goodwill was amortized over 40 years. Effective in 2002, pursuant to Statement of Financial Accounting Standards No. 142, goodwill and other intangible assets with indefinite

Note 1. Continued

lives are not amortized, but are tested at least annually for impairment. If impairment has occurred, the goodwill or other intangible asset is reduced to its estimated fair value through a charge to expense.

Trust Assets

Assets held by the Trust Department of the Company in fiduciary or agency capacities are not assets of the Company and are not included in the consolidated financial statements.

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 tax bases of assets and liabilities and their reported amounts in the consolidated 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 assets and liabilities are expected to be realized or settled as described in SFAS 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 for income taxes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense was $331,239, $228,078 and $211,011 for the years ended December 31, 2002, 2001 and 2000, respectively.

Comprehensive Income

Comprehensive income includes net earnings reported in the statements of income and changes in unrealized gain (loss) on securities available-for-sale reported as a component of stockholders' equity. Unrealized gain on securities available-for-sale, net of related deferred income taxes, is the only component of accumulated other comprehensive income for the Company.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. The weighted average number of shares outstanding was 4,963,448 for the year ended December 31, 2002 and 4,963,028 for each of the years ended December 31, 2001 and 2000. Diluted net income per share is based on the weighted average number of shares of common stock outstanding for the periods, including the dilutive effect of the Company's outstanding stock options. Dilutive common equivalent shares

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

for the years ended December 31, 2002, 2001 and 2000 were 35,720, 17,540 and 12,204, respectively, all attributable to stock options.

Stock Split

In October 2001, the Board of Directors of the Company declared a three-for-two stock split for all shareholders of record as of December 14, 2001, and increased the number of authorized shares of common stock to 22,500,000. Accordingly, all share and per share information in these financial statements and related footnotes has been restated to give effect to the three-for-two split.

Stock Based Compensation

Stock option grants are accounted for in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, no compensation expense is recognized for stock options granted. See Note 16.

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 in Note 15. 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. SFAS 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 Company and may not be indicative of amounts that might ultimately be realized upon disposition or settlement of those assets and liabilities.

Investment - Insurance Company

The Company is accounting for its investment in New South Life Insurance Company ("New South"), a 20 percent 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 New South would be treated as a reduction of the investment account. New South has not paid dividends.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

The investment, which is included in other assets, totaled $1,499,679 and $1,389,795 at December 31, 2002 and 2001, respectively. Income from the investment for the years ended December 31, 2002, 2001, and 2000 included in other income totaled $109,884, $151,590 and $127,927, respectively.

Reclassifications

Certain reclassifications were made to the financial statement amounts from the prior year in order to facilitate comparability.

Recent Pronouncements

In September 2000 the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (A Replacement of SFAS No. 125)." SFAS No. 140 replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 revises the standard for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125's provisions without reconsideration. The Company adopted this statement effective January 1, 2001. The adoption had no effect on the Company's financial statements.

During 2001, the FASB issued SFAS No. 141 "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations entered into after June 30, 2001 be accounted for under the purchase method. SFAS No. 142 requires that all intangible assets, including goodwill, that result from business combinations be periodically (at least annually) evaluated for impairment, with any resulting impairment loss being charged against earnings. Also, under SFAS No. 142, goodwill resulting from any business combination accounted for according to SFAS No. 141 will not be amortized, and the amortization of goodwill related to business combinations entered into prior to June 30, 2001 will be discontinued effective, for the Company, January 1, 2002. The Company adopted the provisions of SFAS No. 141 immediately and the provisions of SFAS No. 142 related to discontinuation of goodwill amortization effective January 1, 2002. Amortization of goodwill for the years ended December 31, 2001 and 2000 was not material to the Company's financial statements. Therefore, the effect on previously reported net income for those periods was not material.

