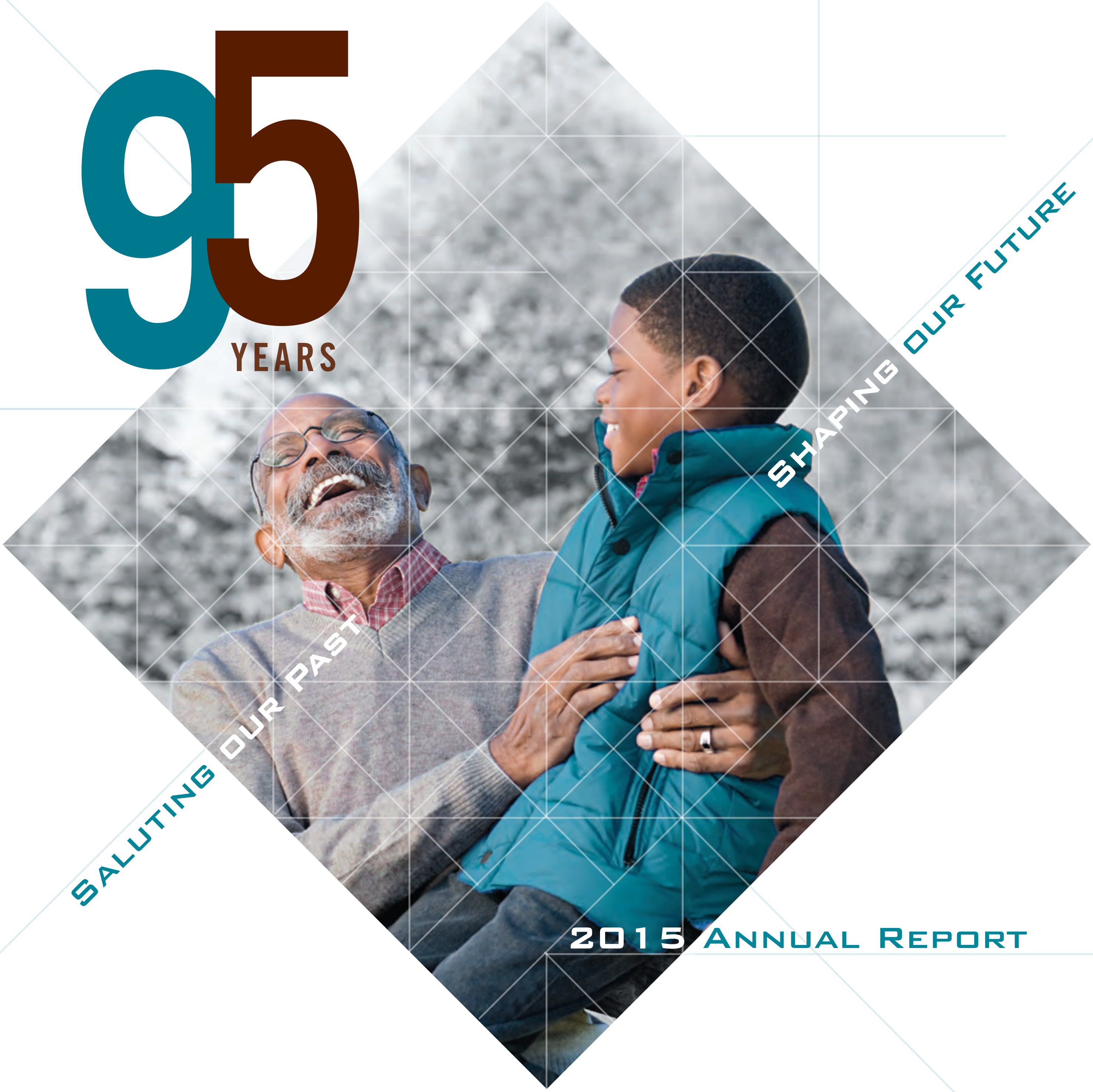


Citizens Bancshares Corporation

Vision STATEMENT

Citizens Trust Bank is dedicated to being the premier financial institution for the communities we serve and will operate as the main resource for community growth and development by providing superior financial products and extraordinary service.

Mission STATEMENT

Our mission is to enhance stockholder value while enabling our customers, our community and our associates to realize dreams of economic empowerment.

FINANCIALS

CITIZENS BANCSHARES CORPORATION

YEARS ENDED DECEMBER 31	2015	2014	2013
STATEMENT OF OPERATING DATA			
Net interest income	$12,068	$12,529	$12,863
Provision for loan losses	100	75	425
Net income	1,819	1,809	1,349
Net income available to common stockholders	1,582	1,572	1,112
PER COMMON SHARE DATA			
Net income	$0.72	$0.73	$0.52
Book value	17.87	17.49	16.06
Cash dividends paid	0.08	0.08	0.08
BALANCE SHEET DATA			
Loans, net of unearned income	$186,961	$191,038	$185,276
Deposits	328,862	340,889	336,962
Advances – Federal Home Loan Bank	5,235	254	273
Total assets	388,620	395,639	387,733
Average stockholders' equity	49,962	48,063	47,773
Average assets	$394,287	$404,274	$398,063
RATIOS			
Net income to average assets	0.46%	0.45%	0.34%
Net income available to common stockholders to average assets	0.40%	0.39%	0.28%
Net income to average stockholders' equity	3.64%	3.76%	2.82%
Net income available to common stockholders to average stockholders' equity	3.17%	3.27%	2.33%
Dividend payout ratio per common share	10.89%	10.93%	15.45%
Average stockholders' equity to average assets	12.67%	11.89%	12.00%
Tier 1 capital ratio (to risk weighted assets)	20%	19%	18%
Total capital ratio	20%	19%	19%

(amounts in thousands, except per share data and financial ratios)

Message
TO OUR STOCKHOLDERS

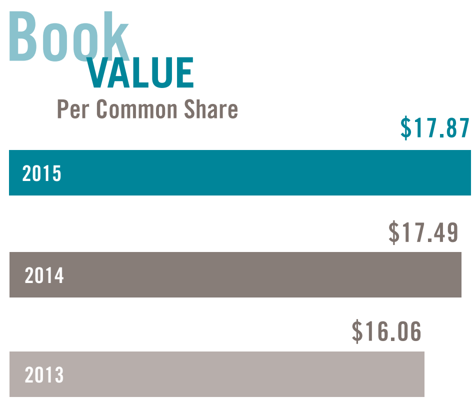
SALUTING OUR PAST. SHAPING OUR FUTURE

We are proud to celebrate 95 strong years of service to our customers and our community. Ninety-five years ago, Citizens Trust Bank opened its doors as a pillar in its community and a catalyst for financial empowerment and well-being for all. Our mission was simple:

- To promote financial stability,
- To promote business growth and development,
- To stress the principles of thrift, and
- To expand access to home ownership.

How we deliver service may be changing but we continue to be guided by these principles by responding to the needs of the community we serve—one customer and one financial transaction at a time.

Since our beginning in 1921, the world in which we conduct business has changed dramatically. From face to face customer interactions to a fast-paced, digital society that now demands rapid and continuous exchange of information online, including financial transactions. Citizens Trust Bank has responded to these market shifts by expanding our electronic platform while still providing the personal touch service that makes us unique to our customers when or if they need it.



This rich history and legacy has provided us the foundation and the inspiration to continue to innovate and seek ways to continue to drive shareholder value.

STRENGTH AND STABILITY

The solvency of our Company remains strong. In an era where bank closures and mergers are commonplace, Citizens Bancshares remains a very solid financial institution. We are a well-capitalized bank with capital ratios of at least 2.1 times the regulatory minimum. Such capital strength allows our Company the ability to remain competitive and pursue opportunities to expand our franchise and increase shareholder value.

Further, our Company has made important strides in driving strategic initiatives to optimize the mix of our balance sheet to generate solid earnings, maintain efficient Company operations and sustain a strong balance sheet through prudent risk management.

During 2015, while we experienced improved loan production, the growth was mitigated by our strategy to exit several large credit facilities from the portfolio. As a result we saw a $4 million decline in net loans outstanding but a 27% decline in nonperforming loans to total loans compared to last year. The execution of this strategy strengthened our balance sheet and further improved the risk profile of our loan portfolio.

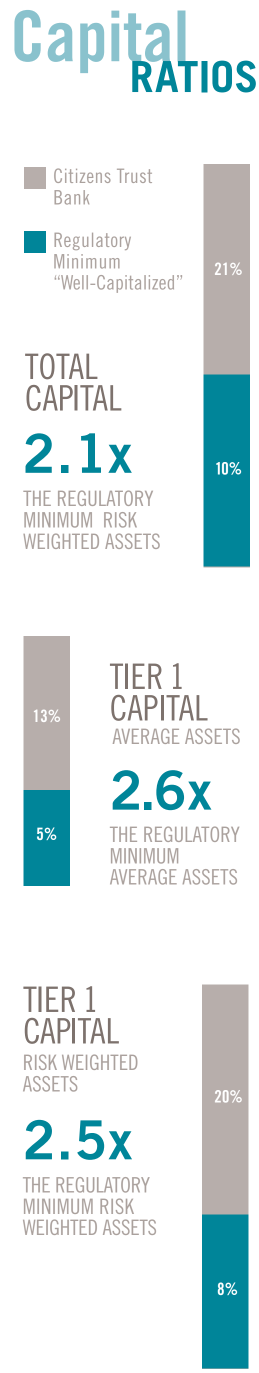
Despite the headwinds of continued net interest margin compression and a strict regulatory environment, we maintained consistent earnings in comparison to last year through prudent balance sheet management and efficient Company operations.

Though 2015 was a respectful year, we must continue to drive operational excellence, focus on utilizing the liquidity on our balance sheet to fund higher yielding consumer and business loans, and evolve into a more agile operating model that leverages our understanding of our current and prospective customers in a rapidly changing environment.

DIGITAL INNOVATION

From our humble beginnings on “Sweet Auburn,” our Company has expanded services offered to meet the evolving demands of today’s consumers. To that end, we have responded to a connected society with solutions that equip our customers in a mobile world.

Our suite of digital solutions, including a mobile responsive website (www.ctbconnect.com) and a mobile app, CTB Mobile, ensure convenient access and delivery of service for our customers. These digital platforms and mobile solutions make managing financial transactions easy and convenient. They enable customers to access their accounts, perform



Ninety-five years ago, Citizens Trust Bank opened its doors as a pillar in its community and a catalyst for financial empowerment and well-being for all.

transactions, pay their bills and receive online account approvals at the touch of a finger.

With an enhanced digital infrastructure, our Company employs technology to drive operational efficiencies and improve the customer experience. Innovations allow us to connect with and serve the needs of a new audience of prospective and underbanked customers. Our significant progress and ongoing expansion in the digital realm is shaping the future ahead and our ability to connect.

GROWTH THROUGH ACCESS

Staying true to our guiding principle to promote growth and development of businesses in and around our community, through our many credit options, we are focused and committed to utilizing our capital to grow and expand businesses which support and build thriving communities.

Similarly, we are also committed to partnering with our consumer customers by providing access to credit solutions that help bring their dreams into reality.

We are ready to stand firm on the success of these principles and have dedicated the resources to back up our commitment. From our investment in associates that provide assistance and access to these solutions to the continued investment in technology for convenience and ease of delivery, we are investing where our commitment lies and are responding with a win/win relationship that enhances value for all.

SERVICE CUSTOMIZATION

As our Company strives to meet everyday demands, we continue providing exceptional, personalized experiences for our customers. They are the cornerstone of our business, and our commitment to serving them is fundamental to our success.

The ever-changing marketplace requires our Company to find new ways to keep pace with current trends. We are rising to the challenge of attracting and engaging the next generation of banking customers, the fastest-growing and most connected generation, who are more educated and technology driven than previous generations.

However, many of our customers still like banking the traditional way. We are okay with that as well. We are good at maintaining a delicate balance between responding to current trends and caring for the customized needs of our core customers.

SHAPING THE FUTURE

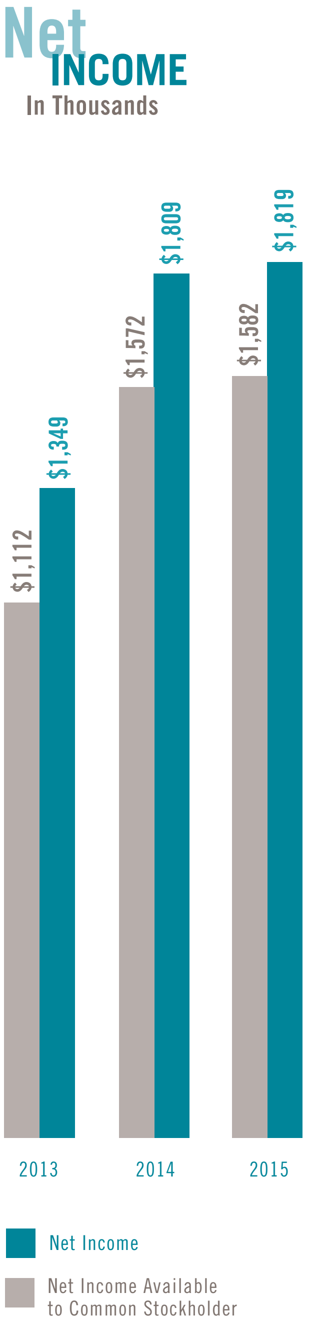
We understand that when our shareholders and our customers partner with us, they trust us to help build a secure future for their families.That's why our commitment to you is **the same**: We will act responsibly with the trust that you have placed in us.

We take seriously the desire to provide a secure future for generations to come. We promise to keep innovating financial solutions for today with tomorrow in mind, because building futures is our business. Though our Company will continue to evolve in an ever-changing world to meet our customers' needs, our values will remain the same.

We thank our associates for their hard work, diligence and customer focus that make our Company successful. We thank our Board of Directors for their commitment, guidance and support in our consistent pursuit of enhancing shareholder value and thank you, our shareholders, for your investment and continued support.

Cynthia N. Day
President & CEO

Ray M. Robinson
Chairman of the Board



We take seriously the desire to provide a secure future for generations to come. We promise to keep innovating financial solutions for today with tomorrow in mind, because building futures is our business.

95 YEARS

SALUTING OUR Past.

SHAPING OUR Future.

Rewind to a simpler time – A time of charm and grace – the 1920s and 30s: Decades of Optimism.

The innovative forces thrusting into American life were creating a new way of living.

However, during these two decades, as restrictive Jim Crow legislation was organized into law, Atlanta's African American population became confined to the area between downtown and neighborhoods on the city's east side. It was during this period that Auburn Avenue first achieved prominence as a commercial corridor and became home to the city's emerging black middle class.

Composed mostly of small businesses, Auburn Avenue was also home to what was described as Atlanta's "three-legged stool of black finance." The first of these institutions was founded by Alonzo Herndon, a former slave who became the city's first black millionaire.

After earning a modest fortune as the owner of a barbershop on Peachtree Street, Herndon founded the Atlanta Life Insurance Company in 1905. Six years later an enterprising Texan named Heman Perry formed a second black insurance company. In 1921, Standard Life and Citizens Trust Bank, which made the third leg of the city's black financial stool, began extending credit to black homeowners and entrepreneurs who were underserved by the city's white lending institutions. Because Auburn Avenue's financial institutions amounted to a consolidation of African American wealth unique for its time, black Atlantans referred to the street as "Sweet Auburn." Coined by John Wesley Dobbs, the name reflected the avenue's prominence as a national center of black commerce.

Our early years were ones of excitement and pride. Customers eagerly lined up to make deposits of their hard-earned money into a bank which they could call their own. The goals of the bank were three-fold: to promote financial stability and business development; to stress the principles of thrift; and make homeownership possible for a larger number of people.

Being responsive to the needs of the community is inherent in the principles we established back before the Great Depression. To this day, our banking solutions are centered around the needs of our customers, making Citizens Trust a name we earn every day.

Heman Perry, founder of Citizens Trust Bank

Our commitment to meeting the financial needs of those we serve drives us to react, connect and respond with innovations we identify, develop and adopt—leading to financial empowerment for our customers. Our community deserves nothing less from us. They expect nothing less. This mission of responsiveness is a hallmark of our brand, it is what sets us apart. More importantly, it is the promise we make to stakeholders both internal and external. It is our foundational principle.

Through our commitment to the brand:

We go the extra mile.

We want to understand you... your circumstances… your goals. You are not just an account number.

We Care.

We want you to succeed.

Your Success is Our Success.

We Believe in Win/Win Relationships.

These statements answer the "whys" to banking with us and having a relationship with Citizens Trust Bank.

Bank, Borrow, Invest. . . Action words are used to demonstrate how our customers and potential customers can engage with us.

Insure: Life Insurance Solutions

We remain responsive and competitive through online solutions, building a digital infrastructure that will allow us to connect with and serve a new audience: the uninsured.

We're pleased to acknowledge, that in partnership with AGENCY One, Inc., Citizens Trust Bank is able to offer online Instant Insurance quotes at CTBConnect.com. The need for this service is evidenced by research showing that 50% of the population is underinsured and 76% of those interested in purchasing insurance do not know an insurance agent.

The insurance offered range from Final Burial Insurance to Whole Life. Some insurance policies are issued once an online application is completed, in most cases without a medical exam. Exclusive Instant Issue Products (issued by highly rated insurance carriers) with different levels of underwriting based on the amount of insurance needed.

Connect: Mobile Banking, Online Account Approvals and Account Alerts

Our customers can lead hectic lives. So convenience is valued wherever it can be had. Being responsive has afforded our customers the new convenience of conducting nearly all of their financial business — including deposits — wherever and whenever they want.

Implementing our mobile banking platform and mobile banking app – CTB Mobile – ensures a secure, convenient banking option. Citizens Trust Bank Mobile Banking offers the same security of online banking or an ATM. Through CTB Account Alerts mobile banking accountholders are informed and given the piece-of-mind of monitoring every transaction.

The 2015 improvements to the online infrastructure offer continued opportunities to improve future performance. The Bank's online presence presents the greatest opportunity to exemplify our brand and our position as an integral partner in the community. Our mobile platform and online offerings have become the "bridge" to younger prospects and the kind of responsive advancements our core customers have come to expect.

Win/Win
RELATIONSHIPS

Bishop Dale Bronner

WORD OF FAITH FAMILY WORSHIP CATHEDRAL

Our church's relationship with Citizens Trust Bank spans almost 25 years, and it is built upon a solid foundation of timeless relationship principles. Our church started with about 100 members in December 1991, and has grown into a thriving congregation of over 20,000 believers from all walks of life.

We chose Citizens Trust Bank because of shared values of investing in the African American community. My father, who started a minority-owned business in the late 1940s, banked with Citizens Trust Bank, and taught me the value of investing in and with our people and our communities.

Citizens Trust Bank has an unwavering commitment to us as a customer, just as we have an unwavering commitment to CTB as our banking partner. Everyone needs a faithful partner by their side to help them carry out their mission/purpose in life.

Our trust has been earned over the years, and we know that CTB will be just as faithful and committed to other partners as they are to us. The team at Citizens Trust Bank is always responsive, giving us excellent service.

Mack Willis, Sr.

SUMMERSET ASSISTED LIVING

I view my relationship with Citizens Trust Bank to be like family...you know they are just a phone call away. I chose CTB more than 40 years ago because of the need for local banking decision makers who would take the time to understand my banking needs. CTB filled that need and has always been responsive.

A loan from Citizens Trust was key to launching my career in real estate investment and development when I was 28 years old. That loan, for a 20-unit apartment building in midtown Atlanta was critically evaluated and approved in a timely manner. Since that time I have acquired over a dozen other rental properties and developed a 107-suite assisted living community. The solid and supportive banking relationship with CTB has been key to these successes.

CTB is a bank you can count on and trust. They consistently exceed my expectations and are in constant pursuit of excellence in all that they do.

Dr. Bernice King

LEGACY CUSTOMER

The King Center was founded in memory of Reverend Dr. Martin Luther King Jr. with the mission to carry on his legacy, and to provide research, education and training in the principles, philosophy and methods of promoting nonviolence, and building a Beloved Community. Located in the famous Fourth Ward of Atlanta on Auburn Avenue, The King Center and indeed the King Family have been longtime supporters and customers of Citizens Trust Bank.

The King Center believes it is important to support African-American businesses as well as all business within the community.

We chose Citizens Trust Bank because of its historic aid and involvement in the community. Our experience with Citizens Trust Bank has been extraordinary—the products and services have been perfect for our needs, delivered with an exceedingly high level of customer care and attention.

The King Center has developed a strong lasting relationship with Citizens Trust Bank. Their legacy and commitment run parallel to the King Center's commitment to the community. CTB understands the operations of the King Center and they continue to provide us with responsive financial solutions.

From left to right: H. Jerome Russell, Jr., Ray M. Robinson (Chairman), C. David Moody, Jr., Cynthia N. Day (President & CEO), James E. Williams, Robert L. Brown, Jr., and Stephen A. Elmore, Sr.

PRINCIPAL OFFICERS OF CITIZENS TRUST BANK

CYNTHIA N. DAY
President
Chief Executive Officer

SAMUEL J. COX
Executive Vice President
Chief Financial Officer, CPA

FREDERICK L. DANIELS, JR.
Executive Vice President
Chief Credit Officer

BUNNY STOKES, JR.
Alabama Division President

IRIS D. GOODLY
Senior Vice President
Bank Operations Division

JOSEPH M. HOPKINS
Senior Vice President
Internal Audit Manager
CIA, CRMA, CBA, CRP

E. JACQUES LEE
Senior Vice President
Consumer Banking
Division Manager

FARRAND O. LOGAN
Senior Vice President
Commercial Banking
Division Manager

WANDA F. NESBIT
Senior Vice President
Human Resources
Director, CBM

MOIRA R. MONTGOMERY
Vice President
Compliance Officer/
Special Projects Manager

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2015**

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________________ to ____________________
Commission file number **0-14535**

Citizens Bancshares Corporation

(Exact name of registrant as specified in its charter)

Georgia	**58-1631302**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
230 Peachtree Street, N.W., Suite 2700, Atlanta, Georgia	**30303**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code)
(404) 659-5959

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
20,000,000 Shares of Common Stock, $1.00 par value
(Title of class)

Indicate by check mark	YES	NO
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☐	☒
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.	☐	☒
• 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.	☒	☐
• if the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such period that the registrant was required to submit and post such files).	☒	☐
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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.	☐	☐

• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller Reporting Company ☒

The number of shares outstanding for each of the registrant's classes of common stock as of March 25, 2016 was: 2,072,727 shares of Common Stock, $1.00 par value, 90,000 shares of Non-Voting Common Stock, $1.00 par value.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☒

The aggregate market value of common stock held by non-affiliates of the Registrant, based on the last sale price of $9.86 per share on June 30, 2015, was approximately $13,184,430.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.

Proxy Statement for 2016 Annual Meeting of Shareholders

Special Cautionary Notice Regarding Forward-Looking Statements

Some of the statements in this Report, including, without limitation, matters discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation," of Citizens Bancshares Corporation (the "Company") are "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, integration of recently acquired banks, pending or proposed acquisitions, our other business strategies, our expectations with respect to our allowance for loan losses and impaired loans, anticipated capital expenditures for our operations center, and other statements that are not historical facts. When we use words like "anticipate", "believe", "intend", "expect", "estimate", "could", "should", "will", and similar expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. Factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) changes in the interest rate environment may reduce margins; (3) general economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduction in demand for credit; (4) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which we are engaged; (5) costs or difficulties related to the integration of our businesses, may be greater than expected; (6) deposit attrition, customer loss or revenue loss following acquisitions may be greater than expected; (7) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than us; and (8) adverse changes may occur in the equity markets.

Many of such factors are beyond our ability to control or predict, and readers are cautioned not to put undue reliance on such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements contained in this Report, whether as a result of new information, future events or otherwise.

The Company cautions that the foregoing list of important factors is not exclusive. For further information regarding the risk factors applicable to the Company, please see "Risk Factors" on page 17.

Item 1. Description of Business

The Company

General

Citizens Bancshares Corporation (the "Company") was incorporated as a Georgia business corporation in 1972 and became a bank holding company by acquiring all of the common stock of Citizens Trust Bank (the "Bank"). The Company was organized to facilitate the Bank's ability to serve its customers' requirements for financial services. The holding company structure provides flexibility for expansion of the Company's banking business through the possible acquisition of other financial service institutions and the provision of additional banking-related services that the traditional commercial bank may not provide under present laws. For example, banking regulations require that the Bank maintain a minimum ratio of capital to assets. In the event that the Bank's growth is such that this minimum ratio is not maintained, the Company may borrow funds, subject to capital adequacy guidelines of the Federal Reserve, and contribute them to the capital of the Bank and otherwise raise capital in a manner that is unavailable to the Bank under existing banking regulations.

Over the years, the Company has completed several acquisitions. On January 30, 1998, the Company merged with First Southern Bancshares, Inc., whose banking subsidiary, First Southern Bank simultaneously merged into the Bank. On March 10, 2000, the Company acquired certain assets and all of the deposits of Mutual Federal Savings Bank, a failing bank, from the Federal Deposit Insurance Corporation. On February 28, 2003, the Company acquired CFS Bancshares, Inc., a savings and loan holding company located in Birmingham, Alabama, whose banking subsidiary, Citizens Federal Savings Bank, simultaneously merged into the Bank. This acquisition has resulted in a significant expansion of the Company's market area. On March 27, 2009, the Bank acquired the Lithonia, Georgia branch of The Peoples Bank.

The Company may make additional acquisitions in the future in the event that such acquisitions are deemed to be in the best interests of the Company and its shareholders. Such acquisitions, if any, will be subject to certain regulatory approvals and requirements. See "Business – Bank Holding Company Regulations."

The Bank

General

The Bank, a state bank headquartered in Atlanta, Georgia, was organized in 1921 and is a member of the Federal Reserve System.

The Bank's home office is located at 75 Piedmont Avenue, N.E., Atlanta, Georgia 30303. In addition to its home office, the Bank operated ten branch offices located in Atlanta, East Point, Lithonia, Decatur, Stone Mountain and Columbus, Georgia, and Birmingham and Eutaw, Alabama at December 31, 2015. The corporate headquarters are located at 230 Peachtree Street, N.W., Suite 2700, Atlanta, Georgia 30303. The Bank conducts a general commercial banking business that serves Fulton, DeKalb and Muscogee Counties, Georgia, as well as Jefferson and Greene Counties, Alabama, acts as an issuing agent for U.S. savings bonds, travelers checks and cashiers checks, and offers collection teller services. The Bank has no subsidiaries.

The Bank does not engage in any line of business other than normal commercial banking activities. The Bank does not engage in any operations in foreign countries nor is a material portion of the Bank's revenues derived from customers in foreign countries. The business of the Bank is not considered to be seasonal nor is the Bank's business dependent on any industry.

The Bank's Primary Service Area

The Bank's primary service area consists of Fulton and DeKalb Counties, along with certain portions of Rockdale County; through its branch in Columbus, the Bank also serves Muscogee County, Georgia, and through its branches in Birmingham and Eutaw, it serves Jefferson and Greene Counties, Alabama. The primary focus of the Bank is the small business and commercial/service firms in the area plus individuals and households who reside in or commute to the area. The majority of the Bank's customers are drawn from the described area.

Competition

The Bank must compete for both deposit and loan customers with other financial institutions with greater resources than are available to the Bank. Currently, there are numerous branches of national, regional, and local banks, as well as other types of entities offering financial services, located in the Bank's market area.

Deposits

The Bank offers a wide range of commercial and consumer deposit accounts, including non-interest bearing checking accounts, money market checking accounts (consumer and commercial), negotiable order of withdrawal ("NOW") accounts, individual retirement accounts, time certificates of deposit, sweep accounts, and regular savings accounts. The sources of deposits typically are residents, local governments and businesses and their employees within the Bank's market area, obtained through personal solicitation by the Bank's officers and directors, direct mail solicitation and advertisements published in the local media. The Bank pays competitive interest rates on time and savings deposits and has a service charge fee schedule competitive with other financial institutions in the Bank's market area, covering such matters as maintenance fees on checking accounts, per item processing fees on checking accounts, returned check charges and the like.

