FIRST CITIZENS BANCSHARES INC /TN/
Form 10-K
March 14, 2001

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2000 Commission File Number 0-11709

FIRST CITIZENS BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

TENNESSEE	
(State or other jurisdiction of incorporation or organization)	62-1180360 (I.R.S. Employer Identification No.)

P. O. Box 370	
First Citizens Place, Dyersburg, Tennessee	38025-0370
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (901) 285-4410

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK
(Title of Class)

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 (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 90 days. Yes X No

The aggregate market value of voting stock held by nonaffiliates of the registrant at December 31, 2000 was $70,634,267.

Of the registrant's only class of common stock (no par value) there were

3,715,211 shares outstanding as of December 31, 2000 (net of Treasury Stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the
Proxy Statement dated March 16, 2001 (Part III)
Filed by Electronic Submission

PART I

ITEM 1. BUSINESS

GENERAL

First Citizens Bancshares, Inc. ("Bancshares") was organized December, 1982 as a Tennessee Corporation and commenced operations in September, 1983, with the acquisition of all Capital Stock of First Citizens National Bank of Dyersburg ("First Citizens"). At a meeting of the Board of Directors of First Citizens Bancshares, Inc., on April 19, 2000, a resolution was approved which authorized the filing of a declaration with the Federal Reserve Bank which would result in a change in status from Bank Holding Company to Financial Holding Company. In accordance with provisions of this resolution, an application for Financial Holding Company status was submitted to the Federal Reserve Bank of St. Louis and subsequently approved on June 8, 2000.

As a financial holding company, Bancshares may engage in activities that are financial in nature or incidental to a financial activity. Permissible activities for a financial holding company are contained in Regulation Y of Federal Reserve Regulations. Bancshares may continue to claim the benefits of financial holding status so long as each depository institution owned by the company remains well capitalized and well managed. In addition, Bancshares may not commence new activities under sections 4(k) or 4(n) of the Bank Holding Company Act or acquire control of a company engaged in activities under those sections if any of Bancshares insured depository institutions receive a rating of less than "satisfactory" under any examination conducted to determine compliance with the Community Reinvestment Act.

First Citizens was chartered as a national bank in 1900 and presently operates a general retail banking business in Dyersburg and Newbern (Dyer County), Ripley (Lauderdale County), and Troy and Union City (Obion County), Tennessee, providing customary banking services. First Citizens operates under the supervision of the Comptroller of the Currency, is insured up to applicable limits by the Federal Deposit Insurance Corporation and is a member of the Federal Reserve System. First Citizens operates under the day-to-day management of its own officers and directors; and formulates its own policies with respect to lending practices, interest rates, service charges and other banking matters.

Bancshares' primary source of income is dividends received from First Citizens. Dividend payments are determined in relation to First Citizens' earnings, deposit growth and capital position in compliance with regulatory guidelines. Management anticipates that future increases in the capital of First Citizens will be accomplished through earnings retention or capital injection.

The following table sets forth a comparative analysis of Assets, Deposits, Net Loans, and Equity Capital of Bancshares as of December 31, for the years indicated:

December 31
(in thousands)

	2000	1999	1998
Total Assets	$500,954	$472,670	$472,153
Total Deposits	371,854	366,819	360,699
Total Net Loans	337,196	321,659	303,459
Total Equity Capital	46,889	43,680	43,082

Individual bank performance is compared to industry standards through utilization of the Uniform Bank Performance Report (UBPR), published quarterly by the Federal Financial Institution's Examination Council.

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This report provides comparisons of significant operating ratios of First Citizens Bancshares with peer group banks. Presented in the following chart are comparisons of First Citizens with peer group banks for the periods indicated:

	*12/31/00		12/31/99		12/31/98	
	BANCSHARES	PEER GRP	BANCSHARES	PEER GRP	BANCSHARES	PEER GRP
Average Assets/ Net Interest Income	3.98%	4.13%	4.17%	4.14%	4.05%	4.20%
Average Assets/ Net Operating Income	.98%	1.11%	1.23%	1.08%	1.05%	1.16%
Net loan losses/ Average total loans	.40%	.15%	.28%	.17%	.23%	.22%
Primary Capital/ Average Assets	9.29%	8.64%	9.24%	8.58%	9.32%	9.23%
Cash Dividends/ Net Income **	71.64%	22.66%	58.35%	24.39%	57.51%	26.22%

*Performance as of 12/31/00 is compared to peer group ratios as of 09/30/00

(Most recent Federal Reserve Report)

EXPANSION

On November 12, 1999 the Gramm-Leach-Bliley Act was signed into law. The act contains seven titles, each of which focuses on a different aspect of the financial services industry. This new law will significantly change the way we do business and still pave the way for a new era in banking.

Based on authority granted under this act, First Citizens Bancshares, Inc., formerly a Bank Holding Company, converted to a Financial Holding Company. As a financial holding company, Bancshares may engage in activities that are financial in nature or incidental to a financial activity.

First Citizens through its strategic planning process has stated its intention to seek profitable opportunities that would utilize excess capital and maximize income within the West Tennessee Area. First Citizens' objective in acquiring other banking institutions would be for asset growth and diversification into other market areas. Acquisitions would afford the bank increased economies of scale within the data processing function and better utilization of human resources. Any acquisition approved by Bancshares, would be deemed to be in the best interest of Bancshares and its shareholders.

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SUPERVISION AND REGULATION

Bancshares is a one-bank financial holding company under the Bank Holding Company Act of 1956, as amended, and is subject to supervision and examination by the Board of Governors of the Federal Reserve.

As a bank holding company, Bancshares is required to file with the Federal Reserve annual reports and other information regarding the business obligations of itself and its subsidiaries. Board approval must be obtained before Bancshares may:

(1) Acquire ownership or control of any voting securities of a bank or Bank Holding Company where the acquisition results in the BHC owning or controlling more than 5 percent of a class of voting securities of that bank or BHC;

(2) Acquire substantially all assets of a bank or BHC or merge with another BHC.

Federal Reserve approval is not required for a bank subsidiary of a BHC to merge with or acquire substantially all assets of another bank if prior approval of a federal supervisory agency, such as the Comptroller of the Currency is required under the Bank Merger Act. Relocation of a subsidiary bank of a BHC from one state to another requires prior approval of the Federal Reserve and is subject to the prohibitions of the Douglas Amendment.

The Bank Holding Company Act provides that the Federal Reserve shall not approve any acquisition, merger or consolidation which would result in a monopoly or which would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States. Further, the Federal Reserve may not approve any other proposed acquisition, merger, or consolidation, the effect of which might be to substantially lessen competition or tend to create a monopoly in any section of the country, or which in any manner would be in restraint of trade, unless the anti-competitive effect of the proposed transaction is clearly outweighed in favor of public interest by the probable effect of the transaction in meeting convenience and needs of the community to be served. An amendment effective February 4, 1993 further provides that an application may be denied if the applicant has failed to provide the Federal Reserve with adequate assurances that it will make available such information on its operations and activities, and the operations and activities of any affiliate, deemed appropriate to determine and enforce compliance with the Bank Holding Company Act and any other applicable federal banking statutes and regulations. In addition, consideration is given to the competence, experience and integrity of the officers, directors and principal shareholders of the applicant and any subsidiaries as well as the banks and bank holding companies concerned. The

Federal Reserve also considers the record of the applicant and its affiliates in fulfilling commitments to conditions imposed by the Federal Reserve in connection with prior applications.

A bank holding company is prohibited with limited exceptions from engaging directly or indirectly through its subsidiaries in activities unrelated to banking or managing or controlling banks. One exception to this limitation permits ownership of a company engaged solely in furnishing services to banks; another permits ownership of shares of the company, all of the activities of which the Federal Reserve has determined after due notice and opportunity for hearing, to be so closely related to banking or managing or controlling banks, as to be a proper incident thereto. Moreover, under the 1970 amendments to the Act and to

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the Board's regulations, a financial holding company and its subsidiaries are prohibited from engaging in certain "tie-in" arrangements in connection with any extension of credit or provision of any property or service. Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on any extension of credit to the financial holding company or to any of its other subsidiaries, or investments in the stock or other securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower.

Financial holding companies are required to file an annual report of their operations with the Federal Reserve, and they and their subsidiaries are subject to examination by the Federal Reserve.

Bancshares is subject to capital adequacy requirements imposed by the Federal Reserve Bank. In addition, First Citizens (the principal subsidiary of the corporation) is restricted by the Office of the Comptroller of the Currency (Comptroller)from paying dividends in any years which exceed the net earnings of the current year plus retained profits of the preceding two years. It is the policy of First Citizens to comply with regulatory requirements for the payment of dividends. The Federal Reserve adopted a risk-based capital measure for use in evaluating the capital adequacy of bank holding companies effective January 1, 1991. The risk-based capital measure focuses primarily on broad categories of credit risk and incorporates elements of transfer, interest rate and market rate risk. The calculation of risk-based capital is accomplished by dividing qualifying capital by weighted risk assets. The minimum risk-based capital ratio is 8%, at least one-half or 4.00% must consist of core capital (Tier 1), and the remaining 4% may be in the form of core (Tier 1) or supplemental capital (Tier 2). Tier 1 capital/core capital consists of common stockholders equity, qualified perpetual stock and minority interests in consolidated subsidiaries. Tier 2 capital/supplementary capital consists of the allowance for loan and lease loses, perpetual preferred stock, term subordinated debt, and other debt and stock instruments. Bancshares has historically maintained capital in excess of minimum levels established by the Federal Reserve. A risked based capital analysis is performed on a quarterly basis to test for compliance with Federal Reserve and bank policy guidelines before declaring a dividend or increasing a dividend. First Citizens' policy states that before declaring a dividend the following ratios will be achieved: (1) Risk Based Capital Tier 1 will be 8.25% or above; Return on year-to-date average equity 9.00%; Asset growth and projected one year future asset growth less than 20.00%; and non performing assets to capital less than 30%. Non performing assets include 90 day past due and non accrual loans.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information relates to the principal executive officers of Bancshares and its principal subsidiary, First Citizens National Bank as of December 31, 2000

Name	Age	Position and Office
Stallings Lipford	70	Chairman of the Board of Bancshares and First Citizens. Mr. Lipford joined First Citizens in 1950. He became a member of the Board of Directors in 1960 and President in 1970. He was made Vice Chairman of the Board in 1982. He served as Vice Chairman of the Board of Bancshares from September, 1982 to February, 1984. The Board elected Mr. Lipford Chairman of both First Citizens and Bancshares on February 14, 1984. He served as President of First Citizens and Bancshares from 1983 to 1992, and as CEO of Bancshares and First Citizens from 1992 until 1996.

