

FIRST CITIZENS BANCSHARES INC /DE/
Form 10-Q/A
August 07, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2007

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 0-16471

First Citizens BancShares, Inc

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

56-1528994
(I.R.S. Employer
Identification Number)

4300 Six Forks Road, Raleigh, North Carolina
(Address of principle executive offices)

27609
(Zip code)

(919) 716-7000

(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 twelve 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 ninety days. Yes No

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

Class A Common Stock \$1 Par Value 8,756,778 shares

Class B Common Stock \$1 Par Value 1,677,675 shares

(Number of shares outstanding, by class, as of August 3, 2007)

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PART I

Item 1. Financial Statements (Unaudited)
Consolidated Balance Sheets

First Citizens BancShares, Inc. and Subsidiaries

(thousands, except share data)	June 30*	December 31#	June 30*
	2007	2006	2006
Assets			
Cash and due from banks	\$ 845,929	\$ 1,010,984	\$ 957,888
Overnight investments	695,962	348,597	631,705
Investment securities available for sale	2,962,889	3,001,890	2,626,065
Investment securities held to maturity	60,910	219,158	398,715
Loans and leases	10,473,106	10,239,551	10,029,045
Less allowance for loan and lease losses	129,276	132,004	130,532
Net loans and leases	10,343,830	10,107,547	9,898,513
Premises and equipment	736,137	702,926	663,521
Income earned not collected	72,718	71,562	58,746
Goodwill	102,625	102,625	102,735
Other intangible assets	6,891	8,000	9,146
Other assets	180,714	156,408	179,458
Total assets	\$ 16,008,605	\$ 15,729,697	\$ 15,526,492
Liabilities			
Deposits:			
Noninterest-bearing	\$ 2,707,243	\$ 2,682,997	\$ 2,806,242
Interest-bearing	10,065,079	10,060,327	9,910,977
Total deposits	12,772,322	12,743,324	12,717,219
Short-term borrowings	1,360,511	1,150,847	957,018
Long-term obligations	405,314	401,198	527,478
Other liabilities	102,478	123,509	96,198
Total liabilities	14,640,625	14,418,878	14,297,913
Shareholders Equity			
Common stock:			
Class A - \$1 par value (8,756,778 shares issued for all periods)	8,757	8,757	8,757
Class B - \$1 par value (1,677,675 shares issued for all periods)	1,678	1,678	1,678
Surplus	143,766	143,766	143,766
Retained earnings	1,203,431	1,148,372	1,083,635
Accumulated other comprehensive income (loss)	10,348	8,246	(9,257)
Total shareholders equity	1,367,980	1,310,819	1,228,579
Total liabilities and shareholders equity	\$ 16,008,605	\$ 15,729,697	\$ 15,526,492

* Unaudited

Derived from the 2006 Annual Report on Form 10-K.

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Income**

First Citizens BancShares, Inc. and Subsidiaries

(thousands, except per share data; unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Interest income				
Loans and leases	\$ 177,846	\$ 167,174	\$ 352,870	\$ 326,379
Investment securities:				
U. S. Government	33,915	26,584	66,659	50,869
State, county and municipal	56	59	114	120
Other	762	903	1,536	1,614
Total investment securities interest and dividend income	34,733	27,546	68,309	52,603
Overnight investments	9,353	7,779	16,814	13,518
Total interest income	221,932	202,499	437,993	392,500
Interest expense				
Deposits	83,012	65,867	163,023	123,609
Short-term borrowings	13,974	9,177	26,656	16,169
Long-term obligations	6,898	8,522	13,653	15,971
Total interest expense	103,884	83,566	203,332	155,749
Net interest income	118,048	118,933	234,661	236,751
Provision for credit losses	934	2,973	4,466	9,710
Net interest income after provision for credit losses	117,114	115,960	230,195	227,041
Noninterest income				
Cardholder and merchant services income	24,502	22,303	46,879	40,731
Service charges on deposit accounts	19,312	18,260	36,469	36,466
Commission income	8,986	8,339	18,250	16,211
Fees from processing services	7,798	7,572	15,985	14,481
Trust and asset management fees	5,823	5,175	11,901	10,353
ATM income	1,634	1,167	3,221	3,699
Mortgage income	2,451	1,782	4,825	3,154
Other service charges and fees	3,963	3,870	7,733	7,993
Securities losses		(353)		(539)
Other	383	1,494	791	2,809
Total noninterest income	74,852	69,609	146,054	135,358
Noninterest expense				
Salaries and wages	60,496	57,146	119,685	113,689
Employee benefits	12,825	13,886	26,002	27,829
Occupancy expense	14,007	12,389	27,862	25,264
Equipment expense	13,905	13,091	27,677	25,755
Other	42,336	38,695	81,533	74,382
Total noninterest expense	143,569	135,207	282,759	266,919
Income before income taxes	48,397	50,362	93,490	95,480