Loan Portfolio

The Bank engages in a full complement of lending activities, including consumer/installment loans, mortgage loans, home equity lines of credit, construction loans, and commercial loans, with particular emphasis on small business loans. The Bank believes that the origination of short-term fixed rate loans and loans tied to floating interest rates is the most desirable method of conducting its lending activities.

Consumer Loans

The Bank's consumer loans consist primarily of installment loans to individuals for personal, family, and household purposes, including loans for automobiles, home improvements, and investments. This category of loans also includes loans secured by second mortgages on the residences of borrowers.

Commercial Lending

Commercial lending is directed principally toward businesses whose demands for funds fall within the Bank's legal lending limits and which are existing deposit customers of the Bank. This category of loans includes loans made to individual, partnership, or corporate borrowers and obtained for a variety of business purposes.

Investments

As of December 31, 2015, investment securities comprised approximately 32% of the Bank's assets, with loans (net of loan loss reserves) comprising 48% of assets. The Bank invests primarily in obligations of the United States, obligations guaranteed as to principal and interest by the United States, government-sponsored enterprises securities, general obligation municipals and other taxable securities.

Asset/Liability Management

It is the objective of the Bank to manage assets and liabilities to provide a satisfactory, consistent level of profitability within the framework of established cash, loan, investment, borrowing, and capital policies. Certain officers of the Bank are charged with the responsibility for developing and monitoring policies and procedures that are designed to ensure acceptable composition of the asset/liability mix. It is the overall philosophy of management to support asset growth primarily through the growth of core deposits, which include deposits of all categories made by individuals, partnerships, and corporations. Management of the Bank seeks to invest the largest portion of the Bank's assets in consumer/installment, commercial and construction loans.

The Bank's asset/liability mix is monitored on a daily basis and a quarterly report reflecting the interest-sensitive assets and interest-sensitive liabilities is prepared and presented to the Bank's Board of Directors asset/liability committee during their meeting which takes place every two months. The objective of this policy is to control interest-sensitive assets and liabilities so as to minimize the impact of substantial movements in interest rates on the Bank's earnings.

Correspondent Banking

Correspondent banking involves the provision of services by one bank to another bank that cannot provide that service for itself from an economic or practical standpoint. The Bank purchases correspondent services offered by larger banks, including check collections, security safekeeping, investment services, wire transfer services, coin and currency supplies, overline and liquidity loan participation, and sales of loans to or participation with correspondent banks.

Employees

As of December 31, 2015, the Bank had 97 full-time equivalent employees (the Company has no employees who are not also employees of the Bank). The Bank is not a party to any collective bargaining agreement and, in the opinion of management; the Bank enjoys excellent relations with its employees.

Website Address

Our corporate website address is www.ctbconnect.com. From this website, select the "Investor Information" tab followed by selecting "Annual Reports/Financial Statements". Our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available and accessible soon after we file them with the SEC.

Supervision and Regulation

Both the Company and the Bank are subject to extensive state and federal banking regulations that impose restrictions on and provide for general regulatory oversight of their operations. These laws are generally intended to protect depositors and not shareholders. Legislation and regulations authorized by legislation influence, among other things:

- how, when and where we may expand geographically;
- into what product or service market we may enter;
- how we must manage our assets; and
- under what circumstances money may or must flow between the parent bank holding company and the subsidiary bank.

The following is a summary description of the relevant laws, rules, and regulations governing banks and holding companies. The descriptions of, and references to, the statutes and regulations below are brief summaries and do not purport to be complete. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

The regulatory and supervisory structure establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors, the deposit insurance funds and the banking system as a whole, rather than for the protection of shareholders or creditors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies concerning the establishment of deposit insurance assessment fees, classification of assets and establishment of adequate loan loss reserves for regulatory purposes.

Various legislation is from time to time introduced in Congress and Georgia's legislature, including proposals to overhaul the bank regulatory system, expand the powers of depository institutions, and limit the investments that depository institutions may make with insured funds. Such legislation may change applicable statutes and the operating environment in substantial and unpredictable ways. We cannot determine the ultimate effect that future legislation or implementing regulations would have upon our financial condition or upon our results of operations. As is further described below, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), has significantly changed the bank regulatory structure and may affect the lending, investment and general operating activities of depository institutions and their holding companies.

The Company

Since the Company owns all of the capital stock of the Bank, it is a bank holding company under the federal Bank Holding Company Act of 1956. As a result, the Company is primarily subject to the supervision, examination, and reporting requirements of the Bank Holding Company Act and the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). As a bank holding company located in Georgia, the Georgia Department of Banking and Finance (the "DBF") also regulates and monitors all significant aspects of our operations.

Acquisitions of Banks. The Bank Holding Company Act requires every bank holding company to obtain the Federal Reserve's prior approval before:

- Acquiring direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the bank's voting shares;
- Acquiring all or substantially all of the assets of any bank; or
- Merging or consolidating with any other bank holding company.

Additionally, the Bank Holding Company Act provides that the Federal Reserve may not approve any of these transactions if it would result in or tend to create a monopoly or, substantially lessen competition or otherwise function as a restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. The Federal Reserve's consideration of financial resources generally focuses on capital adequacy, which is discussed below.

Under the Bank Holding Company Act, if adequately capitalized and adequately managed, the Company or any other bank holding company located in Georgia may purchase a bank located outside of Georgia. Conversely, an adequately capitalized and adequately managed bank holding company located outside of Georgia may purchase a bank located inside Georgia. In each case, however, restrictions may be placed on the acquisition of a bank that has only been in existence for a limited amount of time or will result in specified concentrations of deposits. For example, Georgia law prohibits a bank holding company from acquiring control of a financial institution until the target financial institution has been incorporated for three years. Because the Bank has been incorporated for more than three years, this limitation does not apply to the Bank or the Company.

Change in Bank Control. Subject to various exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

- the bank holding company has registered securities under Section 12 of the Securities Act of 1934, as amended; or
- no other person owns a greater percentage of that class of voting securities immediately after the transaction.

Our common stock is registered under Section 12 of the Securities Act of 1934, as amended. The regulations provide a procedure for challenge of the rebuttable control presumption.

Permitted Activities. The Bank Holding Company Act has generally prohibited a bank holding company from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those determined by the Federal Reserve to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Provisions of the Gramm-Leach-Bliley Act have expanded the permissible activities of a bank holding company that qualifies as a financial holding company. Under the regulations implementing the Gramm-Leach-Bliley Act, a financial holding company may engage in additional activities that are financial in nature or incidental or complementary to financial activity. Those activities include, among other activities, certain insurance and securities activities.

To qualify to become a financial holding company, the Bank and any other depository institution subsidiary of the Company must be well capitalized and well managed and must have a Community Reinvestment Act rating of at least "satisfactory." Additionally, the Company must file an election with the Federal Reserve to become a financial holding company and must provide the Federal Reserve with 30 days' written notice prior to engaging in a permitted financial activity. While the Company meets the qualification standards applicable to financial holding companies, we have not elected to become a financial holding company at this time.

Support of Subsidiary Institutions. Under Federal Reserve policy, the Company is expected to act as a source of financial strength for the Bank and to commit resources to support the Bank. In addition, pursuant to the Dodd-Frank Wall Street and Consumer Protection Act (the "Dodd-Frank Act"), the federal banking regulators must require a bank holding company to serve as a source of financial strength for any depository institution subsidiary. This support may be required at times when, without this Federal Reserve policy, the Company might not be inclined to provide it. In addition, any capital loans made by the Company to the Bank will be repaid only after its deposits and various other obligations are repaid in full. In the unlikely event of the Company's bankruptcy, any commitment by it to a federal bank regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

The Federal Reserve Board may require a holding company to terminate any activity or relinquish control of a non-bank subsidiary (other than a non-bank subsidiary of a bank) upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the holding company. Further, federal bank regulatory authorities have additional discretion to require a holding company to divest itself of any bank or non-bank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

Under the Federal Deposit Insurance Act, a holding company's bank subsidiary can be required to indemnify, or cross-guarantee, the FDIC against losses it incurs with respect to any other bank controlled by the holding company, which in effect will make the holding company's equity investments in healthy bank subsidiaries available to the FDIC to assist any failing or failed bank subsidiary that the holding company may have.

Non-Bank Subsidiary Examination and Enforcement. As a result of the Dodd-Frank Act, all non-bank subsidiaries not currently regulated by a state or federal agency will now be subject to examination by the Federal Reserve Board in the same manner and with the same frequency as if its activities were conducted by the lead bank subsidiary. These examinations will consider the activities engaged in by the non-bank subsidiary pose a material threat to the safety and soundness of its insured depository institution affiliates, are subject to appropriate monitoring and control, and comply with applicable laws. Pursuant to this authority, the Federal Reserve Board may also take enforcement action against non-bank subsidiaries.

The Bank

Since the Bank is a commercial bank chartered under the laws of the State of Georgia and is a Federal Reserve member bank, it is primarily subject to the supervision, examination and reporting requirements of the DBF and the Federal

Reserve Bank of Atlanta. The DBF and the Federal Reserve Bank of Atlanta regularly examine the Bank's operations and have the authority to approve or disapprove mergers, the establishment of branches and similar corporate actions. Both regulatory agencies have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Additionally, the Bank's deposits are insured by the FDIC to the maximum extent provided by law. The Bank is also subject to numerous state and federal statutes and regulations that affect its business, activities, and operations.

Branching. Under current Georgia law, the Bank may open branch offices throughout Georgia with the prior approval of the DBF. In addition, with prior regulatory approval, the Bank may acquire branches of existing banks located in Georgia. Prior to enactment of the Dodd-Frank Act, the Bank and any other national or state-chartered bank were generally permitted to branch across state lines by merging with banks in other states if allowed by the applicable states' laws. Georgia law, with limited exceptions, permitted branching across state lines through interstate mergers. However, interstate branching is now permitted for all national- and state-chartered banks as a result of the Dodd-Frank Act, provided that a state bank chartered by the state in which the branch is to be located would also be permitted to establish a branch.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a system of prompt corrective action to resolve the problems of undercapitalized financial institutions. Under this system, the federal banking regulators have established five capital categories in which all institutions are placed: Well Capitalized, Adequately Capitalized, Undercapitalized, Significantly Undercapitalized and Critically Undercapitalized.

As a bank's capital condition deteriorates, federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed.

As of December 31, 2015, the Bank was considered well-capitalized.

A "well-capitalized" bank is one that exceeds all of its required capital requirements, which, prior to January 1, 2015, included maintaining a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6% and a Tier 1 leverage ratio of at least 5%. Beginning on January 1, 2015, the capital requirements include maintaining a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 8%, a common equity Tier 1 risk-based capital ratio of at least 4.5%, and a Tier 1 leverage ratio of at least 5%. Generally, a classification as well capitalized will place a bank outside of the regulatory zone for purposes of prompt corrective action. However, a well-capitalized bank may be reclassified as "adequately capitalized" based on criteria other than capital, if the federal regulator determines that a bank is in an unsafe or unsound condition, or is engaged in unsafe or unsound practices or has not adequately corrected a prior deficiency.

FDIC Insurance Assessments. The Bank's deposits are insured by the Deposit Insurance Fund (the "DIF") of the FDIC up to the maximum amount permitted by law, which was permanently increased to $250,000 by the Dodd-Frank Act. The FDIC uses the DIF to protect against the loss of insured deposits if an FDIC-insured bank or savings association fails. Pursuant to the Dodd-Frank Act, the FDIC must take steps, as necessary, for the DIF reserve ratio to reach 1.35% of estimated insured deposits by September 30, 2020. The Bank is thus subject to FDIC deposit premium assessments.

The FDIC used a risk-based assessment system that assigns insured depository institutions to one of four risk categories based on three primary sources of information: supervisory risk ratings for all institutions, financial ratios for most institutions, including the Bank, and long-term debt issuer ratings for large institutions that have such ratings. For institutions assigned to the lowest risk category, the annual assessment rate ranges between 7 and 16 cents per $100 of domestic deposits. For institutions assigned to higher risk categories, assessment rates range from 17 to 77.5 cents per $100 of domestic deposits. These ranges reflect a possible downward adjustment for unsecured debt outstanding and possible upward adjustments for secured liabilities and, in the case of institutions outside the lowest risk category, brokered deposits.

The FDIC also collects a deposit-based assessment from insured financial institutions on behalf of The Financing Corporation ("FICO"). The funds from these assessments are used to service debt issued by FICO in its capacity as a financial vehicle for the Federal Savings & Loan Insurance Corporation. The FICO assessment rate is set quarterly and in 2015 was 0.60 cents per $100 of assessable deposits for each quarter (except for the third quarter in which it was 0.58 cents). The assessment rate has been dropped to 0.58 cents for the first quarter of 2016. These assessments will continue until the debt matures between 2017 and 2019.

The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Allowance for Loan and Lease Losses. The Allowance for Loan and Lease Losses (the "ALLL") represents one of the most significant estimates in the Bank's financial statements and regulatory reports. Because of its significance, the Bank has developed a system by which it develops, maintains, and documents a comprehensive, systematic, and consistently applied process for determining the amounts of the ALLL and the provision for loan and lease losses. The Interagency Policy Statement on the Allowance for Loan and Lease Losses, issued on December 13, 2006, encourages all banks to ensure controls are in place to consistently determine the ALLL in accordance with GAAP, the bank's stated policies and procedures, management's best judgment and relevant supervisory guidance. Consistent with supervisory guidance, the Bank maintains a prudent and conservative, but not excessive, ALLL, that is at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. The Bank's estimate of credit losses reflects consideration of all significant factors that affect the collectability of the portfolio as of the evaluation date. See "Management's Discussion and Analysis – Critical Accounting Policies."

Commercial Real Estate Lending. The Bank's lending operations may be subject to enhanced scrutiny by federal banking regulators based on its concentration of commercial real estate loans. On December 6, 2006, the federal banking regulators issued final guidance to remind financial institutions of the risk posed by commercial real estate ("CRE") lending concentrations. CRE loans generally include land development, construction loans, and loans secured by multifamily property, and nonfarm, nonresidential real property where the primary source of repayment is derived from rental income associated with the property.

The guidance prescribes the following guidelines for its examiners to help identify institutions that are potentially exposed to significant CRE risk and may warrant greater supervisory scrutiny:

- total reported loans for construction, land development and other land represent 100% or more of the institutions total capital, or
- total commercial real estate loans represent 300% or more of the institution's total capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50% or more.

Enforcement Powers. The Financial Institution Reform Recovery and Enforcement Act ("FIRREA") expanded and increased civil and criminal penalties available for use by the federal regulatory agencies against depository institutions and certain "institution-affiliated parties." Institution-affiliated parties primarily include management, employees, and agents of a financial institution, as well as independent contractors and consultants such as attorneys and accountants and others who participate in the conduct of the financial institution's affairs. These practices can include the failure of an institution to timely file required reports or the filing of false or misleading information or the submission of inaccurate reports. Civil penalties may be as high as $1,100,000 per day for such violations. Criminal penalties for some financial institution crimes have been increased to 20 years. In addition, regulators are provided with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties.

Possible enforcement actions include the termination of deposit insurance. Furthermore, banking agencies' power to issue regulatory orders were expanded. Such orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate. The Dodd-Frank Act increases regulatory oversight, supervision and examination of banks, bank holding companies and their respective subsidiaries by the appropriate regulatory agency.

Community Reinvestment Act. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve or the FDIC shall evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on the Bank. Additionally, we must publicly disclose the terms of various Community Reinvestment Act-related agreements.

Consumer Protection

The Bank is also subject to consumer laws and regulations intended to protect consumers in transactions with depository institutions, as well as other laws or regulations affecting customers of financial institutions generally. These laws and regulations include but are not limited to:

- The federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

- The Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- The Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- The Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies, certain identity theft protections, and certain credit and other disclosures;
- The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- National Flood Insurance Act and Flood Disaster Protection Act, requiring flood insurance to extend or renew certain loans in flood plains;
- Real Estate Settlement Procedures Act, requiring certain disclosures concerning loan closing costs and escrows, and governing transfers of loan servicing and the amounts of escrows in connection with loans secured by one-to-four family residential properties;
- Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), imposing requirements and limitations on specific financial transactions and account relationships, intended to guard against money laundering and terrorism financing;
- Sections 22(g) and 22(h) of the Federal Reserve Act which set lending restrictions and limitations regarding loans and other extensions of credit made to executive officers, directors, principal shareholders and other insiders;
- Soldiers' and Sailors' Civil Relief Act of 1940, as amended, governing the repayment terms of, and property rights underlying, secured obligations of persons currently on active duty with the United States military;
- Talent Amendment in the 2007 Defense Authorization Act, establishing a 36% annual percentage rate ceiling, which includes a variety of charges including late fees, for certain types of consumer loans to military service members and their dependents; and
- The rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.
- The Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- The Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement that act, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Truth-In-Savings Act, requiring certain disclosures for consumer deposit accounts; and
- The rules and regulations of the various federal banking regulators charged with the responsibility of implementing these federal laws.

Capital Adequacy

Banks and bank holding companies, as regulated institutions, are required to maintain minimum levels of capital. The Federal Reserve and the FDIC have adopted minimum risk-based (Tier 1 capital, common equity Tier 1 capital ("CET1") and total capital) and leverage capital requirements as well as guidelines that define components of the calculation of capital and the level of risk associated with various types of assets. Financial institutions are expected to maintain a level of capital commensurate with the risk profile assigned to their assets in accordance with the guidelines.

In addition to the minimum risk-based capital and leverage ratios, banking organizations must maintain a "capital conservation buffer" consisting of CET1 in an amount equal to 2.5% of risk-weighted assets in order to avoid restrictions on their ability to make capital distributions and to pay certain discretionary bonus payments to executive officers. In order to avoid those restrictions, the capital conservation buffer effectively increases the minimum CET1 capital, Tier 1 capital, and total capital ratios for U.S. banking organizations to 7.0%, 8.5%, and 10.5%, respectively. Banking organizations with capital levels that fall within the buffer will be required to limit dividends, share repurchases or redemptions (unless replaced within the same calendar quarter by capital instruments of equal or higher quality), and discretionary bonus payments. The capital conservation buffer is phased in over a 5-year period beginning January 1, 2016.

The following table presents the risk-based and leverage capital requirements applicable to the Bank:

	Adequately Capitalized Requirement	Well Capitalized Requirement	Well Capitalized with Buffer, fully phased in 2019
Leverage	4.0%	5.0%	5.0%
CET1	4.5%	6.5%	7.0%
Tier 1	6.0%	8.0%	8.5%
Total Capital	8.0%	10.0%	10.5%

The Dodd-Frank Act establishes certain regulatory capital deductions with respect to hybrid capital instruments, such as trust preferred securities, that will effectively disallow the inclusion of such instruments in Tier 1 capital if such capital instrument is issued on or after May 19, 2010. However, preferred shares issued to the U.S. Department of the Treasury (the "Treasury") pursuant to the TARP Capital Purchase Program ("TARP CPP") or TARP Community Development Capital Initiative ("TARP CDCI") are permanently includable in Tier 1 capital.

The FDIC also considers interest rate risk (arising when the interest rate sensitivity of the Bank's assets does not match the sensitivity of its liabilities or its off-balance-sheet position) in the evaluation of the bank's capital adequacy. Banks with excessive interest rate risk exposure are required to hold additional amounts of capital against their exposure to losses resulting from that risk. Through the risk-weighting of assets, the regulators also require banks to incorporate market risk components into their risk-based capital. Under these market risk requirements, capital is allocated to support the amount of market risk related to a bank's lending and trading activities.

The Bank's capital categories are determined solely for the purpose of applying the "prompt corrective action" rules described above and they are not necessarily an accurate representation of its overall financial condition or prospects for other purposes. Failure to meet capital guidelines could subject a bank or bank holding company to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits, and certain other restrictions on its business. See "Prompt Corrective Action" above.

Payment of Dividends

The Company is a legal entity separate and distinct from the Bank. The principal source of the Company's cash flow, including cash flow to pay dividends to its shareholders, is dividends that the Bank pays to the Company, its sole shareholder. Statutory and regulatory limitations apply to the Bank's payment of dividends to the Company as well as to the Company's payment of dividends to its shareholders.

If, in the opinion of the federal banking regulator, the Bank were engaged in or about to engage in an unsafe or unsound practice, the federal banking regulator could require, after notice and a hearing, that it cease and desist from its practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it is already undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

The Georgia Department of Banking and Finance also regulates the Bank's dividend payments and must approve dividend payments that would exceed 50% of the Bank's net income for the prior year or if (i) the bank's ratio of equity capital to adjusted total assets is less than 6%, or (ii) the bank's adversely classified loans exceed 80% of its equity. Our payment of dividends may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

When the Company received a capital investment from the United States Department of the Treasury in exchange for Preferred Stock under the Troubled Assets Relief Program ("TARP") Capital Purchase Program on March 6, 2009, which investment has since been converted to an investment under the TARP CDCI, the Company became subject to additional limitations on the payment of dividends. These limitations require, among other things, that for as long as the Preferred Stock is outstanding, no dividends may be declared or paid on the Company's common stock until all accrued and unpaid dividends on the Preferred Stock are fully paid. In addition, the U.S. Treasury's consent is required for any increase in dividends on common stock while the Preferred Stock is still outstanding.

Furthermore, the Federal Reserve Board clarified its guidance on dividend policies for bank holding companies through the publication of a Supervisory Letter, dated February 24, 2009. As part of the letter, the Federal Reserve Board encouraged bank holding companies, particularly those that had participated in the CPP, to consult with the Federal Reserve Board prior to dividend declarations and redemption and repurchase decisions even when not explicitly required to do so by federal regulations. The Federal Reserve Board has indicated that TARP recipients, such as the Company, should consider and communicate in advance to regulatory staff how proposed dividends, capital repurchases, and capital redemptions are consistent with its obligation to eventually redeem the securities held by the Treasury. This guidance is largely consistent with prior regulatory statements encouraging bank holding companies to pay dividends out of net income and to avoid dividends that could adversely affect the capital needs or minimum regulatory capital ratios of the bank holding company and its subsidiary bank.

Restrictions on Transactions with Affiliates

The Company and the Bank are subject to the provisions of Section 23A of the Federal Reserve Act. Section 23A places limits on the amount of:

- loans or extensions of credit to affiliates;
- investment in affiliates;
- the purchase of assets from affiliates, except for real and personal property exempted by the Federal Reserve;
- loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates; and
- any guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10% of a bank's capital and surplus and, as to all affiliates combined, to 20% of a bank's capital and surplus. In addition to the limitation on the amount of these transactions, each of the above transactions must also meet specified collateral requirements. The Bank must also comply with other provisions designed to avoid the taking of low-quality assets.

The Company and the Bank are also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibit an institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

The Dodd-Frank Act enhances the requirements for certain transactions with affiliates under Section 23A and 23B, including an expansion of the definition of "covered transactions" and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained.

The Bank is also subject to restrictions on extensions of credit to its executive officers, directors, principal shareholders and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (2) must not involve more than the normal risk of repayment or present other unfavorable features. Additionally, an insured depository institution is also prohibited from engaging in asset purchases or sales transactions with its officers, directors or principal shareholders unless on market terms and, if the transaction represents greater than 10% of the capital and surplus of the bank, it has been approved by a majority of the disinterested directors.

Limitations on Senior Executive Compensation

In June of 2010, federal banking regulators issued guidance designed to help ensure that incentive compensation policies at banking organizations do not encourage excessive risk-taking or undermined the safety and soundness of the organization. In connection with this guidance, the regulatory agencies announced that they will review incentive compensation arrangements as part of the regular, risk-focused supervisory process. Regulatory authorities may also take enforcement action against a banking organization if its incentive compensation arrangement or related risk management, control, or governance processes pose a risk to the safety and soundness of the organization and the organization is not taking prompt and effective measures to correct the deficiencies. To ensure that incentive compensation arrangements do not undermine safety and soundness at insured depository institutions, the incentive compensation guidance sets forth the following key principles:

- Incentive compensation arrangements should provide employees incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose the organization to imprudent risk;
- Incentive compensation arrangements should be compatible with effective controls and risk management; and
- Incentive compensation arrangements should be supported by strong corporate governance, including active and effective oversight by the board of directors.

Because the Company received a capital investment from the United States Department of the Treasury under the TARP Capital Purchase Program and now has a capital investment in the TARP Community Development Capital Initiative, the Company is subject to executive compensation limitations.

For example, the Company must meet the following standards:

- Ensure that senior executive incentive compensation packages do not encourage excessive risk;
- Subject senior executive compensation to "clawback" if the compensation was based on inaccurate financial information or performance metrics;
- Prohibit any golden parachute payments to senior executive officers;
- Agree not to deduct more than $500,000 for a senior executive officer's compensation; and
- Agree not to pay any cash incentive bonus to the most highly compensated senior executive officer.

Financial Regulatory Reform

On July 21, 2010, the President signed into law the Dodd-Frank Act, which contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. The Dodd-Frank Act made extensive changes in the regulation of financial institutions and their holding companies. It required various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress. These studies could potentially result in additional legislative or regulatory action.

Uncertainty remains as to the ultimate impact of the Dodd-Frank Act, which could have a material adverse impact on the financial services industry as a whole or on ours and the Bank's business, results of operations, and financial condition. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally. However, it is likely that the Dodd-Frank Act will increase the regulatory burden, compliance costs and interest expense for the Company and Bank. Some of the rules that have been adopted to comply with the Dodd-Frank Act's mandates are discussed below.

Consumer Financial Protection Bureau: The Dodd-Frank Act centralized responsibility for consumer financial protection including implementing, examining and enforcing compliance with federal consumer financial laws with Consumer Financial Protection Bureau (the "CFPB"). Depository institutions with less than $10 billion in assets, such as our Bank, will be subject to rules promulgated by the CFPB but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes.

UDAP and UDAAP: Recently, banking regulatory agencies have increasingly used a general consumer protection statute to address "unethical" or otherwise "bad" business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. The law of choice for enforcement against such business practices has been Section 5 of the Federal Trade Commission Act—the primary federal law that prohibits unfair or deceptive acts or practices and unfair methods of competition in or affecting commerce ("UDAP" or "FTC Act"). "Unjustified consumer injury" is the principal focus of the FTC Act. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with the UDAP law. However, the UDAP provisions have been expanded under the Dodd-Frank Act to apply to "unfair, deceptive or abusive acts or practices" ("UDAAP"), which has been delegated to the CFPB for supervision. The CFPB has published its first Supervision and Examination Manual that addresses compliance with and the examination of UDAAP.

Mortgage Reform: The CFPB has adopted final rules implementing minimum standards for the origination of residential mortgages, including standards regarding a customer's ability to repay, restricting variable-rate lending by requiring that the ability to repay variable-rate loans be determined by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB.

Deposit Insurance and Assessments: The $250,000 limit for federal deposit insurance for noninterest-bearing demand transaction accounts at all insured depository institutions was made permanent by the Dodd-Frank Act. The Dodd-Frank Act also changed the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, eliminated the ceiling on the size of the Deposit Insurance Fund ("DIF"), and increased the floor on the size of the DIF, which generally will require an increase in the level of assessments for institutions with assets in excess of $10 billion.

Demand Deposits: The Dodd-Frank Act repealed the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transactions and other accounts.

Interchange Fees: The Federal Reserve has issued final rules limiting the amount of any debit card interchange fee that an issuer may receive or charge with respect to electronic debit card transactions to be reasonable and proportional to the cost incurred by the issuer with respect to the transaction.

Volcker Rule: On December 10, 2013, the federal regulators adopted final regulations to implement the proprietary trading and private fund prohibitions of the Volcker Rule under the Dodd-Frank Act. Under the final regulations, which became effective on April 1, 2014, banking entities are generally prohibited, subject to significant exceptions from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. The Federal Reserve has granted an extension for compliance with the Volcker Rule until July 21, 2016.

Proposed Legislation and Regulatory Action

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating or doing business in the United States. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute.

Effect of Governmental Monetary Polices

Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in monetary and fiscal policies.

Item 1A. Risk Factors

An investment in the Company's common stock involves a high degree of risk. If any of the following risks or other risks which have not been identified or which we may believe are immaterial or unlikely, actually occur, our business, financial condition and results of operations could be harmed. In such a case, the trading price of our common stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Investors should consider carefully the risks described below and the other information in this report before deciding to invest in the Company's common stock.