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Katie Winchester	60	Vice Chairman of the Board since Fall 2000. President and CEO of Bancshares and First Citizens; employed by First Citizens in 1961; served as Executive Vice President and Secretary of the Board from 1986 to 1992. She was appointed CEO of Bancshares and First Citizens in 1996; and President of Bancshares and First Citizens in 1992. Ms. Winchester was elected to the Board of both First Citizens and Bancshares in 1990.
Ralph Henson	59	Vice President of Bancshares; Executive Vice President of Loan Administration of First Citizens. Employed by First Citizens in 1964. Mr. Henson served First Citizens as Senior Vice President and Senior Lending Officer until his appointment as Executive Vice President of Loan Administration in February, 1993.
Jeffrey Agee	40	Vice President and Chief Financial Officer of Bancshares. Appointed Executive Vice President and CFO of First Citizens National Bank in August 1999. Mr. Agee served as Senior Vice President and CFO of First Citizens prior to this appointment. Employed by First Citizens in 1982. Served First

		Citizens previous to April, 1994 as Vice President and Accounting Officer. Appointed Senior Vice President and Chief Financial Officer of First Citizens, April 17, 1996.
Barry Ladd	60	Appointed Executive Vice President and Chief Administrative Officer of First Citizens and Bancshares in 1996. Senior Vice President and Senior Lending Officer of First Citizens from April 20, 1994 to January 17, 1996. Employed by First Citizens in 1972. Mr. Ladd served First Citizens as Vice President and Lending Officer previous to his appointment as Senior Vice President.
Judy Long	46	Vice President and Secretary to the Board of First Citizens Bancshares. Appointed Executive Vice President and Chief Operations Officer and Secretary to First Citizens National Bank in August 1999. Ms. Long served as Senior Vice President and Chief Operations Officer and Secretary to First Citizens prior to this appointment. She served as Senior Vice President and Administrative Officer previous to November 1997; Vice President and Loan Operations Manager (1992-1996). Employed by First Citizens on July 19, 1974.

BANKING BUSINESS

First Citizens operates a general retail banking business in Dyer County, Tennessee. The bank expanded its banking operations into Lauderdale County in 1995 with the purchase of $8 million in assets and Obion County in 1997 and 1998, purchasing approximately $104 million in assets. All persons who live in either community or who work in or have a business or economic interest in either county are considered as forming a part of the area serviced by First Citizens. First Citizens provides customary banking services, such as checking and savings accounts, funds transfers, various types of time deposits, and safe deposit facilities. It also finances commercial transactions and makes and services both secured and unsecured loans to individuals, firms, and corporations. Commercial lending operations include various types of credit services for its customers.

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Agricultural services are provided that include operating loans as well as financing for the purchase of equipment and farm land. The consumer lending department makes direct loans to individuals for personal, automobile, real estate, home improvement, business and collateral needs. Mortgage lending makes available long term fixed and variable rate loans to finance the purchase of residential real estate.

These loans are sold in the secondary market without retaining servicing rights. Credit cards and open-ended credit lines are available to both commercial customers and consumers.

Corporate Offices for First Citizens Bancshares and First Citizens National Bank are located in Dyersburg/Dyer County, Tennessee. Dyersburg/Dyer County is located in northwest Tennessee and sits on the banks of the Mississippi River. It is 78 miles northeast of Memphis, Tennessee, 165 miles west of Nashville and 230 miles south of St. Louis, Missouri. Dyer County is equidistant between Chicago and New Orleans with direct rail, Amtrak, highway and interstate service to major industrial and consumer markets. Dyersburg/Dyer County is an anchor in the region that blends education, transportation, industry agribusiness and retail trade to serve the tristate and service the encompassing Northwest Tennessee, Northwest Arkansas, and the Missouri Bootheel area. Dyer County is a mix of agriculture and industry. Sixty-eight percent of the land in Dyer County is in agricultural production and farming is a major industry in the county. Dyer County is Tennessee's number one producer of soybeans, grain sorghum, commercial vegetables and rice. Other important crops are wheat, cotton, and corn. The county's 526 farm operations average 445 acres. Agriculture loans outstanding on the books of First Citizens National Bank totaled $25,780,721 or 7.6 percent of total loans. Agriculture loans totaling $12,482,029 are well secured with real estate, including farmland, residential property, and other improvements, while $10,007,711 are secured loans to finance crop production and the purchase of equipment. Approximately $3.3 million in agriculture loans are 90% guaranteed by Farm Services Administration (a government agency). There are 61 manufacturers and processors distributed throughout the county employing approximately 7,500 people. The local economy appears to be slowing, following the trend which began nationally in mid - 2000. In December 2000, Dyer County unemployment rate was 6.1% compared to the State of Tennessee unemployment rate of 3.8%. The labor force in Dyer County decreased 7.66% from 19,450 in January 1995 to 17,960 in December 2000 primarily due to closings and layoffs in local industries and businesses.

First Citizens National Bank expanded its base of operations into Obion County in 1998. Obion County is located approximately 27 miles north of Dyersburg and is adjacent to Dyer County. Economic conditions in Obion County appear to be solid and growing. The unemployment rate as of December 31, 2000 was 3.5% down from 4.1% at December 31, 1999. The County is a mix of industry, service and retail business. Goodyear Manufacturing, a builder of tires, is the largest employer in the county, employing approximately 3,400 workers at year end 2000. Total Assets of First Citizens National Bank - Obion County offices in Troy and Union City are approximately $96 million consisting primarily of consumer and retail business loans. Total assets of the Lauderdale County office in Ripley have increased to approximately $16.5 million consisting primarily of commercial, business and agriculture loans. Unemployment in Lauderdale County as of December 31, 2000 was 6.1% compared to 3.8% for the state.

First Citizens Financial Plus, Inc., a Bank Service Corporation wholly owned by First Citizens is a licensed Brokerage Service. This allows the bank to compete on a limited basis with numerous non-bank entities who pose a continuing threat to our customer base, and are free to operate outside regulatory control. A second office of First Citizens Financial Plus, Inc. was opened in January 2000 at our Union City location. Net income produced by this subsidiary during 2000 was $126,000.

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First Citizens was granted trust powers in 1925 and has maintained an active Trust Department since that time. Assets as of December 31, 2000 were in excess of $141,755,000. Services offered by the Investment Management and Trust Services Division include but are not limited to estate settlement, trustee of living trusts, testamentary trustee, court appointed conservator and guardian, agent for investment accounts, and trustee of pension and profit sharing trusts.

Delta Finance, a finance company wholly owned by First Citizens National Bank offers financial service to the retail market. Services offered by Delta Finance, consumer finance affiliate, consist primarily of consumer and residential real estate loans. The three offices of Delta Finance are located in Dyersburg, Milan and Union City, TN. The Union City location was purchased in November 2000.

On February 9, 1998, White and Associates/First Citizens Insurance, LLC was chartered by the State of Tennessee. The principal office of White and Associates/First Citizens, originally located at 104 North Monroe Street, Newbern, Tennessee, has relocated to the Main Office of First Citizens in Dyersburg, with one full-time agent remaining at the Newbern location. White and Associates/First Citizens is a general insurance agency offering a full line of insurance products including casualty, Life and Health, and crop insurance.

A second location of White and Associates/First Citizens Insurance was opened on July 1, 1998 with the purchase of Durham Insurance and is now operating out of the Union City Main Office of First Citizens National Bank. On December 28, 1998 a credit insurance company was formed and will be known as First Citizens/White and Associates Insurance Company. In January 1999, First Citizens merged with First Volunteer Bank of Union City and the primary office for Obion County was relocated to the Union City Branch. Halls Insurance Agency, a primary provider of Crop Insurance in the state of Tennessee, was acquired by White & Associates/First Citizens Insurance LLC and a full time agent placed in the Agricultural Department at the Main Bank. Another full time insurance agent was located in the Ripley Office. In addition, a Title Insurance Company established in 1999, is two-thirds owned by White and Associates/First Citizens, LLC.

On July 19, 2000, the Board approved the organization of Nevada I, which is a corporation organized and existing under the laws of the state of Nevada. The sole activities of Nevada I are the ownership of stock in Nevada II and the ownership of certain loans pursuant to a Participation Agreement. Nevada I will neither own nor lease any tangible property. Nevada I will have an employee located in the state of Nevada and officers and directors located in the state of Tennessee. Permission was also granted to organize Nevada II, which is also a corporation organized and existing under the laws of the state of Nevada. Nevada II board of directors consists of three persons, two Tennessee residents and one Nevada resident. All board meetings will held in Las Vegas, Nevada. The principal activity of Nevada II is to acquire and sell investment securities as well as collect the income from the portfolio. The sole purpose will be to transfer the bank's investment activity to the Nevada II Corporation. First Citizens National Bank income is projected to increase in excess of $300,000 the first year of operation. In conjunction with the Nevada Corporation and transfer of the investment portfolio, First Tennessee will assume management of the portfolio.

The business of providing financial services is highly competitive. The competition involves not only other banks but non-financial enterprises as well. In addition to competing with other commercial banks in the service area, First Citizens competes with savings and loan associations, insurance companies, savings banks, small loan companies, finance companies, mortgage companies, real estate investment trusts, certain governmental agencies, credit card organizations, and other enterprises.

The following tabular analysis sets forth the competitive position of First Citizens when compared with other financial institutions in the service area for the period ending June 30, 2000.

Dyer, Lauderdale & Obion Counties Market
(Bank's Only)
(in thousands)

Bank Name	Total Deposits 06/30/00	% of Market Share 06/30/00
First Citizens National Bank	$ 365,510	28.57%
First State Bank	216,651	16.93%
Union Planters Bank, National Association	122,064	9.54%
Bank of Ripley	107,440	8.40%
Commercial Bank & Trust Co.	86,437	6.76%
Security Bank	81,656	6.38%
First Tennessee Bank, National Association	77,032	6.02%
Reelfoot Bank	66,962	5.23%
Bank of Halls	39,287	3.07%
Lauderdale County Bank	31,614	2.47%
Gates Banking & Trust Co.	24,876	1.94%
Bank Tennessee	22,523	1.76%
BancorpSouth Bank	15,200	1.19%
Farmers Bank, Woodland Mills, TN	12,696	0.99%
City State Bank	9,435	0.74%
Total	$1,279,383	100.00%

*Does not include deposits of $15,674,000 categorized as Overnight and fixed term Repurchase Agreements.

At December 31, 2000 Bancshares and its subsidiary, First Citizens, employed a total of 209 full time equivalent employees. Having been a part of the local community in excess of 100 years, First Citizens has been privileged to enjoy a major share of the financial services market. Dyersburg and Dyer County are growing and with this growth come demands for more sophisticated financial products and services. Strategic planning has afforded the Company both the physical resources and data processing technology necessary to meet the financial needs generated by this growth.