Also during 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations", SFAS No. 143 requires estimated future asset retirement costs to be recognized as a liability, recorded at their fair value and capitalized as part of the asset and depreciated. Under the new statement, the resulting retirement obligation liability is discounted and accretion expense is recognized using the credit-adjusted risk-free interest rate. The statement is effective for years beginning after June 15, 2001 although early application is permitted. The Company adopted the provisions of SFAS No. 143 effective January 1, 2002. The adoption of this statement did not have a material effect on the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" was also issued by the FASB during 2001 and is effective for years beginning after December 31, 2001. The new statement sets forth requirements for testing and accounting for impairment or disposal of assets to be held and used, assets to be disposed of other than by sale, and assets to be sold. The Company adopted SFAS No. 144 on January 1, 2002. Its adoption did not have a material impact on the Company's financial statements.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions", which clarifies the requirements of SFAS No. 141 and 142 as they relate to business combinations between financial institutions and makes the provisions of SFAS No. 144 applicable to long-term customer relationship intangible assets. The standard is effective for transactions on or after October 1, 2002. The Company's adoption of this statement did not have a material effect on the Company's financial statements.

Note 2. Acquisitions

In May 2002, the Company acquired CB&T Capital Corporation, a one-bank holding company, whose wholly-owned subsidiary was Citizens Bank & Trust Company in Louisville, MS. The acquisition was undertaken by the Company in order to gain entry into a geographic section of the State of Mississippi that is contiguous to the Company's current markets and in which the Company had very little market presence. The purchase price of the net assets totaled approximately $12.3 million cash and was based on a multiple of approximately 1.505 times the book value, subject to certain adjustments, of the acquired company. The Company based its purchase price on several factors, including comparable transactions and management's estimate of the value of entry into a strategically targeted geographic area.

The following is a summary of the assets and liabilities acquired:

	In Thousands
Cash	$ 2,880
Investments	50,620
Loans	15,019
Bank premises and other assets	3,137
Deposits	(57,939)
Other liabilities	(5,814)
Net assets acquired	7,903
Goodwill and other intangible assets	4,381
Purchase price	$ 12,284

Note 2. Continued

The Company has completed its evaluation of the assets and liabilities acquired and has allocated $1,846,909 of the $4,380,869 total intangible asset to core deposit intangibles and the remaining $2,533,960 to goodwill. The core deposit intangible is to be amortized at the rate of $15,391 per month until fully amortized, representing an estimated economic life of 10 years. The amount of core deposit amortization expense related to the Louisville purchase was $107,736 through December 31, 2002. The operations of CB&T Capital Corporation are included in the consolidated financial statements since the acquisition date. The pro forma effect, had the acquisition occurred on January 1, 2001, is not significant to the operation of the Company.

In July 2001, the Company completed the acquisition of two bank branches located in Forest and Decatur, Mississippi from Union Planters Bank. The Company acquired approximately $30.3 million in deposits, $11.7 million in loans, and $15.4 million in cash and short-term investments. The $2.5 million purchase price was allocated primarily to a core deposit intangible asset.

Total amortization expense related to intangible assets for the years ended December 31, 2002, 2001 and 2000 was $460,548, $193,109 and $72,110, respectively.

Amortization expense attributable to core deposit intangible assets is estimated to be approximately $537,000 for each of the next five years.

Note 3. Investment Securities

The amortized cost and estimated fair value of investment securities at December 31, 2002 is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available-for-Sale				
Obligations of U.S. Government agencies	$ 11,261,352	$ 660,005	$ --	$ 11,921,357
U.S. Treasuries	18,280,614	812,656	--	19,093,270
Mortgage-backed securities	85,828,126	1,871,959	13,223	87,686,862
Other investments	42,348,837	1,299,090	73,111	43,574,816
Total	$157,718,929	$ 4,643,710	$ 86,334	$162,276,305

Note 3. Continued

The amortized cost and estimated fair value of investment securities at December 31, 2001 is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available-for-Sale				
Obligations of U.S. Government agencies	$ 10,397,698	$ 290,959	$ 12,131	$ 10,676,526
U.S. Treasuries	30,438,629	575,151	--	31,013,780
Mortgage-backed securities	52,741,929	204,137	583,891	52,362,175
Other investments	28,726,286	332,578	544,165	28,514,699
Total	$122,304,542	$ 1,402,825	$ 1,140,187	$122,567,180

The amortized cost and estimated fair value of securities at December 31, 2002, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Securities Available-for-Sale		
Due in one year or less	$ 6,450,167	$ 6,544,985
Due after one year through five years	23,183,733	24,357,914
Due after five years through ten years	21,953,333	22,980,407
Due after ten years	106,131,696	108,392,999
Total	$157,718,929	$162,276,305

Investment securities with carrying values of $95,774,053 and $84,485,282 at December 31, 2002 and 2001, respectively, were pledged as collateral for public deposits.