Our allowance for loan losses may not be adequate to cover actual loan losses, which may require us to take a charge to our earnings and adversely impact our financial condition and results of operations.

We maintain an allowance for estimated loan losses that we believe is adequate for absorbing any probable losses in our loan portfolio. Management determines the provision for loan losses based upon an analysis of general market conditions, credit quality of our loan portfolio, and performance of our customers relative to their financial obligations with us. We employ an outside vendor specializing in credit risk management to evaluate our loan portfolio for risk grading, which can result in changes in our allowance for estimated loan losses. The amount of future losses is susceptible to changes in economic, operating, and other conditions, including changes in interest rates that may be beyond our control and such losses may exceed the allowance for estimated loan losses. Although management believes that the allowance for estimated loan losses is adequate to absorb any probable losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual loan losses in the future. Significant increases to the provision for loan losses may be necessary if material adverse changes in general economic conditions occur or the performance of our loan portfolio deteriorates. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review the allowance for estimated loan losses. If these regulatory agencies require us to increase the allowance for estimated loan losses, it would have a negative effect on our results of operations and financial condition.

We could suffer loan losses from a decline in credit quality.

We could sustain losses if borrowers, guarantors and related parties fail to perform in accordance with the terms of their loans. We have adopted underwriting and credit monitoring procedures and policies, including the establishment and review of the allowance for credit losses that we believe are appropriate to minimize this risk by assessing the likelihood of nonperformance, tracking loan performance and diversifying our credit portfolio. These policies and procedures, however, may not prevent unexpected losses that could materially adversely affect our results of operations.

If the value of real estate in our core market were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which could have a material adverse effect on our business, financial condition and results of operations.

With most of our loans concentrated in metro Atlanta, Georgia and Birmingham, Alabama, a decline in local economic conditions could adversely affect the values of our real estate collateral.

Consequently, a decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse.

In addition to considering the financial strength and cash flow characteristics of borrowers, we often secure loans with real estate collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. Moreover, if economic conditions were to decline, the Company may be required to further increase our loan loss provision, and may experience significantly higher delinquencies and credit losses. An increase in our loan loss provision or increased credit losses would reduce earnings and adversely affect the Company's financial condition. Furthermore, to the extent that real estate collateral is obtained through foreclosure, the costs of holding and marketing the real estate collateral, as well as the ultimate values obtained from disposition, could reduce the Company's earnings and adversely affect the Company's financial condition.

The amount of "other real estate owned" ("OREO") may increase significantly, resulting in additional losses, and costs and expenses that will negatively affect our operations.

At December 31, 2015, we had a total of $4,463,000 of OREO, reflecting a $205,000 decrease, or 4.40%, compared to 2014. This decrease in OREO is primarily due to sales and write-downs of OREO market valuations which exceeded additions to OREO in 2015. While we do not foresee it, the amount of OREO may increase in 2016. As the amount of OREO increases, our losses, and the costs and expenses to maintain the real estate likewise will increase. Any additional increase in losses, and maintenance costs and expenses due to OREO may have material adverse effects on our business, financial condition, and results of operations. Such effects may be particularly pronounced in a market of reduced real estate values and excess inventory, which may make the disposition of OREO properties more difficult, increase maintenance costs and expenses, and may reduce our ultimate realization from any OREO sales.

Future impairment losses could be required on various investment securities, which may materially reduce the Company's and the Bank's regulatory capital levels.

The Company establishes fair value estimates of securities available-for-sale in accordance with generally accepted accounting principles. The Company's estimates can change from reporting period to reporting period, and we cannot provide any assurance that the fair value estimates of our investment securities would be the realizable value in the event of a sale of the securities.

A number of factors could cause the Company to conclude in one or more future reporting periods that any difference between the fair value and the amortized cost of one or more of the securities that we own constitutes an other-than-temporary impairment. These factors include, but are not limited to, an increase in the severity of the unrealized loss on a particular security, an increase in the length of time unrealized losses continue without an improvement in value, a change in our intent or ability to hold the security for a period of time sufficient to allow for the forecasted recovery, or changes in market conditions or industry or issuer specific factors that would render us unable to forecast a full recovery in value, including adverse developments concerning the financial condition of the companies in which we have invested.

In addition, depending on various factors, including the fair values of other securities that we hold, we may be required to take additional other-than-temporary impairment charges on other investment securities. Any other-than-temporary impairment charges would negatively affect our regulatory capital levels, and may result in a change to our capitalization category, which could limit certain corporate practices and could compel us to take specific actions.

Additional growth or deterioration in the value of assets may require us to raise additional capital in the future, but that capital may not be available when it is needed, which could adversely affect our financial condition and results of operations.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our current capital resources will satisfy our capital requirements for the foreseeable future. We may at some point, however, need to raise additional capital to support our continued growth.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations could be materially impaired.

Our access to additional short term funding to meet our liquidity needs is limited.

We must maintain, on a daily basis, sufficient funds to cover withdrawals from depositors' accounts and to supply new borrowers with funds. We routinely monitor asset and liability maturities in an attempt to match maturities to meet liquidity needs. To meet our cash obligations, we rely on repayments as assets mature, keep cash on hand, maintain account balances with correspondent banks, purchase and sell federal funds, purchase brokered deposits and maintain a line of credit with the Federal Reserve Bank and the Federal Home Loan Bank. If we are unable to meet our liquidity needs through loan and other asset repayments and our cash on hand, we may need to borrow additional funds. Our access to additional borrowed funds may be limited and we may be required to pay above market rates for additional borrowed funds, which may adversely our results of operations.

Changes in monetary policies may have an adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve Board. Actions by monetary and fiscal authorities, including the Federal Reserve Board, could have an adverse effect on our deposit levels, loan demand or business and earnings.

Our net interest income could be negatively affected by the Federal Reserve's interest rate adjustments, as well as by competition in our market area.

As a financial institution, our earnings significantly depend on our net interest income, which is the difference between the interest income that we earn on interest-earning assets, such as investment securities and loans, and the interest expense that we pay on interest-bearing liabilities, such as deposits and borrowings. Therefore, any change in general market interest rates, including changes resulting from changes in the Federal Reserve's fiscal and monetary policies, affects us more than non-financial institutions and can have a significant effect on our net interest income and total income. Our assets and liabilities may react differently to changes in overall market rates or conditions because there may be mismatches between the repricing or maturity characteristics of the assets and liabilities. As a result, an increase or decrease in market interest rates could have material adverse effects on our net interest margin and results of operations. Any reduction in our net interest income will negatively affect our business, financial condition, liquidity, operating results, cash flows and, potentially, the price of our securities. In addition, we cannot predict whether interest rates will continue to remain at present levels, or the timing of any anticipated changes. Changes in interest rates may cause significant changes, up or down, in our net interest income. Depending on our portfolio of loans and investments, our results of operations may be adversely affected by changes in interest rates. If there is a substantial increase in interest rates, our investment portfolio is at risk of experiencing price declines that may negatively impact our total capital position through changes in other comprehensive income.

We are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business, which limitations or restrictions could adversely affect our profitability.

As a bank holding company, we are primarily regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). As a Federal Reserve member bank, our subsidiary bank is primarily regulated by the Federal Reserve Board and the State of Georgia Department of Banking and Finance. Our compliance with Federal Reserve Board and Department of Banking and Finance regulations is costly and may limit our growth and restrict certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits and locations of offices. We are also subject to capital requirements of our regulators.

The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably.

The Sarbanes-Oxley Act of 2002, the related rules and regulations promulgated by the SEC that currently apply to us and the related exchange rules and regulations, have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices. As a result, we may experience greater compliance costs.

On July 21, 2010, President Obama signed the Dodd-Frank Act into law. The Dodd-Frank Act represented a significant overhaul of many aspects of the regulation of the financial-services industry. Major elements in the Dodd-Frank Act include the following:

- The establishment of the Financial Stability Oversight Counsel, which is responsible for identifying and monitoring systemic risks posed by financial firms, activities, and practices.
- Enhanced supervision of large bank holding companies (i.e., those with over $50 billion in total consolidated assets), with more stringent supervisory standards to be applied to them.
- The creation of a special regime to allow for the orderly liquidation of systemically important financial companies, including the establishment of an orderly liquidation fund.
- The development of regulations to address derivatives markets, including clearing and exchange trading requirements and a framework for regulating derivatives-market participants.
- Enhanced supervision of credit-rating agencies through the Office of Credit Ratings within the SEC.
- Increased regulation of asset-backed securities, including a requirement that issuers of asset-backed securities retain at least 5% of the risk of the asset-backed securities.
- The establishment of the CFPB to serve as a dedicated consumer-protection regulatory body.
- Amendments to the Truth in Lending Act aimed at improving consumer protections with respect to mortgage originations, including originator compensation, minimum repayment standards, and prepayment considerations.

The majority of the provisions in the Dodd-Frank Act are aimed at financial institutions that are significantly larger than the Company or the Bank. Nonetheless, there are provisions with which we must comply. Rules and regulations have been promulgated by the federal agencies responsible for implementing and enforcing the provisions in the Dodd-Frank Act, and we must apply resources to ensure that we are in compliance with all applicable provisions, which may adversely impact our earnings.

The CFPB may reshape the consumer financial laws through rulemaking and enforcement of unfair, deceptive or abusive practices, which may directly impact the business operations of depository institutions offering consumer financial products or services including the Bank.

The CFPB has broad rulemaking authority to administer and carry out the purposes and objectives of the "Federal consumer financial laws, and to prevent evasions thereof," with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are "unfair, deceptive, or abusive" in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service ("UDAP authority"). The potential reach of the CFPB's broad rulemaking powers and UDAP authority on the operations of financial institutions offering consumer financial products or services including the Bank is currently unknown.

The Volcker Rule limits the permissible strategies for managing our investment portfolio.

Effective December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the "Volcker Rule"). Generally, subject to a transition period and certain exceptions, the Volcker Rule restricts insured depository institutions and their affiliated companies from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. After the transition period, the Volcker Rule prohibitions and restrictions will apply to banking entities, including the Company, unless an exception applies. Although the Volcker Rule currently has no effect on our investment portfolio, it could prohibit future investment strategies which could, in turn, negatively affect our earnings.

We may be required to pay significantly higher FDIC premiums or remit special assessments that could adversely affect our earnings.

Market developments in the recent economic downturn have significantly depleted the FDIC's Deposit Insurance Fund ("DIF") and reduced its ratio of reserves to insured deposits. The FDIC's assessment rates are intended to result in a reserve ratio of at least 1.15%. As of December 31, 2008, the ratio had fallen well below this floor. The FDIC is required to return the DIF to its statutorily mandated minimum reserve ratio of 1.15 percent within eight years, and has undertaken several initiatives to satisfy this requirement.

On September 30, 2009, the FDIC collected a one-time special assessment of five basis points of an institution's assets minus tier 1 capital as of June 30, 2009. The amount of the special assessment could not exceed ten basis points times the institution's assessment base for the second quarter 2009. In addition, on November 12, 2009, the FDIC adopted a final rule that required nearly all FDIC-insured depository institutions to prepay their DIF assessments for the fourth quarter of 2009 and for the next three years. There can be no guarantee that continued pressures on the DIF will not result in additional special assessments being collected by the FDIC in the future. If we are required to pay significantly higher premiums or additional special assessments in the future, our earnings could be adversely affected. A downgrade in our regulatory condition could also cause our assessment to materially increase. During 2015, the Company expensed $325,000 in FDIC premiums.

Another economic downturn, especially one affecting our market areas, could adversely affect our financial condition, results of operations or cash flows.

Our success depends upon the growth in population, income levels, deposits and housing starts in our primary market areas. If the communities in which we operate do not grow, or if prevailing economic conditions locally or nationally are unfavorable, our business may not succeed. Unpredictable economic conditions may have an adverse effect on the quality of our loan portfolio and our financial performance. Economic recession over a prolonged period or other economic problems in our market areas could have a material adverse impact on the quality of the loan portfolio and the demand for our products and services. Future adverse changes in the economies in our market areas may have a material adverse effect on our financial condition, results of operations or cash flows. Further, the banking industry in Georgia and Alabama is affected by general economic conditions such as inflation, recession, unemployment and other factors beyond our control. As a community bank, we are less able to spread the risk of unfavorable local economic conditions than larger or more regional banks. Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our primary market areas even if they do occur.

As a community bank, we have different lending risks than larger banks.

We provide services to our local communities. Our ability to diversify our economic risks is limited by our own local markets and economies. We lend primarily to small to medium-sized businesses, and, to a lesser extent, individuals which may expose us to greater lending risks than those of banks lending to larger, better-capitalized businesses with longer operating histories. We manage our credit exposure through careful monitoring of loan applicants and loan concentrations in particular industries, and through loan approval and review procedures. We have established an evaluation process designed to determine the adequacy of our allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of loan losses is an estimate based on experience, judgment and expectations regarding our borrowers, the economies in which we and our borrowers operate, as well as the judgment of our regulators. We cannot assure you that our loan loss reserves will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, financial condition, or results of operations.

Competition from other financial institutions may adversely affect our profitability.

The banking business is highly competitive, and we experience strong competition from many other financial institutions. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds and other financial institutions, which operate in our primary market areas and elsewhere.

We compete with these institutions both in attracting deposits and in making loans. In addition, we have to attract our customer base from other existing financial institutions and from new residents. Many of our competitors are well-established and much larger financial institutions. While we believe we can and do successfully compete with these other financial institutions in our markets, we may face a competitive disadvantage as a result of our smaller size and lack of geographic diversification.

Although we compete by concentrating our marketing efforts in our primary market areas with local advertisements, personal contacts and greater flexibility in working with local customers, we can give no assurance that this strategy will be successful.

Our plans for future expansion depend, in some instances, on factors beyond our control, and an unsuccessful attempt to achieve growth could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The investment necessary for branch expansion may negatively impact our efficiency ratio. We may also seek to acquire other financial institutions, or parts of those institutions, though we have no present plans in that regard. Expansion involves a number of risks, including:

- the time and costs of evaluating new markets, hiring experienced local management and opening new offices;
- the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- we may not be able to finance an acquisition without diluting the interests of our existing shareholders;
- the diversion of our management's attention to the negotiation of a transaction may detract from their business productivity;
- we may enter into new markets where we lack experience; and
- we may introduce new products and services with which we have no prior experience into our business.

The United States Department of the Treasury, as a holder of our preferred stock, has rights that are senior to those of our common stockholders.

We have supported our capital operations by issuing classes of preferred stock to the United States Department of the Treasury under the Troubled Assets Relief Program Community Development Capital Initiative. As of December 31, 2015, we had outstanding preferred stock issued to the Treasury totaling $11.8 million. The preferred stock has dividend rights that are senior to our common stock; therefore, we must pay dividends on the preferred stock before we can pay any dividends on our common stock. In the event of our bankruptcy, dissolution, or liquidation, the Treasury must be satisfied before we can make any distributions to our common stockholders. Our recent results may not be indicative of our future results, and may not provide guidance to assess the risk of an investment in our common stock.

Our agreement with the United States Department of the Treasury under the Troubled Assets Relief Program Community Development Capital Initiative ("TARP CDCI") is subject to unilateral change by the Treasury, which could adversely affect our business, financial condition, and results of operations.

Under the TARP CDCI, the Treasury may unilaterally amend the terms of its agreement with us in order to comply with any changes in federal law. We cannot predict the effects of any of these changes and of the associated amendments.

Our ability to pay dividends is limited and we may be unable to pay future dividends. As a result, capital appreciation, if any, of our common stock may be your sole opportunity for gains on your investment for the foreseeable future.

We make no assurances that we will pay any dividends in the future. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that our Board of Directors may deem relevant. The holders of our common stock are entitled to receive dividends when, and if, declared by our Board of Directors out of funds legally available for that purpose. As part of our consideration of whether to pay cash dividends, we intend to retain adequate funds from future earnings to support the development and growth of our business. In addition, our ability to pay dividends is restricted by federal policies and regulations. It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. Further, our principal source of funds to pay dividends is cash dividends that we receive from the bank.

In addition, because we have participated in the United States Department of the Treasury's Troubled Assets Relief Program Community Development Capital Initiative ("TARP CDCI"), our ability to pay dividends on common stock is further limited. Specifically, we may not pay dividends on common stock unless all dividends have been paid on the securities issued to the Treasury under the TARP CDCI. The TARP CDCI also restricts our ability to increase the amount of dividends we may pay on common stock, which potentially could impact the market value of our common stock.

The Emergency Economic Stabilization Act of 2008 ("EESA"), the Dodd-Frank Reform Act or other governmental actions may not stabilize the financial services industry.

The EESA, which was signed into law on October 3, 2008, was intended to alleviate the financial crisis affecting the U.S. banking system. A number of programs were developed and implemented under EESA. In addition, the Dodd-Frank Reform Act has overhauled many aspects of the regulation of the financial industry. These laws, however, may not have the intended effect, and as a result, the condition of the financial services industry could decline instead of improve. The failure of the EESA and the Dodd-Frank Reform Act to permanently improve the condition of the U.S. banking system could significantly adversely affect our access to funding or capital, the trading price of our stock, and other elements of our business, financial condition, and results of operations.

Our recent results may not be indicative of our future results, and may not provide guidance to assess the risk of an investment in our common stock.

We may not be able to sustain our historical rate of growth or may not even be able to grow our business at all. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may impede or prohibit our ability to expand our market presence. If we experience a significant decrease in our historical rate of growth, our results of operations and financial condition may be adversely affected due to a high percentage of our operating costs being fixed expenses.

Confidential customer information transmitted through the Bank's online banking service is vulnerable to security breaches and computer viruses, which could expose the Bank to litigation and adversely affect its reputation and ability to generate deposits.

The Bank provides its customers with the ability to bank online. The secure transmission of confidential information over the Internet is a critical element of online banking. The Bank's network could be vulnerable to unauthorized access, computer viruses, phishing schemes, and other security problems. The Bank may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that the Bank's activities or the activities of its clients involve the storage and transmission of confidential information, security breaches and viruses could expose the Bank to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing clients to lose confidence in the Bank's systems and could adversely affect its reputation and its ability to generate deposits.

We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Replacing these third party vendors could also entail significant delay and expense.

PART 1

Item 1B. Unresolved Staff Comments

There are no written comments from the Commission staff regarding our periodic reports or current reports under the Act which remain unresolved.

Item 2. Description of Properties

The Bank's main office building is located at 75 Piedmont Avenue, N.E., Atlanta, Georgia, which is leased. As of December 31, 2015, in addition to its main office, the Bank also operated nine other branch offices: the office located at 2727 Panola Road, Lithonia, Georgia, which is owned by the Bank; the office located at 965 M.L. King Jr. Drive, Atlanta, Georgia, which is owned by the bank; the office located at 2840 East Point Street, East Point, Georgia, which is owned by the bank; the office located at Rockbridge Plaza, 5771 Rockbridge Road, Stone Mountain, Georgia, which is owned by the Bank; the office located at 3705 Cascade Road, Atlanta, Georgia, which is owned by the bank; the office located at 3065 Stone Mountain Street, Lithonia, Georgia, which is owned by the Bank; the office located at 3172 Macon Road, Columbus, Georgia, which is leased; the office located at 1700 Third Avenue North, Birmingham, Alabama, which is owned by the Bank; and the office located at 213 Main Street, Eutaw, Alabama, which is owned by the Bank. The Bank's corporate headquarters are located in leased space at 230 Peachtree Street, N.W., Suite 2700, Atlanta, Georgia. In the opinion of management, all of these properties are adequately insured.

Other than normal commercial lending activities of the Bank, the Company generally does not invest in real estate, interests in real estate, or securities of or interests in entities primarily engaged in real estate activities.

Item 3. Legal Proceedings

The Company and the Bank are involved in various claims and legal actions in the ordinary course of business. However, there are no other material pending legal proceedings to which the Company or the Bank is a party or of which any of its properties are subject; nor are there material proceedings known to the Company or the Bank to be contemplated by any governmental authority; nor are there material proceedings known to us, pending or contemplated, in which any director, officer or affiliate or any principal security holder, or any associate of any of the foregoing, is a party or has an interest adverse to the Company or the Bank.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

The Company's common stock, $1.00 par value ("Common Stock"), is traded on the Over-The-Counter Bulletin Board, but there is limited trading. The following table sets forth high and low bid information for the Common Stock for each of the quarters in which trading has occurred since January 1, 2014. The prices set forth below reflect only information that has come to management's attention and do not include retail mark-ups, markdowns, or commissions and may not represent actua transactions.

Quarter Ended:	**High Bid**	**Low Bid**
Fiscal year ended December 31, 2015		
March 31, 2015	$ 9.05	$ 8.55
June 30, 2015	$ 10.25	$ 8.66
September 30, 2015	$ 9.86	$ 8.50
December 31, 2015	$ 9.11	$ 7.51
Fiscal year ended December 31, 2014		
March 31, 2014	$ 8.25	$ 6.15
June 30, 2014	$ 8.99	$ 7.33
September 30, 2014	$ 8.91	$ 8.10
December 31, 2014	$ 9.00	$ 8.40

As March 25, 2016, there were approximately 1,145 holders of record of Common Stock. The Company also has outstanding 90,000 shares of Non-Voting Common Stock, all of which is held by one shareholder.

The Company paid an annual cash dividend of $0.08 per share in 2015 and 2014. The Company's dividend policy in the future will depend on the Bank's earnings, capital requirements, financial condition, and other factors considered relevant by the Board of Directors of the Company. See "Description of Business – Bank Regulation."

Item 6. Selected Financial Data

This information is not required since the Company qualifies as a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company

Citizens Bancshares Corporation (collectively with its subsidiary, the "Company") is a holding company that provides a full range of commercial banking services to individual and corporate customers through its wholly owned subsidiary, Citizens Trust Bank (the "Bank"). The Bank operates under a state charter and serves its customers through its home office and six full-service branches in metropolitan Atlanta, one full-service branch in Columbus, Georgia, one full-service branch in Birmingham, Alabama, and one full-service branch in Eutaw, Alabama. All significant intercompany accounts and transactions have been eliminated in consolidation.

The following discussions of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and related notes, appearing in other sections of this Annual Report.

Forward Looking Statements

In addition to historical information, this Annual Report on Form 10-K may contain forward-looking statements. For this purpose, any statements contained herein, including documents incorporated by reference, that are not statements of historical fact may be deemed to be forward-looking statements. Also, statements that do not describe historical or current facts, including statements about future levels of revenues, net interest margin, FDIC and other regulatory expense, and credit quality are forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Without limiting the foregoing, these statements often include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," "initiatives," "potentially," "probably," "projects," "outlook" or similar expressions or future conditional verbs such as "may," "will," "should," "would," and "could" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Forward-looking statements are based on current management expectations and, by their nature, are subject to risk and uncertainties because of the possibility of changes in underlying factors and assumptions.

Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Item 1A of Part I of this report and include risks discussed in this section of the Annual Report and in other periodic reports that we file with the SEC. Those factors include: Our allowance for loan losses may not be adequate to cover actual loan losses, which may require us to take a charge to our earnings and adversely impact our financial condition and results of operations; we could suffer loan losses from a decline in credit quality; if the value of real estate in our core market were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which could have a material adverse effect on our business, financial condition and results of operations; the amount of "other real estate owned" ("OREO") may increase significantly, resulting in additional losses, and costs and expenses that will negatively affect our operations; future impairment losses could be required on various investment securities, which may materially reduce the Company's and the Bank's regulatory capital levels; additional growth or deterioration in the value of assets may require us to raise additional capital in the future, but that capital may not be available when it is needed, which could adversely affect our financial condition and results of operations; our access to additional short term funding to meet our liquidity needs is limited; changes in monetary policies may have an adverse effect on our business, financial condition and results of operations; our net interest income could be negatively affected by the Federal Reserve's interest rate adjustments, as well as by competition in our market area; we are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business, which limitations or restrictions could adversely affect our profitability; the CFPB may reshape the consumer financial laws through rulemaking and enforcement of unfair, deceptive or abusive practices, which may directly impact the business operations of depository institutions offering consumer financial products or services including the Bank; the Volcker Rule limits the permissible strategies for managing our investment portfolio; we may be required to pay significantly higher FDIC premiums or remit special assessments that could adversely affect our earnings; another economic downturn, especially one affecting our market areas, could adversely affect our financial condition, results of operations or cash flows; as a community bank, we have different lending risks than larger banks' competition from other financial institutions may adversely affect our profitability; our plans for future expansion depend, in some instances, on factors beyond our control, and an unsuccessful attempt to achieve growth could have a material adverse effect on our business, financial condition, results of operations and future prospects; the United States Department of the Treasury, as a holder of our preferred stock, has rights that are senior to those of our common stockholders; our agreement with the United States Department of the Treasury under the Troubled Assets Relief Program Community Development Capital Initiative ("TARP CDCI") is subject to unilateral change by the Treasury, which could adversely affect our business, financial condition, and results of operations; our ability to pay dividends is limited and we may be unable to pay future dividends. As a result, capital appreciation, if any, of our common stock may be your sole opportunity for gains on your investment for the foreseeable future; the Emergency Economic Stabilization Act of 2008 ("EESA"), the Dodd-Frank Reform Act or other governmental actions may not stabilize the financial services industry; our recent results may not be indicative of our future results, and may not provide guidance to assess the risk of an investment in our common stock; confidential customer information transmitted through the Bank's online banking service is vulnerable to security breaches and computer viruses, which could expose the Bank to litigation and adversely affect its reputation and ability to generate deposits.

These factors should be considered in evaluating the "forward-looking statements" and undue reliance should not be placed on such statements. The Company undertakes no obligation to, nor does it intend to, update forward-looking statements to reflect circumstances or events that occur after the date hereof or to reflect the occurrence of unanticipated events. All written or oral forward-looking statements attributable to the Company are expressly qualified in the entirety by these cautionary statements.

Critical Accounting Policies

Our significant accounting policies are described in detail in Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements and are integral to understanding the Management's Discussion and Analysis of Financial Condition and Results of Operations. We have identified certain accounting policies as being critical because (1) they require our judgment about matters that are highly uncertain and (2) different estimates that could be reasonably applied would result in materially different assessments with respect to ascertaining the valuation of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. Our accounting and reporting policies are in accordance with U.S. GAAP, and they conform to general practices within the financial services industry. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner.

In response to the Securities and Exchange Commission's ("SEC") Release No. 33-8040, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, the Company has identified the following as the most critical accounting policies upon which its financial status depends. The critical policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments by the Company's management. The Company's most critical accounting policies are:

Investment Securities—The Company classifies investments in one of three categories based on management's intent upon purchase: held to maturity securities which are reported at amortized cost, trading securities which are reported at fair value with unrealized holding gains and losses included in earnings, and available for sale securities which are recorded at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income. The Company had no investment securities classified as trading securities during 2015, 2014, or 2013.

Premiums and discounts on available for sale and held to maturity securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts is presented within investment securities interest income on the Consolidated Statements of Income.

Gains and losses on sales of investment securities are recognized upon disposition, based on the adjusted cost of the specific security. A decline in market value of any security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. The determination of whether an other-than-temporary impairment has occurred involves significant assumptions, estimates, changes in economic conditions and judgment by management. There was no other-than-temporary impairment for securities recorded during 2015, 2014 or 2013.

Loans Receivable and Allowance for Loan Losses—Loans are reported at principal amounts outstanding less unearned income and the allowance for loan losses. Interest income on loans is recognized on a level yield basis. Loan fees and certain direct origination costs are deferred and amortized over the estimated terms of the loans using the level yield method. Premiums and discounts on loans purchased are amortized and accreted using the level yield method over the estimated remaining life of the loan purchased. The accretion and amortization of loan fees, origination costs, and premiums and discounts are presented as a component of loan interest income on the Consolidated Statements of Income.

Management considers a loan to be impaired when, based on current information and events, there is a potential that all amounts due according to the contractual terms of the loan may not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are generally placed on nonaccrual status when the full and timely collection of principal or interest becomes uncertain or the loan becomes contractually in default for 90 days or more as to either principal or interest, unless the loan is well collateralized and in the process of collection. When a loan is placed on nonaccrual status, current period accrued and uncollected interest is charged-off against interest income on loans unless management believes the accrued interest is recoverable through the liquidation of collateral. Interest income, if any, on impaired loans is recognized on the cash basis.

