FIRST CITIZENS BANCSHARES INC /TN/
Form 10-Q
November 14, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 30, 2005

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 2-83542

First Citizens Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Tennessee	62-1180360
(State or other jurisdiction of incorporation or organization)	(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)

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 3 months and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ].

Of the registrant's only class of common stock (no par value) there were 3,634,933 shares outstanding as of September 30, 2005 (Net of Treasury).

PART I -FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

FIRST CITIZENS BANCSHARES, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004
(Stated in Thousands)

	AS OF September 30, 2005	AS OF December 31, 2004
ASSETS		
Cash and due from banks	$ 16,094	$ 18,384
Federal funds sold	1,836	15,002
Cash and cash equivalents	17,930	33,386
Investment securities:		
Trading investments-stated at market	-	-
Held-to-Maturity, at amortized cost, fair value of $299 at September 30, 2005 and $810 at December 31, 2004	289	785
Available-for-Sale-stated at market	157,984	146,352
Loans (excluding unearned income of $443 at September 30, 2005 and $350 at December 31, 2004)	558,013	534,682
Less: allowance for loan losses	6,644	6,239
Net loans	551,369	528,443
Loans held-for-sale	3,127	1,330
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	5,199	5,056
Premises and equipment	26,263	23,587
Accrued interest receivable	5,767	4,559
Goodwill	11,825	11,825
Other intangible assets	563	625

Other real estate		390		337
Other assets		18,372		16,919
TOTAL ASSETS	$	799,078	$	773,204
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Demand	$	79,020	$	74,596
Time		337,058		324,656
Savings		190,259		193,130
Total deposits		606,337		592,382
Securities sold under agreements to repurchase		33,311		30,611
Federal funds purchased and other short term borrowings		13,000		1,000
Long-term debt		78,562		84,481
Other liabilities		4,061		3,522
Total liabilities		735,271		711,996

FIRST CITIZENS BANCSHARES, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, CONT'D
AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004
(Stated in Thousands)

		AS OF September 30, 2005		AS OF December 31, 2004
Shareholders' equity:				
Common stock, no par value - 10,000,000 authorized; 3,717,593 issued and outstanding at September 30, 2005 and 3,717,593 issued and outstanding at December 31, 2004	$	3,718	$	3,718
Surplus		15,331		15,331
Retained earnings		46,525		43,001
Obligation of Employee Stock Ownership Plan		-		-
Accumulated other comprehensive income		329		785
Total common stock and retained earnings		65,903		62,835
Less-82,660 treasury shares, at cost as of September 30, 2005 and 67,760 shares at Cost at December 31, 2004		2,096		1,627
Total shareholders' equity		63,807		61,208
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	799,078	$	773,204

See accompanying notes to consolidated financial statements.

-1-

FIRST CITIZENS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Stated in Thousands)

	Three Months ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Balance at beginning of period	$ 62,937	$ 58,033	$ 61,208	$ 57,946
Net income	2,205	1,966	6,581	5,954
Other comprehensive income due to:				
Changes in available-for-sale investments	(260)	1,691	(514)	(141)
Changes in cash flow hedge derivative	49	96	58	158
Comprehensive income	1,994	3,753	6,125	5,971
Cash dividends declared	(1,018)	(1,022)	(3,057)	(3,068)
Common stock repurchased, net	(106)	(31)	(469)	(116)
Balance at end of period	$ 63,807	$ 60,733	$ 63,807	$ 60,733

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Stated in Thousands Except for E.P.S. and Shares Outstanding)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2005	2004	2005	2004
Interest income:				
Interest and fees on loans	$ 9,884	$ 8,379	$ 27,867	$ 24,674
Interest on investment securities:				
Taxable	1,148	967	3,130	2,909
Tax-exempt	411	345	1,235	1,010
Dividends	94	76	258	220
Other interest income	-	-		
Fed funds sold	23	10	200	42
Interest-bearing deposits in banks	3	2	9	2
Total interest income	11,563	9,779	32,699	28,857
Interest expense:				
Interest expense on deposits	2,938	2,126	8,679	6,203
Other interest expense	1,680	1,202	4,095	3,420
Total interest expense	4,618	3,328	12,774	9,623
Net interest income	6,945	6,451	19,925	19,234

Provision for loan losses	299	285	809	835
Net interest income after provision	6,646	6,166	19,116	18,399
Other non-interest income:				
Income from fiduciary activities	236	180	599	569
Service charges on deposit accounts	1,578	1,479	4,418	4,107
Brokerage fees	303	258	981	839
Earnings on bank owned life insurance	141	96	729	384
Gain (loss) on sale of securities	(1)	4	(19)	210
Other non-interest income	417	270	1,372	860
Total other non-interest income	2,674	2,287	8,080	6,969

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Stated in Thousands Except for E.P.S. and Shares Outstanding)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2005	2004	2005	2004
Other non-interest expense:				
Salaries and employee benefits	$ 3,609	$ 3,320	$ 10,787	$ 9,919
Net occupancy expense	441	397	1,281	1,154
Depreciation expense	474	421	1,380	1,192
Data processing expense	176	170	494	531
Legal and professional fees	32	89	129	171
Stationary and office supplies	77	69	218	212
Amortization of intangibles	21	21	63	63
Other non-interest expense	1,425	1,219	4,055	3,798
Total other non-interest expense	6,255	5,706	18,407	17,040
Net income before income taxes	3,065	2,622	8,789	8,328
Income taxes	860	781	2,208	2,374
Net Income	$ 2,205	$ 1,841	$ 6,581	$ 5,954
Earning per share	$ 0.61	$ 0.54	$ 1.81	$ 1.63
Weighted average number of shares outstanding	3,635,597	3,651,859	3,640,560	3,652,869

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Stated in Thousands)