Gross realized gains and losses are included in other income. Total gross realized gains and gross realized losses from the sale of investment securities for each of the years ended December 31 were:

	2002	2001	2000
Gross realized gains	$ 164,364	$ --	$ 64,880
Gross realized losses	(5,646)	--	(19,186)
	$ 158,718	$ --	$ 45,694

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans

The composition of net loans at December 31, 2002 and 2001 is as follows:

	2002 (In Thousands)	2001 (In Thousands)
Commercial, financial and agricultural loans	$ 149,762	$ 126,131
Real estate - construction loans	11,708	6,036
Real estate - mortgage loans	89,452	80,548
Consumer loans	59,660	54,218
	310,582	266,933
Unearned discount	(2,407)	(2,655)
Allowance for loan losses	(4,222)	(3,375)
Loans, net	$ 303,953	$ 260,903

Changes in the allowance for loan losses at December 31, 2002, 2001 and 2000 is as follows:

	2002	2001	2000
Balance, beginning of year	$ 3,375,000	$ 3,325,000	$ 3,100,000
Provision for loan losses	1,757,516	1,123,166	917,519
Loans charged off	(2,036,933)	(1,322,714)	(1,012,406)
Recoveries of loans previously charged off	279,417	249,548	319,887
Other increases attributed to Bank acquisition	847,341	--	--
Balance, end of year	$ 4,222,341	$ 3,375,000	$ 3,325,000

Loans on nonaccrual status were $357,640, $418,413 and $589,788 at December 31, 2002, 2001 and 2000, respectively. Interest income forgone on loans classified as non-accrued during the years ended December 31, 2002, 2001 and 2000 was $69,888, $123,804 and $146,797, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Premises and Equipment

Premises and equipment consists of the following at December 31, 2002 and 2001:

	2002	2001
Land and buildings	$ 9,643,349	$ 6,246,477
Furniture, fixtures and equipment	7,107,499	5,395,987
	16,750,848	11,642,464
Less accumulated depreciation	7,350,906	6,498,929
Total	$ 9,399,942	$ 5,143,535

Depreciation expense for the years ended December 31, 2002, 2001 and 2000 was $851,977, $546,479 and $476,585, respectively.

Note 6. Deposits

The composition of deposits is as follows:

	2002	2001
Non-interest bearing	$ 59,761,550	$ 50,535,929
NOW and money market accounts	122,717,966	91,656,150
Savings deposits	33,216,006	22,481,585
Time certificates, $100,000 or more	77,399,749	73,246,704
Other time certificates	139,672,904	121,388,939
Total	$432,768,175	$359,309,307

The scheduled maturities of certificates of deposit at December 31, 2002 are as follows:

Year Ending December 31,	Amount (In Thousands)
2003	$ 184,215
2004	16,938
2005	13,300
2006	1,369
2007	1,251
	$ 217,073

Interest expense for certificates of deposit over $100,000 was $2,346,000, $4,094,000 and $3,453,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

Note 7. Federal Home Loan Bank Borrowings

Pursuant to collateral agreements with the Federal Home Loan Bank (FHLB), advances are collateralized by all the Company's stock, FHLB Securities ($7,726,135 included in securities available-for-sale at December 31, 2002) and qualifying first mortgage loans. As of December 31, 2002 the balance in qualifying first mortgage loans was $124,241,623. Advances at December 31, 2002 consist of the following:

Amount	Interest Rate	Maturity
$ 5,000,000	5.457%	February 26, 2008
5,000,000	6.600%	April 28, 2008
6,706,135	4.941%	July 3, 2006
3,000,000	5.240%	April 20, 2009
2,000,000	5.290%	April 20, 2009
2,000,000	4.880%	August 22, 2011
1,000,000	4.759%	August 29, 2011
2,000,000	4.470%	September 7, 2010
900,000	4.430%	September 19, 2011