The Company considers its accounting policies related to the allowance for loan losses to be critical, as these policies involve considerable subjective judgment and estimation by management. The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. The level of the allowance for loan losses reflects the Company's continuing evaluation of specific lending risks; loan loss experience; current loan portfolio quality; present economic, political, and regulatory conditions; and unidentified losses inherent in the current loan portfolio. Additionally, these estimates for loan losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses. Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. This assessment is made in the context of historical losses as well as existing economic conditions, performance trends within specific portfolio segments, and individual concentrations of credit.

Loans are charged-off against the allowance when, in the opinion of management, such loans are deemed to be uncollectible and subsequent recoveries are added to the allowance.

We believe that the allowance for loan losses at December 31, 2015 is adequate to cover probable inherent losses in the loan portfolio. However, underlying assumptions may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations, and the discovery of information with respect to borrowers which was not known to management at the time of the issuance of the Company's Consolidated Financial Statements. Therefore, our assumptions may or may not prove valid. Thus, there can be no assurance that loan losses in future periods, including potential incremental losses resulting from the sale of the commercial loans held for sale, will not exceed the current allowance for loan losses amount or that future increases in the allowance for loan losses will not be required. Additionally, no assurance can be given that our ongoing evaluation of the loan portfolio, in light of changing economic conditions and other relevant factors, will not require significant future additions to the allowance for loan losses, thus adversely impacting the Company's business, financial condition, results of operations, and cash flows.

See Item 1A. Risk Factors contained herein for discussion regarding the material risks and uncertainties that we believe impact our allowance for loan losses.

Other Real Estate Owned—The value of other real estate owned represents another accounting estimate that depends heavily on current economic conditions. Other real estate owned is carried at fair value less estimated selling costs, establishing a new cost basis. Fair value of such real estate is reviewed regularly and write-downs are recorded when it is determined that the carrying value of the real estate exceeds the fair value less estimated costs to sell. Write-downs resulting from the periodic reevaluation of such properties, costs related to holding such properties, and gains and losses on the sale of other real estate owned are charged against income. Costs relating to the development and improvement of such properties are capitalized.

The fair value of properties in the other real estate owned portfolio is generally determined from appraisals obtained from independent appraisers. We review the appraisal assumptions for reasonableness and may make adjustments when necessary to reflect current market conditions. Such assumptions may not prove to be valid. Moreover, no assurance can be given that changing economic conditions and other relevant factors impacting our foreclosed real estate portfolio will not cause actual occurrences to differ from underlying assumptions thus adversely impacting our business, financial condition, results of operations, and cash flows.

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided for the portion of a deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

A description of the Company's other accounting policies are summarized in Note 1, Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Selected Financial Data

The following selected financial data for Citizens Bancshares Corporation and subsidiary should be read in conjunction with the Consolidated Financial Statements and related Notes appearing in another section of this Annual Report.

	Years ended December 31, (amounts in thousands, except per share data and financial ratios)		
Statement of income data:	**2015**	**2014**	**2013**
Net interest income	$ **12,068**	$ 12,529	$ 12,863
Provision for loan losses	$ **100**	$ 75	$ 425
Net income	$ **1,819**	$ 1,808	$ 1,349
Net income available to common shareholders	$ **1,582**	$ 1,572	$ 1,112
Per share data:			
Net income per common share - basic	$ **0.72**	$ 0.73	$ 0.52
Book value per common share	$ **17.87**	$ 17.49	$ 16.06
Cash dividends paid per common share	$ **0.08**	$ 0.08	$ 0.08
Balance sheet data:			
Loans, net of unearned income	$ **186,961**	$ 191,038	$ 185,276
Deposits	$ **328,862**	$ 340,889	$ 336,962
Advances from Federal Home Loan Bank	$ **5,235**	$ 254	$ 273
Total assets	$ **388,620**	$ 395,639	$ 387,733
Average stockholders' equity	$ **49,962**	$ 48,063	$ 47,773
Average assets	$ **394,287**	$ 404,274	$ 398,063
Ratios:			
Net income available to common shareholders to average assets	**0.40**%	0.39%	0.28%
Net income available to common shareholders to average stockholders' equity	**3.17**%	3.27%	2.33%
Dividend payout ratio per common share	**10.89**%	10.93%	15.45%
Average stockholders' equity to average assets	**12.67**%	11.89%	12.00%

In 2015, the Company reported net income available to common shareholders of $1,582,000 compared to $1,572,000 in 2014, and a 42 percent increase over net income available to common shareholders of $1,112,000 reported in 2013. The year over year increase in 2015 net income available to common shareholders is attributed primarily to the successful implementation of the Company's asset disposition plan that started in 2012 which has reduced the amount of nonperforming assets on the Company's books and its negative impact on earnings. The provision for loan losses was $100,000 compared to $75,000 in 2014 and declined by 77 percent or $325,000 compared to 2013 due to continued improvement in credit quality. Also, other real estate owned related expenses decreased 57 percent or $507,000 during 2015 compared to 2014.

The Company is a participant in the U.S. Department of the Treasury TARP CPP program and paid preferred dividends of $237,000 in 2015, 2014, and 2013. Basic and diluted earnings per common share were $0.72 and $0.71 for the year ended December 31, 2015, respectively. Basic and diluted earnings per common share were $0.73 and $0.72 for 2014, respectively. For fiscal year 2013, basic and diluted earnings per common share were $0.52 and $0.51, respectively.

The Company has maintained its strong capital position during the financial crisis that has affected the banking system and financial markets. The ratio of average stockholders' equity to average assets is one measure used to determine capital strength. The Company's average stockholders' equity to average assets ratio for 2015, 2014, and 2013 was 12.67%, 11.89% and 12.00%, respectively. The Company's net income available to common shareholders to average stockholders' equity (return on equity), was 3.17%, 3.27% and 2.33% in 2015, 2014 and 2013, respectively.

The following statistical information is provided for the Company for the years ended December 31, 2015, 2014 and 2013. The data is presented using daily average balances. The data should be read in conjunction with the financial statements appearing elsewhere in this Annual Report on Form 10-K. Some of the financial information provided has been rounded in order to simplify its presentation. However, the ratios and percentages provided below are calculated using the detailed financial information contained in the Financial Statements, the Notes thereto and the other financial data included elsewhere in this Annual Report (amounts in thousands).

Assets:	2015 Average Balances	2015 Interest Income/ Expense	2015 Yield/ Rate	2014 Average Balances	2014 Interest Income/ Expense	2014 Yield/ Rate	2013 Average Balances	2013 Interest Income/ Expense	2013 Yield/ Rate
Interest-earning assets:									
Loans, net[a]	**$ 187,636**	**$ 9,813**	**5.23%**	181,856	$ 9,864	5.42%	178,652	$ 10,487	5.87%
Investment securities:									
Taxable	**97,496**	**1,940**	**1.99%**	104,714	2,213	2.11%	104,531	1,912	1.83%
Tax-exempt[b]	**25,129**	**1,329**	**5.29%**	30,479	1,761	5.78%	35,314	1,924	5.45%
Federal funds sold	**1,808**	**9**	**0.00%**	—	—	0.00%	—	—	0.00%
Interest bearing deposits	**50,680**	**128**	**0.25%**	50,229	123	0.24%	38,348	97	0.25%
Total interest-earning assets	**362,749**	**$ 13,219**	**3.64%**	367,278	$ 13,961	3.80%	356,845	$ 14,420	4.04%
Other non-interest earning assets	**31,538**			36,996			41,218		
Total Assets	**$ 394,287**			404,274			398,063		
Liabilities and stockholders' equity:									
Interest bearing liabilities:									
Deposits:									
Interest bearing demand and savings	**$ 128,893**	**$ 151**	**0.12%**	128,107	$ 168	0.13%	124,003	$ 271	0.22%
Time	**122,601**	**549**	**0.45%**	139,845	665	0.48%	146,831	632	0.43%
Other borrowings	**258**	**—**	**0.00%**	263	—	0.00%	419	1	0.24%
Total interest bearing liabilities	**$ 251,752**	**$ 700**	**0.28%**	268,215	$ 833	0.31%	271,253	$ 904	0.33%
Other non-interest bearing liabilities	**92,573**			87,996			79,037		
Stockholders' equity[c]	**49,962**			48,063			47,773		
Total liabilities and stockholders' equity	**$ 394,287**			404,274			398,063		
Excess of interest-earning assets over Interest-bearing liabilities	**$ 110,997**			99,063			85,592		
Ratio of interest-earning assets to Interest-bearing liabilities	**144.09%**			136.93%			131.55%		
Net interest income		**$ 12,519**			$ 13,128			$ 13,516	
Net interest spread			**3.36%**			3.49%			3.71%
Net interest yield on interest earning assets			**3.45%**			3.57%			3.79%

[a] Average loans are shown net of unearned income and the allowance for loan losses. Nonperforming loans are also included.

[b] Reflects taxable equivalent adjustments using a tax rate of 34% to adjust interest on tax-exempt investment securities to a fully taxable basis, including the impact of the disallowed interest expense related to carrying such tax-exempt securities.

[c] Includes voting and non-voting common stock and preferred stock.

Average Balance Sheets, Interest Rate, and Interest Differential (Continued)

The following table sets forth, for the year ended December 31, 2015, a summary of the changes in interest earned and interest paid resulting from changes in volume and changes in rates (amounts in thousands):

	December 31,		Increase (decrease)	Due to Change in[a]	
	2015	**2014**		Volume	Rate
Interest earned on:					
Loans, net	**$ 9,813**	$ 9,864	$ (51)	$ 308	$ (359)
Taxable investment securities	**1,940**	2,213	(273)	(148)	(125)
Tax-exempt investment securities[b]	**1,329**	1,761	(432)	(296)	(136)
Federal funds sold	**9**	—	9	5	4
Interest bearing deposits	**128**	123	5	1	4
Total interest income	**13,219**	13,961	(742)	(130)	(612)
Interest paid on:					
Savings & interest-bearing demand deposits	**151**	168	(17)	1	(18)
Time deposits	**549**	665	(116)	(80)	(36)
Other borrowed funds	**—**	—	—	—	—
Total interest expense	**700**	833	(133)	(79)	(54)
Net interest income	**$ 12,519**	$ 13,128	$ (609)	$ (51)	$ (558)

[a] The change in interest due to both rate and volume has been allocated proportionately to the volume and rate components.

[b] Reflects taxable equivalent adjustments using a tax rate of 34% to adjust interest on tax-exempt investment securities to a fully taxable basis, including the impact of the disallowed interest expense related to carrying such tax-exempt securities.

Average Balance Sheets, Interest Rate, and Interest Differential (Continued)

The following table sets forth, for the year ended December 31, 2014, a summary of the changes in interest earned and interest paid resulting from changes in volume and changes in rates (amounts in thousands):

	December 31,		Increase (decrease)	Due to Change in[a]	
	2014	**2013**		Volume	Rate
Interest earned on:					
Loans, net	**$ 9,864**	$ 10,487	$ (623)	$ 181	$ (804)
Taxable investment securities	**2,213**	1,912	301	4	(297)
Tax-exempt investment securities[b]	**1,761**	1,924	(163)	(271)	108
Interest bearing deposits	**123**	97	26	30	(4)
Total interest income	**13,961**	14,420	(459)	(56)	(403)
Interest paid on:					
Savings & interest-bearing demand deposits	**168**	271	(103)	5	(108)
Time deposits	**665**	632	33	(34)	67
Other borrowed funds	**0**	1	(1)	—	(1)
Total interest expense	**833**	904	(71)	(29)	(42)
Net interest income	**$ 13,128**	$ 13,516	$ (388)	$ (27)	$ (361)

[a] The change in interest due to both rate and volume has been allocated proportionately to the volume and rate components.

[b] Reflects taxable equivalent adjustments using a tax rate of 34% to adjust interest on tax-exempt investment securities to a fully taxable basis, including the impact of the disallowed interest expense related to carrying such tax-exempt securities.

PART 2

Financial Condition

At December 31, 2015, the Company had total assets of $388,620,000 which represents a decrease of $7,019,000 from last year. Total assets primarily consisted of $123,258,000 in investment securities and $184,836,000 in net loans representing 32 percent and 48 percent, respectively, of total assets at December 31, 2015. For the same period last year, investment securities and net loans represented 32 percent and 48 percent, respectively, of total assets.

Interest-bearing deposits with banks decreased by $15,833,000 to $29,819,000 at December 31, 2015 compared to last year. The decrease in interest-bearing deposits is primarily due to a $16,500,000 increase in federal funds sold. Interest-bearing deposits with banks primarily represent funds maintained on deposit at the Federal Reserve Bank (FRB) and the Federal Home Loan Bank (FHLB). These funds fluctuate daily and are used to manage the Company's liquidity position. Investment securities available for sale decreased $3,353,000 to $123,258,000 during the year. The Company monitors its short-term liquidity position daily and closely manages its overnight cash positions in light of the current economic environment.

Loans typically provide higher interest yields than other types of interest-earning assets and, therefore, continue to be the largest component of the Company's assets. Average loans, net for the years ended December 31, 2015 and 2014 were $187,636,000 and $181,856,000, respectively. Loans, net outstanding at December 31, 2015 and 2014 were $184,837,000 and $188,739,000, respectively. The decrease was primarily driven by a decrease of commercial real estate loans of $12,344,000, single-family residential of $844,000 and construction & development of $705,000; offset by an increase in commercial, financial and agriculture of $9,440,000, and consumer loans of $376,000 during the year, coupled with a decline in the allowance for loan losses of $175,000. As with our industry, we are experiencing the impact of a challenging lending environment and competitive pricing pressures. However, we continue to cultivate new lending opportunities and invest in the resources needed to augment our lending operations to pursue quality and profitable loan growth.

Cash value of life insurance, a comprehensive compensation program for directors and certain senior managers of the Company, increased by $8,000 to $10,090,000 at December 31, 2015. The increase is attributed to the earnings on the premiums paid over the life of the insurance contract.

At December 31, 2015, other real estate owned decreased by $205,000 to $4,463,000 compared to the year-end of 2014. The decrease is due to sales of $964,000 and write-downs of $217,000 which exceeded the $976,000 in additions of foreclosed properties during 2015.

The Company's liabilities at December 31, 2015 totaled $338,244,000 and consisted primarily of $328,862,000 in deposits. Average deposits for the years ended December 31, 2015 and 2014 were $339,464,000 and $351,489,000, respectively. Total deposits outstanding at December 31, 2015 and 2014 were $328,862,000 and $340,889,000, respectively. FHLB advances at December 31, 2015 totaled $5,235,000 compared to $254,000 at December 31, 2014.

At December 31, 2015, stockholders' equity was $50,376,000, representing an increase of $810,000 over year-end 2014 primarily due to a net income of $1,819,000 earned in 2015 offset by $741,000 in accumulated other comprehensive income (loss) as a result of the increases in interest rates and their impact on the market value of the Company's investments and other stockholders' component of $409,000 primarily due to the payment of preferred and common stock dividends. As a result, book value per common share increased to $17.87 at December 31, 2015 compared to $17.49 at December 31, 2014.

The Company's asset/liability management program, which monitors the Company's interest rate sensitivity as well as volume and mix changes in earning assets and interest bearing liabilities, may impact the growth of the Company's balance sheet as it seeks to maximize net interest income.

Investment Portfolio

The composition of the Company's investment securities portfolio reflects the Company's investment strategy of maximizing portfolio yields commensurate with risk and liquidity considerations. The primary objectives of the Company's investment strategy are to maintain an appropriate level of liquidity and provide a tool to assist in controlling the Company's interest rate sensitivity position, while at the same time producing adequate levels of interest income.

The carrying values of investment securities held to maturity and investment securities available for sale at the indicated dates are presented below:

	December 31, (amounts in thousands)		
	2015	**2014**	**2013**
Available for Sale:			
State, county, and municipal securities	**$ 29,457**	$ 29,693	$ 34,802
Mortgage-backed securities	**91,800**	86,915	96,267
Corporate securities	**2,001**	10,003	9,976
Totals	**$ 123,258**	$ 126,611	$ 141,045

	December 31, (amounts in thousands)		
	2015	**2014**	**2013**
Held to Maturity:			
State, county, and municipal securities	**$ —**	$ 240	$ 240
Totals	**$ —**	$ 240	$ 240

Investment securities comprised approximately 32 percent of the Company's assets at December 31, 2015 and 2014. The investment portfolio had a fair market value of $123,258,000 and an amortized cost of $123,366,000, resulting in a net unrealized loss of $107,000 at December 31, 2015. For the same period in 2014, the investment portfolio had a fair market value of $126,854,000 and an amortized cost of $125,835,000, resulting in a net unrealized gain of $1,019,000.

Total investments classified as available for sale had a fair value of $123,258,000 ($123,366,000 amortized cost) at December 31, 2015, compared to a fair value of $126,611,000 ($125,595,000 amortized cost) at December 31, 2014. Investments classified as held to maturity at December 31, 2014 had an amortized cost of $240,000 (estimated fair value of $243,000). There were no investments classified as held to maturity at December 31, 2015.

The following table shows the contractual maturities of all investment securities at December 31, 2015 and the weighted average yields (on a fully taxable basis assuming a 34 percent tax rate) of such securities. Mortgage-backed securities are classified by their contractual maturity; however, expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Maturing							
	Within 1 Year		Between 1 and 5 Years		Between 5 and 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Mortgage-backed securities	$ 1,764	—%	$ 155,981	2.61%	$ 8,194,956	2.26%	$ 83,447,736	1.63%
State, county, and municipal securities	200,602	3.97%	5,225,595	5.70%	23,824,007	5.13%	206,988	2.88%
Corporate securities	2,000,592	2.34%	—	—%	—	—%	—	—%
Totals	$ 2,202,958		$ 5,381,576		$ 32,018,963		$ 83,654,724	

Other investments consist of Federal Home Loan Bank and Federal Reserve Bank stock, which are restricted and have no readily determined market value. The Company is required to maintain an investment in the FHLB and FRB as part of its membership conditions. The level of investment is determined by the amount of outstanding advances at the FHLB, and at the FRB it is 6 percent of the par value of the bank's common stock outstanding and paid-in-capital. These investments are carried at cost and increased by $173,000 to $965,000 in 2015 compared to 2014.

Loans

The amounts of loans outstanding at the indicated dates are shown in the following table according to the type of loan (amounts in thousands):

	December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Commercial, financial, and agricultural	**$ 42,748**	$ 33,308	$ 20,292	$ 23,510	$ 22,706
Real estate - commercial	**104,093**	116,437	120,180	125,239	126,675
Real estate - residential	**31,096**	31,940	34,864	34,523	37,539
Real estate - construction	**2,220**	2,925	3,626	1,813	5,377
Installment	**6,804**	6,428	6,314	5,913	7,090
	186,961	191,038	185,276	190,998	199,387
Allowance for loan losses	**2,124**	2,299	3,157	3,509	3,956
	$ 184,837	$ 188,739	$ 182,119	$ 187,489	$ 195,431

The Company does not have any concentrations of loans exceeding 10% of total loans of which management is aware and which are not otherwise disclosed as a category of loans in the table above or in other sections of this Annual Report on Form 10-K. A substantial portion of the Company's loan portfolio is secured by real estate in metropolitan Atlanta and Birmingham. The largest component of loans in the Company's loan portfolio is real estate mortgage loans. At December 31, 2015 and 2014, real estate mortgage loans, which consist of first and second mortgages on single or multi-family residential dwellings, loans secured by commercial and industrial real estate and other loans secured by multi-family properties, totaled $135.2 million and $148.4 million, respectively and represented 72.3 percent and 77.7 percent, respectively of gross loans outstanding.

The Company's loans to area churches were approximately $42.0 million at December 31, 2015 and $41.9 million at 2014, respectively. Loans to local area convenience stores totaled approximately $6.1 million and $7.3 million in 2015 and 2014, respectively. The Company also has approximately $15.6 million and $21.3 million in loans to area hotels at December 31, 2015 and 2014, respectively. These loans are generally secured by real estate. The balance of church, convenience store, and hotel loans represents the accounting loss the Company could incur if any party to these loans failed completely to perform according to the terms of the contract and the collateral proved to be of no value.

The following table sets forth certain information at December 31, 2015, regarding the contractual maturities and interest rate sensitivity of certain categories of the Company's loans (amounts in thousands):

	Due after			
	One year or less	Between one and five years	After five years	Total
Commercial, financial, and agricultural	$ 4,931	$ 27,919	$ 9,898	$ 42,748
Real estate - commercial	54,198	48,084	1,811	104,093
Real estate - residential	5,801	7,536	17,759	31,096
Real estate - construction	1,076	1,144	—	2,220
Installment	3,122	3,320	362	6,804
	$ 69,128	$ 88,003	$ 29,830	$ 186,961

Loans due after one year:	
Having predetermined interest rates	$ 70,563
Having floating interest rates	47,270
Total	$ 117,833

Actual repayments of loans may differ from the contractual maturities reflected above because borrowers may have the right to prepay obligations with or without prepayment penalties. Additionally, the refinancing of such loans or the potential delinquency of such loans could also cause differences between the contractual maturities reflected above and the actual repayments of such loans.

Nonperforming Assets

The Company's credit risk management system is defined by policies approved by the Board of Directors that govern the risk underwriting, portfolio monitoring, and problem loan administration processes. Adherence to underwriting standards is managed through a multi-layered credit approval process and after-the-fact review by credit risk management of loans approved by lenders. Through continuous review by the credit risk manager, reviews of exception reports, and ongoing analysis of asset quality trends, compliance with underwriting and loan monitoring policies is closely supervised. The administration of problem loans is driven by policies that require written plans for resolution and periodic meetings with credit risk management to review progress. Credit risk management activities are monitored by the Loan Committee of the Board, which meets monthly to review credit quality trends, new large credits, loans to insiders, large problem credits, credit policy changes, and reports on independent credit reviews.

Nonperforming assets include nonperforming loans and real estate acquired through foreclosure. Nonperforming loans consist of loans which are past due with respect to principal or interest more than 90 days ("past-due loans") or have been placed on nonaccrual of interest status ("nonaccrual loans"). Generally, past-due loans and nonaccrual loans which are delinquent more than 90 days will be charged off against the Company's allowance for possible loan losses unless management determines that the loan has sufficient collateral to allow for the recovery of unpaid principal and interest or reasonable prospects for the resumption of principal and interest payments.

Accrual of interest on loans is discontinued when reasonable doubt exists as to the full, timely collection of interest or principal or when loans become contractually in default for 90 days or more as to either interest or principal. The accrual of interest on some loans, however, may continue even though they are 90 days past due if the loan is well secured, in the process of collection and management deems it appropriate. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged-off against interest income on loans unless management believes that the accrued interest is recoverable through the liquidation of collateral.

The U.S. economy continues to show signs of improvement which has had a positive impact on the Company's nonperforming assets as nonperforming balances declined in all categories for the third consecutive year. At December 31, 2015, total nonperforming assets decreased by $1,384,000, or 16 percent to $7,479,000 compared to December 31, 2014, which declined by $5,661,000 or 39 percent compared to December 31, 2013. Nonperforming loans at December 31,

PART 2

2015 were $3,016,000, a decrease of $1,179,000, or 28 percent, and OREO declined by $205,000, or 4 percent, from December 31, 2014.

OREO properties are actively marketed with the primary objective of liquidating the collateral at a level which most accurately approximates fair value and allows recovery of as much of the unpaid principal balance as possible upon the sale of the property in a reasonable period of time. Loan charge-offs were recorded prior to or upon foreclosure to write down the collateral to fair value less estimated costs to sell. In 2015, the Company charged-off $603,000 of nonperforming loans and wrote down foreclosed assets by $217,000 to their estimated fair value based on third party appraisal. In 2014, the Company charged-off $1,358,000 of nonperforming loans and wrote down foreclosed assets by $526,000.

At December 31, 2015, there were no loans greater than 90 days past due and still accruing interest. There was one (1) loan greater than 90 days past due and still accruing interest at December 31, 2014. In addition there were 42 and 41 loans restructured or otherwise impaired totaling $7,782,000 and $8,722,000 at December 31, 2015 and 2014, respectively. At December 31, 2015, 13 restructured loans totaling $2,497,000 and at December 31, 2014, 14 restructured loans totaling $2,883,000 are included in nonaccrual loans in the table below.

The Company is working aggressively to resolve and reduce nonperforming assets including restructuring loans, requesting additional collateral, demanding payment from guarantors, sale of the loans if possible, or foreclosure and sale of the collateral.

The table below presents a summary of the Company's nonperforming assets:

	December 31, (in thousands, except financial ratios)				
	2015	**2014**	**2013**	**2012**	**2011**
Nonperforming assets:					
Nonperforming loans:					
Restructured nonperforming loans (TDRs)	**$ 2,497**	$ 2,883	$ 4,482	$ 3,941	$ 4,044
Other nonaccrual loans	**519**	1,277	2,638	6,854	8,908
Past-due loans of 90 days or more	**—**	35	—	—	—
Nonperforming loans	**3,016**	4,195	7,120	10,795	12,952
Real estate acquired through foreclosure	**4,463**	4,668	7,404	8,195	10,076
Total nonperforming assets	**$ 7,479**	$ 8,863	$14,524	$ 18,990	$ 23,028
Ratios:					
Nonperforming loans to loans, net of unearned income	**1.61%**	2.20%	3.84%	5.65%	6.50%
Nonperforming assets to loans, net of unearned income and real estate acquired through foreclosure	**3.91%**	4.53%	7.54%	9.53%	10.99%
Nonperforming assets to total assets	**1.92%**	2.24%	3.75%	4.80%	5.80%
Allowance for loan losses to nonperforming loans	**70.42%**	54.80%	44.34%	32.51%	30.54%
Allowance for loan losses to nonperforming assets	**28.40%**	25.94%	21.74%	18.48%	17.18%

Troubled Debt Restructurings

Loans to be restructured are identified based on an assessment of the borrower's credit status, which involves, but is not limited to, a review of financial statements, payment delinquency, non-accrual status, and risk rating. Determining the borrower's credit status is a continual process that is performed by the Company's staff with periodic participation from an independent external loan review group.

Troubled debt restructurings ("TDR") generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company seeks to assist these borrowers by working with them to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan while ensuring compliance with the Federal Financial Institutions Examination Council (FFIEC) guidelines. To facilitate this process, a formal concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a TDR. All modifications are considered troubled debt restructurings.

The modification may include a change in the interest rate or the payment amount or a combination of both. Substantially all modifications completed under a formal restructuring agreement are considered TDRs. Modifications can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. These restructurings rarely result in the forgiveness of principal or interest.

With respect to commercial TDRs, an analysis of the credit evaluation, in conjunction with an evaluation of the borrower's performance prior to the restructuring, are considered when evaluating the borrower's ability to meet the restructured terms of the loan agreement. Nonperforming commercial TDRs may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status.

In connection with consumer loan TDRs, a nonperforming loan will be returned to accruing status when current as to principal and interest and upon a sustained historical repayment performance (generally a minimum of six months). At December 31, 2015 and December 31, 2014 all restructurings were classified as TDRs.

The following table summarizes the Company's TDRs and loans modifications (in thousands):

	December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Troubled Debt Restructured Loans:					
Restructured loans still accruing	**$ 5,285**	$ 5,839	$ 6,177	$ 6,258	$ 5,051
Restructured loans nonaccruing	**2,497**	2,883	4,482	3,941	4,044
Other Loan Modifications	—	—	—	—	—
Total restructured and modified loans	**$ 7,782**	$ 8,722	$ 10,659	$ 10,199	$ 9,095

Troubled debt restructured loans that have performed in accordance with the restructured terms of the agreement for one year and for which an interest rate concession was not granted are removed from the TDR classification.

Potential Problem Loans

Potential problem loans include loans or industries about which management has become aware of information regarding possible credit issues for borrowers within that industry that could potentially cause doubt about their ability to comply with current repayment terms. At December 31, 2015 and 2014, the Company had identified $1.5 million and $11.2 million, respectively, of potential problem loans through its internal review procedures. The decline is primarily due to a $10.2 million decline in total criticized or classified loans which excludes SBA guaranteed loans. The results of this internal review process are considered in determining management's assessment of the adequacy of the allowance for loan losses.