	Nine Months Ended Sept. 30, 2005	2004
Net cash provided by operating activities	$ 7,522	$ 7,627
Investing activities:		
Proceeds of maturities of held-to-maturity securities	495	30
Purchase of held-to-maturity investments	-	-
Proceeds of maturities of available-for-sale securities	29,940	25,773
Proceeds of sales of available-for-sale securities	10,343	14,190
Purchase of available-for-sale securities	(51,581)	(40,319)
Increase in loans-net	(27,329)	(43,082)
Purchases of premises and equipment	(4,056)	(1,838)
Net cash (used) by investing activities	(42,188)	(45,246)
Financing activities:		
Net increase (decrease) in demand and savings accounts	1,553	3,240
Increase (decrease) in time deposits	12,402	(1,272)
Increase (decrease) in long-term debt	(5,919)	1,314
Treasury stock purchases, net	(469)	(116)
Cash dividends paid	(3,057)	(3,068)
Net increase in short-term borrowings	14,700	21,366
Net cash provided by financing activities	19,210	21,464
Increase (decrease) in cash and cash equivalents	(15,456)	(16,155)
Cash and cash equivalents at beginning of period	33,386	34,277
Cash and cash equivalents at end of period	$ 17,930	$ 18,122
Supplemental cash flow disclosures:		
Interest payments, net	$ 12,629	$ 10,025
Income taxes paid, net	$ 2,115	$ 2,142

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2005
(Stated in Thousands)

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of September 30, 2005, the consolidated statements of income for the three and nine month periods ended September 30, 2005 and 2004, and the consolidated statements of cash flows for the nine-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 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 accounting principles generally accepted in the United States 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, 2005 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 ended December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's Annual Report on Form 10-K/A for the year ended December 31, 2004.

NOTE 2 - ORGANIZATION

First Citizens Bancshares, Inc., is a bank holding company chartered on December 14, 1982, under the laws of the State of Tennessee. On September 23, 1983, all of the 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 litigation as of the current reportable date that would result in a liability.

NOTE 4 - RESERVE FOR LOAN LOSSES

The Reserve for Loan Losses is evaluated and recorded in accordance with SFAS 5, 114 and 118 as applicable. Accordingly, certain loans have been considered impaired. Approximate investment in impaired loans as of current quarter end is as follows:

Impaired loans with specific reserve allocations	$ 776,000
Impaired loans without specific reserve allocations	535,000
	$ 1,311,000
	=========
Specific reserve for impaired loan losses	$ 315,000

Interest income recognized on impaired loans has been applied on a cash basis. Interest income recognized on impaired loans is immaterial for all reportable periods presented. Cash receipts are applied as cost recovery first or principal recovery first, consistent with OCC regulations. Management is confident the overall reserves are adequate to cover possible losses within the portfolio in addition to impaired loans.

NOTE 5 - DERIVATIVE TRANSACTIONS

Generally accepted accounting principles have established accounting and reporting standards for derivative financial instruments, including certain derivative instruments embedded in other contracts and for hedging activities. These standards require that derivatives be reported either as assets or liabilities on the balance sheets and be reflected at fair value. Accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation. The Company has one derivative transaction, which is an interest rate swap that was purchased in June 2000. Since a Federal Home Loan Bank Variable LIBOR Borrowing has been designated as the hedged item and in doing so, the Company has effectively fixed the cost of this liability. As a floating rate liability was hedged, there are no significant fluctuations in its market value but there are fluctuations in the cash flows. Thus, the swap is designated as a cash flow hedge, hedging the "benchmark interest rate." The market value gain or loss of the swap is adjusted through other comprehensive income. The purpose of the transaction was to reduce exposure to interest rate risk. Volume of the transaction is $1.5 million and the term is 10 years.

Due to market interest rate fluctuations, market value of the derivative increased $49 thousand net of tax during the current quarter. Other comprehensive income reflects negative value of the derivative at $165 thousand, gross and $102 thousand, net of tax.

NOTE 6 - GOODWILL AND INTANGIBLE ASSETS

SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB 17. Goodwill is no longer amortized. This statement adopts a more aggregate view for goodwill and bases the accounting on the units of the combined units of the combined entity into which an acquired entity is integrated (those units are referred to as reporting units in FASB 131). Currently, First Citizens' has one reporting unit and does not meet the tests to segment per FASB 131. As of January 2002, First Citizens ceased to amortize goodwill ($25 thousand per month). Tests performed first quarter 2005, 2004 and 2003 resulted in an impairment of zero. Total goodwill as of the reportable date is $11.8 million or 1.48% of total assets or 18.53% of total capital as of the end of the current quarter.

Amortization expense of the other identifiable intangibles for the current quarter was $21 thousand for 2005 and 2004.

NOTE 7 - LONG TERM OBLIGATIONS

In March 2002, the Company formed a wholly owned subsidiary First Citizens (TN) Statutory Trust II. The Trust was created under the Business Act of Delaware for the sole purpose of issuing and selling preferred securities and using proceeds from the sale to acquire long term subordinated debentures issued by Bancshares. The debentures are the sole assets of the Trust. First Citizens Bancshares owns 100% of the common stock of the Trust.

On March 26, 2002, the Company through its wholly owned subsidiary, First Citizens (TN) Statutory Trust II, sold 5,000 of its floating rate Preferred Trust Securities at a liquidation amount of $1,000 per security for an aggregate amount of $5,000,000. For the period beginning on (and including) the date of original issuance and ending on (but excluding) June 26, 2002 the rate per annum is 5.59%. For each successive period beginning on (and including) June 26, 2002, and each succeeding interest payment date at a rate per annum equal to the 3-month LIBOR plus 3.60%; provided however, that prior to March 26, 2007, this interest rate shall not exceed 11%. Interest payment dates are: March 26, June 26, September 26, and December 26 during the 30-year term.