USURY, RECENT LEGISLATION AND ECONOMIC ENVIRONMENT

Tennessee usury laws limit the rate of interest that may be charged by banks. Certain Federal laws provide for preemption of state usury laws. Legislation enacted in 1983 amends Tennessee usury laws to permit interest at an annual rate of interest four (4) percentage points above the average prime loan rate for the most recent week for which such an average rate has been published by the Board of Governors of the Federal Reserve, or twenty-four percent (24%), which ever is less (TCA 47-14-102(3)). The "Most Favored Lender Doctrine" permits national banks to charge the highest rate permitted by any state lender.

Specific usury laws may apply to certain categories of loans, such as the limitation placed on interest rates on single pay loans of $1,000.00 or less for one year or less. Rates charged on installment loans, including credit cards, as well as other types of loans may be governed by the Industrial Loan and Thrift Companies Act.

On September 29, 1994, President Clinton signed into law the Riegel-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Act"). The Act provides for nationwide interstate banking and branching with certain limitations. The Act permits bank holding companies to acquire banks without regard to state boundaries after September 29, 1995. The Federal Reserve may approve an interstate acquisition only if, as a result of the acquisition, the bank holding company would control less than 10% of the total amount of insured deposits in the United States or 30% of deposits in the home state of the bank being acquired. The home state can waive the 30% limit as long as there is no discrimination against out-of-state institutions.

Pursuant to the Act, interstate branching took effect on June 1, 1997, except under certain circumstances. Once a bank has established branches in a host state (a state other than its headquarters state) through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the host state where any bank involved in the interstate merger transaction could have established or acquired branches under applicable federal or state law.

The Act further provides that individual states might opt out of interstate branching, prior to May 31, 1997. A bank in that state may merge with a bank in another state provided that neither of the states have opted out.

The Federal Reserve in September, 1996 gave bank holding companies the right to exclude certain securities earnings from the 10% cap on underwriting revenue through "Section 20 Units". It later removed three firewalls, one of which prevented the same bank employee from selling underwriting services, loans and transactions accounts. The Federal Reserve on December 20 more than doubled, to 25% the amount of revenue section 20 units may earn underwriting and dealing in commercial securities. The Office of the Comptroller of the Currency in adopting its controversial operating-subsidiary rule in November 1996, established a procedure that allows national banks to create subsidiaries to underwrite securities, sell insurance, or conduct other activities that the banks may engage in directly. Change in the law for securities underwriting will have no impact on First Citizens since the bank does not engage in this practice. Legislation being considered would possibly limit this action to operating Subsidiaries of the Holding Company only.

The Comptrollers's operating-subsidiary rule also streamlined national banks' applications for new branches. It sets a strict 45-day deadline for Comptroller action on all applications, with a 10 day extension possible when serious CRA issues are raised. The Comptroller provisions closely parallel changes to Regulation Y issued by the Federal Reserve in August, 1996. Those changes give the Federal Reserve 15 days to process most merger applications. It also expands data processing powers, eliminates tying restriction on nonbanks, and allows bank-run trusts to buy mutual funds advised by the bank.

The Gramm-Leach-Bliley Act, referred to as "Financial Modernization" was signed into law November 12, 1999. The Act is the most significant piece of legislation to be enacted in the last 50 years and is expected to dramatically change the landscape of the financial services industry. In essence, the Act is a conglomeration of numerous provisions that impact a broad range of issues within the banking industry. Financial Modernization will pave the way for a new era in banking.

The Act contains seven titles, each of which focuses on a different aspect of the financial services industry. An overview of the Act can be summarized using the following points:

- Removes barriers between insurance, banks, and securities by allowing these entities to merge and sell each other's products under a holding company structure with some exceptions.
- Reasserts the supremacy of state regulation of the business of insurance with specific exceptions.
- Prohibits companies outside the financial services industry to purchase (merge/affiliate) with insurers, banks, and/or securities firms.
- Allows banks to sell insurance and securities products as long as it discloses to the purchasers that these products are not guaranteed by the Federal Deposit Insurance System.
- Prohibits banks from tying the purchase of insurance and securities products as conditions for loan approvals.
- Permits affiliated companies to share customers' personal data with each other but gives the customer the right to prohibit the sharing of this data with companies outside the holding company structure.
- Allows states to preempt federal laws that offer greater privacy protections than those included in the Financial Services Modernization Act.
- Requires states to enact uniform laws and regulations governing the licensure of individuals and entities authorized to sell and solicit the purchases of insurance within and outside a state.

What does this mean for First Citizens? The primary impact will be increased competition as large-scale independent investment bankers (brokerage firms, insurance companies, mutual funds) are likely to begin offering banking services in offices nationwide. The good news is, our focus on diversification has placed the Company in a position to compete by offering the same products and services at convenient locations by a staff our customers know and trust. Through utilization of technology, we offer the same sophisticated services as larger banks with offices nationwide. One example is our Internet Banking Account that has drawn rave reviews from existing and new customers. Customers of First Citizens Financial Plus have access to on-line trading and White and Associates/First Citizens Insurance has established a web presence that is progressing toward on-line insurance sales.

Overall, opportunities available as a result of the new legislation are a plus for community banks. Increased competition that is sure to develop from giant financial services organizations simply means we will work harder to earn the business of our customers. As community bankers, we recognize that bigger does not always mean better, and knowing our customers affords us a tremendous advantage as we strive to identify and serve their financial needs.

First Citizens intends to pursue challenges and opportunities presented by "Financial Modernization". We have made the choice to compete and will do so in an aggressive manner. We intend to maximize our potential for success as we focus on the following:

- Market Awareness - Business decisions will be driven by a clear understanding of the financial needs of existing and potential customers, a focus on enhancing our ability to serve those needs and an awareness of changes which might impact either or both.
- Strategic Planning - Establishing a clear direction for the future of First Citizens, understanding what must be done to accomplish established goals and recognizing signs that might indicate a need to rethink the strategy are key components of the Plan. The management team, acting under guidance of a diverse and committed Board of Directors is positioned to execute a well thought out Strategic Plan.

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- Technology Utilization - Automated customer information systems, electronic banking and remote distribution of services are as available to First Citizens as to the largest bank in America. We are committed to investing resources in a manner that will allow us to remain competitive as the information age continues to grow and mature.
- Staff Development - There is no one element within an organization more important to success than is the quality of staff. In spite of automation and the efficiencies of outsourcing, community banks still need people. In response, a formalized Staff Development program was introduced in 1999, which will support and enhance the quality of current and future management of First Citizens at all levels. Recognizing leadership skills, enhancing abilities through training and supporting realistic career goals are primary objectives of this ongoing process.

The likely focus of the immediate future in this industry is the convergence of financial services. Our emphasis on diversification in recent years has placed First Citizens in the enviable position of being able to effectively compete in this new environment.

The Board of Governors of the Federal Reserve System published guidelines for Customer Information Security and Customer Financial Privacy with a mandatory effective date of July 1, 2001. First Citizens has established policies in adherence to the published guidelines. These policies will be submitted for board approval on March 21, 2001 and will become effective April 1, 2001.

The three principal requirements relating to the Privacy of Consumer Financial Information in the GLBA:

- Financial institutions must provide their customers with notices describing their privacy policies and practices, including their policies with respect to the disclosure of nonpublic personal information to their affiliates and to nonaffiliated third parties. The notices must be provided at the time the customer relationship is established and annually thereafter.

- Subject to specified exceptions, financial institutions may not disclose nonpublic personal information about consumers to any nonaffiliated third party unless consumers are given a reasonable opportunity to direct that such information not be shared (to "opt out").

- Financial institutions generally may not disclose customer account numbers to any nonaffiliated third party for marketing purposes.

The Customer Information Security guidelines implement section 501(b) of the Gramm-Leach-Bliley Act. The act requires the agencies to establish standards for financial institutions relating to administrative, technical and physical safeguards for customer records and information.

The guidelines require financial institutions to establish an information security program to:

- o Identify and assess the risks that may threaten customer information;
- o Develop a written plan containing policies and procedures to manage and control these risks;
- o Implement and test the plan; and
- o Adjust the plan on a continuing basis to account for changes in technology, the sensitivity of customer information, and internal or external threats to information security

Each institution may implement a security program appropriate to its size and complexity and the nature and scope of its operations.

There are no known trends, events or uncertainties that are likely to have a material effect on First Citizens liquidity, capital resources or results of operation. There currently exists no recommendation by regulatory authorities which if implemented, would have such an effect. There are no matters which have not been disclosed. Bancshares and First Citizens are located in a highly competitive market. There are numerous banks located within markets served by First Citizens who compete for deposit dollars and earning assets, two of whom are branches of large regional competitors. First Tennessee Bank and Union Planters National Bank are two of the largest financial institutions in the state. Interstate banking as permitted by recent federal legislation as discussed herein could possibly bring about the location of large out of state banks to the area. If so, First Citizens would continue to operate as it has in the past, focusing on the wants and needs of existing and potential customers and maximizing the use of technology. The quality of service and individual attention afforded by an independent community bank cannot be matched by large regional competitors, managed by a corporate team unfamiliar to the area. First Citizens is a forward thinking bank offering products and services required to maintain satisfactory customer relationships as we move into the twenty-first century.

Monetary policies of regulatory authorities, including the Federal Reserve have a significant effect on operating results of bank holding companies and their subsidiary banks. The Federal Reserve regulates the national supply of bank credit by open market operations in United States Government securities, changes in the discount rate on bank borrowings, and changes in reserve requirements against bank deposits. A tool once extensively used by the Federal Reserve to control growth and distribution of bank loans, investments and deposits has been eliminated through deregulation. Competition, not regulation, dictates rates which must be paid and/or charged in order to attract and retain customers.

Federal Reserve monetary policies have materially affected the operating results of commercial banks in the past and are expected to do so in the future. The nature of future monetary policies and the effect of such policies on the business and earnings of the company and its subsidiaries cannot be accurately predicted.

ITEM 2. PROPERTIES

First Citizens owns and occupies a six-story building in Dyersburg, Tennessee containing approximately 50,453 square feet of office space, bearing the municipal address of First Citizens Place (formerly 200 West Court). An expansion program completed during 1988 doubled the available floor space of the existing facility. The space was utilized to combine all lending and loan related functions. First Citizens owns the Banking Annex containing total square footage of 12,989 which provides operating space for banking departments i.e. agricultural services, training and public relations, as well as the bank's Brokerage subsidiaries. The municipal address of the bank occupied portion of the Annex is 215-219 Masonic Street.

The land and building occupied by the Downtown Drive-In Branch located at 113 South Church Street, Dyersburg, Tennessee is owned by First Citizens. The building, containing approximately 1,250 square feet, is located on a lot which measures 120 feet square. Also located at this address is a separate ATM facility wholly owned by the Bank. Construction of a new Downtown Drive-In facility on the existing site will begin early in the second quarter of 2000 with a projected completion date of early fourth quarter. The new facility will be approximately 898 square feet and will be a remote motor bank with six drive-thru lanes and a drive-up ATM lane. The current lobby traffic will be redirected to the Main Bank Office downtown. Drive-thru service for customers is expected to continue without interruption during the construction.

