



**FIRST CITIZENS
BANCSHARES, INC.**

2017
THIRD QUARTER REPORT

TO OUR SHAREHOLDERS

In Third Quarter 2017, your bank was recognized by the national publication, *American Banker Magazine*, as one of the “Best Banks to Work For” in the United States. First Citizens National Bank ranked #19 for the current year but has been in the top 20 for the past six years. Also, Laura Beth Butler was recently recognized as the *Memphis Business Journal's* CFO of the Year for the large private business category. Our first nine months delivered impactful recognitions compounding our positive reputation and brand.

First Citizens earned a record net income for the third consecutive quarter this year as we continue to execute on our long-term plan, producing attractive shareholder returns while maintaining our consistent low to moderate risk position. We had a very solid quarter with growth in revenues and managing expenses. Net income for the first nine months of 2017 continues to exceed prior year and budget. Return on average equity remains above 10%. Earnings per share are \$3.24 for the nine months ended September 30, 2017 compared to \$2.96 for the same period in 2016. These actions produced favorable ratios with the net interest margin and efficiency ratio. Net interest income after provision increased 6% in 2017 reflecting loan growth which is also 6%.

Our credit quality reflects a very strong position, as 30-89 days past due, non-performing assets, other real-estate and net-charge offs are at historic lower levels. Total assets increased approximately 1.0% from September 2016 to September 2017 as loan growth has been funded partially with existing cash and fed fund balances and cash flows from the investment portfolio. Deposits are flat from September 2016 to September 2017 while borrowed funds increased 14% over the past year.

De novo branching is not dead! Our newest teammates have moved into the new Hamilton Place branch located in Chattanooga, Tennessee. Craig Miller, Community Bank President, will be leading this strong seasoned team. We are excited about this growing market and total assets for this new branch should leap to \$20 million by year-end 2017. We now have 24 branches located within 11 counties across Tennessee.

We remain optimistic on the short-term economic outlook. Consumer and business optimism remain above average for most of our markets. First Citizens’ agricultural customers look to have another robust crop yield, thereby offsetting low to average crop prices. Our agricultural loans continue to produce favorably due to: crop insurance, irrigation systems, FSA guarantees, positive cash flows and strong balance sheets.

We understand shareholder expectations to operate within guardrails from a risk standpoint with strong governance practices, stable growth, predictable earnings and transparent communications. As we approach another year end and prepare for the future, we embrace those demands and will continue to deliver positive results. May each of you have a Happy Thanksgiving and blessed holiday season!

Handwritten signature of Jeff Agee in black ink.

Jeff Agee
Chairman & Chief Executive Officer

Handwritten signature of Judy Long in black ink.

Judy Long
President & Chief Operating Officer

FINANCIAL SUMMARY

(In thousands, except per share data)

| SEPTEMBER 30 Condensed Balance Sheet | 2017 | 2016 | % Change |
|--|--------------------|--------------------|--------------|
| Cash & due from banks | \$55,834 | \$63,378 | -11.90% |
| Federal funds sold | 7,116 | 21,199 | -66.43% |
| Available-for-sale investment securities | 563,385 | 569,184 | -1.02% |
| Loans (net of allowance for loan losses) | 891,657 | 844,490 | 5.59% |
| Goodwill & intangibles | 23,611 | 23,804 | -0.81% |
| Other assets | 96,546 | 101,537 | -4.92% |
| Total assets | <u>\$1,638,149</u> | <u>\$1,623,592</u> | <u>0.90%</u> |
| Total deposits | \$1,337,266 | \$1,338,520 | -0.09% |
| Borrowed funds | 118,725 | 104,135 | 14.01% |
| Other liabilities | 9,369 | 12,689 | -26.16% |
| Total liabilities | 1,465,360 | 1,455,344 | 0.69% |
| Total equity | 172,789 | 168,248 | 2.70% |
| Total liabilities & equity | <u>\$1,638,149</u> | <u>\$1,623,592</u> | <u>0.90%</u> |

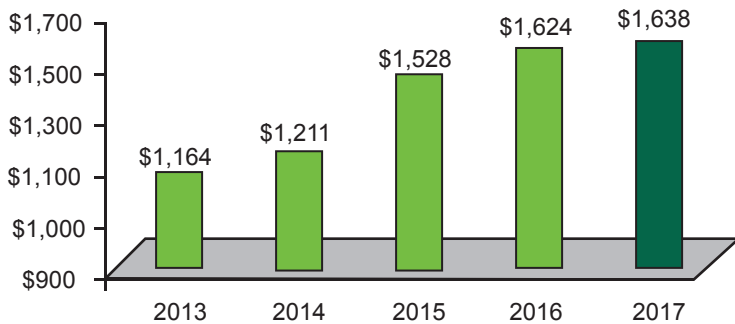
| YEAR-TO-DATE AS OF SEPT 30 Condensed Results of Operations | 2017 | 2016 | % Change |
|---|-----------------|-----------------|--------------|
| Interest income | \$45,317 | \$42,766 | 5.97% |
| Interest expense | 5,892 | 5,582 | 5.55% |
| Net interest income | 39,425 | 37,184 | 6.03% |
| Provision for loan losses | 1,750 | 1,653 | 5.87% |
| Net interest income after provision | 37,675 | 35,531 | 6.03% |
| Non-interest income | 12,185 | 12,130 | 0.45% |
| Non-interest expense | 33,514 | 33,116 | 1.20% |
| Income before taxes | 16,346 | 14,545 | 12.38% |
| Income tax expense | 3,464 | 2,781 | 24.56% |
| Net income | <u>\$12,882</u> | <u>\$11,764</u> | <u>9.50%</u> |