The scheduled payments for the next five years are as follows:

Year Due	Payment
2003	$ 969,288
2004	1,018,280
2005	1,069,749
2006	648,818
2007	--
Thereafter	20,900,000
	$24,606,135

Note 8. Income Taxes

The consolidated provision for income taxes consists of the following:

	2002	2001	2000
Currently payable			
Federal	$ 2,556,030	$ 2,356,645	$ 2,491,383
State	309,529	224,469	223,356
	2,865,559	2,581,114	2,714,739
Deferred tax expense (benefit)	99,596	(23,188)	(79,528)
Income Tax Expense	$ 2,965,155	$ 2,557,926	$ 2,635,211

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

	2002	2001	2000
Federal tax based on statutory rate	$ 3,149,303	$ 2,811,400	$ 2,777,656
State income tax	204,690	157,142	147,415
Change due to			
Tax-exempt investment interest	(495,872)	(321,389)	(303,191)
Other, net	107,034	(89,227)	13,331
Income Tax Expense	$ 2,965,155	$ 2,557,926	$ 2,635,211

At December 31, 2002 and 2001, net deferred tax asset consists of the following:

	2002	2001
Deferred Tax Assets		
Allowance for loan losses	$ 992,501	$ 863,225
Deferred compensation liability	402,018	366,925
Other real estate	181,270	11,735
Other	46,824	--
Total	$ 1,622,613	$ 1,241,885

Note 8. Continued

	2002	2001
Deferred Tax Liabilities		
Investment securities basis	$ 32,118	$ 216,869
Unrealized gain on available for sale securities	1,549,508	89,295
Premises and equipment	396,988	--
Intangible assets	591,319	--
Total	2,569,933	306,164
Net Deferred Tax Asset (Liability)	$ (947,320)	$ 935,721

The net deferred tax liability at December 31, 2002 of $947,320 is included in other liabilities. At December 31, 2001, the net deferred tax asset of $935,721 is included in other assets. The Company has evaluated the need for a valuation allowance related to the above deferred tax assets and, based on the weight of the available evidence, has determined that it is more likely than not that all deferred tax assets will be realized.

Note 9. Summarized Financial Information of Citizens Holding Company

Summarized financial information of Citizens Holding Company, parent company only, at December 31, 2002 and 2001, and for the years ended December 31, 2002, 2001 and 2000, is as follows:

Balance Sheets
December 31, 2002 and 2001

	2002	2001
Assets		
Cash	$ 906,403	$ 756,159
Securities available-for-sale, at fair value	548,750	524,530
Investment in bank subsidiary	52,360,312	45,907,322
Other assets	10,417	11,897
Total Assets	$53,825,882	$47,199,908
Liabilities	$ 43,323	$ 18,340
Stockholders' equity	53,782,559	47,181,568
Total Liabilities and Stockholders' Equity	$53,825,882	$47,199,908

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Continued

Income Statements
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Interest income	$ 42,465	$ 74,085	$ 86,053
Other Income			
Other	35,843	34,815	46,062
Dividends from bank subsidiary	2,592,317	1,986,540	1,406,219
Equity in undistributed earnings of bank subsidiary	3,693,570	3,721,802	4,069,658
Total Other Income	6,321,730	5,743,157	5,521,939
Other expense	61,030	107,824	42,625
Income before Income Taxes	6,303,165	5,709,418	5,565,367
Income tax expense (benefit)	5,665	(1,480)	31,002
Net Income	$ 6,297,500	$ 5,710,898	$ 5,534,365

Statements of Cash Flows
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Cash Flows from Operating Activities			
Net income	$ 6,297,500	$ 5,710,898	$ 5,534,365
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed earnings of Bank	(3,693,570)	(3,721,802)	(4,069,658)
Decrease in other assets	1,480	7,004	15,874
Increase (decrease) in other liabilities	24,983	(76,249)	(28,844)
Net Cash Provided by Operating Activities	2,630,393	1,919,851	1,451,737
Cash Flows from Investing Activities			
Proceeds from sale of investments	--	800,000	--
Other	(9,040)	(422,352)	69,801
Net Cash Provided (Used) by Investing Activities	$ (9,040)	$ 377,648	$ 69,801

