

FIRST CITIZENS BANCSHARES INC /TN/  
Form 10-Q  
November 06, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 30, 2009
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-11709

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First Citizens Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of  
incorporation or organization)

62-1180360  
(IRS Employer Identification No.)

P.O. Box 370, One First Citizens Place  
Dyersburg, Tennessee 38024

(Address of principal executive offices including zip code)

(731) 285-4410

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 for such shorter period that the registrant was required to submit and post such file). Yes  No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Of the registrant's only class of common stock (no par value) there were 3,625,006 shares outstanding as of October 30, 2009.

## PART I - FINANCIAL INFORMATION

### ITEM 1 - FINANCIAL STATEMENTS

#### FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008 (In Thousands)

	<b>September 30, 2009</b>	<b>December 31, 2008 (1)</b>
	<b>(UNAUDITED)</b>	
<b>ASSETS</b>		
Cash and due from banks	\$ 14,495	\$ 17,888
Federal funds sold	21,513	22,816
Cash and cash equivalents	36,008	40,704
Investment securities:		
Held-to-Maturity, at amortized cost, fair value of \$0 at September 30, 2009 and \$115 at December 31, 2008	-	115
Available-for-Sale, stated at market	220,323	210,385
Loans (excluding unearned income of \$439 at Sept. 30, 2009 and \$506 at December 31, 2008)	607,449	596,758
Less: allowance for loan losses	8,202	7,300
Net loans	599,247	589,458
Loans held-for-sale	1,574	2,632
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	5,684	5,684
Premises and equipment	30,678	31,746
Accrued interest receivable	6,644	5,581
Goodwill	11,825	11,825
Other intangible assets	225	289
Other real estate	5,185	5,424
Bank owned life insurance policies	20,932	20,627
Other assets	4,242	3,032
<b>TOTAL ASSETS</b>	<b>\$ 942,567</b>	<b>\$ 927,502</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Demand	\$ 83,903	\$ 108,762
Time	381,000	392,840
Savings	271,217	233,313
Total deposits	736,120	734,915

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Securities sold under agreements to repurchase	37,846	32,765
Federal funds purchased and other short term borrowings	650	1,000
Long-term debt	75,423	73,843
Other liabilities	8,151	7,971
<b>Total liabilities</b>	<b>858,190</b>	<b>850,494</b>

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Continued)  
AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008  
(In Thousands)

	<b>September 30, 2009(UNAUDITED)</b>	<b>December 31, 2008 (1)</b>
Shareholders' equity:		
Common stock, no par value - 10,000,000 authorized; 3,717,593 issued and outstanding a September 30, 2009 and 3,717,593 issued and outstanding at December 31, 2008	\$ 3,718	\$ 3,718
Surplus	15,331	15,331
Retained earnings	63,234	58,890
Accumulated other comprehensive income	4,535	1,526
Total common stock and retained earnings	86,818	79,465
Less-92,585 treasury shares, at cost as of September 30, 2009 and 93,094 shares at cost at December 31, 2008	2,441	2,457
Total shareholders' equity	84,377	77,008
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 942,567</b>	<b>\$ 927,502</b>

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008  
(Dollars in Thousands Except for Per Share Amounts)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept 30, 2009</b>	<b>Sept 30, 2008</b>	<b>Sept 30, 2009</b>	<b>Sept 30, 2008</b>
Interest income:				
Interest and fees on loans	\$ 9,756	\$ 10,722	\$ 28,715	\$ 32,259
Interest on investment securities:				
Taxable	1,674	1,848	5,409	5,393
Tax-exempt	868	582	2,364	1,713
Dividends	66	84	174	260
Other interest income	-	-		
Fed funds sold	9	10	31	71
Interest-bearing deposits in banks	3	9	14	34
Total interest income	12,376	13,255	36,707	39,730
Interest expense:				
Interest expense on deposits	2,732	4,152	9,294	13,491
Other interest expense	1,013	1,337	3,104	3,991
Total interest expense	3,745	5,489	12,398	17,482

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Net interest income	8,631	7,766	24,309	22,248
Provision for loan losses	1,650	1,100	4,850	2,208
Net interest income after provision	6,981	6,666	19,459	20,040
Other non-interest income:				
Mortgage banking income	221	279	854	893
Income from fiduciary activities	182	194	568	579
Service charges on deposit accounts	1,832	1,900	5,139	5,485
Brokerage fees	368	361	983	1,169
Earnings on bank owned life insurance	193	192	616	568
Gain (loss) on sale of securities	487	29	1,194	103
Other non-interest income	317	383	1,190	1,154
Total other non-interest income	3,600	3,338	10,544	9,951

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) - (CONTINUED)  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008  
(Dollars in Thousands Except for Per Share Amounts)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>Sept 30, 2009</u>	<u>Sept 30, 2008</u>	<u>Sept 30, 2009</u>	<u>Sept 30, 2008</u>
Total other-than temporary impairment losses	\$	(44)	\$	1,753
Portion of loss recognized in other comprehensive income (before taxes)	195	-	(501)	-
Net impairment losses recognized in earnings	151	1,753	204	1,753
Other non-interest expense:				
Salaries and employee benefits	\$ 4,126	3,268	\$ 11,695	\$ 12,068
Net occupancy expense	462	444	1,332	1,295
Depreciation expense	465	481	1,375	1,380
Data processing expense	257	249	824	695
Legal and professional fees	34	44	93	170
Stationary and office supplies	64	77	186	202
Amortization of intangibles	21	21	63	63
Advertising and promotions	171	194	469	560
FDIC insurance premium expense	360	29	1,311	67
Other real estate expense	142	104	608	405
Other non-interest expense	1,286	1,232	3,550	3,621
Total other non-interest expense	7,388	6,143	21,506	20,526
Net income before income taxes	3,042	2,108	8,293	7,712
Income taxes	624	1,036	1,811	2,244
Net income	\$ 2,418	1,072	\$ 6,482	\$ 5,468
Earnings per share	\$ 0.67	\$ 0.30	\$ 1.79	\$ 1.51
Weighted average number of shares outstanding	3,624,913	3,624,500	3,624,911	3,624,669