Provision and Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio. These estimates for losses are based on individual assets and their cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining the necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses as prescribed under the accounting guidance.

Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates and management's judgment. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. On a semi-annual basis an independent review of the adequacy of allowance for loan losses is performed. This assessment is made in the context of historical losses as well as existing economic conditions and individual concentrations of credit.

Reviews of nonperforming loans, designed to identify potential charges to the reserve for possible loan losses, as well as to determine the adequacy of the reserve, are made on a continuous basis during the year. These reviews are conducted by the responsible lending officers, credit risk manager, a separate independent review process, and the internal audit division. They consider such factors as trends in portfolio volume, quality, maturity, and composition; industry concentrations; lending policies; new products; adequacy of collateral; historical loss experience; the status and amount of non-performing and past-due loans; specific known risks; and current, as well as anticipated specific and general economic factors that may affect certain borrowers. The conclusions are reviewed and approved by senior management. When a loan, or a portion thereof, is considered by management to be uncollectible, it is charged against the reserve after receiving approval by the Board of Directors. Any recoveries on loans previously charged off are added to the reserve.

The provision for loan losses is the periodic cost of increasing the allowance or reserve for the estimated losses on loans in the portfolio. A charge against operating earnings is necessary to maintain the allowance for loan losses at an adequate level as determined by management. The provision is determined based on growth of the loan portfolio, the amount of net loans charged-off, and management's estimation of potential future loan losses based on an evaluation of loan portfolio risks, adequacy of underlying collateral, and economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Loans are charged against the allowance when, in the opinion of management, such loans are deemed uncollectible and subsequent recoveries are added to the allowance. In 2015, based on the Company's evaluation, a provision for loan losses of $100,000 was charged against operating earnings compared to $75,000 for the same period last year. There remains a continued improvement in the credit quality of the Company's loan portfolio as the overall economic condition continues to improve which has had a positive impact on our core loan customers' ability to meet their credit obligations as evidenced by the decrease in nonperforming assets and nonperforming loans noted above. Foreclosures also decreased during the year totaling $976,000 for 2015 compared to $1,201,000 for 2014.

The Company's allowance for loan losses was approximately $2,124,000 or 1.14 percent of loans receivable, net of unearned income at December 31, 2015, and $2,299,000 or 1.20 percent of loans receivable, net of unearned income at December 31, 2014. Management believes that the allowance for loan losses at December 31, 2015 is adequate to provide for potential loan losses given past experience and the underlying strength of the loan portfolio.

The following table summarizes loans, changes in the allowance for loan losses arising from loans charged off, recoveries on loans previously charged off by loan category, and additions to the allowance which have been charged to operating expense:

	December 31, (Amounts in thousands, except financial ratios)				
	2015	**2014**	**2013**	**2012**	**2011**
Loans, net of unearned income	**$ 186,961**	$ 191,038	$ 185,276	$ 190,998	$ 199,387
Average loans, net of unearned income, discounts and the allowance for loan losses	**$ 187,636**	$ 181,856	$ 178,652	$ 191,862	$ 192,080
Allowance for loan losses at the beginning of period	**$ 2,299**	$ 3,157	$ 3,509	$ 3,956	$ 4,188
Loans charged-off:					
Commercial, financial, and agricultural	**—**	9	22	21	262
Real estate - loans	**406**	1,167	1,294	2,899	3,824
Installment loans to individuals	**197**	182	169	149	216
Total loans charged-off	**603**	1,358	1,485	3,069	4,302
Recoveries of loans previously charged off:					
Commercial, financial, and agricultural	**28**	52	41	33	29
Real estate - loans	**235**	314	607	114	60
Installment loans to individuals	**65**	59	60	75	98
Total loans recovered	**328**	425	708	222	187
Net loans charged-off	**275**	933	777	2,847	4,115
Additions to allowance for loan losses charged to operating expense	**100**	75	425	2,400	3,883
Allowance for loan losses at period end	**$ 2,124**	$ 2,299	$ 3,157	$ 3,509	$ 3,956
Ratio of net loans charged-off to average loans, net of unearned income and the allowance for loan losses	**0.15%**	0.51%	0.43%	1.48%	2.14%
Ratio of allowance for loan losses to loans, net of unearned income	**1.14%**	1.20%	1.70%	1.84%	1.98%

The following table presents the allocation of the allowance for loan losses. The allocation is based on an evaluation of defined loan problems, historical ratios of loan losses, and other factors that may affect future loan losses in the categories of loans shown (amount in thousands):

	December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012		December 31, 2011	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
Commercial, financial, and agricultural	**$ 342**	**23%**	$ 415	17%	$ 384	11%	$ 433	12%	$ 394	11%
Commercial Real Estate	**1,170**	**56%**	1,366	61%	1,721	65%	1,853	66%	2,206	64%
Single-family Residential	**435**	**17%**	254	17%	731	19%	803	18%	696	19%
Construction and Development	**3**	**1%**	72	2%	126	2%	177	1%	449	3%
Consumer	**174**	**3%**	192	3%	195	3%	243	3%	211	3%
Total allowance for loan losses	**$ 2,124**	**100%**	$ 2,299	100%	$ 3,157	100%	$ 3,509	100%	$ 3,956	100%

Deposits

Deposits are the Company's primary source of funding loan growth. Total deposits at December 31, 2015 decreased by $12,027,000 or 3.53 percent, to $328,862,000. The decrease was primarily in time deposits. The bank has a stable core deposit base with a high percentage of non-interest bearing deposits. Average noninterest-bearing deposits increased $4,577,000 or 5.20 percent, to $92,573,000 in 2015 compared to the $87,996,000 reported in 2014. Average interest-bearing deposits decreased by $16,458,000 to $251,494,000 in 2015 compared to 2014. As a result of the high level of core deposits, the bank maintained a net interest margin of 3.45 percent on a tax equivalent basis compared to 3.57 percent reported last year.

In addition, the Company participates in Certificate of Deposit Account Registry Services ("CDARS"), a program that allows its customers the ability to benefit from full FDIC insurance on CD deposits greater than $250,000. At December 31, 2015 and 2014, the Company had $21,020,000 and $24,789,000 in CDARS deposits, respectively. Participation in this program has enhanced the Company's ability to retain customers with CD deposits higher than the FDIC $250,000 insurance coverage.

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 were $35,020,000 and $47,478,000 at December 31, 2015 and 2014, respectively.

The maturities of time deposits of $100,000 or more are presented below as of December 31, 2015 (in thousands):

3 months or less	$ 26,177
Over 3 months through 6 months	15,161
Over 6 months through 12 months	20,999
Over 12 months	24,577
Total	$ 86,914

For additional information about the Company's deposit maturities and composition, see Note 5, Deposits, in the Notes to Consolidated Financial Statements.

Other Borrowed Funds

While the Company continues to emphasize funding earning asset growth through deposits, it relies on other borrowings as a supplemental funding source and to manage its interest rate sensitivity. During 2015, the Company's average borrowed funds decreased by $5,000 to $258,000 from $263,000 in 2014. The average interest rate on other borrowings was zero percent in 2015 and 2014. Other borrowings consist of Federal Reserve Bank discount window borrowings, short-term borrowings and Federal Home Loan Bank (the "FHLB") advances. The Bank had an average outstanding advance from the FHLB of $258,000 in 2015 and $263,000 in 2014. The maximum balance outstanding as of any month-end was $5,235,000 in 2015 and $272,000 in 2014. These advances are collateralized by FHLB stock, a blanket lien on the Bank's 1-4 and multi-family mortgages and certain commercial real estate loans and investment securities.

For additional information regarding the Company's other borrowings, see Note 6, Other Borrowings, in the Notes to Consolidated Financial Statements.

Disclosure about Contractual Obligations and Commitments

The following tables identify the Company's aggregated information about contractual obligations and loan commitments at December 31, 2015.

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
FHLB advances	$ 5,000,000	$ —	$ —	$ 234,707	$ 5,234,707
Operating leases	197,192	660,707	737,082	2,770,738	4,365,719
	$ 5,197,192	$ 660,707	$ 737,082	$ 3,005,445	$ 9,600,426

	Amount of Commitment Expiration Per Period				
Other Commitments	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Commitments to extend credit	$ 22,332,829	$ 8,100,972	$ 4,566,259	$ 843,302	$ 35,843,362
Commercial letters of credit	1,889,482	—	—	—	1,889,482
	$ 24,222,311	$ 8,100,972	$ 4,566,259	$ 843,302	$ 37,732,844

Liquidity Management

Liquidity is the ability of the Company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the Company's ability to meet the day-to-day cash flow requirements of its customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs.

Without proper liquidity management, the Company would not be able to perform the primary function of a financial intermediary and would, therefore, not be able to meet the needs of the communities it serves. Additionally, the Company requires cash for various operating needs including: dividends to shareholders; business combinations; capital injections to its subsidiary; the servicing of debt; and the payment of general corporate expenses.

Liquidity is managed at two levels. The first is the liquidity of the parent company, which is the holding company that owns Citizens Trust Bank, the banking subsidiary. The second is the liquidity of the banking subsidiary. The management of liquidity at both levels is essential because the parent company and banking subsidiary each have different funding needs and sources, and each are subject to certain regulatory guidelines and requirements. Through the Asset Liability Committee ("ALCO"), the CFO is responsible for planning and executing the funding activities and strategy.

The Company has access to various capital markets and on March 6, 2009, the Company issued 7,462 shares of a Fixed Rate Cumulative Perpetual Preferred Stock, Series A, to the U.S. Department of the Treasury ("Treasury") under the TARP Program for an investment of $7,462,000. During the third quarter of 2010, the Company exchanged the outstanding 7,462 shares of Series A Preferred Stock for 7,462 shares of Series B Preferred Stock. The Company also issued 4,379 shares of Series C Preferred Stock to the Treasury for an investment of $4,379,000. However, the primary source of liquidity for the Company is dividends from its bank subsidiary. The Georgia Department of Banking and Finance regulates the dividend payments and must approve dividend payments that exceed 50 percent of the Bank's prior year net income. The payment of dividends may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. The Company does not anticipate any liquidity requirements in the near future that it will not be able to meet.

Asset and liability management functions not only serve to assure adequate liquidity in order to meet the needs of the Company's bank subsidiary customers, but also to maintain an appropriate balance between interest-sensitive assets and interest-sensitive liabilities so that the Company can earn a return that meets the investment requirements of its shareholders. Daily monitoring of the sources and uses of funds is necessary to maintain an acceptable cash position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities and, to a lesser extent, sales of investment securities available for sale. Other short-term investments such as federal funds sold, securities purchased under agreements to resell and maturing interest bearing deposits with other banks, are additional sources of liquidity funding.

The liability portion of the balance sheet provides liquidity through various customers' interest bearing and noninterest bearing deposit accounts. Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings are additional sources of liquidity and, basically, represent the Company's incremental borrowing capacity. At December 31, 2015, the Company has a $76.1 million line of credit facility at the FHLB of which $25.2 million was outstanding consisting of advances of $5,235,000 and a letter of credit to secure public deposits in the amount of $20 million. The Company also had $23.5 million of borrowing capacity at the Federal Reserve Bank discount window and an unsecured $4 million fed funds line of credit. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet short-term liquidity needs.

Capital Resources

Stockholders' equity increased by $810,000 or 1.6 percent during 2015, primarily due to a net income of $1,819,000 earned in 2015 offset by $741,000 in accumulated other comprehensive income (loss) as a result of the increases in interest rates and their impact on the market value of the Company's investments and other stockholders' component of $409,000 primarily due to the payment of preferred and common stock dividend.

The annual dividend payout rate was $0.08 per common share in 2015 and 2014. The dividend payout ratio was 11 percent for 2015 and 2014. The Company intends to continue a dividend payout ratio that is competitive in the banking industry while maintaining an adequate level of retained earnings to support continued growth. Because of our CDCI investment, we must receive the approval of Treasury before increasing our dividend above $0.08 per common share.

A strong capital position, which is vital to the continued profitability of the Company, also promotes depositor and investor confidence and provides a solid foundation for the future growth of the organization. The Company has satisfied its capital requirements principally through the retention of earnings. The ratio of average shareholders' equity as a percentage of total average assets is one measure used to determine capital strength. The Company continues to maintain a strong capital position as its ratio of average stockholders' equity to average assets was 12.67 percent for 2015 and 11.89 percent in 2014.

In addition to the capital ratios mentioned above, banking industry regulators have defined minimum regulatory capital ratios that the Company and the Bank are required to maintain. These risk-based capital guidelines take into consideration risk factors, as defined by the regulators, associated with various categories of assets, both on and off of the balance sheet. The minimum guideline for the ratio of total capital to risk-weighted assets is 8 percent. Total capital consists of two components, Tier 1 Capital and Tier 2 Capital. Tier 1 Capital generally consists of common shareholders' equity, minority interests in the equity accounts of consolidated subsidiary, qualifying noncumulative perpetual preferred stock, and a limited amount of qualifying cumulative perpetual preferred stock, less goodwill and other specified intangible assets. Tier 1 Capital must equal at least 4 percent of risk-weighted assets. Tier 2 Capital generally consists of subordinated debt, other preferred stock and hybrid capital and a limited amount of loan loss reserves. The total amount of Tier 2 Capital is limited to 100 percent of Tier 1 Capital. Also, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and other specified intangible assets, of 3 percent for bank holding companies that meet specified criteria, including having the highest regulatory rating and implementing the Federal Reserve's risk-based capital measure for market risk. All other bank holding companies, including the Company, generally are required to maintain a leverage ratio of at least 4 percent.

At December 31, 2015, the Company's ratio of total capital to risk-weighted assets was 20 percent, our ratio of Tier 1 Capital to risk-weighted assets was 20 percent, and our leverage ratio was 12 percent. The Company met all capital adequacy requirements to which it is subject and is considered to be "well capitalized" under regulatory standards.

Results of Operations

Net Interest Income

Net interest income is the difference between interest income earned on earning assets, primarily loans and investment securities, and interest expense paid on interest-bearing deposits and other interest-bearing liabilities. This measure represents the largest component of income for us. The net interest margin measures how effectively we manage the difference between the interest income earned on earning assets and the interest expense paid for funds to support those assets. Fluctuations in interest rates as well as volume and mix changes in earnings assets and interest-bearing liabilities can materially impact net interest income.

Net interest income, on a fully tax-equivalent basis, accounted for 70 percent and 75 percent of total revenues on a fully tax-equivalent basis in 2015 and 2014, respectively. Net interest income, on a fully tax-equivalent basis, accounted for 72 percent of total revenues on a fully tax-equivalent basis in 2013. The level of such income is influenced primarily by changes in volume and mix of earning assets, sources of noninterest income and sources of funding, and market rates of interest. The Company's Asset/Liability Management Committee ("ALCO") is responsible for managing changes in net interest income and net worth resulting from changes in interest rates based on acceptable limits established by the Board of Directors. The ALCO reviews economic conditions, interest rate forecasts, demand for loans, the availability of deposits, current operating results, liquidity, capital, and interest rate exposures. Based on such reviews, the ALCO formulates strategies that are intended to implement objectives set forth in the asset/liability management policy to ensure it is properly positioned to react to changing interest rates and inflationary trends.

The following table represents the Company's net interest income on a tax-equivalent basis to facilitate performance comparisons among various taxable and tax-exempt assets. Interest income on tax-exempt investment securities was adjusted to reflect the income on a tax-equivalent basis (considering the effect of the disallowed interest expense related to carrying these tax-exempt investment securities) using a nominal tax rate of 34 percent for 2015, 2014, 2013 (amount in thousands).

	Years ended December 31,		
	2015	**2014**	**2013**
Interest Income	**$ 12,768**	$ 13,362	$ 13,766
Tax-equivalent adjustment	**451**	599	654
Interest income, tax-equivalent basis	**13,219**	13,961	14,420
Interest expense	**(700)**	(833)	(903)
Net interest income, tax equivalent basis	**12,519**	13,128	13,517
Provision for loan losses	**(100)**	(75)	(425)
Noninterest income	**4,601**	4,441	4,481
Noninterest expense	**(14,444)**	(14,952)	(15,721)
Income before income taxes	**2,576**	2,542	1,852
Income tax (expense) benefit	**(306)**	(134)	151
Tax-equivalent adjustment	**(451)**	(599)	(654)
Income tax benefit (expense), tax-equivalant basis	**(757)**	(733)	(503)
Net income	**$ 1,819**	$ 1,809	$ 1,349

Net interest income on a tax-equivalent basis decreased $609,000 in 2015 compared to a decrease of $389,000 in 2014. The relationship between the declining yields earned on interest earning assets in a low interest rate environment and the more gradual decline in interest expenses has caused, and may continue to cause, net interest margin compression. Net interest margin compression may also be impacted by continued deterioration of assets resulting in further interest income adjustments. As a result, the Company's net interest yield on a tax-equivalent basis in 2015 declined by 12 basis points to 3.45 percent from the 3.57 percent reported in 2014. The net interest yield on a tax-equivalent basis was 3.79 percent in 2013.

Total interest income on a tax equivalent basis decreased by $742,000 or 5 percent, in 2015 and $459,000, or 3 percent, in 2014. Overall, interest income continues to be negatively impacted by the continued low interest rate environment as yields on interest earning assets decreased to 3.64 percent in 2015 from 3.80 percent in 2014. Yields on interest earning assets were 4.04 percent in 2013.

Total interest expense on a tax equivalent basis decreased by $133,000, or 16 percent, in 2015 and $70,000 or 8 percent in 2014 due to the repricing of interest-bearing liabilities in a lower rate environment. In 2013, total interest expense on a tax equivalent basis decreased by $149,000 or 14 percent.

Noninterest Income

Noninterest income consists of revenues generated from a broad range of financial services and activities, including deposit and service fees, gains and losses realized from the sale of securities and assets, as well as various other components that comprise other noninterest income. Noninterest income increased by $161,000, or 4 percent, to $4,601,000 in 2015 compared to $4,440,000 in 2014. The increase is principally due to an increase in gains realized on the sale of securities of $421,000; offset by a decline in the Bank Enterprise Award (BEA) income of $90,000 as well as declines in life insurance income of $64,000 and service fees income of $101,000. The Company did not receive the Bank Enterprise Award (BEA) in 2013.

Service charges on deposit accounts, the major component of noninterest income, decreased by $101,000 or 3.57 percent in 2015 and $326,000 or 10 percent in 2014. The decreases in service charges on deposit accounts are primarily due to a reduction in overdraft fees and service charges on checking and savings accounts. In 2015, net overdraft fees totaled $1,554,000, a decrease of $68,000 compared to the same period last year. The decrease in overdraft fees on a year over year basis reflects the change in customer behavior from their increased awareness of overdraft fees. In 2014, net overdraft fees totaled $1,622,000, a decrease of $255,000 compared to

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2013. Overdrafts fees, due to their nature, fluctuate monthly based on the short-term loan needs of the customers.

The Company had realized gains on the sale of securities of $421,000 and $244,000 in 2015 and 2013, respectively. In 2014, the Company had no realized gains or loss on the sale of securities. As part of its asset/liability and tax strategies, the Company will reposition its investment portfolio to manage its duration, its sensitivity to changing interest rates, deferred taxes and to improve liquidity.

In 2015 and 2014, the Company received $265,000 and $355,000, respectively, from the BEA Program for its increased lending, investment, and service activities within economically distressed communities. The Company did not receive the BEA funding in 2013.

Other operating income decreased by $10,000, or 1 percent compared to 2014. In 2014, other operating income increased by $224,000, or 44 percent compared to 2013. This increase was primarily due to a nonrecurring income item as the Company received $203,000 in life insurance proceeds in 2014.

Provision for Loan Losses

Provision for loan losses increased by $25,000 or 33.3% to $100,000 in 2015 compared to 2014. There has been a continued improvement in the credit quality of the Company's loan portfolio as the overall economic condition continues to improve which has had a positive impact on our core loan customers' ability to meet their credit obligations.

The allowance for loan losses was $2,124,000 and $2,299,000 at December 31, 2015 and 2014, respectively. The allowance for loan losses to nonperforming loans was 70.42% and 54.80% at December 31, 2015 and 2014, respectively. The provision for loan losses and the resulting allowance for loan losses are based on changes in the size and character of the Company's loan portfolio, changes in nonperforming and past due loans, the existing risk of individual loans, concentrations of loans to specific borrowers or industries, and economic conditions. At December 31, 2015 the Company considered its allowance for loan losses to be adequate.

Noninterest Expense

Noninterest expense decreased by $508,000, or 3.40 percent, in 2015 compared to 2014 primarily due to a decrease in OREO related expenses of $507,000 and other operating expenses of $370,000; offset by an increase in compensation expense of $415,000. In 2014, noninterest expense decreased by $769,000, or 5 percent, compared to 2013 primarily due to a decrease in OREO related expenses of $227,000, FDIC insurance premiums of $204,000 and professional fees of $254,000.

Salaries and employee benefits expense increased by $415,000, or 6 percent, in 2015 primarily due to hiring of new full time employees. In 2014, salaries and employee benefits expense were flat decreasing by $37,000, or less than 1 percent.

Occupancy and equipment expense includes depreciation expense and repairs and maintenance costs relating to the Company's premises and equipment. Occupancy and equipment expenses decreased by $47,000, or 2 percent, to $2,034,000 in 2015 compared to 2014, and also decreased by $47,000 in 2014 to $2,081,000 compared to 2013.

Other real estate related expenses decreased by $507,000, or 57 percent, to $387,000 compared to 2014. In 2014, other real estate related expenses decreased by $227,000, or 20 percent, to $894,000 compared to 2013. In 2013, other real estate related expenses decreased by $2,289,000, or 67 percent, to $1,121,000 compared to 2012. Write-downs of OREO were $217,000, $526,000, and $616,000 in 2015, 2014, and 2013, respectively. The Company realized a gain of $29,000 on the sale of foreclosed properties in 2015 compared to losses of $89,000 in 2014, and $56,000 in 2013.

Income Taxes

The Company recorded a tax expense of $306,000 and $134,000 and a tax benefit of $151,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The effective tax rate as a percentage of pretax income in 2015 was 14 percent. The effective tax rate as a percentage of pretax income in 2014 was a benefit of 7 percent and as a percentage of pretax loss was a benefit of 13 percent in 2013. The statutory federal rate was 34 percent during 2015, 2014 and 2013. The increase in the effective tax rate in 2015 was primarily due to tax-exempt interest income from investment securities and life insurance policies. For further information concerning the provision for income taxes, refer to Note 7, Income Taxes, in the Notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

This information is not required since the Company qualifies as a smaller reporting company.

Item 8. Financial Statements and Supplementary Data

The following financial statements, notes thereon, and report of independent registered public accountant firm are included herein beginning on page F-1:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes or disagreements with the Company's accountants in the last two fiscal years.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have evaluated the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this annual report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and principal financial officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiary, that is required to be included in its periodic filings with the Securities Exchange Commission, is timely made known to them.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with appropriate management authorization, and accounting records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management believes that Citizens Bancshares Corporation maintained effective internal control over financial reporting as of December 31, 2015.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company, as a smaller reporting company, to provide only management's report in this annual report.

Changes in Internal Controls

There have been no changes in our internal controls over financial reporting during our fourth fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

Item 10. Directors, Executive Officers, and Corporate Governance

The responses to this Item are included in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders, under the headings "Election of Directors," "Executive Officers," "Beneficial Ownership of Common Stock," "Information About the Board and its Committees" and "Compliance With Section 16(a) of the Securities Exchange Act of 1934" and are incorporated herein by reference.

The Company has adopted a Code of Business Conduct and Ethics that applies to its senior management, including its principal executive, financial and accounting officers. A copy may also be obtained, without charge, upon written request addressed to Citizens Bancshares Corporation, 230 Peachtree Street, N.W., Suite 2700, Atlanta, Georgia 30303, Attention: Corporate Secretary. The request may also be delivered by fax to the Corporate Secretary at (404) 575-8311.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Company's board of directors.

Item 11. Executive Compensation

The responses to this Item are included in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders under the heading "Executive Compensation" and "Election of Directors" and are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The responses to this item are included in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders under the heading "Beneficial Ownership of Common Stock" and are incorporated herein by reference.

The following table sets forth information regarding our equity compensation plans under which shares of our common stock are authorized for issuance. All data is presented as of December 31, 2015.

Equity Compensation Plan Table

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	41,377 shares	$ 9.91	274,209 shares
Equity compensation plans not approved by security holders	None	$ —	None
Total	41,377	$ 9.91	274,209 shares

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Item 13. Certain Relationships and Related Transactions, And Director Independence

The responses to this Item are included in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders under the heading "Certain Transactions" and "Director Independence" and are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information relating to the fees paid to the Company's independent accountants is set forth in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders under the heading "Accounting Matters" and are incorporated herein by reference.

Citizens Bancshares Corporation and Subsidiary

Consolidated Financial Statements as of December 31, 2015 and 2014 and for Each of the Three Years in the Period Ended December 31, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Citizens Bancshares Corporation
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Citizens Bancshares Corporation and subsidiary (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Bancshares Corporation and subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U. S. generally accepted accounting principles.