Note 9. Continued

	2002	2001	2000
Cash Flows from Financing Activities			
Dividends paid to stockholders	$(2,580,879)	$(1,902,531)	$(1,406,219)
Exercise of stock options	109,770	--	--
Net Cash Used by Financing Activities	(2,471,109)	(1,902,531)	(1,406,219)
Net Increase in Cash	150,244	394,968	115,319
Cash, beginning of year	756,159	361,191	245,872
Cash, end of year	$ 906,403	$ 756,159	$ 361,191

The Company is required to obtain approval from state regulators before paying dividends. The Citizens Bank paid dividends of $2,592,317, $1,986,540 and $1,406,219 to the Company during the years ended December 31, 2002, 2001 and 2000, respectively.

Note 10. Related Party Transactions

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholders, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties, and does not involve more than the normal risk of collectibility at the time of the transaction.

The balance of loans made to related parties at December 31, 2002 and 2001 was $1,740,496 and $2,068,168, respectively. Advances to related parties during the year ended December 31, 2002 totaled $3,168,658. Payments received from related parties during the year ended December 31, 2002 totaled $3,496,330.

Note 11. Off-Balance Sheet Financial Instruments, Commitments and Contingencies and Concentrations of Risks

Commitments to Extend Credit

In the ordinary course of business, the Company makes various commitments and incurs certain contingent liabilities to fulfill the financing needs of its customers. These commitments and contingent liabilities include commitments to extend credit and issue standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. At December 31, 2002 and 2001, commitments related to unused lines of credit were $29,079,857 and standby letters of credit were $479,850 and $444,500, respectively. As some of these commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company applies the same credit policies and standards as it does in the lending process when making these commitments. The collateral obtained is based upon the assessed credit worthiness of the borrower. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate and income-producing commercial properties.

Interest Rate Risk

The Company is principally engaged in providing short-term and medium-term installment, commercial and agricultural loans with interest rates that are fixed or fluctuate with the prime lending rate. These assets are primarily funded through short-term demand deposits and long-term certificates of deposit with variable and fixed rates. Accordingly, the Company is exposed to interest rate risk because, in changing interest rate environments, interest rate adjustments on assets and liabilities may not occur at the same time or in the same amount. The Company manages the overall rate sensitivity and mix of its asset and liability portfolio and attempts to minimize the effects that interest rate fluctuations will have on its net interest margin.

Legal Proceedings

The Company is party to lawsuits and other claims that arise in the ordinary course of business. The lawsuits assert claims related to the general business activities of the Company. The cases are being vigorously contested. In the regular course of business, management evaluates estimated losses or costs related to litigation, and provision is made for anticipated losses whenever management believes that such losses are probable and can be reasonably estimated. While management believes that the final resolution of pending legal proceedings will not have a material impact on the Company's financial position or results of operations, the final resolution of such proceedings could have a material adverse effect on the Company's financial position or results of operations.

Note 11. Continued

Concentration of Risk

The Company makes agricultural, agribusiness, commercial, residential and consumer loans primarily in the eastern region of Mississippi. A substantial portion of the Company's customers' abilities to honor their contracts is dependent on the business and agricultural economy in that area.

Although the Company's loan portfolio is diversified, there is a relationship in this region between the agricultural economy and the economic performance of loans made to nonagricultural customers. The Company's lending policies for agricultural and nonagricultural customers require loans to be well-collateralized and supported by cash flows. Collateral for agricultural loans includes equipment, crops, livestock, and land. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the portfolio as a whole. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the allowance for loan losses.

See Note 3 for a summary of loans by type.

