



**FIRST CITIZENS  
BANCSHARES, INC.**

**2018**  
FIRST QUARTER REPORT

## TO OUR SHAREHOLDERS

Our company is off to a great 2018, and we are excited about the next nine months. First Citizens' core fundamentals continue to be strong, and our strategic actions continue to produce impressive results. Net income for the first three months of 2018 was \$4.7 million which exceeded the prior year and budget. Return on average equity was >10% and continues to exceed peer banks. First Citizens National Bank ("FirstCNB") has and will continue to be laser focused on asset quality, net interest margin and efficiency.

Asset quality continues to reflect favorable results when benchmarked to peer and historical trends. Recoveries of previously charged-off loans exceeded charged-off loans for the first three months of 2018. This net recovery position coupled with moderate loan growth and low levels of non-performing loans enabled FirstCNB to allocate \$0 for provision for loan losses in First Quarter 2018. We applaud our Special Assets division of FirstCNB for these great recoveries.

For the first three months of 2018, net interest margin continued moving upward due to: loan growth, investment yields and balance sheet mix. This trend is not likely to continue in a rising rate environment. Cost of funds are forecasted to reprice quicker than our assets, thereby diluting our margins slightly. While our margins are expected to have some pressure going forward, we are confident our balance sheet strategies will combat material margin dilution.

First Citizens understands earnings will grow by achieving great scale of operations or a better efficiency ratio. Achieving a greater efficiency, whether organically or through acquisitions, is a key factor to creating shareholder return. Plans are to continue to grow into new markets by acquisition, de novo branches or hire producers. The past three years reflect significant positive changes for First Citizens applicable to all three growth action plans. We anticipate opening our second branch in Chattanooga later this year.

Reflecting these strong results, our Board approved and increased the quarterly shareholder dividend from \$0.25 to \$0.30 per common share. This strategic action is in line with our goal of paying an enticing dividend over time, while maintaining healthy capital levels. First Citizens Bancshares, Inc. stock is trading at \$60.00 as of March 31, 2018. Hopefully you have recognized the steady growth and predictable earnings coupled with consistent positive shareholder return over the past 10 years. Your stock is not publicly traded on an exchange which reduces volatility like other stocks have experienced in 2018.

Our executive team, along with over 350 teammates, will continue to be faithful and committed to our fortress mission producing long-term superior shareholder returns. We applaud and appreciate your dedication to our successful company.

A handwritten signature in black ink that reads "Jeff Agee".

**Jeff Agee**  
Chairman & Chief Executive Officer

A handwritten signature in black ink that reads "Judy Long".

**Judy Long**  
President & Chief Operating Officer

# FINANCIAL SUMMARY

(In thousands, except per share data)

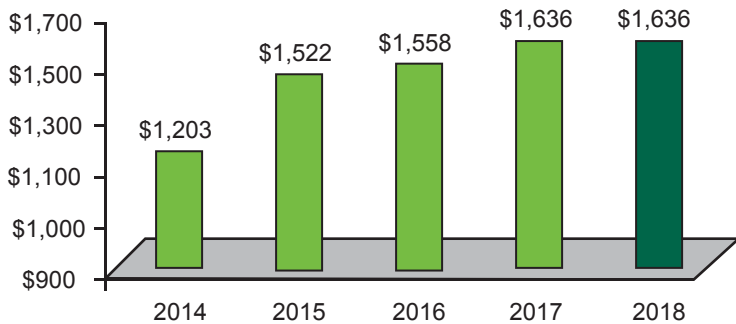
<b>MARCH 31</b> Condensed Balance Sheet	<b>2018</b>	<b>2017</b>	<b>% Change</b>
Cash & due from banks	\$64,967	\$70,724	-8.1%
Federal funds sold	6,283	6,304	-0.3%
Available-for-sale investment securities	535,321	587,605	-8.9%
Loans (net of allowance for loan losses)	907,334	862,787	5.2%
Goodwill & intangibles	23,515	23,707	-0.8%
Other assets	98,907	85,204	16.1%
Total assets	<u>\$1,636,327</u>	<u>\$1,636,331</u>	<u>0.0%</u>
Total deposits	\$1,354,566	\$1,357,059	-0.2%
Borrowed funds	107,331	109,504	-2.0%
Other liabilities	7,020	7,156	-1.9%
Total liabilities	<u>1,468,917</u>	<u>1,473,719</u>	<u>-0.3%</u>
Total equity	<u>167,410</u>	<u>162,612</u>	<u>3.0%</u>
Total liabilities & equity	<u>\$1,636,327</u>	<u>\$1,636,331</u>	<u>0.0%</u>