Bancshares' obligation under the debentures and related documents, constitute a full and unconditional guarantee by the Company of the Trust issuer's obligations under the Preferred Securities. Although the debentures are treated as debt of the Company, they are treated as Tier I capital subject to a limitation that the securities included as Tier I capital not exceed 25% of the total Tier I capital. Tier I Capital is defined and measured in accordance with financial institution regulatory guidelines. The securities are callable by the Company after 5 years. These funds served as a partial source for the acquisition of Munford Union Bank, along with a line of credit and capital infusion from First Citizens National Bank.

In March 2005, the Company formed a wholly owned subsidiary First Citizens (TN) Statutory Trust III. The Trust was created under the Business Act of Delaware for the sole purpose of issuing and selling preferred securities and using proceeds from the sale to acquire long term subordinated debentures issued by Bancshares. The debentures are the sole assets of the Trust. First Citizens Bancshares owns 100% of the common stock of the Trust.

On March 17, 2005 the Company through its wholly owned subsidiary, First Citizens (TN) Statutory Trust III, sold 5,000 of its floating rate Preferred Trust Securities at a liquidation amount of $1,000 per security for an aggregate amount of $5,000,000. For the period beginning on (and including) the date of original issuance and ending on (but excluding) June 17, 2005 the rate per annum of 4.84%. For each successive period beginning on (and including) June 17, 2005, and each succeeding interest payment date at a rate per annum equal to the 3-month LIBOR plus 1.80%. Interest payment dates are: March 17, June 17, September 17, and December 17 during the 30-year term. The entire $5 million in proceeds was used to reduce Bancshares' revolving line of credit with First Tennessee discussed in Note 8 below. This trust preferred debt is recorded as debt by the Company but included as Tier I Capital for regulatory reporting in accordance with regulatory guidelines as discussed above.

The ability of First Citizens to service its long-term debt obligation is dependent upon the future profitability of First Citizens National Bank and its subsidiaries and their ability to pay dividends to the Company.

NOTE 8 - REVOLVING LINE OF CREDIT

First Citizens Bancshares has an approved two-year renewable line of credit with First Tennessee Bank in the amount of $13 million. As of the reportable date, the drawn amount was $2.97 million. This note was reduced by $5 million during first quarter 2005 by proceeds from the issuance of Trust Preferred Securities as noted in Note 7 above.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

GENERAL INFORMATION

First Citizens Bancshares, Inc. (the "company") headquartered in Dyersburg, Tennessee, the bank holding company for First Citizens National Bank ("the Bank"), First Citizens Capital Assets, Inc., First Citizens (TN) Statutory Trust II and First Citizens (TN) Statutory Trust III. First Citizens National Bank is a diversified financial service institution, which provides banking and other financial services to its customers. The bank operates two wholly owned subsidiaries: First Citizens Financial Plus, Inc. and First Citizens Investments, Inc. The bank also owns 50% of White and Associates/First Citizens Insurance LLC and 50% of First Citizens/White and Associates Insurance Company, Inc. First Citizens Investments, Inc. owns First Citizens Holdings, Inc. First Citizens Holdings, Inc. owns First Citizens Properties, Inc. These subsidiary activities consist of: brokerage, investments, insurance related products, credit insurance and investments in real estate mortgage participation interests.

BRANCH OPERATIONS

Construction of a permanent banking facility in Collierville, Tennessee, began in April 2005. Collierville's temporary banking facility opened for operations April 4, 2005. Although there are currently no other plans for additional branches, First Citizens will continue to search for expansion opportunities that will result in a positive deployment of Bancshares' capital.

FORWARD-LOOKING STATEMENTS

Quarterly reports on Form 10-Q, including all documents incorporated by reference, may contain forward-looking statements. Additional written or oral forward-looking statements may be made from time to time in other filings with the Securities Exchange Commission. The discussion of changes in operations may contain words that indicate the company's future plans, goals, and estimates of assets, liabilities or income. Forward-looking statements will express the company's position as of the date the statement is made. These statements are primarily based upon estimates and assumptions that are inherently subject to significant banking, economic, and competitive uncertainties, many of which are beyond management's control. When used in this discussion, the words, "anticipate," "project," "expect," believe," "should," "intend," "is likely," and other expressions are intended to identify forward-looking statements. The statements are within the meaning and intent of section 27A of the Securities Exchange Act of 1934. Such statements may include, but are not limited to, projections of income or loss, expenses, acquisitions, plans for the future, and others.

CRITICAL ACCOUNTING ESTIMATES

The accounting and reporting of First Citizens Bancshares and its subsidiaries conform to accounting principles generally accepted in the United States and follow general practices within its industry. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The company's estimates are based on historical experience, information supplied from professionals, regulators and others believed to be reasonable under the facts and circumstances. Accounting estimates are considered critical if (1) management is required to make assumptions or judgments about items that are highly uncertain at the time the estimate is made, and (2) different estimates reasonably could have been used during the current period or changes in such estimates are reasonably likely to occur from period to period, that could have a material impact of the presentation of the Consolidated Financial Statements.

The development, selection and disclosure of critical accounting policies are discussed with the Audit Committee of the Board of Directors. Due to the potential impact on the financial condition or results of operations and the required subjective or complex judgments involved, management believes its critical accounting policies to consist of the allowance for loan losses, fair value of financial instruments, and goodwill and assessment of impairment.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses on loans represents management's best estimate of inherent losses in the existing loan portfolio. Management's policy is to maintain the allowance for loan losses at a level sufficient to absorb reasonably estimated and probable losses within the portfolio. The company believes the loan loss reserve estimate is a critical accounting estimate because: changes can materially affect bad debt expense on the income statement, changes in the borrower's cash flows can impact the reserve, and management has to make estimates at the balance sheet date and also into the future in reference to the reserve. While management uses the best information available to establish the allowance for loan losses, future adjustments may be necessary if economic or other conditions change materially.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States require that certain assets and liabilities be carried on the balance sheet at fair value. Furthermore, the fair value of financial instruments is required to be disclosed as a part of the notes to the consolidated financial statements for other assets and liabilities. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates, the shape of yield curves and the credit worthiness of counter parties.