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Income taxes	17,546	18,650	33,655	35,111
Net income	\$ 30,851	\$ 31,712	\$ 59,835	\$ 60,369
Average shares outstanding	10,434,453	10,434,453	10,434,453	10,434,453
Net income per share	\$ 2.96	\$ 3.04	\$ 5.73	\$ 5.79

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Changes in Shareholders' Equity**

First Citizens BancShares, Inc. and Subsidiaries

	Class A Common Stock	Class B Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders Equity
	(thousands, except share data)					
Balance at December 31, 2005	\$ 8,757	\$ 1,678	\$ 143,766	\$ 1,029,005	\$ (2,147)	\$ 1,181,059
Comprehensive income:						
Net income				60,369		60,369
Unrealized securities losses arising during period, net of deferred taxes					(7,344)	(7,344)
Change in unrealized gain on cash flow hedge, net of deferred taxes					234	234
Total comprehensive income				60,369	(7,110)	53,259
Cash dividends				(5,739)		(5,739)
Balance at June 30, 2006	\$ 8,757	\$ 1,678	\$ 143,766	\$ 1,083,635	\$ (9,257)	\$ 1,228,579
Balance at December 31, 2006	\$ 8,757	\$ 1,678	\$ 143,766	\$ 1,148,372	\$ 8,246	\$ 1,310,819
Adjustment resulting from adoption of FASB Interpretation No. 48				962		962
Comprehensive income:						
Net income				59,835		59,835
Unrealized securities gains arising during period, net of deferred taxes					1,049	1,049
Change in unrealized gain on cash flow hedge, net of deferred taxes					1,053	1,053
Total comprehensive income				59,835	2,102	61,937
Cash dividends				(5,738)		(5,738)
Balance at June 30, 2007	\$ 8,757	\$ 1,678	\$ 143,766	\$ 1,203,431	\$ 10,348	\$ 1,367,980

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Cash Flows**

First Citizens BancShares, Inc. and Subsidiaries

	Six months ended	
	2007	2006
	(thousands)	
OPERATING ACTIVITIES		
Net income	\$ 59,835	\$ 60,369
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization of intangibles	1,109	1,172
Provision for credit losses	4,466	9,710
Deferred tax benefit	6,360	2,115
Change in current taxes payable	(14,629)	16,310
Depreciation	25,621	23,578
Change in accrued interest payable	(2,446)	12,278
Change in income earned not collected	(1,156)	(3,867)
Securities losses		539
Origination of loans held for sale	(278,678)	(217,532)
Proceeds from sale of loans	277,788	237,632
Loss (gain) on sale of loans	(1,094)	176
Net amortization of premiums and discounts	(2,294)	(2,392)
Net change in other assets	(31,075)	(47,151)
Net change in other liabilities	(2,419)	(28,616)
Net cash provided by operating activities	41,388	64,321
INVESTING ACTIVITIES		
Net change in loans outstanding	(238,287)	(414,686)
Purchases of investment securities held to maturity		(1,066)
Purchases of investment securities available for sale	(759,441)	(506,083)
Proceeds from maturities of investment securities held to maturity	158,248	241,239
Proceeds from maturities of investment securities available for sale	802,194	160,455
Net change in overnight investments	(347,365)	(150,693)
Dispositions of premises and equipment	1,080	5,069
Additions to premises and equipment	(55,754)	(52,699)
Net cash used by investing activities	(439,325)	(718,464)
FINANCING ACTIVITIES		
Net change in time deposits	127,680	507,694
Net change in demand and other interest-bearing deposits	(98,682)	35,667
Net change in short-term borrowings	209,622	177,924
Origination of long-term obligations		118,557
Cash dividends paid	(5,738)	(5,739)
Net cash provided by financing activities	232,882	834,103
Change in cash and due from banks	(165,055)	179,960
Cash and due from banks at beginning of period	1,010,984	777,928
Cash and due from banks at end of period	\$ 845,929	\$ 957,888

CASH PAYMENTS FOR:

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Interest	\$ 200,886	\$ 168,027
Income taxes	33,655	35,111

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Unrealized securities gains (losses)	\$ 1,458	\$ (12,044)
Unrealized gain on interest rate swap	\$ 1,740	\$ 385

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

Note A

Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of management, the consolidated financial statements contain all material adjustments necessary to present fairly the financial position of First Citizens BancShares, Inc. as of and for each of the periods presented, and all such adjustments are of a normal recurring nature. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the 2006 First Citizens BancShares, Inc. Form 10-K. Certain amounts for prior periods have been reclassified to conform with statement presentations for 2007. However, the reclassifications have no effect on shareholders' equity or net income as previously reported.