| YEAR-TO-DATE AS OF SEPT 30 Financial Highlights | 2017 | 2016 |
|--|-------------|-------------|
| PER SHARE DATA | | |
| Net income | \$3.24 | \$2.96 |
| Dividends | \$0.75 | \$0.75 |
| Book value | \$43.47 | \$42.28 |
| RATIOS | | |
| Net interest income to avg assets | 3.27% | 3.14% |
| Return on average assets | 1.07% | 0.99% |
| Return on average equity | 10.33% | 9.58% |
| Equity to assets | 10.55% | 10.36% |
| Non-performing assets to capital | 4.37% | 5.31% |
| STOCK PRICE RANGE | | |
| High | \$58.50 | \$51.00 |
| Low | \$50.00 | \$51.00 |
| AVERAGES (IN THOUSANDS) | | |
| Total assets | \$1,614,144 | \$1,579,678 |
| Shareholders' equity | \$166,755 | \$163,956 |
| Outstanding shares | 3,974 | 3,978 |

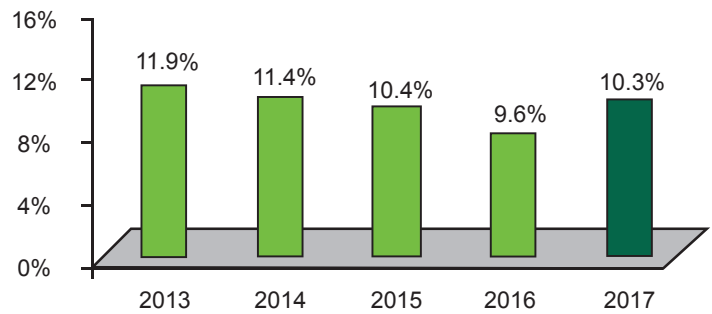
YEAR-TO-DATE AS OF SEPTEMBER 30

TOTAL ASSETS

(In Millions)



RETURN ON EQUITY



OUR STORY

What we've got here is
UNBELIEVABLY GOOD.

We love our team, our community and our customers – and it's easy to see why.

It goes further than who we work with or live near – we are a big family, and it's at the core of who we are.

We're a fired up, top-performing leader,
truly caring for the community since 1889,
and we put actions behind our words
by giving back and doing good.

We're passionate and positive,
and believe we can do just about anything to make a
difference. Our core values are rock solid.

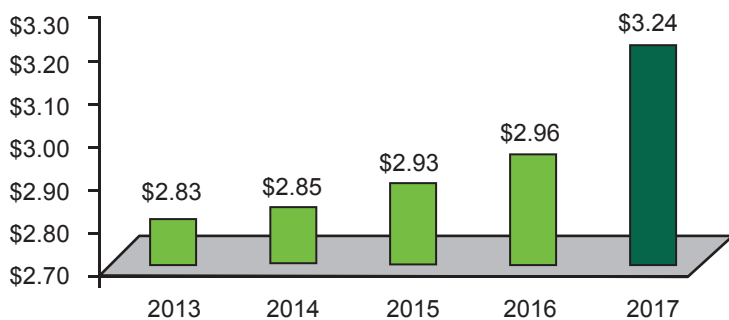
Our attitude is driven.

Our promise is to serve you with everything we have.

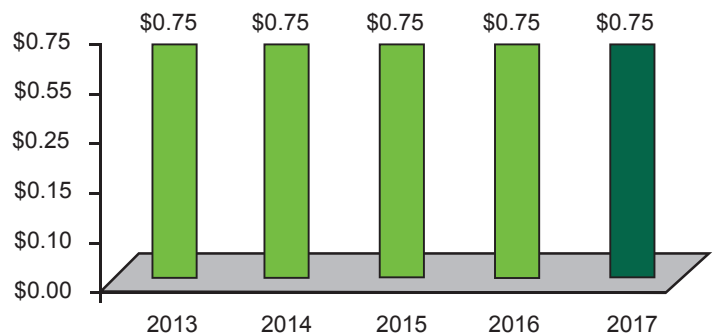
COMMON STOCK

Questions concerning the sale of Bancshares' stock should be directed to Brenda Enoch, Assistant Vice President & Executive Assistant, at: 731-287-4258

EARNINGS PER SHARE



DIVIDENDS PER SHARE



Board of Directors

| | |
|----------------------|------------------------|
| Jeffrey D. Agee | Ralph E. Henson |
| Eddie E. Anderson | Barry T. Ladd |
| Sherrell Armstrong | John M. Lannom |
| J. Walter Bradshaw | Judy Long |
| J. Daniel Carpenter | Milton E. Magee |
| Robert S. Carpenter | J. Lee Stewart |
| Richard W. Donner | Larry S. White |
| Larry W. Gibson | Dwight Steven Williams |
| Christian E. Heckler | Joseph S. Yates |

Executive Officers

Jeffrey D. Agee -
Chairman &
Chief Executive Officer

Judy Long -
President &
Chief Operating Officer

Sherrell Armstrong -
Executive Vice President &
Chief Credit Officer

Laura Beth Butler -
Executive Vice President,
Chief Financial Officer &
Secretary

Christian E. Heckler -
Executive Vice President
of Retail Banking



**FIRST CITIZENS
BANCSHARES, INC.**

P.O. Box 370
Dyersburg, TN 38025-0370

RETURN SERVICE REQUESTED

FIRST CLASS MAIL
U.S. POSTAGE
PAID
DYERSBURG, TN
PERMIT NO. 246