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The Green Village Office is located at 620 U.S. 51 Bypass adjacent to the Green Village Shopping Center. Construction of the new office was completed in June 2000. The 6400 square foot facility is designed to generate and service a much larger customer base than currently exists. The addition of a commercial lender to staff, a small business center designed to focus on the needs of local business and a full service postal facility lay the groundwork for growth and development at this location. This facility is equipped with seven drive up teller lanes, one of which is an ATM.

During June, the Super Money Market Branch located inside the Kroger Supermarket on Highway 78 was closed. Significant effort was expended to redirect customers to other branches, with focus being on our new Green Village Office. The Super Money Market office has for a number of years evolved to be a paying and receiving station. Net losses continued to increase and, at the same time, monthly costs on a lease negotiated with NBC in 1986 increased with each renewal at five-year intervals. This rate was more than twice the rate for comparable space in the Dyersburg area.

The Newbern Branch, also owned by First Citizens, is located on North Monroe Street, Newbern, Tennessee. The building contains approximately 4,284 square feet and occupies land which measures approximately 1.5 acres. A separate facility located in Newbern on the corner of Highway 51 and RoEllen Road houses an ATM. Both land and building are owned by the Bank.

The Industrial Park Branch located at 2211 St. John Avenue is a full service banking facility that offers drive-thru Teller and ATM services. The building owned by First Citizens National Bank contains approximately 2,773 square feet and is located on 1.12 acres of land. The Industrial Park Branch, became operational In November, 1994.

Construction of the new branch office in Lauderdale County was completed during the second quarter of 1999. The building contains approximately 3,500 square feet and was built on 1.151 acres of land located at 316 Cleveland Street in Ripley, providing a larger, more efficient facility to better serve our customers in Lauderdale County. The Ripley Office offers full serving banking with drive up teller lanes, twenty-four hour drive up ATM as well as Mortgage, Trust, Brokerage and Insurance services. Customers and staff celebrated a move to the new location on July 1, 1999. First Citizens continued to retain title to the original building. This property was held in bank premises until sold during fourth quarter of 2000.

The Bank of Troy was purchased by First Citizens National Bank in early 1998. The Troy Branch is located on Harper Street just west of Highway 51 in Troy, Tennessee. The building is two story brick and siding. The site consists of three lots with maximum dimensions on each side being 272 feet and 260 feet. The first floor in the main building contains 5,896 square feet and houses a full service branch facility. Most of the building was constructed in 1970 with additions and renovations being made since that time. The Troy Branch also offered limited drive-through services at a location on Highway 51 which was closed May 1, 1999. Permission to close this location was granted by the OCC based on the limited volume of business conducted by customers compared to the cost of operations. First Citizens has two ATMs located in Troy, one at 510 East Harper Street and the other in the Little General Store.

First Volunteer Bank in Union City was purchased by First Citizens early in January 1999. The Union City branch operates two full service facilities, a motor branch and one ATM in Obion County. The main office is located at 100 Washington Avenue in Union City. The brick building consists of 52,500 square feet on three floors and is a combination of two buildings. The bank occupies 10,000 square feet of the ground floor. An additional 3,750 square feet are used for storage space. The other 3,750 square feet of the ground floor are leased to Snappy Tomato Pizza Company. A motor branch is located at First and Harrison Streets across from the main office. The East branch facility and ATM are located at 1509 East Reelfoot Avenue in Union City. The ATM located in the Goodyear Manufacturing facility in Union City was relocated to the Little General Store in Troy on September 7, 2000.

As a result of the Union City acquisition, First Citizens acquired a 5,123 square foot building having a street address of 500 South First Street, currently leased by Radio Shack. This building will be considered in terms of future expansion of the Union City franchise, or will be sold if no future utilization can be identified.

There are no liens or encumbrances against any properties owned by First Citizens.

ITEM 3. LEGAL PROCEEDINGS

First Citizens is involved in routine legal issues. However, the outcome of these issues are not expected to have a material adverse effect to the bank.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ending December 31, 2000, there were no meetings, annual or special, of the shareholders of Bancshares. No matters were submitted to a vote of the shareholders nor were proxies solicited by management or any other person.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

As of December 31, 2000 there were 982 shareholders of Bancshares' stock. Bancshares common stock is not actively traded on any market. Per share prices reflected in the following table are based on records of actual sales during stated time periods. These records may not include all sales during these time periods if sales were not reported to First Citizens for transfer.

Quarter Ended	High	Low
March 31, 2000	$24.00	$24.00
June 30, 2000	$24.00	$19.00
September 30, 2000	$19.00	$19.00
December 31, 2000	$19.00	$19.00
March 31, 1999	$30.00	$30.00
June 30, 1999	$30.00	$30.00
September 30, 1999	$30.00	$30.00
December 31, 1999	$30.00	$30.00

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Dividend payouts per share restated to reflect a 4:1 stock split in June 1998 were 1.00 dollar in 2000, .90 cents in 1999 and .75 cents in 1998.

Dividends - 2000

	Dividend Per Share	Quarter Declared
	.2250	1st
	.2250	2nd
	.2250	3rd
	.3250	4th

Total	$ 1.00	

*Special dividend paid in fourth quarter 2000, 1999 and 1998.

Future dividends will depend on Bancshares' earnings and financial condition and other factors which the Board of Directors of Bancshares considers relevant.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents information for Bancshares effective December 31 for the years indicated.

(in thousands)
(except per share data)

	2000	1999	1998	1997	1996
Net Interest & Fee Income	$ 18,594	$ 19,305	$ 17,964	$ 16,021	$ 14,956
Gross Interest Income	$ 38,137	$ 36,085	$ 35,252	$ 30,698	$ 28,862
Income From Continuing Operations	$ 4,612	$ 5,799	$ 4,474	$ 4,730	$ 4,254
Long Term Obligations(1)	$ 43,429	$ 11,264	$ 25,486	$ 12,146	$ 6,997
Income Per Share from Continuing					

Operation(2)	$ 1.24	$ 1.58	$ 1.25	$ 1.38	$ 1.22
Net Income per Common Share (2)	$ 1.24	$ 1.58	$ 1.25	$ 1.38	$ 1.22
Cash Dividends Declared per Common Share(2)	$ 1.00	$ .90	$ .75	$ .50	$ .40
Total Assets at Year End	$500,954	$472,670	$472,153	$384,183	$357,269
Allowance for Loan Losses as a % Loans	1.10%	1.14%	1.25%	1.21%	1.07%
Allowance for Loan Losses as a % of Non-Performing Loans	125.01%	445.26%	509.62%	461.76%	176.08%
Loans 90 Days Past Due as a % of Loans	.47%	.10%	.14%	.00%	.09%

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(1) Long Term Obligations consist of FHLB Borrowings, an ESOP Obligation, and Finance Company Debts.
(2) Restated to reflect 4 for 1 Stock Split on June 15, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Citizens Bancshares, Inc (Bancshares) is a financial holding company headquartered in Dyersburg, Tennessee and doing business primarily in Dyer, Lauderdale and Obion Counties. The primary asset of Bancshares is First Citizens National Bank, but also includes a full service brokerage subsidiary (First Citizens Financial Plus), 50% ownership in a full service insurance agency (White & Associates/First Citizens Insurance), and a consumer finance affiliate (Delta Finance). The banking structure includes a Trust division, a Mortgage Loan department and an Electronic Banking/Call Center.

EARNINGS ANALYSIS:

First quarter of year 2000 produced positive results and held out the promise of another record breaking year for earnings. Net income was up 8.6% over the prior year, supported by growth in net interest income and a significant contribution from our brokerage subsidiary, First Citizens Financial Plus. Increased pressure on net interest margins in the second quarter brought about by rising interest rates suppressed earnings and produced results that were below the same period in 1999. Third and fourth quarter results were even more stressed as margins became tighter and earnings were further reduced by payouts to two individuals choosing to exercise contract options available as a result of merger activity in Obion County in 1998. Total payout exceeded $800,000 and represented the extent of First Citizens' contract liability to employees of the merged bank. Fourth quarter earnings were further impacted by an additional provision to loan loss reserve totaling $544 thousand, which represents deterioration in three credits and does not reflect a trend within the loan portfolio.

Interest income for the year increased 5.68%, a gain offset by a 6.46% increase in interest expense. Six rate increases by the Federal Reserve in a one-year period played havoc with net interest margins and forced management to rethink our funding strategy. As a result, the decision was made to outsource the investment portfolio and in so doing, avail First Citizens of expertise unavailable in-house. We are now operating under a new Board approved strategy recommended by the portfolio manager and are moving toward improved net interest margins with less volatility when faced with market rates changes.

Other income improved 7.4% while other expense was up only 2%, exclusive of contract payouts totaling $809,000. This was accomplished by a continued focus on the importance of fee income and a commitment to managing controllable expense. Future acquisition of companies in which employees hold contracts granting golden parachutes will be handled in a manner that addresses the financial impact at the time of transaction, avoiding the situation that occurred in Year 2000.

ASSETS/LOANS/DEPOSITS:

The company hit a milestone in Year 2000 when assets exceeded $500 million. In so doing, we have aligned ourselves with a new peer group in terms of comparison, and will now be governed by rules that apply to banks over this asset level. The major impact will be dealt the audit function, with the Board Audit Committee and the company's External Auditor being subjected to tighter rules in terms of independence and qualification. We see no problem in complying with the more rigid criteria and have taken steps necessary to satisfy SEC requirements, even though Bancshares has a grace period which delays mandatory compliance until 2003.

Loan growth of 4.8% was centered primarily in the category of commercial and residential real estate. Deterioration in the economy in general has resulted in a tightening of loan underwriting standards and sacrificed a higher level of growth to ensure continued quality in the portfolio. Growth in the agricultural segment of the portfolio has been negligible as farmers experienced a third year of less than satisfactory results with no real promise of improved profitability, other than federal disaster payments. Economists from the Food and Agricultural Policy Research Institute and the Agriculture and Food Policy Center have projected that U.S. net farm income could drop more than $9 billion in the next two years as a result of lower government payments and increased production costs. These statistics are based on normal weather conditions, a continuation of present farm programs and continuation of government loan rates at their maximum levels. In view of such dire predictions and a continuation of year after year operating results that produce inadequate profit levels, banks will become less inclined to provide financing needed to support the industry. First Citizens remains the largest agricultural lender in our area. Our commitment to the industry has been evident since the bank was chartered in 1889, but we are obligated to Shareholders to recognize risk inherent in any industry segment and make lending decisions based on sound underwriting standards, including the ability to repay.