The nature of the Company's business requires that it maintain amounts due from banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Note 12. Lease Commitment and Total Rental Expense

The Company has operating leases under noncancellable operating lease agreements for banking facilities and equipment. Future minimum rental payments due under the leases are as follows:

Years Ending December 31,	Amounts
2003	$ 62,604
2004	62,604
2005	62,604
2006	62,604
2007	58,644
	$ 309,060

The total rental expense included in the income statements for the years ended December 31, 2002, 2001 and 2000 is $64,281, and $66,962 and $26,913, respectively.

Note 13. Benefit Plan

The Company provides its employees with a profit sharing and savings plan, which allows employees to direct a percentage of their compensation into a tax deferred retirement account, subject to statutory limitations. To encourage participation, the Company provides a 100 percent matching contribution for up to 6 percent of each participant's compensation, plus discretionary non-matching contributions. Employees are eligible after one year of service. For 2002, 2001 and 2000, the Company's contributions were $358,520, $288,283 and $261,153, respectively.

Deferred Compensation Plan

The Company provides a deferred compensation plan covering its directors. Participants in the deferred compensation plan can defer a portion of their compensation for payment after retirement. Life insurance contracts have been purchased which may be used to fund payments under the plan. Net expenses related to this plan were $103,570, $81,456 and $74,972 for the plan years ended December 31, 2002, 2001 and 2000, respectively.

Note 14. Regulatory Matters

The Company is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material affect on the Company. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines involving quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total Tier I capital to risk-weighted assets (as defined in the regulations) and Tier I capital to average assets (as defined in the regulations).

Note 14. Continued

To be categorized as well capitalized under the regulatory framework for prompt corrective action, the Company would have to maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed below, in comparison with actual capital amounts and ratios:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2002						
Total Capital (to Risk-Weighted Assets)						
Citizens Holding Company	$ 49,262,962	16.02%	$ 24,605,856	8.00%	$ N/A	--%
Citizens Bank	47,794,683	15.55	24,596,462	8.00	30,745,577	10.00
Tier I Capital (to Risk-Weighted Assets)						
Citizens Holding Company	45,413,634	14.77	12,302,928	4.00	N/A	--
Citizens Bank	43,946,805	14.29	12,298,231	4.00	18,447,346	6.00
Tier I Capital (to average Assets)						
Citizens Holding Company	45,413,634	8.83	20,569,960	4.00	N/A	--
Citizens Bank	43,946,805	8.59	20,474,027	4.00	25,592,534	5.00

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001						
Total Capital (to Risk-Weighted Assets)						
Citizens Holding Company	$ 48,562,374	18.40%	$ 21,112,077	8.00%	$ N/A	--%
Citizens Bank	47,286,697	17.93	21,103,291	8.00	26,379,114	10.00
Tier I Capital (to Risk-Weighted Assets)						
Citizens Holding Company	45,262,671	17.15	10,556,038	4.00	N/A	--
Citizens Bank	43,988,350	16.68	10,551,646	4.00	15,827,468	6.00
Tier I Capital (to average Assets)						
Citizens Holding Company	45,262,671	10.51	17,224,286	4.00	N/A	--
Citizens Bank	43,988,350	10.33	17,028,839	4.00	21,286,049	5.00

Note 15. Fair Values of Financial Instruments

The following represents the carrying value and estimated fair market value of the Company's financial instruments at December 31, 2002 and 2001:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and due from banks	$ 19,769,712	$ 19,769,712	$ 12,713,482	$ 12,713,482
Interest bearing deposits with banks	1,365,649	1,365,649	5,421,241	5,421,241
Securities available-for-sale	162,276,305	162,276,305	122,567,180	122,567,180
Net loans	303,952,527	305,656,861	260,903,091	262,408,345
Federal funds sold	2,300,000	2,300,000	6,100,000	6,100,000
Financial Liabilities				
Deposits	$432,768,175	$433,735,968	$359,309,007	$360,147,682
Federal Home Loan Bank borrowings	24,606,135	24,606,135	14,628,788	14,628,788

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

Cash and Due from Banks

The carrying amounts reported in the balance sheet for these instruments approximate those assets' fair values because of their immediate and shorter-term maturities.

Securities Available-for-Sale

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.

Net Loans

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 (i.e., 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 receivable approximates its fair value.