/s/ Elliott Davis Decosimo, LLC

Columbia, South Carolina
March 30, 2016

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014

	2015	2014
Assets:		
Cash and due from banks, including reserve requirements of $307,000 and $320,000 at December 31, 2015 and 2014, respectively	$ 2,577,036	$ 2,757,515
Federal funds sold	16,500,137	—
Certificates of deposit	900,000	350,000
Investment securities available for sale, at fair value (amortized cost of $123,365,548 and $125,594,822 at December 31, 2015 and 2014, respectively)	123,258,221	126,610,811
Investment securities held to maturity, at cost (estimated fair value of $ - and $243,118 at December 31, 2015 and 2014, respectively)	—	240,000
Other investments	964,950	792,150
Loans receivable—net	184,836,417	188,739,072
Premises and equipment—net	6,136,025	6,395,433
Cash surrender value of life insurance	10,090,088	10,082,081
Other real estate owned	4,462,795	4,668,152
Other assets	9,075,002	9,351,480
	$ 388,619,765	$ 395,639,249
Liabilities and Stockholders' Equity:		
Liabilities:		
Noninterest-bearing deposits	$ 88,542,570	$ 83,817,581
Interest-bearing deposits	240,319,009	257,071,169
Total deposits	328,861,579	340,888,750
Accrued expenses and other liabilities	4,147,283	4,929,870
Advances from Federal Home Loan Bank	5,234,707	254,084
Total liabilities	338,243,569	346,072,704
Commitments And Contingencies (Note 9) Stockholders' Equity:		
Preferred stock - No par value; 10,000,000 shares authorized;		
Series B, 7,462 shares issued and outstanding	7,462,000	7,462,000
Series C, 4,379 shares issued and outstanding	4,379,000	4,379,000
Common stock - $1 par value; 20,000,000 shares authorized; 2,308,228 and 2,303,228 shares issued and outstanding at December 31, 2015 and 2014, respectively	2,308,228	2,303,228
Nonvoting common stock - $1 par value; 5,000,000 shares authorized; 90,000 shares issued and outstanding at December 31, 2015 and 2014	90,000	90,000
Nonvested restricted common stock	(146,798)	(106,850)
Additional paid-in capital	8,343,821	8,119,451
Retained earnings	29,940,699	28,530,676
Treasury stock, at cost, 241,454 and 235,938 shares at December 31, 2015 and 2014, respectively	(1,929,954)	(1,881,551)
Accumulated other comprehensive income (loss), net of income taxes	(70,800)	670,591
Total stockholders' equity	50,376,196	49,566,545
	$ 388,619,765	$ 395,639,249

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

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CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	2015	2014	2013
Interest income:			
Loans, including fees	**$ 9,813,267**	$ 9,864,368	$ 10,487,067
Investment securities:			
Taxable	**1,895,479**	2,173,588	1,874,286
Tax-exempt	**877,197**	1,161,907	1,270,082
Dividends	**44,846**	39,582	37,771
Federal funds sold	**8,767**	—	—
Interest-bearing deposits	**128,377**	122,998	96,753
Total interest income	**12,767,933**	13,362,443	13,765,959
Interest expense:			
Deposits	**699,778**	833,359	902,663
Other borrowings	**—**	30	604
Total interest expense	**699,778**	833,389	903,267
Net interest income	**12,068,155**	12,529,054	12,862,692
Provision for loan losses	**100,000**	75,000	425,000
Net interest income after provision for loan losses	**11,968,155**	12,454,054	12,437,692
Noninterest income:			
Service charges on deposits	**2,730,353**	2,830,989	3,157,140
Gains on sales of securities	**421,043**	—	243,882
Bank owned life insurance	**239,655**	304,082	328,634
ATM surcharges	**216,483**	211,845	237,045
Grant income	**265,496**	355,000	—
Other operating income	**728,027**	738,495	514,418
Total noninterest income	**4,601,057**	4,440,411	4,481,119
Noninterest expense:			
Salaries and employee benefits	**6,882,462**	6,467,504	6,504,634
Occupancy and equipment	**2,034,147**	2,080,517	2,127,026
Other real estate owned, net	**387,274**	893,948	1,120,540
Other operating expenses	**5,140,322**	5,510,175	5,968,644
Total noninterest expense	**14,444,205**	14,952,144	15,720,844
Income before income tax expense (benefit)	**2,125,007**	1,942,321	1,197,967
Income tax expense (benefit)	**305,848**	133,663	(150,806)
Net income	**1,819,159**	1,808,658	1,348,773
Preferred dividends	**236,820**	236,820	236,820
Net income available to common stockholders	**$ 1,582,339**	$ 1,571,838	$ 1,111,953
Net income per common share—basic	**$ 0.72**	$ 0.73	$ 0.52
Net income per common share—diluted	**$ 0.71**	$ 0.72	$ 0.51
Weighted average outstanding shares:			
Basic	**2,186,610**	2,166,818	2,152,780
Diluted	**2,224,253**	2,186,393	2,165,610

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

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CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
Net Income	**$ 1,819,159**	$ 1,808,658	$ 1,348,773
Other Comprehensive Income (Loss)			
Unrealized holding gain (loss) on investment securities available for sale, net of tax of $(238,770) for 2015, $902,563 for 2014 and $(1,874,103) for 2013	**(463,503)**	1,752,039	(3,637,965)
Reclassification adjustment for holding gains included in net income, net of tax of $143,155 for 2015, $ - for 2014, and $82,920 for 2013	**(277,888)**	—	(160,962)
Other Comprehensive Income (Loss)	**(741,391)**	1,752,039	(3,798,927)
Total Comprehensive Income (Loss)	**$ 1,077,768**	$ 3,560,697	$ (2,450,154)

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

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CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	Preferred Stock		Common Stock		Nonvoting Common Stock		Non-Vested Restricted Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount		
Balance—December 31, 2012	11,841	$ 11,841,000	2,250,364	$ 2,250,364	90,000	$ 90,000	$ (56,800)	$ 7,941,817	$ 26,190,373	(220,525)	$ (1,820,128)	$ 2,717,479	$ 49,154,105
Net income	—	—	—	—	—	—	—	—	1,348,773	—	—	—	1,348,773
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(3,798,927)	(3,798,927)
Nonvested restricted stock	—	—	—	—	—	—	40,571	(147,400)	—	—	—	—	(106,829)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(15,413)	(61,423)	—	(61,423)
Issuance of common stock	—	—	42,364	42,364	—	—	—	138,293	—	—	—	—	180,657
Dividends paid on preferred stock	—	—	—	—	—	—	—	—	(236,820)	—	—	—	(236,820)
Dividends paid on common stock	—	—	—	—	—	—	—	—	(171,744)	—	—	—	(171,744)
Balance—December 31, 2013	11,841	11,841,000	2,292,728	2,292,728	90,000	90,000	(16,229)	7,932,710	27,130,582	(235,938)	(1,881,551)	(1,081,448)	$ 46,307,792
Net income	—	—	—	—	—	—	—	—	1,808,658	—	—	—	1,808,658
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	1,752,039	1,752,039
Nonvested restricted stock	—	—	—	—	—	—	(90,621)	82,457	—	—	—	—	(8,164)
Issuance of common stock	—	—	10,500	10,500	—	—	—	104,284	—	—	—	—	114,784
Dividends paid on preferred stock	—	—	—	—	—	—	—	—	(236,820)	—	—	—	(236,820)
Dividends paid on common stock	—	—	—	—	—	—	—	—	(171,744)	—	—	—	(171,744)
Balance—December 31, 2014	11,841	$ 11,841,000	2,303,228	$ 2,303,228	90,000	$ 90,000	($ 106,850)	$ 8,119,451	$ 28,530,676	(235,938)	$ (1,881,551)	$ 670,591	$ 49,566,545
Net income	—	—	—	—	—	—	—	—	1,819,159	—	—	—	1,819,159
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(741,391)	(741,391)
Nonvested restricted stock	—	—	—	—	—	—	(39,948)	38,300	—	—	—	—	(1,648)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(5,516)	(48,403)	—	(48,403)
Issuance of common stock	—	—	5,000	5,000	—	—	—	186,070	—	—	—	—	191,070
Dividends paid on preferred stock	—	—	—	—	—	—	—	—	(236,820)	—	—	—	(236,820)
Dividends paid on common stock	—	—	—	—	—	—	—	—	(172,316)	—	—	—	(172,316)
Balance—December 31, 2015	11,841	$ 11,841,000	2,308,228	$ 2,308,228	90,000	$ 90,000	($ 146,798)	$ 8,343,821	$ 29,940,699	(241,454)	$ (1,929,954)	($ 70,800)	$ 50,376,196

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
OPERATING ACTIVITIES:			
Net income	**$ 1,819,159**	$ 1,808,658	$ 1,348,773
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**100,000**	75,000	425,000
Depreciation	**551,278**	547,150	615,694
Amortization and accretion—net	**954,324**	974,875	1,342,645
Provision (benefit) for deferred income taxes	**406,781**	167,446	(199,896)
Gains on sales of securities	**(421,043)**	—	(243,882)
(Gain) loss on sale of other real estate owned	**(28,506)**	89,116	56,143
Restricted stock based compensation plan	**(1,648)**	(8,164)	(106,829)
Decrease (increase) in carrying value of other real estate owned	**217,217**	526,128	615,839
Increase in cash surrender value of life insurance	**(239,656)**	(304,082)	(328,634)
Changes in assets and liabilities, net of acquisition:			
Change in other assets	**(220,293)**	(912,638)	2,455,520
Change in accrued expenses and other liabilities	**(782,586)**	740,356	(1,375,971)
Net cash provided by operating activities	**$ 2,355,027**	$ 3,703,845	$ 4,604,402
INVESTING ACTIVITIES:			
Net change in certificates of deposit	**(550,000)**	—	(250,000)
Proceeds from the sales, maturities and paydowns of securities available for sale	**41,226,405**	21,483,938	30,233,702
Proceeds from the maturities and paydowns of securities held to maturity	**240,000**	—	1,119,150
Purchases of securities available for sale	**(39,106,269)**	(4,856,383)	(47,766,287)
Net change in other investments	**(172,800)**	81,700	121,600
Net change in loans	**2,874,070**	(7,937,597)	1,085,325
Purchases of premises and equipment	**(291,870)**	(353,419)	(248,719)
Redemption of bank owned life insurance	**2,231,649**	185,960	—
Purchase of bank owned life insurance	**(2,000,000)**	—	—
Proceeds from sale of other real estate owned	**993,002**	3,321,668	4,020,124
Net cash provided by (used in) investing activities	**$ 5,444,187**	$ 11,925,867	$ (11,685,105)

(Continued)

PART 3

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
FINANCING ACTIVITIES:			
Net change in deposits	$ (12,027,171)	$ 3,926,462	$ (3,631,155)
Net increase (decrease) in Federal Home Loan Bank advances	4,980,623	(18,995)	(18,618)
Common stock dividend paid	(172,316)	(171,744)	(171,744)
Preferred stock dividend paid	(236,820)	(236,820)	(236,820)
Net purchase of treasury stock	(48,403)	—	(61,423)
Proceeds from issuance of common stock	191,070	114,784	180,657
Net cash provided by (used in) financing activities	$ (7,313,017)	$ 3,613,687	$ (3,939,103)
Net change in cash and cash equivalents	$ 486,197	$ 19,243,399	$ (11,019,806)
CASH AND CASH EQUIVALENTS			
Beginning of year	48,410,070	29,166,671	40,186,477
End of year	$ 48,896,267	$ 48,410,070	$ 29,166,671
Supplemental disclosures of cash paid during the year for:			
Interest	$ 711,331	$ 874,690	$ 939,420
Income taxes	55,000	—	26,000
Supplemental disclosures of noncash investing activities:			
Real estate acquired through foreclosure	976,356	1,200,627	3,901,588
Change in unrealized gain (loss) on investment securities available for sale—net of tax	(741,391)	1,752,039	(3,798,927)

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

PART 3

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014 AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Citizens Bancshares Corporation and subsidiary (the "Company") is a holding company that provides a full range of commercial banking to individual and corporate customers in its primary market areas, metropolitan Atlanta and Columbus, Georgia, and Birmingham and Eutaw, Alabama through its wholly owned subsidiary, Citizens Trust Bank (the "Bank"). The Bank operates under a state charter and serves its customers through seven full-service branches in metropolitan Atlanta, one full-service branch in Columbus, Georgia, one full-service branch in Birmingham, Alabama, and one full-service branch in Eutaw, Alabama. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation—The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term are the allowance for loan losses, the valuation of allowances associated with the recognition of deferred tax assets and the value of foreclosed real estate and intangible assets.

Troubled Asset Relief Program—On August 13, 2010, as part of the U.S. Department of the Treasury (the "Treasury") Troubled Asset Relief Program ("TARP") Community Development Capital Initiative, the Company entered into a Letter Agreement, and an Exchange Agreement–Standard Terms ("Exchange Agreement"), with the Treasury, pursuant to which the Company agreed to exchange 7,462 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Shares"), issued on March 6, 2009, pursuant to the Company's participation in the TARP Capital Purchase Program, for 7,462 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B ("Series B Preferred Shares"), both of which have a liquidation preference of $1,000 (the "Exchange Transaction"). No new monetary consideration was exchanged in connection with the Exchange Transaction. The Exchange Transaction closed on August 13, 2010 (the "Closing Date").

On September 17, 2010, the Company issued 4,379 shares of its Series C Preferred Shares to the Treasury as part of its TARP Community Development Capital Initiative for a total of 11,841 shares of Series B and C Preferred Shares issued to the Treasury. The issuance of the Series B and Series C Preferred Shares was a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

The Series B and Series C Preferred Shares qualify as Tier 1 capital and will pay cumulative dividends at a rate of 2% per annum for the first eight years after the Closing Date and 9% per annum thereafter. The Company may, subject to consultation with the Federal Reserve Bank of Atlanta, redeem the Series B and Series C Preferred Shares at any time for its aggregate liquidation amount plus any accrued and unpaid dividends.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and amounts due from banks, interest-bearing deposits with banks and federal funds sold. The Federal Reserve Bank (the "FRB") requires the Company to maintain a required cash reserve balance on deposit with the FRB, based on the Company's daily average balance with the FRB. This reserve requirement represents 3% of the Company's daily average demand deposit balance between $13.3 million and $89.0 million and 10% of the Company's daily average demand deposit balance above $89.0 million. The required reserve was satisfied by the Company's vault cash.

Interest-bearing Deposits with Banks—Substantially all of the Company's interest-bearing deposits with banks represent funds maintained on deposit at the Federal Reserve Bank of Atlanta (the 'FRB") and the Federal Home Loan Bank of Atlanta (FHLB). These funds fluctuate daily and are used to manage the Company's liquidity and borrowing position. Funds can be withdrawn daily from this account and accordingly, the carrying amount of this account is at cost which is deemed to be a reasonable estimate of fair value.

Other Investments—Other investments consist of Federal Home Loan Bank stock and Federal Reserve Bank stock which are restricted and have no readily determinable market value. These investments are carried at cost.

Investment Securities—The Company classifies investments in one of three categories based on management's intent upon purchase: held to maturity securities which are reported at amortized cost, trading securities which are reported at fair value with unrealized holding gains and

PART 3

losses included in earnings, and available for sale securities which are recorded at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss). The Company had no investment securities classified as trading securities during 2015, 2014, or 2013.

Premiums and discounts on available for sale and held to maturity securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts are presented within investment securities interest income on the Consolidated Statements of Income.

Gains and losses on sales of investment securities are recognized upon disposition, based on the adjusted cost of the specific security. A decline in market value of any security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. The determination of whether an other-than-temporary impairment has occurred involves significant assumptions, estimates, changes in economic conditions and judgment by management. There was no other-than-temporary impairment for securities recorded during 2015, 2014 or 2013.

Loans Receivable and Allowance for Loan Losses—Loans are reported at principal amounts outstanding plus direct origination costs, net of loan fees and any direct charge-offs. Interest income is recognized over the term of the loan based on the principal amount outstanding. Loan fees and certain direct origination costs are deferred and amortized over the estimated terms of the loans using the level yield method. Premiums and discounts on loans purchased are amortized and accreted using the level yield method over the estimated remaining life of the loan purchased. The accretion and amortization of loan fees, origination costs, and premiums and discounts are presented as a component of loan interest income on the Consolidated Statements of Income.

Management considers a loan to be impaired when, based on current information and events, there is a potential that all amounts due according to the contractual terms of the loan may not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are generally placed on nonaccrual status when the full and timely collection of principal or interest becomes uncertain or the loan becomes contractually in default for 90 days or more as to either principal or interest, unless the loan is well collateralized and in the process of collection. When a loan is placed on nonaccrual status, current period accrued and uncollected interest is charged-off against interest income on loans unless management believes the accrued interest is recoverable through the liquidation of collateral. Loans are returned to accrual status when payment has been made according to the terms and conditions of the loan for a continuous six month period.

The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses. Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. This assessment is made in the context of historical losses as well as existing economic conditions, performance trends within specific portfolio segments, and individual concentrations of credit.

Loans are charged-off against the allowance when, in the opinion of management, such loans are deemed to be uncollectible and subsequent recoveries are added to the allowance.

Troubled Debt Restructurings—Loans to be restructured are identified based on an assessment of the borrower's credit status, which involves, but is not limited to, a review of financial statements, payment delinquency, non-accrual status, and risk rating. Determining the borrower's credit status is a continual process that is performed by the Company's staff with periodic participation from an independent external loan review group.

Troubled debt restructurings ("TDR") generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company seeks to assist these borrowers by working with them to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan while ensuring compliance with the Federal Financial Institutions Examination Council (FFIEC) guidelines. To facilitate this process, a formal concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a TDR.

The modification may include a change in the interest rate or the payment amount or a combination of both. Substantially all modifications completed under a formal restructuring agreement are considered TDRs. Modifications can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. These restructurings rarely result in the forgiveness of principal or interest. Nonperforming commercial TDRs may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status.

With respect to commercial TDRs, an analysis of the credit evaluation, in conjunction with an evaluation of the borrower's performance prior to the restructuring, are considered when evaluating the borrower's ability to meet the restructured terms of the loan agreement. Nonperforming commercial TDRs may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status.

In connection with consumer loan TDRs, a nonperforming loan will be returned to accruing status when current as to principal and interest and upon a sustained historical repayment performance (generally a minimum of six months).

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The costs of maintenance and repairs, which do not improve or extend the useful life of the respective assets, are charged to earnings as incurred, whereas significant renewals and improvements are capitalized. The range of estimated useful lives for premises and equipment is as follows:

Buildings and improvements	5–40 years
Furniture and equipment	3–10 years

Other Real Estate Owned—Other real estate owned is reported at the lower of cost or fair value less estimated disposal costs, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is treated as a charge-off against the allowance for loan losses. Any subsequent declines in value are charged to earnings. Transactions in other real estate owned for the years ended December 31, 2015 and 2014 are summarized below:

	Years Ended December 31,	
	2015	**2014**
Balance—beginning of year	**$ 4,668,152**	$ 7,404,437
Additions	**976,356**	1,200,627
Sales	**(964,496)**	(3,410,784)
Write downs	**(217,217)**	(526,128)
Balance—end of year	**$ 4,462,795**	$ 4,668,152

Intangible Assets—Finite lived intangible assets of the Company represent deposit assumption premiums recorded upon the purchase of certain assets and liabilities from other financial institutions. Deposit assumption premiums are amortized over seven years, the estimated average lives of the deposits acquired, using the straight-line method and are included within other assets on the Consolidated Balance Sheets.

The Company reviews the carrying value of goodwill on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have been incurred. An impairment charge is recognized if the carrying value of the reporting unit's goodwill exceeds its implied fair value.

The following table presents information about our intangible assets:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Unamortized intangible asset:				
Goodwill	**$ 362,139**	**$ —**	$ 362,139	$ —
Amortized intangible asset:				
Core deposit intangibles	**$ 3,303,427**	**$ 3,185,447**	$ 3,303,427	$ 2,713,529

The following table presents information about aggregate amortization expense for each of the three succeeding fiscal years as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Aggregate amortization expense of core deposit intangibles	**$ 471,918**	$ 471,918	$ 471,918
Estimated aggregate amortization expense of core deposit intangibles for the year ending December 31:			
2016	**$ 117,980**		
2017 and thereafter	**$ —**		

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided for the portion of a deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

Net Income Available to Common Stockholders—Basic net income per common share ("EPS") is computed based on net income divided by the weighted average number of common shares outstanding. Diluted EPS is computed based on net income available to common stockholders divided by the weighted average number of common and potential common shares. The only potential common share equivalents are those related to stock options and nonvested restricted stock grants. Common share equivalents which are anti-dilutive are excluded from the calculation of diluted EPS.

Stock Based Compensation—The fair value of each stock option award is estimated on the date of grant using a Black-Scholes valuation model. Expected volatility is based on the historical volatility of the Company's stock, using daily price observations over the expected term of the stock options. The expected term represents the period of time that stock options granted are expected to be outstanding and is derived from historical data which is used to evaluate patterns such as stock option exercise and employee termination. The expected dividend yield is based on recent dividend history. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant based on the expected life of the option.

There were no options granted in 2015, 2014, and 2013.

In 2013, 13,500 nonvested restricted shares of common stock were issued to certain officers and the Chief Executive Officer (CEO) at a grant price of $6.30. The 2013 restricted common stock will vest 100% (Cliff vesting) on January 1, 2016.

In 2014, 11,885 nonvested restricted shares of common stock were issued to certain officers and the Chief Executive Officer (CEO) at a grant price of $8.85. These restricted common stock shares will vest 100% (Cliff vesting) on January 1, 2017. In addition, 11,450 nonvested shares of common stock were issued to the Chief Executive Officer (CEO) at a grant price of $8.04 as a bonus. These restricted common stock shares will vest 100% (Cliff vesting) on March 23, 2016 and transferability is subject to TARP regulations pertaining to repayment of TARP funding in 25 percent increments.

In 2015, 11,500 nonvested restricted shares of common stock were issued to certain officers and the Chief Executive Officer (CEO) at a grant price of $9.10. These restricted common stock shares will vest 100% (Cliff vesting) on January 1, 2018. In addition, 12,200 nonvested shares of common stock were issued to the Chief Executive Officer (CEO) at a grant price of $8.75 as a bonus. These restricted common stock shares will vest 100% (Cliff vesting) on February 18, 2017 and transferability is subject to TARP regulations pertaining to repayment of TARP funding in 25 percent increments. Certain employees were issued a discretionary nonvested restricted shares of common stock of which 300 were at a grant price of $8.75 that vested 100% (Cliff vesting) on February 3, 2016, and 1,550 were at a grant price of $9.90 that vests 100% (Cliff vesting) on April 15, 2016.

Recently Issued Accounting Standards—In January 2014, the FASB amended Receivables topic of the Accounting Standards Codification. The amendments are intended to resolve diversity in practice with respect to when a creditor should reclassify a collateralized consumer mortgage loan to other real estate owned (OREO). In addition, the amendments require a creditor reclassify a collateralized consumer mortgage loan to OREO upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The amendments were effective for the Company for annual periods, and interim periods within those annual periods beginning after December 15, 2014, with early implementation of the guidance permitted. In implementing this guidance, assets that are reclassified from real estate to loans are measured at the carrying value of the real estate at the date of adoption. Assets reclassified from loans to real estate are measured at the lower of the net amount of the loan receivable or the fair value of the real estate less costs to sell at the date of adoption. The Company applied the amendments prospectively. These amendments did not have a material effect on the Company's financial statements.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for reporting periods beginning after December 15. The Company will apply the guidance using a full retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

In January 2015, the FASB issued guidance to eliminate from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under the new guidance, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company will apply the guidance prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

In February 2015, the FASB issued guidance which amends the consolidation requirements and significantly changes the consolidation analysis required under U.S. GAAP. Although the amendments are expected to result in the deconsolidation of many entities, the Company will need to reevaluate all its previous consolidation conclusions. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted (including during an interim period), provided that the guidance is applied as of the beginning of the annual period containing the adoption date. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2015, the FASB issued amendments to clarify the Accounting Standards Codification (ASC), correct unintended application of guidance, and make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments were effective upon issuance (June 12, 2015) for amendments that do not have transition guidance. Amendments that are subject to transition guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers.* As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Company for reporting periods beginning after December 15, 2017. The Company will apply the guidance using a full retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

In November 2015, the FASB amended the Income Taxes topic of the Accounting Standards Codification simplify the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments will be effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted as of the beginning of an interim or annual reporting period. The Company will apply the guidance prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

In January 2016, the FASB amended the Financial Instruments topic of the Accounting Standards Codification to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company will apply the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values will be applied prospectively to equity investments that exist as of the date of adoption of the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

In February 2016, the FASB issued new guidance to change accounting for leases and that will generally require most leases to be recognized on the balance sheet. The new lease standard only contains targeted changes to accounting by lessors, however, lessees will be required to recognize most leases in their balance sheets as lease liabilities for lease payments and right-of-use assets representing the lessee's rights to use the underlying assets for the lease terms for lease arrangements longer than 12 months. Under this approach, a lessee will account for most existing capital/finance leases as Type A leases and most existing operating leases as Type B leases. Type A and Type B leases have unique accounting and disclosure requirements. Existing sale-leaseback guidance, including guidance for real estate, will be replaced with a new model applicable to both lessees and lessors. The new guidance will be effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2018. Early adoption is permitted for all companies and organizations. Management is currently analyzing the impact of the adoption of this guidance on the Company's consolidated financial statements, including assessing changes that might be necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Reclassifications—Certain prior year amounts have been reclassified to conform to the 2015 presentation. Such reclassifications had no impact on net income or retained earnings as previously reported.

2. INVESTMENT SECURITIES

Investment securities available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2015:				
State, county, and municipal securities	$ 28,247,652	$ 1,223,305	$ 13,764	$ 29,457,193
Mortgage-backed securities	93,117,896	64,860	1,382,320	91,800,436
Corporate securities	2,000,000	592	—	2,000,592
Totals	$ 123,365,548	$ 1,288,757	$ 1,396,084	$ 123,258,221
At December 31, 2014:				
State, county, and municipal securities	$ 28,179,407	$ 1,513,824	—	$ 29,693,231
Mortgage-backed securities	87,548,174	436,580	1,070,052	86,914,702
Corporate securities	9,867,241	135,637	—	10,002,878
Totals	$ 125,594,822	$ 2,086,041	$ 1,070,052	$ 126,610,811

Investment securities held to maturity are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2014:				
State, county, and municipal securities	$ 240,000	$ 3,118	$ —	$ 243,118

There were no securities held to maturity at December 31, 2015.

The amortized costs and fair values of investment securities at December 31, 2015, by contractual maturity, are shown below. Mortgage-backed securities are classified by their contractual maturity, however, expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with and without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 2,201,764	$ 2,202,958
Due after one year through five years	5,233,907	5,381,576
Due after five years through ten years	31,068,097	32,018,963
Due after ten years	84,861,780	83,654,724
	$ 123,365,548	$ 123,258,221

Proceeds from the sale of securities were $19,292,000 and $2,268,000 in 2015, and 2013, respectively. There were no securities sold in 2014. Gross realized gains on sales of securities were $421,043 and $243,882 in 2015, and 2013, respectively. There were no gross realized losses on sales of securities in 2015 and 2013.

Investment securities with carrying values of approximately $93,161,000 and $99,299,000 at December 31, 2015 and 2014, respectively, were pledged to secure public funds on deposit and for other purposes as required by law, FHLB advances and a $23.5 million line of credit at the Federal Reserve Bank discount window.

The following tables show investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2015 and December 31, 2014. Except as explicitly identified below, all unrealized losses on investment securities are considered by management to be temporarily impaired given the credit ratings on these investment securities and the short duration of the unrealized loss.

At December 31, 2015:

Securities Available for Sale	**Securities in a loss position for less than twelve months**		**Securities in a loss position for twelve months or more**		**Total**	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ 2,587,274	$ (13,764)	$ —	$ —	$ 2,587,274	$ (13,764)
Mortgage-backed securities	63,532,817	(722,276)	21,332,785	(660,044)	84,865,602	(1,382,320)
Corporate securities	—	—	—	—	—	—
Total	$ 66,120,091	$ (736,040)	$ 21,332,785	$ (660,044)	$ 87,452,876	$ (1,396,084)

There were no held to maturity securities in an unrealized loss position at December 31, 2015 or 2014.

At December 31, 2014:
Securities Available for Sale

	Securities in a loss position for less than twelve months		Securities in a loss position for twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ —	$ —	$ —	$ —	$ —	$ —
Mortgage-backed securities	15,383,833	(151,511)	40,642,844	(918,541)	56,026,677	(1,070,052)
Corporate securities	—	—	—	—	—	—
Total	$ 15,383,833	$ (151,511)	$ 40,642,844	$ (918,541)	$ 56,026,677	$ (1,070,052)

Securities classified as available for sale are recorded at fair market value and held to maturity securities are recorded at amortized cost. At December 31, 2015 and 2014, the Company had fifteen (15) and twenty-one (21) investment securities, respectively, that were in an unrealized loss position for more than 12 months. The Company reviews these securities for other-than-temporary impairment on a quarterly basis by monitoring their credit support and coverage, constant payment of the contractual principal and interest, loan to value and delinquencies ratios.

We use prices from third party pricing services and, to a lesser extent, indicative (non-binding) quotes from third party brokers, to measure fair value of our investment securities. Fair values of the investment securities portfolio could decline in the future if the underlying performance of the collateral for collateralized mortgage obligations or other securities deteriorates and the levels do not provide sufficient protection for contractual principal and interest. As a result, there is risk that an other-than-temporary impairment may occur in the future particularly in light of the current economic environment.

The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell those securities before recovery of its amortized cost. The Company believes, based on industry analyst reports and credit ratings, that it will continue to receive scheduled interest payments as well as the entire principal balance, and the deterioration in value is attributable to changes in market interest rates and is not in the credit quality of the issuer and therefore, these losses are not considered other-than-temporary.

The Company's investment portfolio consists principally of obligations of the United States, its agencies or its corporations and general obligation and revenue municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The Company places its deposits and correspondent accounts with and sells its federal funds to high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans outstanding, by classification, are summarized as follows (amounts in thousands):

	December 31, 2015	December 31, 2014
Commercial, financial, and agricultural	**$ 42,748**	$ 33,308
Commercial Real Estate	**104,093**	116,437
Single-Family Residential	**31,096**	31,940
Construction and Development	**2,220**	2,925
Consumer	**6,804**	6,428
	186,961	191,038
Allowance for loan losses	**2,124**	2,299
Loans receivable – net	**$ 184,837**	$ 188,739

Concentrations—The Company's concentrations of credit risk are as follows:

A substantial portion of the Company's loan portfolio is collateralized by real estate in metropolitan Atlanta and Birmingham markets. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in market conditions in the metropolitan Atlanta and Birmingham areas.

- The Company's loans to area churches were approximately $42.0 million and $41.9 million at December 31, 2015 and 2014, respectively, which are generally secured by real estate.
- The Company's loans to area convenience stores were approximately $6.1 million and $7.3 million at December 31, 2015 and 2014, respectively. Loans to convenience stores are generally secured by real estate.
- The Company's loans to area hotels were approximately $15.6 million and $21.3 million at December 31, 2015 and 2014, respectively, which are generally secured by real estate.