Fair values for the majority of First Citizens' available-for-sale investment securities are based on quoted market prices from actively traded markets. In instances where quoted market prices are not available, fair values are based on the quoted prices of similar instruments with adjustment for relevant distinctions (e.g., size of issue, interest rate, etc.).

Fair value of the only derivative held by the company is determined using a combination of quoted market rates for similar instruments and quantitative models that are based on market inputs including rate, price and index scenarios to generate continuous yield or pricing curves and volatility factors. Third party vendors are used to obtain fair value of available-for-sale securities and the cash flow hedge.

GOODWILL

The Company's policy is to review goodwill for impairment at the reporting unit level on an annual basis unless an event occurs that would likely impair the goodwill amount. Goodwill represents the excess of the cost of an acquired entity over fair value assigned to assets and liabilities. Management believes accounting estimates associated with determining fair value, as part of the goodwill test is a critical accounting estimate because estimates and assumptions are made based on prevailing market factors, historical earnings and multiples and other contingencies.

RESULTS OF OPERATIONS

Earnings per share increased $0.07 or 13% when comparing the third quarters of 2005 and 2004 and $0.18 or 11% for the first nine months of 2005 to 2004. Net interest income is the principal source of earnings for First Citizens and is defined as the amount of interest generated by earning assets minus interest cost to fund those assets. Net interest income increased approximately $500 thousand or 2.57%, when comparing third quarter of 2005 to third quarter 2004. The net yield on average earning assets increased 8 basis points from third quarter 2004 to third quarter 2005, but has increased 29 basis points from second quarter 2005 to third quarter 2005.

Beginning in late June 2004, the Federal Open Market Committee (FOMC) began removing accommodative monetary conditions through consistent 25 basis point increases in federal fund rates. From June 2004 to September 2005, federal funds rates have increased from 1.00% to 3.75%. Although shorter-term rates increased as federal funds rates were increased, increases in longer-term rates lagged behind over the last year. During 2005, trends in net interest margins have slowly begun to improve. From third quarter 2004 to third quarter 2005, cost of total interest bearing liabilities increased 69 basis points while the yield on interest-earning assets increased 71 basis points. Net interest margins have improved from 3.72% for first quarter 2005 to 3.88% for second quarter 2005 to 4.01% for third quarter 2005.

The concern about net interest margins is not unique to First Citizens. Most financial institutions are battling margins as increases in yields on long-term assets lag behind increases in federal fund rates and other short-term liability rates. The most recent peer information contained in the June 30, 2005 Uniform Bank Performance Report (UBPR) indicates that the company's primary subsidiary, First Citizens National Bank, had net interest income to average assets of 3.52% compared to peer at 3.92%. Although the bank is below peer in net interest margin for first and second quarters 2005, the bank is experiencing a positive trend of modest improvements each quarter. Interest income to average assets is near peer at 5.52% compared to peer of 5.59%. Comparisons of interest expense on deposits indicate deposits are priced slightly below peer at 1.95% for First Citizens and 2.00% for peer. Interest expense on other borrowed money continues to be higher for First Citizens at 5.02% compared to 3.19% peer due to fixed rate Federal Home Loan Bank (FHLB) advances from prior years, which were used to fund the balance sheet and reduce exposure to rising rates. Rates decreased subsequent to obtaining these advances in 2002 and 2003. Currently, fixed rate FHLB advances total $59.5 million with a cost of 5.32%. The cost of these advances dilute quarterly earnings by approximately $430,000 when compared to cost of funds of 2.43% as of current quarter end for Bancshares' bank subsidiary.

Another major factor impacting peer comparisons of net interest margins is the dilution caused by significant investments in fixed assets and Bank-owned life insurance (BOLI) policies. Fixed assets total approximately $26 million and $22 million as of September 30, 2005 and 2004, respectively. The statement of cash flows reflects additions to fixed assets of approximately $4 million during the nine months ended September 30, 2005. BOLI policies are approximately $15 million and $14 million as of second quarter end 2005 and 2004, respectively. BOLI assets are classified as Other Assets and earnings on those assets are recorded as Other Non-Interest Income. In addition to being recorded in accordance with generally accepted accounting principles, investments in BOLI policies are purchased and monitored in accordance with financial institution regulatory guidelines. See non-interest income discussion below regarding earnings related to BOLI.

The loan loss provision for third quarter 2005 increased $14 thousand or 1.7% compared to third quarter 2004. Third quarter net charge-offs for 2005 and 2004 were $92 thousand and $478 thousand, respectively. The decrease in net charge-offs compared to prior year is primarily due the continued quality of the loan portfolio and due to the majority of charge-offs for 2004 occurring during third quarter. Reserve for losses on loans as a percent of total loans was 1.19% at September 2005 and 1.20% at September 2004. The reserve as a percent of total loans increased 0.03% from 1.16% at year-end 2004. See also Loan section below.

Non-interest income represents fees and other income derived from sources other than interest-earning assets. The Bank's non-interest income to average assets has outpaced peer over the last few years and was 1.39% compared to peer of 0.89% as of June 2005. Non-interest income increased $387 thousand, or 17% over the prior year's third quarter and the year-to-date as of September 30, 2005 has increased $1.1 million or 16% over the same period last year. In third quarter 2005, fee income (non-interest income) contributed 18.78% to total revenue compared to 18.95% for third quarter 2004. Income related to bank-owned life insurance policies was $141 thousand for the quarter ended and $729 thousand for the nine months ended September 30, 2005 compared to $96 thousand for third quarter and $384 thousand year-to-date in 2004. Approximately $260 thousand of the year-to-date income was recognized in second quarter 2005 and is due to a death benefit on a BOLI policy inherited through a prior acquisition.