Note 15. Continued

Deposits

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. The carrying amount of accrued interest payable approximates its fair value.

Federal Home Loan Bank Borrowings

The fair value of the portion of Federal Home Loan Bank advances that matures within 90 days approximates its fair value. For longer term maturities, the fair value is based on discounted cash flow analysis.

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. The fees associated with these financial instruments are not material.

Note 16. Stock Options

The Company has a directors' stock compensation plan and employees' long-term incentive plan. Under the directors' plan the Company may grant options up to 105,000 shares of common stock. The price of each option shall be equal to the market price determined as of the option grant date. Options granted are exercisable after 6 months and shall expire after 10 years. Under the employees' incentive plan the Company may grant options up to 7 percent of the total number of shares of common stock, which may be issued and outstanding. Incentive options must be granted within 10 years of the adoption of the plan and shall expire no later than 10 years from the grant date. The exercise price shall be equal to the market price of the Company's stock on the date of grant.

Note 16. Continued

The Company applies APB Opinion 25 in accounting for the compensation and long-term incentive plan. Accordingly, there was no compensation cost related to options granted during the years ending December 31, 2002, 2001 and 2000. Had compensation cost been determined on the basis of fair value pursuant to FASB Statement No. 123 using publicly traded share prices as a basis of determining fair values, net income and earnings per share would have been reduced as follows:

	2002	2001
Net Income		
As reported	$ 6,298,064	$ 5,710,898
Pro forma	$ 6,187,674	$ 5,657,245
Basic Earnings Per Share		
As reported	$ 1.27	$ 1.15
Pro forma	$ 1.25	$ 1.14
Diluted Earnings Per Share		
As reported	$ 1.26	$ 1.15
Pro forma	$ 1.24	$ 1.14

The fair value of each option is estimated on the grant date using the Black-Scholes option pricing model. The following assumptions were made in estimating fair values in 2002 and 2001:

Assumption	2002	2001
Dividend yield	1.5%	1.5%
Risk-free interest rate	4%	6.25%
Expected life	7 years	10 years
Expected volatility	15.00%	16.05%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Continued

Following is a summary of the status of the plans for the years ending December 31, 2002 and 2001:

	Directors' Plan		Employees' Plan	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2001	40,800	$ 8.49	22,950	$ 9.51
Granted	15,000	10.83	6,000	11.25
Exercised	--	--	--	--
Forfeited	--	--	(1,500)	10.33
Outstanding at December 31, 2001	55,800	$ 9.12	27,450	$ 9.85
Granted	15,000	15.00	38,000	14.68
Exercised	--	--	(11,550)	9.51
Forfeited	--		--	--
Outstanding at December 31, 2002	70,800	$ 10.37	53,900	$ 13.33
Options exercisable at:				
December 31, 2001	55,800	$ 9.12	26,700	$ 9.85
December 31, 2002	70,800	$ 10.37	53,900	$ 13.33
Weighted average fair value of options granted during years ended:				
December 31, 2001		$ 3.83		$ 4.13
December 31, 2002		$ 5.22		$ 5.10

Financial Information:

Corporate Headquarters
521 Main Street
P. O. Box 209
Philadelphia, MS 39350
601-656-4692

Annual Stockholders Meeting

The Annual Stockholder meeting of the Citizens Holding Company, Inc. will be held Tuesday, April 23, 2002 at 3:30 P.M. at the main office of The Citizens Bank, 521 Main Street, Philadelphia, Mississippi.

Stock Registrar and Transfer Agent
American Stock Transfer & Trust Company
40 Wall Street - 46th Floor
New York, NY 10005

Form l0-K

The Corporation's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available to stockholders upon request to the Treasurer of the Citizens Holding Company.