In order to predict probable losses on loans, allowance determination policy shall reflect historical losses on pools of loans and the relationship to actual previously predicted losses. If significant differences are evident, then justification shall be addressed. If probable losses are detected then appropriate assets shall be identified as impaired, they will be analyzed, and specific allocations funded in order to avoid extraordinary charges to reserve. It shall be incumbent upon registrant to ensure that assets are graded for quality in a timely manner and appropriate reserves maintained, based on internal analysis. Local trends in sales tax receipts, unemployment, and economic development shall be assessed quarterly and adjustments made to allowance based on upward or downward trends to these elements. National economic conditions shall be monitored but direct a much lesser impact on allowance determination.

Deposit market share of First Citizens in Dyer County increased from 53.75% at June 30, 1999 to 57.67% as of June 30, 2000. This was accomplished with deposit growth of less than 1.5%, emphasizing the challenge to banks of funding any measurable volume of loan growth with growth in deposits. Liquidity continues to be one of the most serious issues facing banks of all sizes. First Citizens has turned primarily to the Federal Home Loan Bank to address funding needs, with alternatives being lines of credit with correspondent banks and the Bankers Bank as well as brokered deposits. While we would prefer to fund loans with deposits, we acknowledge that this is no longer an option and recognize that future strategy must insure a dependable source of liquidity that will support asset growth.

SHAREHOLDER RETURN & EQUITY CAPITAL:

The highest classification in terms of capital levels that can be assigned by banking regulators is "well capitalized". In order to attain this classification, banks must maintain a 10% risk-based capital ratio. First Citizens' risk-based capital ratio as of December 31, 2000 was 13.78%, almost $13 million in excess of that necessary to be classified at the highest level. While earnings were down for the year, the Board made a decision to increase dividends by 10.5% based on the belief that the earnings stall is temporary and that the level of excess capital justifies an increase in payout to shareholders. Stockholder equity has grown consistently, supported over the years by strong earnings and quality assets. Equity capital at 12/31/00 was $47 million compared to $44 million at year-end 1999, up in excess of 7%. Since dividends to shareholders in year 2000 were 81% of earnings, most of the increase can be attributed to an improvement in the accumulated adjustment of unrealized loss on securities available-for-sale from ($2,036,000) at year-end 1999 to ($371) as of 12/31/00.

OTHER ISSUES:

Bankruptcy continues to be an issue of major concern to banks nationwide. It has been determined that the U.S. economy loses $40 billion annually because of bankruptcy filings. These losses are passed along to all consumers, including those who responsibly pay their debts, through higher interest rates, increased prices for goods and services, and reduced credit access. In addition, the courts in West Tennessee have a reputation for being extremely lenient with debtors, placing lending institutions and others who deal in credit at a higher risk of loss than others nationwide. It is important to ensure that bankruptcy protection is available to those who truly need it, emphasizing the need for reform that focuses on a "needs-based" approach and eliminates the fraud inherent in the current system.

Changes in Financial Accounting Standards

In June, 1998, the Financial Accounting Standards Board (FASB) issued its Statement No. 133 Accounting for Derivative Instruments and Hedging Activities which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As issued FASB Statement No. 133 was to become effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. In 1999, the FASB issued Statement No. 137 which delayed the effective date of Statement No. 133 for one year until fiscal years beginning after June 15, 2000. In June 2000, FASB issued Statement No. 138 Accounting for Certain Derivative Investments and Certain Hedging Activities which further amended Statement No. 133 without changing the effective date. As issued, these Statements require that derivative instruments be reported either as assets or liabilities in the balance sheet and that they be reflected at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the instrument and the resulting designation. First Citizens Bancshares, Inc. utilized the derivative as a cash flow hedge, hedging the "benchmark interest rate."

Also in 2000, FASB issued Statement No. 139 which rescinded certain earlier FASB statements and had no impact on the financial statements of the Company.

In September 2000, FASB Statement No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities was issued. Statement No. 140 replaces Statement No. 125, which had the same name. The pronouncement revises standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. The Statement is effective for relevant transactions occurring after March 31, 2001.

NON-INTEREST INCOME

The following table reflects restated non-interest income for the years ending December 31, 2000, 1999, and 1998:

December 31
Change from prior year
(in thousands)

	Total 2000	Increase (Decrease) Amount	Percentage	Total 1999	Increase (Decrease) Amount	Percentage	Total 1998
Service Charges on Deposit Accounts	$2,711	$ 303	12.58%	$2,408	$ 331	15.93%	$2,077
Other Service Charges, Charges, Commissions & Fees	$1,881	$ 224	13.51%	$1,657	$ 544	48.87%	$1,113
Other Income	$1,480	$ (126)	(7.84%)	$1,606	$ 207	14.79%	$1,399
TOTAL NON-INTEREST INCOME	$6,072	$ 401	7.07%	$5,671	$1,082	23.57%	$4,589

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Growth in non-interest income is key to sustaining increases in overall net income as net interest margins continue to be squeezed. The components of First Citizens non-interest income include service charges on deposit accounts, other fees and service charges, fiduciary income, ATM/POS interchange fees, and other income from subsidiaries (Financial Plus, White and Associates/First Citizens Insurance, Delta Finance). Total non-interest income in 2000 increased 7% to $6,072,000 compared to a 23.6% increase in 1999. Service charges on deposit accounts increased 12.6% from 1999 to 2000 primarily due to increased overdraft fee income. A strong focus on fee income and diversification of the income stream is reflected in the increased percentages in 2000 of 13.5% in other service charges and fees. Improved earnings are attributed to continued growth in income received from Financial Plus, Inc. and First Citizens Insurance. A large portion of Trust Department fee income is calculated as a percent of portfolio market value. Volatility in financial markets has resulted in a decrease in market value of many investment portfolios, thus negatively impacting derived income in this area. In addition, total volume of assets managed has decreased resulting in lower fee income.

NON-INTEREST EXPENSE

December 31
Change from prior year
(in thousands)

	Total 2000	Increase (Decrease) Amount	Percentage	Total 1999	Increase (Decrease) Amount	Percentage	Total 1998
Salaries & Employee Benefits	$ 8,751	$ 79	.91%	$ 8,672	$ 384	4.63%	$ 8,288
Occupancy Expense	$ 2,938	$ 212	7.77%	$ 2,726	$ 311	12.87%	$ 2,415
Other Operating Expense	$ 4,957	$ 946	23.58%	$ 4,011	$ 71	1.80%	$ 3,940
TOTAL NON-INTEREST EXPENSE	$16,646	$1,237	8.02%	$15,409	$ 766	5.23%	$14,643

Total non-interest expense increased approximately 8% in 2000 primarily due to an increase of $946,000 in other operating expense. This increase is a result of the Obion County payouts and the decrease in Trust Department income. The 5% increase noted when comparing 1999 to 1998 reflects growth in salaries and benefits from the addition of employees at First Volunteer Bank, Bank of Troy, Mortgage Lending, Financial Plus, Delta Finance and in support positions at First Citizens National Bank. The Bank of Troy, Troy, TN and First Volunteer Bank, Union City, TN were converted to the books of First Citizens National Bank in 1999 as branches of the bank. These conversions set the stage for a reduction in number of employees as well as providing for economies of scale in information systems. Non-recurring expense incurred at Bank of Troy in 1998 exceeded $1.3 million and included benefit plans, additional loan loss reserves and buy out of an employment contract of the Bank's former CEO. Full-time equivalent employees were 209 at December 31, 2000 compared to 203 at December 31, 1999. Assets per employee at December 31, 2000 was $2.4 million, up slightly when compared to $2.3 at December 31, 1999 and 1998.

Other operating expense increased 23.6% from 1999 to 2000. This increase is a result of payouts to two individuals choosing to exercise contract options available as a result of merger activity in Obion County in 1998. Total payout exceeded $800,000 and represented the extent of First Citizens' contract liability to employees of the merged bank. Other components negatively impacting this are were decreased Trust Department fee income and securities gains/losses. Other operating expense reflects only a 2% increase exclusive of contract payouts. Future acquisition of companies in which employees hold contracts granting golden parachutes will be handled in a manner that addresses the financial impact at the time of transaction, avoiding the situation that occurred in Year 2000.

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Data processing expense increased in 1998 and 1999 as a result of software enhancements, the installations of a Wide Area Network, cost of addressing year 2000 issues, associated merger costs, and the introduction of Online Banking to our customers. The increase does not reflect the time and attention of key staff members to ensure that systems were compliant and would deal efficiently with the new millennium date change. Increase in occupancy expense from 1998 to 1999 was greatly influenced by the construction of the new branch office in Ripley, early construction stages of the new Green Village Office, and increased depreciation expense.

Efficiencies implemented over the past five years have reduced and/or controlled non-interest expense in an acceptable manner. Going forward, management will focus on increasing the potential to generate non-interest income through investment in non-banking subsidiaries such as insurance agencies, consumer finance companies, and our brokerage business. In addition, we will concentrate on internal income growth in the bank's mortgage lending and trust services departments.

December 31	Assets Per Employee (in thousands)	Asset Per Employee Peer Groups (in thousands)
2000	$2,397	$2,860
1999	$2,328	$2,540
*1998	$2,354	$2,400
1997	$2,151	$2,400
1996	$2,159	$2,300

*1998 includes Bank of Troy and Delta Finance II. Assets per employee increased due to Troy's positive position.

COMPOSITION OF DEPOSITS

The average daily amounts of deposits and rates paid on such deposits are summarized for the periods indicated:

	December 31 (in thousands) 2000		1999		1998	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-Interest Bearing Demand Deposits	$ 39,549	0.00%	$ 39,805	0.00%	$ 37,742	0.00%
Savings Deposits	$114,316	3.04%	$111,278	2.99%	$106,259	3.20%
Time Deposits	$210,177	5.79%	$208,908	4.91%	$202,370	5.62%
TOTAL DEPOSITS	$364,042	4.30%	$359,991	3.77%	$346,371	4.27%

Deposits increased 1.13% in 2000 in comparison to 3.9% in 1999. Total deposits have been restated as required by FASB Accounting Standards for pooling-of-interests. Actual deposit growth in 1999, including deposits acquired from mergers and acquisitions, was 34.85 percent. The company's marketplace is described as highly competitive, with a fairly sophisticated customer base. Competition is aggressive for both loans and deposits. Retention of savings and time deposits continues to be a challenge with increased competition by brokerage firms, insurance companies and other financial service providers. Competitor marketing programs are aggressive in seeking new deposit dollars with advertising programs that offer above maket rates on certificates of deposits in some market areas. According to a recent survey First Citizens maintains approximately 58% of Dyer County market share; 15% of Obion County market share and 5% of Lauderdale County market share. In the Dyer County market the bank competes with Union Planters (7.5%), First Tennessee Bank (16%), Security Bank (17%), and City State Bank (2%). The bank's largest competitor in Lauderdale County is Bank of Ripley (36.5%). Competition in Obion County ranks First State Bank

43.1% market share, Commercial Bank and Trust 17.2%, Union Planters 9.3%, and Reelfoot Bank 13.3%.