Activity in the allowance for loan losses by portfolio segment is summarized as follows (in thousands):

	For the Year Ended December, 2015					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 415	$ 1,366	$ 254	$ 72	$ 192	$ 2,299
Provision for loan losses	(101)	(261)	423	(75)	114	100
Loans charged-off	—	(138)	(268)	—	(197)	(603)
Recoveries on loans charged-off	28	203	26	6	65	328
Ending Balance	$ 342	$ 1,170	$ 435	$ 3	$ 174	$ 2,124

	For the Year Ended December, 2014					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 384	$ 1,721	$ 731	$ 126	$ 195	$ 3,157
Provision for loan losses	(12)	27	(129)	69	120	75
Loans charged-off	(9)	(562)	(468)	(137)	(182)	(1,358)
Recoveries on loans charged-off	52	180	120	14	59	425
Ending Balance	$ 415	$ 1,366	$ 254	$ 72	$ 192	$ 2,299

	For the Year Ended December, 2013					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 433	$ 1,853	$ 803	$ 177	$ 243	$ 3,509
Provision for loan losses	(68)	127	361	(56)	61	425
Loans charged-off	(22)	(710)	(554)	(30)	(169)	(1,485)
Recoveries on loans charged-off	41	451	121	35	60	708
Ending Balance	$ 384	$ 1,721	$ 731	$ 126	$ 195	$ 3,157

Portions of the allowance for loan losses may be allocated for specific loans or portfolio segments. However, the entire allowance for loan losses is available for any loan that, in the judgment of management, should be charged-off.

In determining our allowance for loan losses, we regularly review loans for specific reserves based on the appropriate impairment assessment methodology. Impaired loans are measured based on the present value of expected future cash flows,

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discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. At December 31, 2015 and 2014, substantially all of the total impaired loans were evaluated based on the fair value of the underlying collateral. General reserves are determined using historical loss trends measured over a rolling four quarter average for consumer loans, and a three year average loss factor for commercial loans which is applied to risk rated loans grouped by Federal Financial Examination Council ("FFIEC") call code. For commercial loans, the general reserves are calculated by applying the appropriate historical loss factor to the loan pool. Impaired loans greater than a minimum threshold established by management are excluded from this analysis. The sum of all such amounts determines our total allowance for loan losses.

The allocation of the allowance for loan losses by portfolio segment was as follows (in thousands):

	At December 31, 2015					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses:						
Specific Reserves:						
Impaired loans	$ —	$ 550	$ 100	$ —	$ —	$ 650
Total specific reserves	—	550	100	—	—	650
General reserves	342	620	335	3	174	1,474
Total	$ 342	$ 1,170	$ 435	$ 3	$ 174	$ 2,124
Loans outstanding:						
Loans individually evaluated for impairment	$ —	$ 9,392	$ 417	$ —	$ —	$ 9,809
Loans collectively evaluated for impairment	42,748	94,701	30,679	2,220	6,804	177,152
Total	$ 42,748	$ 104,093	$ 31,096	$ 2,220	$ 6,804	$ 186,961

	At December 31, 2015					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses:						
Specific Reserves:						
Impaired loans	$ —	$ 91	$ 51	$ —	$ —	$ 142
Total specific reserves	—	91	51	—	—	142
General reserves	415	1,275	203	72	192	2,157
Total	$ 415	$ 1,366	$ 254	$ 72	$ 192	$ 2,299
Loans outstanding:						
Loans individually evaluated for impairment	$ —	$ 9,787	$ 280	$ 219	$ —	$ 10,286
Loans collectively evaluated for impairment	33,308	106,650	31,660	2,706	6,428	180,752
Total	$ 33,308	$ 116,437	$ 31,940	$ 2,925	$ 6,428	$ 191,038

The following table presents impaired loans by class of loan (in thousands):

	At December 31, 2015						
	Impaired Loans - With Allowance			Impaired Loans - With no Allowance			
Residential:	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
First mortgages	$ —	$ —	$ —	$ —	$ —	$ —	$ —
HELOC's and equity	134	134	100	304	283	209	43
Commercial							
Secured	—	—	—	—	—	—	—
Unsecured	—	—	—	—	—	—	—
Commercial Real Estate:							
Owner occupied	4,115	4,115	356	4,456	3,972	8,666	391
Non-owner occupied	691	691	194	667	614	1,679	193
Multi-family	—	—	—	—	—	—	—
Construction and Development:	.						
Construction	—	—	—	—	—	—	—
Improved Land	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—
Consumer and Other	—	—	—	—	—	—	
Total	$ 4,940	$ 4,940	$ 650	$ 5,427	$ 4,869	$10,554	$ 627

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	At December 31, 2014						
	Impaired Loans - With Allowance			Impaired Loans - With no Allowance			
Residential:	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
First mortgages	$ —	$ —	$ —	$ —	$ —	$ —	$ —
HELOC's and equity	102	102	51	178	178	86	35
Commercial							
Secured	—	—	—	—	—	—	—
Unsecured	—	—	—	—	—	—	—
Commercial Real Estate:							
Owner occupied	81	81	81	8,014	7,457	7,575	717
Non-owner occupied	—	—	—	2,388	2,154	2,228	165
Multi-family	95	95	10	—	—	97	69
Construction and Development:							
Construction	—	—	—	356	219	292	30
Improved Land	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—
Consumer and Other	—	—	—	—	—	—	
Total	$ 278	$ 278	$ 142	$ 10,936	$ 10,008	$ 10,278	$ 1,016

The following table is an aging analysis of our loan portfolio (in thousands):

	At December 31, 2015							
Residential:	30–59 Days Past Due	60–89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Nonaccrual
First mortgages	$ 1,581	$ 824	$ 745	$ 3,150	$ 19,253	$ 22,403	$—	$ 1,246
HELOC's and equity	224	59	173	456	8,237	8,693	—	250
Commercial:								
Secured	49	—	30	79	36,144	36,223	—	30
Unsecured	—	—	—	—	6,525	6,525	—	—
Commercial Real Estate:								
Owner occupied	931	336	—	1,267	51,181	52,448	—	933
Non-owner occupied	441	691	—	1,132	45,684	46,816	—	551
Multi-family	—	—	—	—	4,829	4,829	—	—
Construction and Development:								
Construction	—	—	—	—	2,220	2,220	—	—
Improved Land	—	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—	—
Consumer and Other	29	41	6	76	6,728	6,804	—	6
Total	$ 3,255	$ 1,951	$ 954	$ 6,160	$ 180,801	$ 186,961	$—	$ 3,016

At December 31, 2014

Residential:	30–59 Days Past Due	60–89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Nonaccrual
First mortgages	$ 2,273	$ 1,190	$ 1,036	$ 4,499	$ 19,960	$ 24,459	$ 35	$ 1,513
HELOC's and equity	60	550	184	794	6,687	7,481	—	286
Commercial:								
Secured	—	187	—	187	28,232	28,419	—	—
Unsecured	—	—	—	—	4,889	4,889	—	—
Commercial Real Estate:								
Owner occupied	767	—	228	995	59,065	60,060	—	1,222
Non-owner occupied	1,429	588	84	2,101	42,425	44,526	—	1,026
Multi-family	35	327	95	457	11,394	11,851	—	95
Construction and Development:								
Construction	—	—	—	—	2,759	2,759	—	—
Improved Land	103	—	—	103	63	166	—	—
Unimproved Land	—	—	—	—	—	—	—	—
Consumer and Other	6	22	18	46	6,382	6,428	—	18
Total	$ 4,673	$ 2,864	$ 1,645	$ 9,182	$ 181,856	$ 191,038	$ 35	$ 4,160

Each of our portfolio segments and the classes within those segments are subject to risks that could have an adverse impact on the credit quality of our loan and lease portfolio. Management has identified the most significant risks as described below which are generally similar among our segments and classes. While the list in not exhaustive, it provides a description of the risks that management has determined are the most significant.

Commercial, financial and agricultural loans—We centrally underwrite each of our commercial loans based primarily upon the customer's ability to generate the required cash flow to service the debt in accordance with the contractual terms and conditions of the loan agreement. We endeavor to gain a complete understanding of our borrower's businesses including the experience and background of the principals. To the extent that the loan is secured by collateral, which is a predominant feature of the majority of our commercial loans, we gain an understanding of the likely value of the collateral and what level of strength the collateral brings to the loan transaction. To the extent that the principals or other parties provide personal guarantees, we analyze the relative financial strength and liquidity of each guarantor. Common risks to each class of commercial loans include risks that are not specific to individual transactions such as general economic conditions within our markets, as well as risks that are specific to each transaction including demand for products and services, personal events such as disability or change in marital status, and reductions in the value of our collateral. Due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Consumer—The installment loan portfolio includes loans secured by personal property such as automobiles, marketable securities, other titled recreational vehicles and motorcycles, as well as unsecured consumer debt. The value of underlying collateral within this class is especially volatile due to potential rapid depreciation in values since date of loan origination in excess of principal repayment.

Commercial Real Estate—Real estate commercial loans consist of loans secured by multifamily housing, commercial non-owner and owner occupied and other commercial real estate loans. The primary risk associated with multifamily loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. High unemployment or generally weak economic conditions may result in our customer having to provide rental rate concessions to achieve adequate occupancy rates. Commercial owner-occupied and other commercial real estate loans are primarily dependent on the ability of our customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a customer's business results are significantly unfavorable versus the original projections, the ability for our loan to be serviced on a basis consistent with the contractual terms may be at risk. These loans are primarily secured by real property and can include other collateral such as personal guarantees, personal property, or business assets such as inventory or accounts receivable, it is possible that the liquidation of the collateral will not fully satisfy the obligation. Also, due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Single-Family Residential—Real estate residential loans are to individuals and are secured by 1-4 family residential property. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral. Such a decline in values has led to unprecedented levels of foreclosures and losses during 2008-2012 within the banking industry.

Construction and Development—Real estate construction loans are highly dependent on the supply and demand for residential and commercial real estate in the markets we serve as well as the demand for newly constructed commercial space and residential homes and lots that our customers are developing. Continuing deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for our customers. Real estate construction loans can experience delays in completion and cost overruns that exceed the borrower's financial ability to complete the project. Such cost overruns can routinely result in foreclosure of partially completed and unmarketable collateral.

Risk categories—The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or special mention are reviewed quarterly by the Company for further deterioration or improvement to determine if appropriately classified and impairment, if any. All other loan relationships greater than $750,000 are reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as if a loan becomes past due, the Company will evaluate the loan grade.

Loans excluded from the scope of the annual review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged off. The Company uses the following definitions for risk ratings:

Special Mention Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table presents our loan portfolio by risk rating (in thousands):

	At December 31, 2015				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single-Family Residential:					
First mortgages	$ 22,403	$ 20,729	$ —	$ 1,651	$ 23
HELOC's and equity	8,693	8,004	66	547	76
Commercial, financial, and agricultural:					
Secured	36,223	36,193	—	—	30
Unsecured	6,525	6,525	—	—	—
Commercial Real Estate:					
Owner occupied	52,448	45,275	1,604	5,569	—
Non-owner occupied	46,816	45,458	107	1,251	—
Multi-family	4,829	4,524	305	—	—
Construction and Development:					
Construction	2,220	2,220	—	—	—
Improved Land	—	—	—	—	—
Unimproved Land	—	—	—	—	—
Consumer	6,804	6,749	—	16	39
Total	$ 186,961	$ 175,677	$ 2,082	$ 9,034	$ 168

	At December 31, 2014				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single-Family Residential:					
First mortgages	$ 24,459	$ 22,168	$ —	$ 2,291	$ —
HELOC's and equity	7,481	6,346	557	476	102
Commercial, financial, and agricultural:					
Secured	28,419	28,419	—	—	—
Unsecured	4,889	4,889	—	—	—
Commercial Real Estate:					
Owner occupied	60,060	50,603	4,673	4,702	82
Non-owner occupied	44,526	37,750	4,805	1,971	—
Multi-family	11,851	10,353	1,368	130	—
Construction and Development:					
Construction	2,759	2,540	—	219	—
Improved Land	166	127	39	—	—
Unimproved Land	—	—	—	—	—
Consumer	6,428	6,392	5	13	18
Total	$ 191,038	$ 169,587	$ 11,447	$ 9,802	$ 202

The Bank identified as TDRs certain loans for which the allowance for loan losses had previously been measured under a general allowance methodology. Upon identifying those loans as TDRs, the Bank identified them as impaired under the guidance in ASC 310-10-35. The amendments in ASU 2011-02 require prospective application of the impairment measurement guidance in ASC 310-10-35 for those loans newly identified as impaired. As of December 31, 2015, the Company did not identify any loans as TDRs under the amended guidance for which the loan was previously measured under a general allowance methodology.

	December 31, 2015		
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings			
Residential:			
HELOC's and equity	5	$ 445	$ 445
Total	5	$ 445	$ 445

During the year ended December 31, 2015, the Bank modified five (5) loans that were considered to be troubled debt restructurings. We extended the terms and decreased the interest rate on all loans (dollar in thousands).

	December 31, 2014		
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings			
Residential:			
HELOC's and equity	2	$ 90	$ 94
Total	2	$ 90	$ 94

During the year ended December 31, 2014, the Bank modified two (2) loans that were considered to be troubled debt restructurings. We extended the terms and decreased the interest rate on both loans (dollar in thousands).

No loans restructured in the twelve months prior to December 31, 2015 or 2014 went into default during the years ended December 31, 2015 or 2014.

In the determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings by performing the usual process for all loans in determining the allowance for loan loss. The Company considers a default as failure to comply with the restructured loan agreement. This would include the restructured loan being past due greater than 90 days, failure to comply with financial covenants, or failure to maintain current insurance coverage or real estate taxes after the loan restructured date.

4. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31,	
	2015	**2014**
Land	$ **2,250,250**	$ 2,250,250
Buildings and improvements	**7,789,226**	7,692,420
Furniture and equipment	**9,630,319**	9,435,255
	19,669,795	19,377,925
Less accumulated depreciation	**13,533,770**	12,982,492
	$ **6,136,025**	$ 6,395,433

Depreciation expense amounted to $551,000, $547,000 and $616,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

5. DEPOSITS

The following is a summary of interest-bearing deposits:

	December 31,	
	2015	**2014**
NOW and money market accounts	$ **89,469,976**	$ 84,620,492
Savings accounts	**34,807,189**	33,555,840
Time deposits of $100,000 or more	**86,914,226**	108,109,124
Other time deposits	**29,127,618**	30,785,713
	$ **240,319,009**	$ 257,071,169

The Company participates in the Certificate of Deposit Account Registry Services ("CDARS"), a program that allows its customers the ability to benefit from the FDIC insurance coverage on their time deposits over the $250,000 limit. The Company had $21,020,000 and $24,789,000 in CDARS deposits at December 31, 2015 and 2014, respectively.

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 were $35,020,000 and $47,478,000 as at December 31, 2015 and 2014, respectively.

At December 31, 2015, maturities of time deposits are approximately as follows:

2016	$ 82,233,470
2017	22,087,739
2018	8,814,472
2019	1,174,234
2020 and thereafter	1,731,929
	$ 116,041,844

6. OTHER BORROWINGS

Federal Home Loan Bank Advances—In August 2006, the Company received an Affordable Housing Program Award in the amount of $400,000. The AHP is a principal reducing credit with an interest rate of zero, and at December 31, 2015 and 2014 had a remaining balance of approximately $235,000 and $254,000, respectively. These advances are collateralized by FHLB stock, a blanket lien on the Bank's 1-4 family mortgages, and certain commercial real estate loans and investment securities. As of December 31, 2015 and 2014, total loans pledged as collateral were $27,033,000 and $31,727,000, respectively.

As of December 31, 2015 and 2014, maturities of the Company's Federal Home Loan Bank Advances are approximately as follows:

		December 31,	
Maturity	**Rate**	**2015**	**2014**
December 2016	Variable (0.49% at December 31, 2015)	$ 5,000,000	$ —
August-2026 (1)	N/A	234,707	254,084
		$ 5,234,707	$ 254,084

(1) $234,707 represents an Affordable Housing Program (AHP) award used to subsidize loans for homeownership or rental initiatives. The AHP is a principal reducing credit, scheduled to mature on August 17, 2026 with an interest rate of zero.

At December 31, 2015, the Company has a $76.1 million line of credit facility at the FHLB of which $25.2 million was outstanding consisting of an advance of $5,235,000 and a letter of credit to secure public deposits in the amount of $20.0 million. The Company also had $23.5 million of borrowing capacity at the Federal Reserve Bank discount window and an unsecured $4 million fed funds line of credit.

7. INCOME TAXES

The components of income tax expense consist of:

	2015	2014	2013
Current tax expense (benefit)	**$ (100,933)**	$ (33,783)	$ 49,090
Deferred tax expense (benefit)	**406,781**	167,446	(199,896)
Total income tax (benefit)	**$ 305,848**	$ 133,663	$ (150,806)

Income tax expense for the years ended December 31, 2015, 2014, and 2013 differed from the amounts computed by applying the statutory federal income tax rate of 34% to earnings before income taxes as follows:

	2015	2014	2013
Income tax expense (benefit) at statutory rate	**$ 722,502**	$ 660,389	$ 407,309
Tax-exempt interest income—net of disallowed interest expense	**(295,367)**	(390,986)	(515,458)
Cash surrender value of life insurance income	**(81,483)**	(172,759)	(111,736)
Other—net	**(39,804)**	37,019	69,079
Income tax (benefit)	**$ 305,848**	$ 133,663	$ (150,806)

In 2015, the valuation allowance decreased by $176,778.

The tax effects of temporary differences that give rise to significant amounts of deferred tax assets and deferred tax liabilities are presented below:

	2015	2014
Deferred tax assets:		
Net operating losses and credits	**$ 2,975,497**	$ 3,344,993
Net unrealized loss on securities available for sale	**36,528**	—
Loans, principally due to difference in allowance for loan losses and deferred loan fees	**602,622**	564,662
Nonaccrual loan interest	**14,884**	44,495
Postretirement benefit accrual, deferred compensation	**1,235,933**	1,116,664
Other real estate owned	**439,888**	547,857
Other	**474,988**	704,429
Gross deferred tax asset	**5,780,340**	6,323,100
Valuation allowance	—	(176,778)
Total deferred tax assets	**5,780,340**	6,146,322
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	—	345,400
Premises and equipment	**157,906**	138,158
Other	**81,014**	96,491
Total deferred tax liabilities	**238,920**	580,049
Net deferred tax assets	**$ 5,541,420**	$ 5,566,273

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The Company has, at December 31, 2015, net operating loss carryforwards of $6,309,647 for federal income tax purposes and $3,149,505 for state income tax purposes, which begin to expire in the year 2017. The Company also has certain state income tax credits of $408,069 at December 31, 2015 which begin to expire in the year 2016. Due to the uncertainty relating to the realizability of all the carryforwards and credits, management currently considers it more likely than not that all related deferred tax assets will be realized; thus, no valuation allowance has been provided because there are no state tax carry forwards at December 31, 2015.

Tax returns for 2012 and subsequent years are subject to examination by taxing authorities.

The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

8. EMPLOYEE BENEFITS

Defined Contribution Plan—The Company sponsors a defined contribution 401(k) plan covering substantially all full-time employees. Employee contributions are voluntary. The Company matches 50% of the employee contributions up to a maximum of 6% of compensation. During the years ended December 31, 2015, 2014 and 2013, the Company recognized $93,000, $89,000 and $96,000, respectively, in expenses related to this plan. The Bank previously had Post Retirement Benefit Plans that provide retirement benefits to certain officers, board members, certain former officers and former board members. The Bank also has a Life Insurance Endorsement Method Split Dollar Plan ("Split Dollar Life Insurance Plan") for the same participants which provide death benefits for their designated beneficiaries through an endorsement of a portion of the death benefit otherwise payable to the Bank. Under the Post Retirement Benefit and Split Dollar Life Insurance Plans ("The Plans"), the Board purchased life insurance contracts on certain participants. During 2008, the Bank discontinued participation in The Plans and converted certain key officers and active board members into a defined Supplemental Retirement Benefit Plans ("SERP") and certain key officers into a Life Insurance Bonus Plan. Certain other participants were paid-out with eight participants remaining in The Plans.

The increase in cash surrender value for the contracts on those participants remaining in the Post Retirement Benefit Plan, less the Bank's premiums, constitutes the Bank's contribution to the Post Retirement Benefit Plans each year.

In the event the insurance contracts fail to produce positive returns, the Bank has no obligation to contribute to the Post Retirement Benefit Plan. At December 31, 2015 and 2014, the cash surrender value of these insurance contracts was $10,090,000 and $10,082,000, respectively.

During 2009, the Company converted the Post Retirement Benefit Plan for its key officers and active Board members into the SERP. For the SERP and the Post Retirement Benefit Plans, the Company recognized $287,000, $165,000, and $336,000 in 2015, 2014 and 2013, respectively, in noninterest expenses. The Company recognized $240,000, $304,000, and $329,000 in 2015, 2014 and 2013, respectively, in noninterest income related to the insurance contracts. Upon completion of the conversion, most key officers and active Board members participating in the Split Dollar Life Insurance Plan surrendered their interest in the death benefit portion of the plan. In exchange for relinquishing the postretirement death benefit, the Company implemented a Life Insurance Bonus Plan ("The Bonus Plan") for most key officers to provide death benefits for their designated beneficiaries. The Company pays the participating officers an annual compensation amount to pay the annual premiums on the insurance policies. The Company incurred $63,000 in 2015 and $46,000 in both 2014 and 2013 for expenses related to the Bonus Plan.

9. COMMITMENTS AND CONTINGENCIES

Credit Commitments and Commercial Letters—The Company, in the normal course of business, is a party to financial instruments with off-balance sheet risk used to meet the financing needs of its customers. These financial instruments include commitments to extend credit and commercial letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and residential and commercial real estate. Commercial letters of credit are commitments issued by the Company to guarantee funding to a third party on behalf of a customer. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party of the financial instrument for commitments to extend credit and commercial letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations related to off-balance sheet financial instruments as it does for the financial instruments recorded in the Consolidated Balance Sheets.

	Approximate Contractual Amount	
	2015	**2014**
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 35,843,000	$ 26,833,000
Commercial letters of credit	1,889,000	2,027,000

Leases—The Company leases its new corporate headquarters and a branch location at its prior corporate headquarters. The main office lease commenced on November 1, 2015 and has a 12 years and 2 months term. The lease requires monthly payments starting at $26,291 for the first year, increasing 3% per year thereafter. We received a twenty (20) month rent abatement at the lease commencement date. The branch lease commenced on June 1, 2007 and has a 7 year term. The lease requires monthly payments of $5,500 for four years and monthly lease payments of $6,000 for three years. The lease is renewable at the bank's option for two five year terms. In October 2013, the Company exercised its first option to renew the branch lease for five years. The renewed lease requires monthly payments of $6,300 for three years and monthly lease payments of $6,772 for two years commencing on June 1, 2014. In February 2016, we cancelled the lease at our prior corporate headquarters; however, we continue to lease the branch at that location. As of December 31, 2015, future minimum lease payments under all noncancelable lease agreements inclusive of sales tax and maintenance costs for the next five years and thereafter are as follows:

2016	$ 197,192
2017	243,020
2018	417,687
2019	380,296
2020 and Thereafter	3,127,524
	$4,365,719

Rent expense in 2015, 2014, and 2013 was approximately $561,000, $550,000, and $542,000, respectively.

Legal—The Company and the Bank are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, the ultimate disposition of these matters will not have a material adverse impact on the Company's Consolidated Financial Statements.

10. STOCK OPTIONS

The Company has a Stock Incentive Plan which was approved in 1999. Under the 1999 Stock Incentive Plan, options are periodically granted to employees at a price not less than fair market value of the shares at the date of grant (or less than 110% of the fair market value if the participant owns more than 10% of the Company's outstanding Common Stock). The term of the stock incentive option may not exceed ten years from the date of grant; however, any stock incentive option granted to a participant who owns more than 10% of the Common Stock will not be exercisable after the expiration of five (5) years after the date the option is granted.

A summary of the status of the Company's stock options as of December 31, 2015, 2014, and 2013, and changes during the years ended on those dates is presented below:

	2015				2014			2013	
	Shares	**Average Exercise Price**	**Remaining Contractual Life**	**Aggregate Intrinsic Value**	**Shares**	**Average Exercise Price**	**Remaining Contractual Life**	**Shares**	**Average Exercise Price**
Outstanding—beginning of year	49,277	**$ 10.47**	**2.18**		49,277	$ 10.47	3.18	89,877	$ 10.58
Granted	—	—			—	—		—	—
Exercised	—	—			—	—		—	—
Expired/Terminated	(7,900)	**$ 13.41**			—	—		(40,600)	10.71
Outstanding—end of year	41,377	**$ 9.91**	**1.54**	**$ 5,775**	49,277	$ 10.47	2.18	49,277	$ 10.47
Options exercisable at year-end	41,377	**$ 9.91**	**1.54**	**$ 5,775**	49,277	$ 10.47	2.18	49,277	$ 10.47
Shares available for grant	274,209				266,309			266,309	

There was no compensation cost recognized during 2015, 2014, and 2013.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Basic and diluted net income per common and potential common share has been calculated based on the weighted average number of shares outstanding. Options with exercise prices lower than the average market price of the Company's stock during the periods are considered dilutive and are therefore included in the computation of diluted earnings per share. There were 16,500 options that were dilutive in 2015 and none in 2014 or 2013. Options that are potentially dilutive are deemed not to be dilutive for 2015, 2014 and 2013 due to the exercise price of all options being greater than the average market price of the Company's stock during those years. As of December 31, 2015, 24,877 potentially dilutive options were outstanding. As of December 31, 2014 and 2013, there were 49,277 potentially dilutive options outstanding. The following schedule reconciles the numerators and denominator of the basic and diluted net income per common and potential common share for the years ended December 31, 2015, 2014, and 2013.

Year ended December 31, 2015	**Net Income (Numerator)**	**Shares (Denominator)**	**Per Share Amount**
Basic earnings per share available to common stockholders	$1,582,339	2,186,610	$ 0.72
Nonvested restricted stock grant	—	21,143	(0.01)
Effect of dilutive securities: options to purchase common shares	—	16,500	—
Diluted earnings per share	$1,582,339	2,224,253	$ 0.71
Year ended December 31, 2014			
Basic earnings per share available to common stockholders	$1,571,838	2,166,818	$ 0.73
Nonvested restricted stock grant	—	19,575	(0.01)
Effect of dilutive securities: options to purchase common shares	—	—	—
Diluted earnings per share	$1,571,838	2,186,393	$ 0.72
Year ended December 31, 2013			
Basic earnings per share available to common stockholders	$1,111,953	2,152,780	$ 0.52
Nonvested restricted stock grant	—	12,830	(0.01)
Effect of dilutive securities: options to purchase common shares	—	—	—
Diluted earnings per share	$1,111,953	2,165,610	$ 0.51

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures or monitors certain of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities that are elected to be accounted for under ASC guidance as well as certain assets and liabilities in which fair value is the primary basis of accounting. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value, which are in accordance with the guidance for determining the fair value of a financial asset when the market for that asset is not active.

In accordance with ASC guidance, the Company applied the following fair value hierarchy:

Level 1—Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasury and other highly liquid investments that are actively traded in over-the-counter markets.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, certain derivative contracts and impaired loans.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly structured or long-term derivative contracts.

Investment Securities Available for Sale—Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the counter markets and money market funds. Level 2 securities include mortgage backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Other Real Estate Owned—Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. The fair value of other real estate owned is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. In addition, the Company may further adjust an appraised amount given its knowledge of a specific property or market.