Brokerage fees and income from our full service insurance subsidiary have also contributed to the positive variance. In 2004, First Citizens/White and Associates Insurance Company, LLC brought suit to protect certain rights and earnings in 2004 were down due to related legal fees incurred. Settlement of the subsidiary's litigation occurred early in 2005 in favor of the subsidiary and First Citizens' portion of the gain of approximately $150,000 was recorded in first quarter of 2005. Excluding the settlement of the litigation, income received from White and Associates/First Citizens insurance subsidiary for third quarter 2005 increased approximately $80,000 from third quarter 2004. Earnings from the insurance subsidiaries are included in Other Income. Brokerage income is also $142,000 more in third quarter 2005 compared to third quarter 2004. The following table compares non-interest income for **third quarter** of 2005, 2004 and 2003:

	QUARTER ENDING SEPTEMBER 30,				
	2005	% of Change	2004	% of Change	2003
Income from Fiduciary Activities	$ 236	31.11%	$ 180	-10.45%	$ 201
Service Charges on Deposit Accounts	1,578	6.69%	1,479	13.94%	1,298
Brokerage Fees	303	17.44%	258	-8.19%	281
Earnings from Bank Owned Life Insurance	141	46.88%	96	-66.78%	289
Other income	416	51.82%	274	-27.70%	379
Total non-interest income	$ 2,674	16.92%	$ 2,287	-6.58%	$ 2,448

Non-interest expenses represent the operating expenses of First Citizens. Non-interest expense for the current quarter increased $549 thousand, or 9.69%, over third quarter of 2004. Salary and benefits increased because of full time salaries and incentive accruals as well as increased staff necessary to operate branch locations. The number of average full-time equivalent employees at First Citizens National Bank is 263.65 for nine months ended September 30, 2005 compared to 258.27 for nine months ended September 30, 2004. Bancshares' growth strategies are also increasing certain other sectors of the non-interest expense areas such as depreciation which increased 13% over prior year's third quarter. The efficiency ratio as of September 30, 2005, 2004 and 2003 was 63.6%, 64.0% and 62.6%, respectively. Executive management continues to be committed to the improvement of the efficiency ratio that will meet or exceed peer group ratio with the understanding the implementation of growth strategies may temporarily increase during the digestion of new branches and pressure of tight net interest margins. Impaired Goodwill expense is $0 for the current and prior reportable periods (See also Goodwill/Intangible Footnote). The core deposit intangible expense for the current reportable quarter was flat at $21,000. Quarter-to-date advertising, community relations, and other forms of marketing expenses were $170 thousand or 2.72% of total non-interest expense in third quarter 2005 compared to $129 thousand or 2.26% of total non-interest expense in third quarter 2004. The $41 thousand variance in quarter-to-date advertising expenses is the single largest component of the 16.9% variance in quarter-to-date Other Expenses. All marketing or advertising items are expensed at the time they are incurred. The remainder of the Other Expense variance consists of smaller increases among various other expense areas including education, freight, telephone and fees.

The following table compares non-interest expense for the **third quarter** of 2005, 2004, and 2003:

	QUARTER ENDING SEPTEMBER 30,				
	2005	% of Change	2004	% of Change	2003
Salaries and Employee Benefits	$ 3,609	8.70%	$ 3,320	6.44%	$ 3,119
Net Occupancy Expense	441	11.08%	397	13.43%	350
Depreciation	474	12.59%	421	22.03%	345
Data Processing Expense	176	3.53%	170	-28.27%	237
Legal and Professional Fees	32	-64.04%	89	368.42%	19
Stationary and Office Supplies	77	11.59%	69	-17.86%	84
Amortization of Intangibles	21	0.00%	21	-27.59%	29
Other Expenses	1,425	16.90%	1,219	-16.91%	1,467

Total Non-Interest Expense	$ 6,255	9.62%	$ 5,706	0.99%	$ 5,650

The quarterly average balances, interest, and average rates are presented in the following table:

	QUARTER ENDING SEPTEMBER 30,								
	2005			2004			2003		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
INTEREST EARNING ASSETS:									
Loans (1) (2) (3)	$ 548,440	$ 9,884	7.21%	$ 525,396	$ 8,379	6.38%	$ 487,869	$ 8,606	7.06%
Investment Securities:									
Taxable	122,270	1,242	4.06%	114,052	1,043	3.66%	106,704	672	2.52%
Tax Exempt (4)	40,305	623	6.18%	37,829	570	6.03%	38,623	409	4.24%
Interest Earning Deposits	785	3	1.53%	881	2	0.91%	425	1	0.94%
Federal Funds Sold	2,422	23	3.80%	1,949	10	2.05%	8,131	21	1.03%
Lease Financing	-	-	-%	-	-	-%	-	-	-%
Total Interest Earning Assets	$ 714,222	$ 11,775	6.59%	$ 680,107	$ 10,004	5.88%	$ 641,752	$ 9,709	6.05%
NON-INTEREST EARNING ASSETS:									
Cash and due from Banks	16,954			14,964			16,067		
Bank Premises and Equipment	25,933			22,204			20,208		
Other Assets	36,226			33,329			38,471		
Total Assets	$ 793,335			$ 750,604			$ 716,498		
	======			======			======		
LIABILITIES AND SHAREHOLDERS' EQUITY									
INTEREST BEARING LIABILITIES:									
Interest bearing deposits	$ 515,935	$ 2,938	2.28%	$ 482,827	$ 2,126	1.76%	$ 487,559	$ 2,301	1.89%
Federal Funds Purchased and Other Interest Bearing Liabilities	130,235	1,680	5.16%	131,223	1,202	3.66%	102,580	1,111	4.33%
TOTAL INTEREST BEARING LIABILTIES	646,170	4,618	2.86%	614,050	3,328	2.17%	590,139	3,412	2.31%
NON-INTEREST BEARING LIABILITIES:									
Demand Deposits	78,496			73,665			63,401		
Other Liabilities	5,185			4,856			5,800		
TOTAL LIABILITIES	729,851			692,571			659,340		
SHAREHOLDERS' EQUITY	63,484			58,033			57,158		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 793,335			$ 750,604			$ 716,498		
	======			======			======		
NET INTEREST INCOME		$ 7,157			$ 6,676			$ 6,297	
		=====			=====			=====	
NET YIELD ON AVERAGE EARNING ASSETS (ANNUALIZED)	--	--	4.01%	--	--	3.93%	--	--	3.92%
			====			====			====