Financial Contact

Robert T. Smith
Treasurer
P.O. Box 209
Philadelphia, MS 39350
601-656-4692

Bank Officers

Greg McKee
President & CEO

Danny Hicks
Sr. Vice President

Robert T. Smith
Sr.Vice President & CFO

Erdis Chaney
Vice President & Cashier

Tim Lofton
Vice President & CIO

Randy Cheatham
Vice President

Mike Guthrie
Vice President

Joe Foster
Vice President & Trust

Murray Johnson
Vice President

Jackie Hester
Vice President & Marketing

Kaye Johnson
Vice President

Stanley Salter
Vice President

Darrell Bates
Vice President

David Sharp
Vice President

Jean T. Fulton
Vice President

Gayle Sharp
Vice President

Lucille M. Myatt
Assistant to the President

Carolyn K. McKee
Student Loan Officer

Mark Majure
Assistant Cashier

Beth Branning
Assistant Cashier

Pat Stokes
Assistant Cashier

Adriana Burt
Assistant Cashier

Mitch Peden
Data Processing Officer

Brad Copeland
Assistant Cashier

Sommer Vick
Accounting Officer

Mark Flake
Data Processing Officer

Barbara Lewis
Assistant Cashier

Carthage Branch

Mike Brooks
President

J. Michael Ellis
Vice President

Billie Nell Dowdle
Vice President

Byron Hines
Vice President

Margaret Thompson
Assistant Cashier

Carol Wright
Assistant Cashier

Sebastopol Branch

Linda Bennett
President

Union Branch

Robert C. Palmer, Jr.
President

Karen Foster
Assistant Vice President

DeKalb Branch

Steven Lockley
Vice President

Kosciusko Branch

Charlie Hudson
President

Joanne Sanders
Assistant Cashier

Scooba Branch

Fran Knight
Vice President

Meridian Branch

Charles Young
President

Mac Hodges
Vice President

Forest Branch

Richard Latham
Vice President

Dymple Winstead
Assistant Vice President

Decatur Branch

Ken Jones
Vice President

Louisville Branch

Terry Woods
President

Edna Bell
Vice President

Marion Gardner
Assistant Cashier

Danny Parker
Assistant Cashier

Bruce Lee
Assistant Cashier

Mortgage Loan Department

David Blair, Jr.
Vice President

Citizens Holding Company Officers:

Steve Webb
Chairman

Greg McKee
President & CEO

Carolyn K. McKee
Secretary

Robert T. Smith
Treasurer

Directors:

M. G. Bond
Retired Mississippi State Senator

Karl Brantley
Plant Manager
U. S. Electrical Motors

W. W. Dungan
Partner
McDaniel Timber Company

Don Fulton
President & General Manager
Nemanco, Inc.

Don L. Kilgore
Attorney
Alford, Thomas & Kilgore, P.A.

David A. King
Proprietor
Philadelphia Motor Company

Herbert A. King
Civil Engineer
King Engineering Associates, Inc.

George R. Mars
Retired Proprietor
Mars Department Store

William M. Mars
Attorney
Mars, Mars, Mars & Chalmers, P.A.

Greg McKee
President & CEO
Citizens Holding Company and
The Citizens Bank

David P. Webb
Attorney
Phelps Dunbar, LLP

Steve Webb
Chairman
Citizens Holding Company and
The Citizens Bank

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EXHIBIT 23

Consent of Independent Auditors

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Citizens Holding Company of our report dated January 31, 2003, included in the 2002 Annual Report to Shareholders of Citizens Holding Company. We also consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-89680) previously filed Citizens Holding Company of our report dated January 31, 2003, included in the 2002 Annual Report to Shareholders of Citizens Holding Company.

/s/ Horne CPA Group

Jackson, Mississippi
March 28, 2003

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EXHIBIT 99(a)

Section 906 Certification of Chief Executive Officer

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. ss. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2002 of the Citizens Holding Company (the "Company"), as filed with the Securities Exchange Commission on the date hereof (the "Annual Report"), I, Greg L. McKee, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Greg L. McKee

Greg L. McKee,
Chief Executive Officer

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EXHIBIT 99(b)

Section 906 Certification of Treasurer

Certification of Treasurer
Pursuant to 18 U.S.C. ss. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2002 of the Citizens Holding Company (the "Company"), as filed with the Securities Exchange Commission on the date hereof (the "Annual Report"), I, Robert T. Smith, Treasurer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert T. Smith

Robert T. Smith,
Treasurer

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