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008  
(In Thousands)

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Balance beginning of period	\$ 78,961	\$ 73,715	\$ 77,008	\$ 75,031
Net income	2,418	1,072	6,482	5,468
Other comprehensive income				
Changes in available for sale investments	3,154	(8)	2,957	(1,700)
Changes in derivatives	33	22	52	30
Comprehensive income	5,605	1,086	9,491	3,798
Cash dividend declared	(543)	(1,052)	(2,138)	(3,154)
Common stock issued				
Common stock repurchased, net	-	(2)	16	(9)
Cumulative effect for change in accounting principle (adoption of EITF 06-04)	-	-		(1,919)
Balance end of period	\$ 84,023	\$ 73,747	\$ 84,377	\$ 73,747

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008  
(Dollars In Thousands)

	<b>Nine Months Ended September 30,</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
Net cash provided by operating activities	\$ 1,074	\$ 6,652
Investing activities:		
Proceeds of maturities of held-to-maturity securities	115	175
Proceeds of maturities of available-for-sale securities	29,227	38,792
Proceeds of sales of available-for-sale securities	41,040	16,360
Purchase of available-for-sale securities	(73,682)	(63,417)
Increase in loans-net	(9,521)	(51,118)
Proceeds from sale of other real estate	1,964	1,523
Purchases of premises and equipment	(307)	(1,382)
Net cash (used) by investing activities	(11,164)	(59,067)
Financing activities:		
Net increase in demand and savings accounts	13,045	1,323
Increase (decrease) in time deposits	(11,840)	22,129
Increase in long-term debt	1,580	10,953
Treasury stock purchases, net	16	(9)
Cash dividends paid	(2,138)	(3,154)
Net increase in short-term borrowings	4,731	15,166
Net cash provided by financing activities	5,394	46,408
Decrease in cash and cash equivalents	(4,696)	(6,007)
Cash and cash equivalents at beginning of period	40,704	25,242
Cash and cash equivalents at end of period	\$ 36,008	\$ 19,235
Supplemental cash flow disclosures:		
Interest payments, net	\$ 13,111	\$ 17,060
Income taxes paid, net	2,708	1,710
Transfers from loans to foreclosed assets	4,124	1,463
Transfers from foreclosed assets to loans	1,938	-

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
SEPTEMBER 30, 2009

**NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated balance sheet as of September 30, 2009, the consolidated statements of income for the three and six month periods ended September 30, 2009 and 2008, and the consolidated statements of cash flows for the six month periods then ended have been prepared by the company without an audit. The accompanying reviewed condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at September 30, 2009 and for all periods presented have been made. Operating results for the reporting periods presented are not necessarily indicative of results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's Annual Report on Form 10-K for the year ended December 31, 2008.

Certain prior year balances have been reclassified to conform with current year presentation. The consolidated financial statements include all accounts of First Citizens Bancshares, Inc. (the "Company"), and its subsidiary, First Citizens National Bank (the "Bank"). First Citizens (TN) Statutory Trusts III and IV are reported under the equity method in accordance with generally accepted accounting principles for Variable Interest Entities for all periods presented. These investments are included in other assets and the proportionate share of income (loss) is included in other non-interest income. The Bank also has two wholly owned subsidiaries, First Citizens Financial Plus and First Citizens Investments, Inc., which are consolidated into its financial statements.

The Bank has a 50% ownership interest in two insurance subsidiaries both of which are accounted for using the equity method. One is White and Associates/First Citizens Insurance, LLC, which is a general insurance agency offering a full line of insurance products. The other is First Citizens/White and Associates Insurance Company whose principal activity is credit insurance. The investment in these subsidiaries is included in Other Assets on the Balance Sheets presented in this report and earnings from these subsidiaries are recorded in Other Income on the Income Statements presented in this report.

**NOTE 2 - ORGANIZATION**

First Citizens Bancshares, Inc., is a bank holding company chartered December 14, 1982, under the laws of the State of Tennessee. On September 23, 1983, all outstanding shares of common stock of First Citizens National Bank were exchanged for an equal number of shares in First Citizens Bancshares, Inc.

**NOTE 3 - CONTINGENT LIABILITIES**

There is no material pending or threatened litigation as of the current reportable date that would result in a liability.

**NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES**

The Company recognized loans as impaired with carrying values of \$12.7 million as of September 30, 2009 and \$12.2 million as of December 31, 2008. Specific allocations in the allowance for loan losses related to impaired loans totaled \$1.8 million as of September 30, 2009 and \$2.0 million at December 31, 2008. Average investment in impaired loans in third quarter 2009 was \$13.3 million compared to \$10.0 million during year ended December 31, 2008, respectively. Interest income recognized on impaired loans on an accrual basis is approximately \$607,000 for first three quarters of 2009 compared to approximately \$417,000 for first three quarters of 2008.

**NOTE 5 - INVESTMENT SECURITIES AND DERIVATIVE TRANSACTIONS**

The following tables reflect amortized cost, unrealized gains, unrealized losses and fair value of investment securities for the dates presented:

As of September 30, 2009

Gross