Deposit growth remained relatively flat in 2000. The average rate paid on total deposits continued to decline from 4.27% in 1998 to 3.77% in 1999. However, an increase in rates by the Federal Reserve prompted a reversal of this trend during the fourth quarter of 1999. As a result, the average rate paid on total deposits increased to 4.30% in 2000. The new "Wall Street Checking" account introduced during third quarter is designed to support efforts to grow the deposit base. This account combines benefits of unlimited checking and earning rates competitive with those paid by brokers. The management of liquidity needs has evolved as a major challenge to community banks. Making the right investment choices, identifying funding sources that impose the least risk to First Citizens asset/liability management process and finding creative ways to induce deposit growth will ensure our continued success as an independent community bank.

Management is continuously monitoring and enhancing the bank's product line in order to retain existing customers and to attract new customer relationships. First Citizens introduced Internet based banking to the market place September 1, 1999. The service allows customers to access account information, statement activity, apply for a deposit or loan and pay bills by signing on to firstcitizens-bank.com. The cost of Internet banking is free to customers, while bill pay is offered at a competitive price. The bank's Call Center now provides more efficient customer support from account inquiry to electronic banking products and services. A focus on developing the Small Business segment of our customer base has been significantly enhanced by the introduction of a trio of Internet products that promote a "Surf Locally, Shop Locally" theme. A web page development service, the ability to be a part of a virtual Internet Mall and the introduction of First Citizens as an Internet Service Provider (ISP) will place our organization well above the competition in this business segment.

SHORT TERM BORROWINGS

	12/31/00	12/31/99
Amount outstanding-end of Period	$34,174	$46,090
Weighted Average Rate of Outstanding	5.55%	4.56%
Maximum Amount of Borrowings at Month End	54,600	47,470
Average Amounts Outstanding for Period	49,436	32,759
Weighted Average Rate of Average Amounts	5.97%	4.46%

Long term debt for 2000 is comprised of Federal Home Loan Bank borrowings totaling $56,929,000 and Delta Finance Company obligation of $1,000,000. Other long term obligations consist of a note payable of Employee Stock Ownership Plan to Suntrust Bank, balance at 12/31/00 of $920,000. 1999 long term debt included Federal Home Loan Bank borrowings totaling $12,528,000, Delta Finance Company debt of $1,000,000, and the Employee Stock Ownership Plan obligation of $1,117,000.

	Average Volume	Average Rate	Average Maturity	Repricing Frequency
FHLB Borrowings	56,929	5.90%	3 years	Fixed
Finance Company Debt	1,000	6.00%	5 years	Fixed
ESOP Obligation	920	7.25%	5 years	Monthly

The following table sets forth the maturity distribution of Certificates of Deposit and other time deposits of $100,000 or more outstanding on the books of First Citizens on December 31, 2000. The overall total increased in excess of $2.2 million when compared to the prior year.

MATURITY DISTRIBUTION OF TIME DEPOSITS IN AMOUNTS OF $100,000 AND OVER

December 31
(in thousands)

	2000 Amount	2000 Percent	1999 Amount	1999 Percent
Maturing in:				
3 months or less	$45,450	62.19%	$44,946	63.42%
Over 3 through 12 months	$22,703	31.05%	$22,980	32.43%
Over 12 months	$ 4,948	6.76%	$ 2,936	4.15%
TOTAL	$73,101	100.00%	$70,862	100.00%

The following table sets forth an analysis of sources and uses of funds for the years under comparison.

SOURCES AND USES OF FUNDS
(in thousands)

FUNDING USES	2000 Average Balance Amount	2000 Increase (Decrease) Amount	2000 %	1999 Average Balance Amount	1999 Increase (Decrease) Amount	1999 %	1998 Average Balance Amount
INTEREST-EARNING ASSETS:							
Loans (Net of Unearned Discounts & Reserve)	$330,468	$ 7,421	2.29%	$323,047	$33,631	11.62%	$289,416
Taxable Investment Securities	$ 87,108	$(2,260)	(2.52%)	$ 89,368	$ 5,449	6.49%	$ 83,919
Non-Taxable Investment Securities	$ 13,078	$ 6	.04%	$ 13,072	($ 1,127)	(7.93%)	$ 14,199
Federal Funds Sold	$ 1,201	$(1,489)	(55.35%)	$ 2,690	($ 6,060)	69.25%	$ 8,750
Interest Earning Deposits In Banks	$ 1,549	$ 518	50.24%	$ 1,031	$ 51	5.20%	$ 980
TOTAL INTEREST-EARNING ASSETS	$433,404	$ 4,196	.97%	$429,208	$31,944	8.04%	$397,264
Other Uses	$ 51,296	$ 7,620	17.44%	$ 43,376	$ 5,218	13.67%	$ 38,158
TOTAL FUNDING USES	$484,700	$12,116	2.56%	$472,584	$37,162	8.53%	$435,422
INTEREST-BEARING LIABILITIES:							
Savings Deposits	$114,316	$ 3,038	2.73%	$111,278	$ 5,019	4.72%	$106,259
Time Deposits	$210,177	$ 1,269	.60%	$208,908	$ 6,538	3.23%	$202,370
Federal Funds Purchased and Other Interest							

Bearing Liabilities	$ 71,822	$ 6,904	10.63%	$ 64,918	$18,418	39.60%	$ 46,500
TOTAL INTEREST-BEARING LIABILITIES	$396,315	$11,211	2.91%	$385,104	$29,975	8.44%	$355,129
Demand Deposits	$ 39,549	$ (256)	(.64%)	$ 39,805	$ 2,063	5.46%	$ 37,742
Other Sources	$48,836	$ 1,161	2.43%	$ 47,675	$ 5,124	12.04%	$ 42,551
TOTAL FUNDING SOURCES:	$484,700	$12,116	2.56%	$472,584	$37,162	8.53%	$435,422

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SUMMARY - AVERAGE BALANCE SHEET AND NET INTEREST INCOME ANALYSIS
(FIRST CITIZENS NATIONAL BANK)

Monthly Average Balances and Interest Rates
(in thousands)

	2000			1999			1998		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
INTEREST EARNING ASSETS:									
Loans (1)(2) (3)	$330,468	$31,631	9.57%	$323,047	$29,382	9.10%	$289,416	$28,502	9.84%
Investment Securities:									
Taxable	$ 87,108	$ 5,732	6.58%	$ 89,368	$ 5,903	6.61%	$ 83,919	$ 5,405	6.44%
Tax Exempt (4)	$ 13,078	$ 959	7.33%	$ 13,072	$ 938	7.18%	$ 14,199	$ 1,085	7.64%
Interest Earning Deposits	$ 1,549	$ 86	5.55%	$ 1,031	$ 42	4.07%	$ 980	$ 55	5.61%
Federal Funds Sold	$ 1,201	$ 55	4.57%	$ 2,690	$ 148	5.50%	$ 8,751	$ 639	7.30%
Lease Financing	$ 0	$ 0	0%	$ 0	$ 0	0%	$ 0	$ 0	0%
Total Interest Earning Assets	$433,404	$38,463	8.87%	$429,208	$36,413	8.48%	$397,264	$35,686	8.98%
NON-INTEREST EARNING ASSETS:									
Cash and Due From Banks	$ 12,736	$ 0	0%	$ 13,531	$ 0	0%	$ 12,005	$ 0	0%
Bank Premises and Equipment	$ 14,101	$ 0	0%	$ 13,035	$ 0	0%	$ 10,180	$ 0	0%
Other Assets	$ 24,459	$ 0	0%	$ 16,810	$ 0	0%	$ 15,973	$ 0	0%
Total Assets	$484,700	$ 0	0%	$472,584	$ 0	0%	$435,422	$ 0	0%
LIABILITIES AND SHAREHOLDERS' EQUITY:									
INTEREST BEARING LIABILITIES:									
Savings Deposits (5)	$114,316	$ 3,481	3.04%	$111,278	$ 3,324	2.99%	$106,259	$ 3,400	3.20%
Time Deposits	$210,177	$12,183	5.79%	$208,908	$10,262	4.91%	$202,370	$11,391	5.62%
Federal Funds									

Purchased and Other Interest Bearing Liabilities	$ 71,822	$ 3,879	5.40%	$ 64,918	$ 3,194	4.92%	$ 46,500	$ 2,497	5.36%
Total Interest Bearing Liabilities	$396,315	$19,543	4.93%	$385,104	$16,780	4.36%	$355,129	$17,288	4.86%
NON-INTEREST BEARING LIABILITIES:									
Demand Deposits	$ 39,549	$ 0	0%	$ 39,805	$ 0	0%	$ 37,742	$ 0	0%
Other Liabilities	$ 3,451	$ 0	0%	$ 3,993	$ 0	0%	$ 2,688	$ 0	0%
Total Liabilities	$439,315	$ 0	0%	$427,762	$ 0	0%	$395,559	$ 0	0%
SHAREHOLDERS' EQUITY	$ 45,385	$ 0	0%	$ 43,682	$ 0	0%	$ 39,863	$ 0	0%

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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$484,700	$ 0	0%	$472,584	$ 0	0%	$435,422	$ 0	0%
NET INTEREST INCOME	$ 0	$18,920	0%	$ 0	$19,633	0%	$ 0	$18,398	0%
NET YIELD ON AVERAGE EARNING ASSETS	$ 0	$ 0	4.36%	$ 0	$ 0	4.57%	$ 0	$ 0	4.63%

(1) Loan totals are shown net of interest collected, not earned and loan loss reserves.

(2) Fee Income is included in interest income and the computations of the yield on loans.

(3) Includes loans on nonaccrual status.

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

(5) Includes interest bearing deposit accounts excluding time deposits.