(1) Loan totals are shown net of interest collected, not earned and Loan Loss Reserve.

(2) Non-accrual loans are included in average total loans.

(3) Loan Fees are included in interest income and the computations of the yield on loans.

(4) Interest and rates on securities which are non-taxable for Federal Income Tax purposes are presented on a taxable equivalent basis.

LOANS

The following table sets forth loan totals net of unearned income by category for the past five years:

	AS OF SEPTEMBER 30,				
	2005	2004	2003	2002	2001
Real Estate:					
Construction	$ 75,991	$ 91,621	$ 66,987	$ 54,547	$ 33,216
Mortgage*	359,267	319,249	301,585	282,927	225,919
Commercial, Financial and Agricultural	82,773	73,159	80,487	71,598	65,961
Consumer Installment	39,576	39,101	37,917	39,980	45,412
Other	3,533	7,458	4,428	4,376	2,039
TOTAL LOANS	$ 561,140	$ 530,588	$ 491,404	$ 453,428	$ 372,547
	=======	=======	=======	=======	=======

*Mortgage loans include loans held for sale in the secondary mortgage market. Balances are $3.1 million, $1.0 million, $2.2 million, $3.1 million and $1.5 million for 2005, 2004, 2003, 2002 and 2001, respectively.

The following table sets forth the balance of non-performing loans as of September 30, for the years indicated:

	AS OF SEPTEMBER 30,				
	2005	2004	2003	2002	2001
Non-Performing Loans:					
Non-accrual	$ 761	$ 1,129	$ 931	$ 1,192	$ 1,686
90 Days Past Due Accruing Interest	151	1,112	596	2,985	1,184
TOTAL LOANS	$ 912	$ 2,241	$ 1,527	$ 4,177	$ 2,870
	=======	=======	=======	=======	=======

One of Bancshares' primary objectives is to seek quality-lending opportunities in West Tennessee. The majority of First Citizens' borrowers lives and conducts business in West Tennessee. Loans have increased approximately 4.3% since year-end 2004 with most of the growth occurring in the second and third quarters. Going forward over the next 12months, growth is projected to be slower than experienced during 2002 through 2004 due to current economic conditions. The unemployment rate for Tennessee is 5.1% as of September 2005 compared to 6.0% as of June 2005 and 5.3% in September 2004. Cash flows reflect slower loan growth in 2005 at approximately $27 million for the first nine months of 2005 versus $43 million and $38 million for the same periods in 2004 and 2003, respectively. The aggregate amount of loans that the company is permitted to make under applicable bank regulations to any one borrower is 15% of unimpaired capital. First Citizens National Bank's legal lending limit at September 30, 2005 was approximately $10.5 million. Non-performing loans at quarter end were 0.17% of total loans. Weighted average loan yields are up from 6.38% in third quarter 2004 to 7.21% in third quarter 2005. Loan rates are moving in a positive trend as a result in the increase in federal funds rates, but the loan yield increases have lagged well behind the increase in cost of short-term funding due to the flat yield curve until the most recent quarter. The slow pace of the increase in loan rates and slower loan growth in 2005 are also due local economic trends and competitive factors.

AGRICULTURAL LOANS

First Citizens is one of the largest agriculture lenders in the State of Tennessee and is a certified Farm Credit Services lender. Agriculture makes a significant contribution to Dyer County commerce, generating approximately $75-$85 million in revenue on an annual basis. Agricultural credits secured by farmland and other types of collateral total approximately $59 million of total loans as of current quarter end. The effects of recent hurricanes and rising energy costs reduced the profitability of this year's harvest for agricultural industry in the Southeast United States, especially due to problems in transporting grains by barge. However due to the quality of the agricultural portfolio, the Bank does not expect a material losses in its agricultural portfolio as a result of the recent hurricanes on agriculture yields and prices. Most of the Bank's agricultural customers had the ability to store grain temporarily to avoid the temporary significant docking charges and cotton yields overall have been strong. Recoveries, net of charge-offs in this category were $10 thousand for nine months ended September 30, 2005.

LOAN LOSS EXPERIENCE AND RESERVES FOR LOAN LOSSES

An analytical model based on historical loss experience, current trends and economic conditions as well as reasonably foreseeable events is used to determine the amount of provision to be recognized and to test the adequacy of the loan loss allowance. The ratio of allowance for loan losses to total loans, net of unearned income, was 1.19% for the current quarter and 1.16% at year-end 2004. A recap of activity posted to the Reserve account in current quarter resulted in the following transactions: (1) loans charged-off ($127,000) (2) recovery of loans previously charged off

$35,000 and (3) additions to reserve $299,000. The provision for loan losses increased $14,000 when compared to the same time period in 2004.

The ratio of net charged off loans during third quarter 2005 to average net loans outstanding was 0.02% compared to 0.09% for the same quarter of 2005. Non-performing loans as of current quarter end have decreased approximately $1.3 million from September 2004. Non-performing loans remain at a very manageable level and within the range of non-performing averages over the last five years and less than 0.5% of total loans. First Citizens had no concentrations of credit of 10 percent or more of total loans in any single industry. There are no material reportable contingencies as of this report date.