Note B

Operating Segments

BancShares conducts its banking operations through its two wholly-owned subsidiaries, First-Citizens Bank & Trust Company (FCB) and IronStone Bank (ISB). Although FCB and ISB offer similar products and services to customers, each entity operates in distinct geographic markets and each entity operates under a separate charter. The financial results and trends of ISB reflect the impact of the de novo nature of its growth.

FCB is a mature banking institution that operates under a state bank charter from its branch network in North Carolina, Virginia, West Virginia, Maryland and Tennessee. ISB began operations in 1997 and currently operates in Georgia, Florida, Texas, Arizona, California, New Mexico, Colorado, Oregon and Washington under a federal thrift charter.

In the aggregate, FCB and its consolidated subsidiaries, which are integral to its branch operation, and ISB account for more than 90 percent of consolidated assets, revenues and net income. Other includes activities of the parent company and Neuse, Incorporated, a subsidiary that owns real property used in the banking operation. For 2006, other also includes American Guaranty Insurance Corporation, a property insurance company that was sold January 1, 2007.

The adjustments in the accompanying tables represent the elimination of the impact of certain inter-company transactions. The adjustments to interest income and interest expense neutralize the earnings and cost of inter-company borrowings. The adjustments to noninterest income and noninterest expense reflect the elimination of management fees and other services fees paid by one company to another within BancShares consolidated group.

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	As of and for the six months ended June 30, 2007					
	ISB	FCB	Other	Total	Adjustments	Consolidated
Interest income	\$ 68,272	\$ 365,196	\$ 20,795	\$ 454,263	\$ (16,270)	\$ 437,993
Interest expense	36,704	155,128	27,770	219,602	(16,270)	203,332
Net interest income	31,568	210,068	(6,975)	234,661		234,661
Provision for credit losses	1,156	3,310		4,466		4,466
Net interest income after provision for credit losses	30,412	206,758	(6,975)	230,195		230,195
Noninterest income	6,767	143,870	422	151,059	(5,005)	146,054
Noninterest expense	38,763	248,495	506	287,764	(5,005)	282,759
Income (loss) before income taxes	(1,584)	102,133	(7,059)	93,490		93,490
Income taxes	(297)	36,398	(2,446)	33,655		33,655
Net income (loss)	\$ (1,287)	\$ 65,735	\$ (4,613)	\$ 59,835	\$	\$ 59,835
Total assets	\$ 2,220,696	\$ 13,392,661	\$ 2,538,766	\$ 18,152,123	\$ (2,143,518)	\$ 16,008,605
Loans and leases	1,965,056	8,508,050		10,473,106		10,473,106
Allowance for loan and lease losses	22,418	106,858		129,276		129,276
Deposits	1,814,522	11,001,074		12,815,596	(43,274)	12,772,322
	As of and for the six months ended June 30, 2006					
	ISB	FCB	Other	Total	Adjustments	Consolidated
Interest income	\$ 59,138	\$ 332,778	\$ 12,714	\$ 404,630	\$ (12,130)	\$ 392,500
Interest expense	26,038	118,698	23,143	167,879	(12,130)	155,749
Net interest income	33,100	214,080	(10,429)	236,751		236,751
Provision for credit losses	2,134	7,576		9,710		9,710
Net interest income after provision for credit losses	30,966	206,504	(10,429)	227,041		227,041
Noninterest income	5,293	133,401	809	139,503	(4,145)	135,358
Noninterest expense	35,853	234,025	1,186	271,064	(4,145)	266,919
Income (loss) before income taxes	406	105,880	(10,806)	95,480		95,480
Income taxes	328	38,545	(3,762)	35,111		35,111
Net income (loss)	\$ 78	\$ 67,335	\$ (7,044)	\$ 60,369	\$	\$ 60,369
Total assets	\$ 2,003,856	\$ 13,346,846	\$ 2,257,134	\$ 17,607,836	\$ (2,081,344)	\$ 15,526,492
Loans and leases	1,781,781	8,247,264		10,029,045		10,029,045
Allowance for loan and lease losses	21,416	109,116		130,532		