VOLUME/RATE ANALYSIS

(First Citizens National Bank)	2000 Compared to 1999 Due to Changes in:			1999 Compared to 1998 Due to Changes in:		
	Average Volume	Average Rate	Total Increase (Decrease)	Average Volume	Average Rate	Total Increase (Decrease)
Interest Earned On:	(in thousands)					
Loans	$ 675	$1,574	$2,249	$3,309	$(2,429)	$ 880

Taxable Investments	(149)	(22)	(171)	351	147	498
Tax Exempt Investment Securities	1	20	21	(86)	(61)	(147)
Interest Bearing Deposits with Other Banks	21	23	44	3	(16)	(13)
Federal Funds Sold and Securities purchased under agreements to resell	(82)	(11)	(93)	(442)	(49)	(491)
Lease Financing	0	0	0	0	0	0
TOTAL INTEREST EARNING ASSETS	$ 466	$1,584	$2,050	$3,135	$(2,408)	$ 727
Interest Paid On:						
Savings Deposits	91	66	157	161	(237)	(76)
Time Deposits	623	1,298	1,921	367	(1,496)	(1,129)
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	340	345	684	987	(290)	697
TOTAL INTEREST BEARING LIABILITIES	$1,054	$1,709	$2,763	$1,515	$(2,023)	$ (508)
NET INTEREST EARNINGS	$ (588)	$ (125)	$ (713)	$1,620	$ (385)	$1,235

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A summary of average interest earning assets and interest bearing liabilities is set forth in the preceding table together with average yields on the earning assets and average cost on the interest bearing liabilities. Total interest earning assets increased .98% and 8.4% when comparing 2000 to 1999 and 1998. Total interest bearing liabilities increased 2.91% and 8.44% when comparing 2000, 1999, and 1998 respectively. Total interest earning assets averaged $433,404,000 at an average rate of 8.87% while total interest bearing liabilities averaged $396,315,000 at an average rate of 4.93%. Net yield on average earning assets (annualized) was 4.36%, 4.57%, and 4.63% for the years 2000, 1999, and 1998. Six rate increases by the Federal Reserve in a one-year period played havoc with net interest margins and forced management to rethink our funding strategy. As a result, the decision was made to outsource the investment portfolio and in so doing, avail First Citizens of expertise unavailable in-house. We are now operating under a new Board approved strategy recommended by the portfolio manager and are moving toward improved net interest margins with less volatility when faced with market rate changes. Other measures taken include utilization of long term borrowings in brokered CD's and Federal Home Loan Bank funds.

LOAN PORTFOLIO ANALYSIS
COMPOSITION OF LOANS

	December 31 (in thousands)				
	2000	1999	1998	1997	1996
Real Estate Loans:					
Construction	$ 34,195	$ 34,431	$ 28,048	$ 23,378	$ 21,564

Mortgage	$197,040	$189,787	$159,637	$151,333	$142,079
Commercial, Financial and Agricultural Loans	$ 63,703	$ 60,446	$ 87,927	$ 52,212	$ 46,581
Installment Loans to Individuals	$ 42,754	$ 37,595	$ 29,197	$ 26,904	$ 23,743
Other Loans	$ 3,267	$ 3,118	$ 2,522	$ 2,512	$ 2,479
TOTAL LOANS	$340,959	$325,377	$307,331	$256,339	$236,446

CHANGES IN LOAN CATEGORIES

December 31, 2000 as compared to December 31, 1999
(in thousands)

Loan Category	Amount of Increase (Decrease)	% of Increase (Decrease)
Real Estate	$ 7,017	3.12%
Commercial, Financial and Agricultural	$ 3,257	5.38%
Installment Loans to Individuals	$ 5,159	13.72%
Other Loans	$ 149	4.77%
TOTAL LOANS	$15,582	4.78%

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Outstanding loans at year-end 2000 increased 4.79% when compared to year-end 1999. The 1998 total loan balance has been restated to include loans acquired from First Volunteer totaling $28.7 million. Loan growth consisted of increased volume in all loan categories, with the largest percent growth of 13.72% or $5 million reflected in Installment Loans and the largest volume growth of $7 million reflected in Real Estate Loans. Commercial, Financial and Agricultural Loans reflected a 31.25% decrease from 1998 to 1999 primarily due to paydowns in commercial loans. The expansion into Obion County affords new lending opportunities, which would support future growth projections, while at the same time building on existing customer relationships. Net loan growth for the five years ending December, 2000 was approximately 44 percent. Competition for quality loans continues to place pressure on the yield and terms customers are willing to accept. Loan Administration has taken a conservative position in dealing with situations which deviate from established underwriting procedures, while at the same time recognizing the need to maintain loan growth.

An increase of 22% for the year ending December 31, 1998 reflects loans acquired as a result of the Troy acquisition. Loan growth of 4.8% was centered primarily in the category of commercial and residential real estate. Deterioration in the economy in general has resulted in a tightening of loan underwriting standards and sacrificed a higher level of growth to ensure continued quality in the portfolio. Growth in the agricultural segment of the portfolio has been negligible as farmers experienced a third year of less than satisfactory results with no real promise of improved profitability, other than federal disaster payments. Economists from the Food and Agricultural Policy Research Institute and the Agriculture and Food Policy Center have projected that U.S. net farm income could drop more than $9 billion in the next two years as a result of lower government payments and increased production costs. These statistics are based on normal weather conditions, a continuation of present farm programs and continuation of government loan rates at their maximum levels. In view of such dire predictions and a continuation of year after year operating results that produce inadequate profit levels, banks will become less inclined to provide financing needed to support the industry. First Citizens remains the largest agricultural lender in our area. Our commitment to the industry has been evident since the bank was chartered in 1889, but we are obligated to Shareholders to recognize risk inherent in any industry segment and make lending decisions based on sound underwriting standards, including the ability to repay.

Mortgage loans have experienced continued growth of more than 38% since 1996, with only a 3.12% increase from 1999 to 2000 primarily due to the six interest rate increases. The upward trend is attributed to substantial growth in Dyer County population as well, the number of households recorded in Dyer county in the past decade and strong economic conditions. Market information and employment rates are published in this report in the section titled Banking Business.

The First Citizens loan portfolio is made up of quality credits, and is well diversified with a concentration of credit in real estate related loans. Real estate related loans total over $231 million. Problem loans increased $1.6 million when compared to December 31, 1999. Problem loans at December 31, 2000 were $8.7 million or 2.5% of total loans. The provision for loan losses increased in proportion to loan growth and added risk as dictated by loan policy.

The book value of repossessed real property held by First Citizens was $318,000 at December 31, 2000 compared to $390,458 at December 31, 1999. Accounting for adjustments to the value of Other Real Estate when recorded subsequent to foreclosure is accomplished on the basis of independent appraisal. The asset is recorded at the lesser of its appraised value or the loan balance.

Loan Administration sets policy guidelines approved by the Board of Directors regarding portfolio diversification and underwriting standards. Loan policy also includes board approved guidelines for collateralization, loans in excess of loan to value limits, maximum loan amount, maximum maturity and amortization period for each loan type. Policy guidelines for loan to value ratio and maturities related to various collateral as follows:

Collateral	Max. Amortization	Max. LTV
Real Estate	Various (see discussion)	Various (see discussion)
Equipment	5 Years	75%
Inventory	5 Years	50%
A/R	5 Years	75%
Livestock	5 Years	80%
Crops	1 Year	50%
*Securities	10 Years	75% (Listed)
		50% (Unlisted)

*Maximum LTV on margin stocks (stocks not listed on a national exchange) when proceeds are used to purchase or carry same, shall be 50%.

Diversification of the banks' real estate portfolio is a necessary and desirable goal of the bank's real estate loan policy. In order to achieve and maintain a prudent degree of diversity, given the composition of the bank's market area and the general economic state of the market area, the bank will strive to maintain a real estate loan portfolio diversification based upon the following:

- Agricultural loans totaling in the aggregate no more than 20% of the Bank's total loans.
- Land acquisition and development loans totaling in the aggregate no more than 10% of the Bank's total loans.
- Commercial construction loans totaling in the aggregate no more than 10% of the Bank's total loans.
- Residential construction loans totaling in the aggregate no more than 10% of the Bank's total loans.
- Residential mortgage loans totaling in the aggregate no more than 40% of the Bank's total loans.
- Commercial loans totaling in the aggregate no more than 30% of the Bank's total loans.

It is the policy of FCNB that no real estate loan will be made (except in accordance with the provisions for certain loans in excess of supervisory limits provided for hereinafter) that exceed the loan-to-value percentage limitations ("LTV limits") designated by category as follows:

Loan Category	LTV Limit
Raw Land	65%
Land Development or Farmland	75%
Construction:	
Commercial, multi-family, and other non-residential	80%
1-to-4 family residential	80%
Improved Property	80%
Owner-occupied 1-to-4 family and home equity	80%

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Multi-family construction loans include loans secured by cooperatives and condominiums. Owner-occupied 1-to-4 family and home equity loans which equal or exceed 90% LTV at origination must have either private mortgage insurance or other readily marketable collateral pledged in support of the credit.

On occasion, the Loan Committee may entertain and approve a request to lend sums in excess of the LTV limits as established by policy, provided that:

- The request is fully documented to support the fact that other credit factors justify the approval of that particular loan as an exception to the LTV limit;

- The loan, if approved, is designated in the Bank's records and reported as an aggregate number with all other such loans approved by the full Board of Directors on at least a quarterly basis;

- The aggregate total of all loans so approved, including the extension of credit then under consideration, shall not exceed 50% of the Bank's total capital; and

- Provided further that the aggregate portion of these loans in excess of the LTV limits that are classified as commercial, agricultural, multi-family or non-1-to-4 family residential property shall not exceed 30% of the Bank's total capital.

Amortization Schedules: Every loan must have a documented repayment arrangement. While reasonable flexibility is necessary to meet the credit needs of the Bank's customers, in general all loans should be repaid within the following time frames:

Loan Category	Amortized Period
Raw Land	10 years
Construction:	
Commercial, multi-family, and other non-residential	20 years
1-to-4 family residential	20 years
Improved Property Farmland	20 years
Owner-occupied 1-to-4 family and home equity	20 years

The average yield on loans of First Citizens National Bank for the years indicated are as follows:

2000 - 9.57%
1999 - 9.10%
1998 - 9.72%
1997 - 9.70%
1996 - 9.71%

The aggregate amount of unused guarantees, commitments to extend credit and standby letters of credit was $56,803,000 at December 31, 1999.

LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

	Due in one year or less	Due after one year but within five years	Due after five years
		(in thousands)	
Real Estate	$48,140	$134,048	$49,047
Commercial, Financial and Agricultural	$29,278	$26,646	$ 7,779
All Other Loans	$10,281	$34,218	$ 1,522
TOTALS	$87,699	$194,912	$58,348

Loans with Maturities After One Year for which:

	(in thousands)
Interest Rates are Fixed or Predetermined	$219,203
Interest Rates are Floating or Adjustable	$ 34,057

The degree of interest rate to which a bank is subjected can be controlled through a well managed asset/liability management program. First Citizens controls interest rate risk by matching assets and liabilities, (by employing interest-sensitive funds in assets that are also interest sensitive). One tool used to ensure market rate return is variable rate loans. Loans totaling $121,756,000 or 35.71% of the total portfolio are subject to repricing within one year or carry a variable rate of interest. Loan maturities in the one to five year category increased to $194,912,000 at December 31, 2000 from $169,881,000 at December 31, 1999.