LIQUIDITY

Liquidity is managed to ensure there is ample funding to satisfy loan demand, investment opportunities, and large deposit withdrawals. Bancshares primary funding sources include customer core deposits, FHLB Borrowings, other borrowings, and correspondent borrowings. Customer based sources accounted for 82% and 81% of the funding as of September 30, 2005 and 2004, respectively. Borrowed funds from the FHLB amounted to 9.56% of total funding for as of September 2005 compared to 11.71% last year. The FHLB line of credit was $99 million with $14 million available at quarter end. The Company has $23 million in deposit funds from the State of Tennessee. First Citizens National Bank has $23 million of brokered certificate of deposits comprising 3.8% of total deposits.

Bancshares' strategy is to maintain a fairly neutral to slight borrowing position in regards to fed funds sold and fed funds purchased. As a result of this strategy, fed funds sold have decreased approximately $13 million since year-end 2004. Approximately $9 million of the fed funds sold have been primarily invested in U. S. government agency securities included in the available-for-sale investment securities portfolio during the first six months of 2005. Another $2 million has been invested in premises and equipment. Fed funds were invested in the available-for-sale portfolio primarily due to slower growth in loans during the first two quarters of 2005 as compared to the prior two years. Loan growth of $23 million or 4.3% during second and third quarters of 2005 was primarily funded through $14 million or 2.36% growth in deposits and through fed funds purchased of approximately $12 million. The fed funds purchase increase occurred during the third quarter as a result of increased loan growth compared to the first two quarters of 2005 as well as normal seasonality of deposits. Although deposit growth is expected to continue, loan demand is expected to increase at a higher rate throughout the remainder of 2005. Ample liquidity is available to absorb the demands placed on cash flows for the expected growth.

The bank's liquidity position has been strengthened by ready access to a diversified base of wholesale borrowings. These include correspondent borrowings, federal funds purchased, securities sold under agreements to repurchase, Federal Home Loan Bank, Brokered certificates of deposit, and others. First Citizens National Bank has available lines of credit with the FHLB and correspondent banks totaling approximately $125 million as of current quarter-end. Bancshares has a ($13 million) line of credit established for acquisitions and other holding company needs (see long-term debt and revolving line of credit footnotes). Since the 2002 merger with Munford Union Bank, the focus for growth has been on internally generated growth through new branches. The company has a crisis contingency liquidity plan at the bank and holding company level to defend against any material downturn in our liquidity position.

INVESTMENT SECURITIES:

Investment securities are primarily held in the bank's subsidiary, First Citizens Investments, Inc. and in its subsidiary, First Citizens Holdings, Inc. The bank has a portfolio advisory agreement with FTN Financial to manage the investment portfolio. Peer data for the Bank per the June 30, 2005 Uniform Bank Performance Report indicates that our yields on investments continue to exceed peer at 4.46% compared to 4.12% peer. Quarterly average rates for taxable and tax-exempt securities for the current quarter end have increased 40 and 15 basis points, respectively, over prior year's third quarter. The investment portfolio is heavily weighted in mortgage-related securities, which account for approximately 50% of the total portfolio. Bancshares' goal continues to be to steadily improve the investment portfolio without taking on material risk.

The pledged investments amount to $113 million as of the current reportable period.

The book value of listed investment securities as of the dates indicated are summarized as follows:

	SEPTEMBER 30,				
	2005	2004	2003	2002	2001
U.S. Treasury & Government Agencies	$ 109,468	$ 101,693	$ 97,804	$ 92,292	$ 71,794
State & Political Subdivisions	40,594	39,726	38,971	39,850	14,626
Other securities*	13,411	13,440	8,853	12,299	12,269
TOTALS	$ 163,473	$ 154,859	$ 145,628	$ 144,441	$ 98,689
	=======	=======	======	======	=======

* Includes Federal Home Loan Bank and Federal Reserve Bank stocks.

Investments are classified according to intent in accordance with generally accepted accounting principles. There are no securities classified in the trading category for any period presented in this report. The amortized cost and fair market value of securities by intent as of September 30, 2005, are as follows:

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury Securities	$ 0	$ 0	$ 2,702	$ 2,695
U.S. Government agency and corporation obligations	0	0	108,075	106,773
Securities issued by states and political subdivisions				
in the U.S.:				
Taxable Securities	0	0	0	0
Tax-exempt securities	290	299	38,313	40,304
U.S. Securities:				
Debt Securities	0	0	6,355	6,627
Equity Securities*	0	0	7,028	6,784
Foreign securities:				
Debt Securities	N/A	N/A	N/A	N/A
Equity Securities	N/A	N/A	N/A	N/A
Total	$ 290	$ 299	$ 162,473	$ 163,183
	====	=====	=======	=======

*Includes Federal Home Loan Bank and Federal Reserve Bank stock.

Accumulated other comprehensive income reflects the unrealized gain (loss) on available-for-sale securities, net of tax. Overall, the first nine months of 2005 resulted in negative other comprehensive of $514 thousand. During 2005, the unrealized gain (loss) on available-for-sale securities significantly decreased $1.06 million in first quarter, regained $800 thousand of the loss in second quarter and decreased again in third quarter approximately $260 due to the market interest rate environment, the flattened yield curve during the first half of 2005 and its impact on the 10-year Treasury rate. The market value of the investment portfolio is heavily influenced by the 10-year Treasury benchmark due to the volumes of U. S. Government Treasury and Agency securities (including mortgage-related investments) that comprise our portfolio. The 10-year Treasury rate increased in first quarter from about 4.2 - 4.3% in December 2004 to 4.5 - 4.6% in March 2005 and then dropped back to about 4.0% by the end of June 2005 and then increased back to the 4.2 - 4.3% range in September 2005. The fluctuations in market value of the portfolio are due entirely to the current interest rate environment and do not relate to quality of the issuer or the issuer's ability to repay the bonds.