<b>YEAR-TO-DATE AS OF MARCH 31</b> Condensed Results of Operations	<b>2018</b>	<b>2017</b>	<b>% Change</b>
Interest income	\$15,731	\$14,746	6.7%
Interest expense	2,229	1,887	18.1%
Net interest income	<u>13,502</u>	<u>12,859</u>	<u>5.0%</u>
Provision for loan losses	-	650	-100.0%
Net interest income after provision	<u>13,502</u>	<u>12,209</u>	<u>10.6%</u>
Non-interest income	3,976	4,154	-4.3%
Non-interest expense	11,864	11,136	6.5%
Income before taxes	5,614	5,227	7.4%
Income tax expense	869	989	-12.1%
Net income	<u>\$4,745</u>	<u>\$4,238</u>	<u>12.0%</u>

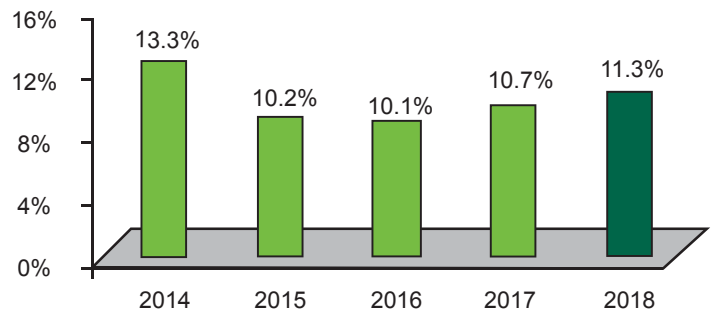
<b>YEAR-TO-DATE AS OF MARCH 31</b> Financial Highlights	<b>2018</b>	<b>2017</b>
<b>PER SHARE DATA</b>		
Net income	\$1.19	\$1.07
Dividends	\$0.30	\$0.25
Book value	\$43.44	\$40.91
<b>RATIOS</b>		
Net interest income to avg assets	3.36%	3.22%
Return on average assets	1.18%	1.07%
Return on average equity	11.34%	10.73%
Equity to assets	10.23%	9.94%
Non-performing assets to capital	4.62%	6.36%
<b>STOCK PRICE RANGE</b>		
High	\$60.00	\$53.00
Low	\$58.50	\$50.00
<b>AVERAGES (IN THOUSANDS)</b>		
Total assets	\$1,627,352	\$1,602,434
Shareholders' equity	\$169,651	\$160,170
Outstanding shares	3,973	3,975

YEAR-TO-DATE AS OF MARCH 31

### 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.

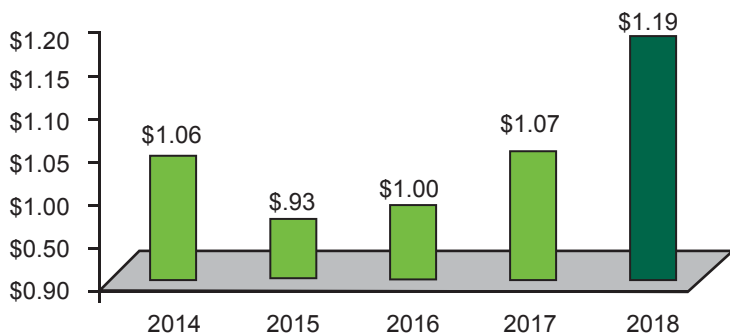
**Our attitude is driven.**

**Our promise is to serve you with everything we have.**

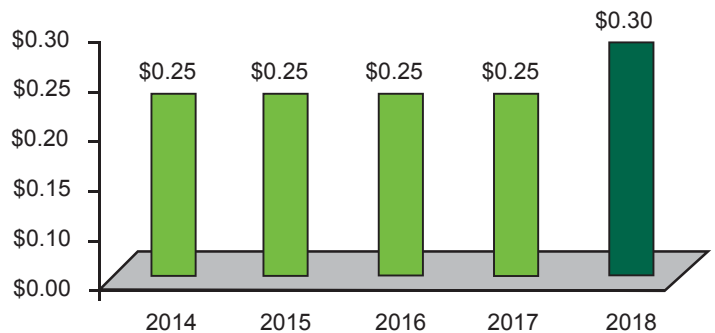
## COMMON STOCK

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