Loans—The Company does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management determines the amount of the impairment. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At December 31, 2015 and December 31, 2014, substantially all of the impaired loans were evaluated based upon the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. The fair value of collateral dependent impaired loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. In addition, the Company may further adjust an appraised amount given its knowledge of a specific property or market. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

The following tables present financial assets measured at fair value on a recurring and nonrecurring basis and the change in fair value for those specific financial instruments in which fair value has been elected. There were no financial liabilities measured at fair value for the periods being reported (in thousands):

	Fair Value Measurements at December 31, 2015			
	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Assets				
Securities available for sale:				
State, county, and municipal securities	$ 29,457	$ —	$ 29,457	$ —
Mortgage-backed securities	91,800	—	91,800	—
Corporate securities	2,001	—	2,001	—
	123,258		123,258	
Nonrecurring Basis:				
Assets				
Impaired loans:				
Commercial Real Estate	$ 8,842	$ —	$ —	$ 8,842
Single-family Residential	317	—	—	317
Other real estate owned	4,463	—	—	4,463
	13,622			13,622

	Fair Value Measurements at December 31, 2014			
	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Assets				
Securities available for sale:				
State, county, and municipal securities	$ 29,693	$ —	$ 29,693	$ —
Mortgage-backed securities	86,915	—	86,915	—
Corporate securities	10,003	—	10,003	—
	126,611		126,611	
Nonrecurring Basis:				
Assets				
Impaired loans:				
Commercial Real Estate	$ 9,696	$ —	$ —	$ 9,696
Single-family Residential	229	—	—	229
Construction and Development	219	—	—	219
Other real estate owned	4,668	—	—	4,668
	14,812			14,812

For Level 3 assets and liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2015, the significant unobservable inputs used in the fair value measurements were as follows (dollars in thousands):

Commercial Real Estate	$ 8,842	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%
Single-family Residential	$ 317	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%
OREO	$ 4,463	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%

Following are disclosures of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered an estimate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in the value of financial instruments held by the Company since purchase, origination, or issuance.

Cash, Due from Banks, Federal Funds Sold, Interest-Bearing Deposits with Banks and Certificates of Deposits—Fair value equals the carrying value of such assets due to their nature and is classified as Level 1.

Investment Securities—Fair value of investment securities is based on quoted market prices and is classified as Level 2.

Other Investments—The carrying amount of other investments approximates its fair value and is classified as Level 1.

Loans—The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings resulting in a Level 3 classification. For variable rate loans, the carrying amount is a reasonable estimate of fair value. The methods utilized to estimate the fair values of loans do not necessarily represent an exit price. The carrying amount of related accrued interest receivable, due to its short-term nature, approximates its fair value, is not significant and is not disclosed.

Cash Surrender Value of Life Insurance—Cash values of life insurance policies are carried at the value for which such policies may be redeemed for cash and are classified as Level 1.

Deposits—The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed rate certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities and is classified as Level 2.

Advances from Federal Home Loan Bank—The fair values of advances from the Federal Home Loan Bank are estimated by discounting the future cash flows using the rates currently available to the Bank for debt with similar remaining maturities and terms and are classified as Level 2.

Commitments to Extend Credit and Commercial Letters of Credit—Because commitments to extend credit and commercial letters of credit are made using variable rates, or are recently executed, the contract value is a reasonable estimate of fair value.

Limitations—Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments; for example, premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2015 (in thousands):

	December 31, 2015				
	Carrying	Fair Value Measurements			
	Amount	Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 2,577	$ 2,577	$ 2,577	$ —	$ —
Federal funds sold	16,500	16,500	16,500	$ —	$ —
Interest-bearing deposits with banks	29,819	29,819	29,819	—	—
Certificates of deposit	900	900	900	—	—
Investment securities	123,258	123,258	—	123,258	—
Other investments	965	965	965	—	—
Loans-net	184,837	183,929	—	—	183,929
Cash surrender value of life insurance	10,090	10,090	10,090	—	—
Financial liabilities:					
Deposits	$ 328,862	$ 329,211	$ 212,820	$ 116,391	$ —
Advances from Federal Home Loan Bank	5,235	5,235	—	5,235	—

	Notional Amount	Estimated Fair Value
Off-balance-sheet financial instruments:		
Commitments to extend credit	$ 35,843	$ —
Commercial letters of credit	1,889	—

The carrying values and estimated fair values of the Company's financial instruments at December 31, 2014 are as follows (in thousands):

	December 31, 2014				
	Carrying Amount	Fair Value Measurements Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 2,758	$ 2,758	$ 2,758	$ —	$ —
Interest-bearing deposits with banks	45,653	45,653	45,653	—	—
Certificates of deposit	350	350	350	—	—
Investment securities	126,851	126,854	—	126,854	—
Other investments	792	792	792	—	—
Loans–net	188,739	188,195	—	—	188,195
Cash surrender value of life insurance	10,082	10,082	10,082	—	—
Financial liabilities:					
Deposits	$ 340,889	$ 341,719	$ 201,994	$ 139,725	$ —
Advances from Federal Home Loan Bank	254	254	—	254	—

	Notional Amount	Estimated Fair Value
Off-balance-sheet financial instruments:		
Commitments to extend credit	$ 26,883	$ —
Commercial letters of credit	2,027	—

13. STOCKHOLDERS' EQUITY

Capital Adequacy—The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve 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 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 (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2015, the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table.

The Company's and the Bank's actual capital amounts and ratios are also presented in the table below (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2015	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets):						
Consolidated	$ 49,786	20%	$ 19,546	8.0%	N/A	N/A
Bank	50,528	21%	19,179	8.0%	$ 23,974	10.0%
Tier I capital (to risk weighted assets):						
Consolidated	47,662	20%	10,995	4.5%	N/A	N/A
Bank	48,404	20%	10,788	4.5%	10,788	4.5%
Tier I capital (to average assets):						
Consolidated	47,662	20%	9,773	4.0%	N/A	N/A
Bank	48,404	20%	9,589	4.0%	19,179	8.0%
Total capital (to risk weighted assets):						
Consolidated	47,662	12%	15,367	4.0%	N/A	N/A
Bank	48,404	13%	15,343	4.0%	19,179	5.0%
As of December 31, 2014						
Tier I capital (to risk weighted assets):						
Consolidated	$ 45,943	19%	$ 18,854	8.0%	N/A	N/A
Bank	45,500	19%	18,822	8.0%	$ 23,527	10.0%
Tier I capital (to average assets):						
Consolidated	43,644	19%	9,427	4.0%	N/A	N/A
Bank	43,201	18%	9,411	4.0%	14,116	6.0%
Tier I capital (to risk weighted assets):						
Consolidated	43,644	11%	15,779	4.0%	N/A	N/A
Bank	43,201	11%	15,763	4.0%	19,704	5.0%

Dividend Limitation—The amount of dividends paid by the Bank to the Company or paid by the Company to its shareholders is limited by various banking regulatory agencies. Any such dividends will be subject to maintenance of required capital levels. The Georgia Department of Banking and Finance must approve dividend payments that would exceed 50% of the Bank's net income for the prior year to the Company.

When the Company received a capital investment from the United States Department of the Treasury in exchange for Preferred Stock under the Troubled Assets Relief Program ("TARP") Capital Purchase Program on March 6, 2009, the Company became subject to additional limitations on the payment of dividends. These limitations require, among other things, that for as long as the Preferred Stock is outstanding, no dividends may be declared or paid on the Company's common stock until all accrued and unpaid dividends on the Preferred Stock are fully paid. In addition, the U.S. Treasury's consent is required for any increase in dividends on common stock before the third anniversary of issuance of the Preferred Stock.

The Company paid dividends of $172,000 on its common stock in 2015, 2014 and 2013, respectively. The annual dividend payout rate was $0.08 per common share in 2015 and 2014. In addition, the Company paid cash dividends totaling $237,000 in 2015, 2014 and 2013, respectively, on its preferred stock issued to the Treasury.

Basel III—Effective January 1 2015, Basel III rules on the Company and the Bank became effective and the regulation

PART 3

now also requires the Company to maintain a minimum amount and ratio of common equity Tier 1 capital to risk weighted assets and certain requirements of the rule will be fully phased in 2019. We believe that the final rule will not have a material impact on our regulatory capital ratios, business, financial condition, results of operations and cash flows.

14. RELATED-PARTY TRANSACTIONS

Certain of the Company's directors, officers, principal stockholders, and their associates were customers of, or had transactions with, the Company or the Bank in the ordinary course of business during 2015 and 2014. Some of the Company's directors are directors, officers, trustees, or principal securities holders of corporations or other organizations that also were customers of, or had transactions with, the Company or the Bank in the ordinary course of business during 2015 and 2014.

All outstanding loans and other transactions with the Company's directors, officers, and principal shareholders were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and, when made, did not involve more than the normal risk of collectibility or present other unfavorable features.

The following table summarizes the activity in these loans during 2015 and 2014:

	Years Ended December 31,	
	2015	**2014**
Balance at beginning of year	**$ 11,971,312**	$ 14,522,184
New loans	**438,528**	2,841,922
Repayments	**(6,610,768)**	(5,392,794)
Balance—end of year	**$ 5,799,072**	$ 11,971,312

Deposits by directors, executive officers of the Company, the Bank, and associates of such persons, totaled $5,683,639 and $5,645,426 at December 31, 2015 and 2014, respectively.

15. SUPPLEMENTARY INCOME STATEMENT INFORMATION

Components of other operating expenses in excess of 1% of total interest income and other income in any of the respective years are approximately as follows:

	For the years ended		
	2015	**2014**	**2013**
Professional services—legal	$ 306,875	$ 309,411	$ 438,208
Professional services—other	490,553	598,451	723,505
Stationery and supplies	144,518	144,702	200,116
Data processing	711,753	695,863	664,240
Telephone	246,274	284,260	305,279
FDIC insurance premium	325,000	329,000	533,447
Amortization of core deposit intangible	471,918	471,918	471,918
Security and protection expense	368,565	394,980	389,614
Advertising and Marketing	148,702	126,082	154,389
Other benefit expenses	287,401	165,276	336,066
Other miscellaneous expenses	1,638,763	1,990,232	1,751,862
	$ 5,140,322	$ 5,510,175	$ 5,968,644

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16. CONDENSED FINANCIAL INFORMATION OF CITIZENS BANCSHARES CORPORATION (PARENT ONLY)

	December 31, 2015	December 31, 2014
Balance Sheets		
Assets:		
Cash	**$ 31,898**	$ 119,075
Investment in Bank	**49,692,045**	49,123,228
Other assets	**722,572**	400,698
	$ 50,446,515	$ 49,643,001
Liabilities and stockholders' equity:		
Total liabilities	**$ 70,319**	$ 76,456
Stockholders' equity	**50,376,196**	49,566,545
	$ 50,446,515	$ 49,643,001

	For the Years Ended December 31,		
	2015	2014	2013
Statements of Income			
Dividends from subsidiary	**$ 714,000**	$ 671,000	$ 500,000
Other revenue	**—**	3,426	—
Total revenue	**714,000**	674,426	500,000
Total expenses	**526,256**	232,616	291,771
Income (loss) before income tax benefit and equity in undistributed earnings of the subsidiary	**187,744**	441,810	208,229
Income tax benefit	**321,207**	79,089	92,356
Income (loss) before equity in undistributed earnings of the subsidiary	**508,951**	520,899	300,585
Equity in undistributed earnings of the subsidiary	**1,310,208**	1,287,759	1,048,188
Net income	**$ 1,819,159**	$ 1,808,658	$ 1,348,773

	Years Ended December 31,		
	2015	**2014**	**2013**
Statements of Cash Flows			
Cash flows from operating activities—			
Net income	**$ 1,819,159**	$ 1,808,658	$ 1,348,773
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed earnings of the subsidiary	**(1,310,208)**	(1,287,759)	(1,048,188)
Restricted stock based compensation plan	**(1,648)**	(8,164)	(106,829)
Change in other assets	**(321,874)**	(79,089)	(92,357)
Change in other liabilities	**(6,137)**	(30,628)	(6,398)
Net cash provided by (used in) operating activities	**179,292**	403,018	95,001
Cash flows from financing activities:			
Common stock dividend paid	**(172,316)**	(171,744)	(171,744)
Preferred stock dividend paid	**(236,820)**	(236,820)	(236,820)
Net purchase of treasury stock	**—**	—	(61,423)
Proceeds from issuance of common stock	**191,070**	114,784	180,657
Purchase of treasury stock	**(48,403)**	—	—
Net cash used in financing activities	**(266,469)**	(293,780)	(289,330)
Net change in cash	**(87,177)**	109,238	(194,329)
Cash:			
Beginning of year	**119,075**	9,837	204,166
End of year	**$ 31,898**	$ 119,075	$ 9,837
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	**$ 55,000**	$ —	$ 26,000

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17. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents the Company's quarterly financial data for the years ended December 31, 2015 and 2014 (amounts in thousands, except per share amounts):

	First Quarter 2015	Second Quarter 2015	Third Quarter 2015	Fourth Quarter 2015
Interest Income	$ 3,174	$ 3,164	$ 3,367	$ 3,063
Interest expense	184	179	172	165
Net Interest income	2,990	2,985	3,195	2,898
Provision for loan losses	75	50	75	(100)
Non-interest income	1,164	1,059	1,069	1,309
Non-interest expense	3,558	3,580	3,662	3,644
Income before income taxes	521	414	527	663
Income tax expense	93	66	107	40
Net income	428	348	420	623
Preferred dividends	59	59	59	60
Net income available to common stockholders	$ 369	$ 289	$ 361	$ 563
Net income per common share - basic	$ 0.17	$ 0.13	$ 0.16	$ 0.26
Net income per common share - diluted	$ 0.17	$ 0.13	$ 0.16	$ 0.25

	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Fourth Quarter 2014
Interest Income	$ 3,376	$ 3,387	$ 3,333	$ 3,266
Interest expense	212	211	211	199
Net Interest income	3,164	3,176	3,122	3,067
Provision for loan losses	—	—	—	75
Non-interest income	979	1,017	990	1,454
Non-interest expense	3,644	3,623	3,758	3,927
Income before income taxes	499	570	354	519
Income tax expense (benefit)	83	97	(22)	(24)
Net income	416	473	376	543
Preferred dividends	59	59	59	59
Net income available to common stockholders	$ 357	$ 414	$ 317	$ 484
Net income per common share - basic	$ 0.17	$ 0.19	$ 0.15	$ 0.22
Net income per common share - diluted	$ 0.16	$ 0.19	$ 0.15	$ 0.22

18. SUBSEQUENT EVENTS

In preparing these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to all shareholders and other financial statement users, or filed with the Securities and Exchange Commission. In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the financial statements or disclosed in the notes to the financial statements.

Item 15. Exhibits, Financial Statement Schedules

(a)(1) The list of all financial statements is included at Item 8.

(a)(2) The financial statement schedules are either included in the financial statements or are not applicable.

(a)(3) Exhibit List

Exhibit Number	Exhibit
3.1	The Articles of Incorporation.(1)
3.2	Amendment to the Articles of Incorporation.(2)
3.3	Bylaws.(3)
3.4	Amendment to the Bylaws. (4)
4.1	Instruments Defining the Rights of Security Holders.(5)
10.1*	Citizens Bancshares Corporation Employee Stock Purchase Plan.(6)
10.2*	Citizens Bancshares Corporation 1999 Incentive Stock Option Plan.(6)
10.3*	Citizens Bancshares Corporation 2009 Long-Term Incentive Plan.(7)
10.4*	Employment Agreement Dated August 12, 2013 between Cynthia N. Day and Citizens Bancshares Corporation.(8)
10.5*	Change in Control Agreement by and between Cynthia Day and Citizens Bancshares Corporation.(9)
10.6*	Change in Control Agreement by and between Samuel J. Cox and Citizens Bancshares Corporation.(10)
10.7*	Change in Control Agreement by and between Fred Daniels and Citizens Bancshares Corporation.(11)
10.8*	Director Supplemental Executive Retirement Plan.(12)
10.9*	Senior Officer Supplemental Executive Retirement Plan.(13)
10.10*	Supplemental Executive Retirement Plan Joinder Agreement for Cynthia N. Day.(14)
10.11*	Supplemental Executive Retirement Plan Joinder Agreement for Samuel J. Cox.(15)
10.12*	First Amendment to Change in Control Agreement by and between Cynthia Day and Citizens Bancshares Corporation.(16)
10.13*	First Amendment to Change in Control Agreement by and between Samuel J. Cox and Citizens Bancshares Corporation.(17)
10.14	Letter Agreement, dated March 6, 2009, including Securities Purchase Agreement – Standard Terms, incorporated by reference therein, between the Company and the United States Department of the Treasury.(18)
10.15	Side Letter, dated March 6, 2009, between the Company and the United States Department of the Treasury, regarding the American Recovery and Reinvestment Act of 2009.(19)
10.16	Side Letter, dated March 6, 2009, between the Company and the United States Department of the Treasury, pursuant to Section 113(d)(3) of the Emergency Economic Stabilization Act of 2008.(20)
10.17	Side Letter, dated March 6, 2009, between the Company and the United States Department of the Treasury.(21)
10.18	Form of Waiver.(22)
10.19	Letter Agreement, dated August 13, 2010, including Exchange Agreement – Standard Terms, incorporated by reference herein, between the Company and the United States Department of the Treasury.(23)
10.20	Form of Waiver.(24)

Exhibit Number	Exhibit
10.21	Letter Agreement, dated September 17, 2010, including Securities Purchase Agreement – Standard Terms, incorporated by reference herein, between the Company and the United States Department of the Treasury.[25]
10.22	Form of Waiver.[26]
10.23	TARP Recipient Principal Executive Officer and Principal Financial Officer Certification for Fiscal Year Other than the First Year.
21.1	List of subsidiaries.[27]
23.1	Consent of Report of Independent Registered Public Accountant Firm.
24.1	Power of Attorney (appears on the signature page of this Annual Report on Form 10-K).
31.1	Certification by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files.[28]

* Compensatory plan or arrangement.

(1) Incorporated by reference to exhibit of same number in the Company's Form 10-QSB for the quarter ending September 30, 2001.

(2) Incorporated by reference to Exhibits 3.1 and 3.2 of the Company's Form 8-K dated March 6, 2009, Exhibit 3.1 of the Company's Form 8-K dated August 12, 2010, and Exhibit 3.1 of the Company's Form 8-K dated September 16, 2010.

(3) Incorporated by reference to Exhibit 3.2 in the Company's Registration Statement on Form 10, File No. 0-14535.

(4) Incorporated by reference to exhibit of same number in the Company's Form 10-K for the year ended December 31, 2014.

(5) See the Articles of Incorporation of the Company at Exhibit 3.1 and 3.2 hereto and the Bylaws of the Company at Exhibit 3.3 hereto.

(6) Incorporated by reference to Exhibit of same number in the Company's 2000 Form 10-KSB.

(7) Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for the 2009 Annual Meeting of Shareholders.

(8) Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated August 12, 2013.

(9) Incorporated by reference to Exhibit 10.8 in the Company's Form 10-K for the year ended December 31, 2006.

(10) Incorporated by reference to Exhibit 10.9 in the Company's Form 10-K for the year ended December 31, 2006.

(11) Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated December 31, 2013.

(12) Incorporated by reference to Exhibit of 10.11 in the Company's Form 10-K for the year ended December 31, 2007.

(13) Incorporated by reference to Exhibit of 10.12 in the Company's Form 10-K for the year ended December 31, 2007.

(14) Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated August 7, 2008.

(15) Incorporated by reference to Exhibit 10.3 of the Company's Form 8-K dated August 7, 2008.

(16) Incorporated by reference to Exhibit 10.20 of the Company's Form 10-K dated March 30, 2008.

(17) Incorporated by reference to Exhibit 10.21 of the Company's Form 10-K dated March 30, 2008.

(18) Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated March 6, 2009.

(19) Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated March 6, 2009.

(20) Incorporated by reference to Exhibit 10.3 of the Company's Form 8-K dated March 6, 2009.

(21) Incorporated by reference to Exhibit 10.4 of the Company's Form 8-K dated March 6, 2009.

(22) Incorporated by reference to Exhibit 10.5 of the Company's Form 8-K dated March 6, 2009.

(23) Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated August 12, 2010.

(24) Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated August 12, 2010.

(25) Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated September 16, 2010.

(26) Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated September 16, 2010.

(27) The Company has only one subsidiary, Citizens Trust Bank.

(28) Interactive data files providing financial information from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 in XBRL. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

(b) The Exhibits not incorporated herein by reference are submitted as a separate part of this report.

Financial Statement Schedules: The financial statement schedules are either included in the financial statements or are not applicable.

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 Bancshares Corporation

By: /s/ CYNTHIA N. DAY

Cynthia N. Day
President and Chief Executive Officer

Date: March 30, 2016

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears on the signature page to this Report constitutes and appoints Cynthia N. Day and Samuel J. Cox and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits hereto, and other documents in connection herewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ RAY ROBINSON Ray Robinson	Chairman of the Board	March 30, 2016
/s/ ROBERT L. BROWN Robert L. Brown	Director	March 30, 2016
/s/ STEPHEN ELMORE Stephen Elmore	Director	March 30, 2016
/s/ C. DAVID MOODY C. David Moody	Director	March 30, 2016

Signature	Title	Date
/s/ H. JEROME RUSSELL H. Jerome Russell	Director	March 30, 2016
/s/ JAMES E. WILLIAMS James E. Williams	Director	March 30, 2016
/s/ CYNTHIA N. DAY Cynthia N. Day	Director, President and Chief Executive Officer*	March 30, 2016
/s/ SAMUEL J. COX Samuel J. Cox	Executive Vice President and Chief Financial Officer**	March 30, 2016

* Principal executive officer

** Principal accounting and financial officer

PART 4

EXHIBIT 10.26

Citizens Bancshares Corporation
Annual PEO and PFO Certification For Fiscal Years Other than the First Year

I, Cynthia N. Day, President/Chief Executive Officer and I, Samuel J. Cox, Executive Vice President/Chief Financial Officer, certify, based on my knowledge, that:

(i) The entity serving as the compensation committee (the "Committee") of Citizens Bancshares Corporation (the "Company") has discussed, reviewed, and evaluated with senior risk officer at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer (SEO) compensation plans and employee compensation plans and the risks these plans pose to the Company and each entity aggregated with the Company as the "TARP Recipient" as defined in the regulations and guidance established under section 111 of EESA (collectively referred to as the "TARP Recipient");

(ii) The Committee has identified and limited during any part of the most recently completed fiscal year that was a TARP period any features of the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the TARP Recipient and has identified any features of the employee compensation plans that pose risks to the TARP Recipient and has limited those features to ensure that the TARP Recipient is not unnecessarily exposed to risks;

(iii) The Committee has reviewed, at least every six months during any part of the most recently completed fiscal year that was a TARP period, the terms of each employee compensation plan and identified any features of the plan that could encourage the manipulation of reported earnings of the TARP Recipient to enhance the compensation of an employee, and has limited any such features;

(iv) The Committee will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above;

(v) The Committee will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in:

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the TARP Recipient;

(B) Employee compensation plans that unnecessarily expose the TARP Recipient to risks; and

(C) Employee compensation plans that could encourage the manipulation of reported earnings of the TARP Recipient to enhance the compensation of an employee;

(vi) The TARP Recipient has required that bonus payments, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), to SEOs and any of the next twenty most highly compensated employees be subject to a recovery or "clawback" provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(vii) The TARP Recipient has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to an SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(viii) The TARP Recipient has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period.

(ix) The TARP Recipient and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period; and any expenses that, pursuant to the policy, required approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility, were properly approved;

(x) The TARP Recipient will permit a non-binding shareholder resolution in compliance with any applicable Federal securities rules and regulations on the disclosures provided under the Federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period;

(xi) The TARP Recipient will disclose the amount, nature, and justification for the offering, during any part of the most recently completed fiscal year that was a TARP period, of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for any employee who is subject to the bonus payment limitations identified in paragraph (viii);

(xii) The TARP Recipient will disclose whether the TARP Recipient, the board of directors of the Company, or the Committee has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period;

(xiii) The TARP Recipient has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(xiv) The TARP Recipient has substantially complied with all other requirements related to employee compensation that are provided in the agreement between the TARP Recipient and Treasury, including any amendments;

(xv) The TARP Recipient has submitted to Treasury a complete and accurate list (see attached) of the SEOs and the twenty next most highly compensated employees for the current fiscal year, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified; and

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both. (See, for example 18 U.S.C. 1001.)

Date: March 30, 2016

/s/ Cynthia N. Day

Cynthia N. Day
President/Chief Executive Officer

Date: March 30, 2016

/s/ Samuel J. Cox

Samuel J. Cox
Executive Vice President/Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-86599 and 33-91003 of Citizens Bancshares Corporation on Form S-8 and Form S-3, respectively, of our report dated March 30, 2016, relating to consolidated financial statements of Citizens Bancshares Corporation and Subsidiary as of and for the year ended December 31, 2015, which report appears in the Annual Report on Form 10-K for the year ended December 31, 2015.

/s/ Elliott Davis Decosimo, LLC

Columbia, South Carolina
March 30, 2016

EXHIBIT 31.1

CERTIFICATION

I, Cynthia N. Day, Chief Executive Officer of Citizens Bancshares Corporation, certify that:

1. I have reviewed the annual report on Form 10-K of Citizens Bancshares Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements for the external purposes in accordance with generally accepted accounting principles.
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

This 30th day of March, 2016.

/s/ CYNTHIA N. DAY

Cynthia N. Day
Chief Executive Officer

PART 4

EXHIBIT 31.2

CERTIFICATION

I, Samuel J. Cox, Chief Financial Officer of Citizens Bancshares Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Citizens Bancshares Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements for the external purposes in accordance with generally accepted accounting principles.
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

This 30th day of March, 2016.

/s/ SAMUEL J. COX

Samuel J. Cox
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Annual Report on Form 10-K for the year ended December 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This 30th day of March, 2016.

/s/ CYNTHIA N. DAY

Chief Executive Officer
Citizens Bancshares Corporation

/s/ SAMUEL J. COX

Chief Financial Officer
Citizens Bancshares Corporation

PART 4

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Stockholder INFORMATION

CORPORATE HEADQUARTERS

230 Peachtree Street NW, Suite 2700
Atlanta, Georgia 30303
www.ctbconnect.com
888.214.3099 | 678.406.4000

MAILING ADDRESS

CITIZENS BANCSHARES CORPORATION
Post Office Box 4485
Atlanta, Georgia 30302

NOTICE OF ANNUAL MEETING

May 23, 2016, 11:00 A.M. ET
Loudermilk Conference Center
40 Courtland Street NE, Atlanta, Georgia

TRANSFER AGENCY

Trading Symbol: CZBS
Computershare
Investor Services | 1.800.568.3476
250 Royall Street, Canton, MA 02021

DIRECTORS

RAY M. ROBINSON

Chairman of the Board
Citizens Bancshares Corporation

President Emeritus
East Lake Golf Club

Vice Chairman
East Lake Community Foundation

CYNTHIA N. DAY

President and CEO
Citizens Trust Bank

ROBERT L. BROWN, JR.

President
R.L. Brown & Associates

STEPHEN A. ELMORE, SR.

Managing Principal
Elmore CPAs, LLC

C. DAVID MOODY, JR.

Chief Executive Officer
C.D. Moody Construction Company, Inc.

H. JEROME RUSSELL, JR.

President
H.J. Russell and Company and Russell New Urban Development, LLC

JAMES E. WILLIAMS

President
Williams Communications System

Citizens Trust Bank Corporate Headquarters

888.214.3099 | 678.406.4000
www.ctbconnect.com

LOCATIONS

GEORGIA

Main Office
75 Piedmont Avenue
Atlanta, GA 30303

Cascade
3705 Cascade Road
Atlanta, GA 30331

Columbus
3172 Macon Road
Columbus, GA 31906

East Point
2840 East Point Street
East Point, GA 30344

Lithonia
3065 Stone Mountain Street
Lithonia, GA 30058

Panola
2727 Panola Road
Lithonia, GA 30058

Rockbridge
5771 Rockbridge Road
Stone Mountain, GA 30087

Westside
965 MLK Jr. Drive, NW
Atlanta, GA 30314

Operations Center
2570 Park Central Boulevard
Decatur, GA 30035

ALABAMA

Birmingham Headquarters
1700 3rd Avenue North
Birmingham, AL 35203

Eutaw
213 Main Street
Eutaw, AL 35462

TRANSFER AGENCY
Trading Symbol: CZBS
Computershare
Investor Services | 1.800.568.3476
250 Royall Street, Canton, MA 02021