The only derivative transaction of Bancshares or its subsidiaries is an interest rate swap, which is discussed in the derivative transactions footnote of this report.

CAPITAL RESOURCES

The management of the equity section in a highly regulated environment requires a balance between leveraging and return on equity while maintaining adequate capital amounts and ratios. Total capital on September 30, 2005 was $63.8 million compared to $62.9 million as of June 30, 2005. The increase in capital was from undistributed income from the Bank and its subsidiaries. Bancshares has historically maintained capital in excess of minimum levels established by the Federal Reserve Board. The risk based capital ratio reflects continuous improvement when reviewing prior years. Total risk-based capital ratio as of September 30, 2005 was 12.03%, significantly in excess of the 8% mandated by Regulatory Authorities. Capital as a percentage of total assets for the quarter ending September 30, is presented in the following table for the years indicated (excluding loan loss reserves):

AS OF SEPTEMBER 30,				
2005	2004	2003	2002	2001
7.99%	8.06%	7.87%	7.99%	9.25%

The dividend payout ratio was 46.41% for the current period versus 51.53% and 48.21% for third quarter 2004 and 2003, respectively. We anticipate the dividend payout ratio to end the year in the range of 45-50%. Dividends per share remain at $0.28 per quarter due to Bancshares' strategy to reduce outstanding debt on the revolving line of credit during 2005. Third quarter dividends per share were $0.28 for 2005 and 2004. Bancshares has re-purchased approximately 14,900 shares of its own stock in the open market during the nine months ended September 30, 2005. Weighted average re-purchase price was $31.47 per share during the first nine months of 2005. Currently, there is no formalized plan in place for the re-purchase of stock due to Bancshares' strategy to reduce its revolving line of credit during 2005.

A trend of key performance ratios as of September 30 for the last five years is as follows:

	AS OF SEPTEMBER 30,				
	2005	2004	2003	2002	2001
Percentage of Net Income to:					
Average Total Assets	1.12%	1.07%	1.14%	1.29%	1.14%
Average Shareholders' Equity	14.04%	13.53%	14.32%	16.25%	12.29%
Percentage of Dividends Declared Per Common Share to Net Income	46.41%	51.53%	48.21%	44.76%	67.62%
* Percentage of Average Shareholders' Equity to Average Total Assets	8.81%	8.81%	7.97%	8.74%	10.11%

* Includes the allowance for loan losses in average equity.

RECENTLY ISSUED ACCOUNTING STANDARDS

There were no significant FASB issuances during third quarter 2005.

INTEREST RATE RISK

The bank maintains a formal asset and liability management process to quantify monitor and control interest rate risk. The Asset/Liability Committee strives to maintain stability in net interest margin under various interest rate cycles. Multiple strategies have been utilized to reduce interest rate risk and include the following: extended long-term Federal Home Loan Bank borrowings, shortened the re-pricing date of loans, encourage existing deposit customers to extend maturities past one year, reduced overnight borrowings exposure, implemented an interest rate swap (see below), and increased mortgage-related investments securities to provide constant cash inflows.

The Company has one derivative transaction, which is an interest rate swap that was purchased in June 2000. Since a Federal Home Loan Bank Variable LIBOR Borrowing has been designated as the hedged item and in doing so, the Company has effectively fixed the cost of this liability. As a floating rate liability was hedged, there are no significant fluctuations in its market value but there are fluctuations in the cash flows. Thus, the swap is designated as a cash flow hedge, hedging the "benchmark interest rate." The volume and risk associated with this derivative is well within the Funds Management Policy of the bank. There have been no material changes applicable to this transaction during any of the periods presented in this report. Fluctuations in market value are adjusted through other comprehensive income.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A comprehensive qualitative and quantitative analysis regarding market risk was disclosed in the Company's December 31, 2004 Form 10-K/A. The trend of increasing interest rates that began in late June 2004 continues in 2005 with Federal Funds rate of 3.75% as of current quarter end. The effects of the new rising rate environment are discussed throughout Item 2 - Management's Discussion and Analysis including the following sections: Results of Operations, Loans, Liquidity, and Interest Rate Risk. The analysis included in the December 31, 2004 Form 10-K/A included scenarios for a rising rate environment. Actual results for the year ended December 31, 2005 will differ from simulations due to timing, magnitude, and frequency of interest rate changes, market conditions and management strategies.

ITEM 4 - CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was performed as of September 30, 2005 under the supervision and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer. Disclosure controls and procedures are defined in accordance with Rule 13a-15(e) under the Securities Exchange Act. Based on that evaluation, Management including the Chief Executive Officer and Chief Financial Officer, concluded that disclosure controls and procedures were effective as of September 30, 2005. There have been no changes in internal control during the quarter ending September 30, 2005, that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-16-

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings filed against First Citizens Bancshares or its subsidiaries as of this report date.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters To a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8K

Exhibits 31(a) and 31(b) - Certification Pursuant to 18 U.S.C. 1350, Section 302

Exhibits 32(a) and 32(b) - Certification Pursuant to 18 U.S.C. 1350, Section 906

-17-

SIGNATURES

Pursuant to the requirements of Sections 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.

First Citizens Bancshares, Inc.
(Registrant)

Date: November 14, 2005

/s/ KATIE WINCHESTER
PRESIDENT, CEO, Vice-Chairman
First Citizens National Bank
(Principal Subsidiary)

Date: November 14, 2005

/s/ LAURA BETH BUTLER
SENIOR VICE PRESIDENT &
CHIEF FINANCIAL OFFICER
First Citizens National Bank
(Principal Subsidiary)