NON-PERFORMING LOANS

Nonaccrual, Restructured and Past Due Loans and Foreclosed Properties
(First Citizens National Bank)

	December 31 (in thousands)				
	2000	1999	1998	1997	1996
Nonaccrual Loans	$1,389	$ 500	$ 303	$ 440	$1,118
Restructured Loans	0	0	0	0	0
Foreclosed Property Other Real Estate,	318	390	177	0	50
Other Repossessed Assets	0	0	0	0	0
Loans and leases 90 days Past due and still accruing interest	1,621	335	425	164	177
Total Nonperforming Assets	$1,939	$1,225	$ 905	$ 604	$1,295
Nonperforming assets as a percent of loans and leases plus foreclosed property at end of year	.56%	.37%	.33%	.27%	.62%
Allowance as a percent of:					
Nonperforming assets	194.06%	303.51%	386.30%	461.76%	176.22%
Gross Loans	1.10%	1.14%	1.26%	1.22%	1.08%
Addition to Reserve as a percent of Net Charge-Offs	103.29%	59.30%	154.27%	364.07%	112.16%
Loans and leases 90 days past due as a percent of loans and leases at year end	.47%	.10%	.15%	.08%	.09%
Recoveries as a percent of Gross Charge-Offs	19.69%	27.92%	34.77%	41.11%	20.15%

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Total Non Performing Assets were $1,939,000 as of December 31, 2000 compared to $1,225,000 at year end in 1999. Non performing Assets as a percent of loans was .56% compared to .37% in 1999 and .33% in 1998. The provision for loan loss reserves was increased by 96% over the 1999 allocation. A major portion of the increase can be attributed to three unrelated credits and does not reflect an overall decline in credit quality within the portfolio. Allowance for Loan Losses as a percent of Nonperforming assets and total loans were 194.06%, 303.51%, and 386.30% for each year ending December 31, 2000, 1999, and 1998. Loan policy calls for an allowance balance of at least 1% of total loans. Continued improvements reflected in the financial ratios are indicative of well communicated loan policies and procedures. Categorization of a loan as non-performing is not in itself a reliable indicator of potential loan loss. The banks' policy states that the bank shall not accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial position of the borrower, (2) any asset for which payment-in-full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in default for a period of 90 days or more unless it is both well secured and in the process of collection. For purposes of applying the 90 day due test for the non-accrual of interest discussed above, the date on which an asset reaches non-accrual status is determined by its contractual term. A debt is well secured if it is secured (1) by collateral in the form of liens or pledges or real or personal property, including securities that have a realizable value sufficient to discharge the debt (including accrued interest) in full, considered to be proceeding in due course either through legal action, including judgement enforcement procedures, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status. Loans that represent a potential loss to First Citizens are adequately reserved for in the provision for loan losses.

Interest income on loans is recorded on an accrual basis. The accrual of interest is discontinued on all loans, except consumer loans, which become 90 days past due, unless the loan is well secured and in the process of collection. Consumer loans which become past due 90 to 120 days are charged to the allowance for loan losses. The gross interest income that would have been recorded for the twelve months ending December 31, 2000 if all loans reported as non-accrual had been current in accordance with their original terms and had been outstanding throughout the period is $90,000. Interest income on loans reported as ninety days past due and on interest accrual status was $94,000 for 2000. Loans on which terms have been modified to provide for a reduction of either principal or interest as a result of deterioration in the financial position of the borrower are considered to be "Restructured Loans". First Citizens has no Restructured Loans for the period being reported.

Certain loans contained on the bank's Internal Problem Loan List are not included in the listing of non-accrual, past due or restructured loans. Management is confident that, although certain of these loans may pose credit problems, any potential for loss has been provided for by specific allocations to the Loan Loss Reserve Account. Loan officers are required to develop a "Plan of Action" for each problem loan within their portfolio. Adherence to each established plan is monitored by Loan Administration and re-evaluated at regular intervals for effectiveness.

LOAN LOSS EXPERIENCE & RESERVE FOR LOAN LOSSES (in thousands)

	2000	1999	1998	1997	1996
Average Net Loans Outstanding	$330,468	$323,047	$259,416	$ 220,985	$203,663
Balance of Reserve for Loan Losses at Beginning of Period	$ 3,718	$ 3,496	$ 2,789	$ 2,282	$ 2,216
Loan Charge-Offs	$ (1,701)	$ (1,214)	$ (952)	$ (326)	$ (680)
Recovery of Loans Previously Charged Off	$ 335	$ 339	$ 331	$ 134	$ 137
Net Loans Charged Off	$ 1,366	$ (875)	$ (621)	$ (192)	$ (543)
Additions to Reserve Charged to Expense	$ 1,411	$ 720	$ 958	$ 699	$ 609
Changes Incident to Mergers	$ 0	$ 377	$ 370	$ 0	$ 0
Balance at End of Period	$ 3,763	$ 3,718	$ 3,496	$ 2,789	$ 2,282
Ratio of Net Charge-Offs to Average Net Loans Outstanding	.40%	.28%	.23%	.09%	.27%

The preceding table summarizes activity posted to the Loan Loss Reserve Account for the past five years. The summary includes the average net loans outstanding; changes in the reserve for loan losses arising from loans charged off and recoveries on loans previously charged off; additions to the reserve which have been charged to operating expenses; and the ratio of net loans charged off to average loans outstanding. Changes to the Reserve Account for the year just ended consisted of Loans charged off of $1,701,000 (2) Recovery of loans previously charged off $335,000 and (3) Additions to reserves totaling $1,411,000.

The provision for loan loss reserves was increased by 96% over the 1999 allocation. A major portion of the increase can be attributed to three unrelated credits and does not reflect an overall decline in credit quality within the portfolio. In view of a slowing economy and the failure of congress to address inequities in Bankruptcy Laws, management and the Board will continue to monitor the adequacy of the reserve and make adjustments when necessary.

An analysis of the allocation of the allowance for Loan Losses is made on a fiscal quarter at the end of the month, (February, May, August, and November) and reported to the board at its meeting immediately preceding quarter-end. Requirements of FASB 114 & 118 have been incorporated into the policy for Accounting by Creditor for Impairment of a loan. A loan is impaired when it is probable that a creditor will be unable to collect all amounts due of principal and interest according to the original contractional terms of the loan. First

Citizens adopted the following as a measure of impairment: (1) Impairment of a loan at First Citizens shall exist when the present value of expected future cash flows discounted at the loans effective interest rate impede full collection of the contract; and (2) Fair Value of the collateral, if the loan is collateral dependent, indicates unexpected collection of full contract value. The Impairment decision will be reported to the Board of Directors and other appropriate regulatory agencies as specified in FASB 114 and 118. The bank will continue to follow regulatory guidelines for income recognition for purposes of generally accepted accounting principles, as well as regulatory accounting principles.

An annual review of the loan portfolio to identify the risks will cover a minimum of 70% of the gross portfolio less installment loans. In addition, any single note or series of notes directly or indirectly related to one borrower which equals 25% of the bank's legal lending limit will be included in the review automatically.

In order to predict probable losses on loans, allowance determination policy shall reflect historical losses on pools of loans and the relationship to actual previously predicted losses. If significant differences are evident, then justification shall be addressed. If probable losses are detected then appropriate assets shall be identified as impaired, they will be analyzed, and specific allocations funded in order to avoid extraordinary charges to reserve. It shall be incumbent upon loan administration to ensure that assets are graded for quality in a timely manner and appropriate reserves maintained, based on internal analysis. Local trends in sales tax receipts, unemployment, and economic development shall be assessed quarterly and adjustments made to allowance based on upward or downward trends to these elements. National economic conditions shall be monitored but direct a much lesser impact on allowance determination.

For analysis purposes, the loan portfolio is separated into four classifications:

1. Pass - Loans that have been reviewed and graded high quality or no major deficiencies.

2. Watch - Loans which, because of unusual circumstances, need to be supervised with slightly more attention than is common.

3. Problem - Loans which require additional collection efforts to liquidate both principal and interest.

4. Specific Allocation - Loans, in total or in part, in which a future loss is possible.

Examples of factors taken into consideration during the review are: Industry or geographic economic problems, sale of business, change of or disagreement among management, unusual growth or expansion of the business, past due status of either principal or interest for 90 days, placed on non-accrual or renegotiated status, declining financial condition, adverse change in personal life, frequent overdrafts, lack of cooperation by borrower, decline in marketability or market value of collateral, insufficient cash flow, and inadequate collateral values.

Identification of impaired loans from non-performing assets as well as bankrupt and doubtful loans is paramount to the reserve analysis. Special allocations shall support loans found to be collateral or interest cash flow deficient. In addition an allowance shall be determined for pools of loans including all other criticized assets as well as small homogeneous loans managed by delinquency. In no circumstance shall the reserve fall below 1% of total loans less government guarantees. The following is a sample of information analyzed quarterly to determine the allowance for loan losses.

LOAN LOSS ALLOWANCE ANALYSIS

	LOSS 1 YR.	AVERAGE BALANCE 1 YR.		PERCENT	CURRENT BALANCE	RESERVE REQUIRED
I. CREDIT CARDS	$	GROSS	$	%	$	$
II. INSTALL. LOANS	$	NET	$	%	$	$
III. IMPAIRED WITH ALLOCATIONS					$	$
IMPAIRED WITHOUT ALLOCATIONS					$	$

	ALLOWANCE		
IV. DOUBTFUL	50.00%	$	$
SUBSTANDARD	10.00%		
ACCOUNTS RECEIVABLE FACTORING	1.00%		
WATCH	5.00%		
OTHER LOANS NOT LISTED PREVIOUSLY	.75%		
LESS SBA/FMHA GUARANTEED PORTIONS			
TOTAL LOANS		$	
V. LETTERS OF CREDIT	.75%	$	$
VI. OTHER REAL ESTATE OWNED			$
RESERVE REQUIRED			$
RESERVE BALANCE			$
EXCESS (DEFICIT)			$
RESERVE AS % OF TOTAL LOANS %			
PEER GROUP %			
LOSS EXPERIENCE III & IV (AVERAGE LAST 3 YEARS)	% OR $		

Accounting for adjustments to the value of Other Real Estate when recorded subsequent to foreclosure is accomplished on the basis of an independent appraisal. The asset is recorded at the lesser of its appraised value or the loan balance. Any reduction in value is charged to the allowance for possible loan losses. All other real estate parcels are appraised annually and the carrying value is adjusted to reflect the decline, if any, in its realizable value. Such adjustments are charged directly to expense.

Management estimates the approximate amount of charge-offs for the 12 month period ending December 31, 2000 to be as follows:

Domestic	Amount
Commercial, Financial & Agricultural	$450,000

Real Estate-Construction	0
Real Estate-Mortgage	150,000
Installment Loans to individuals & credit cards	250,000
Lease financing	0
01/01/00 through 12/31/00 Total	$850,000

The following table will identify charge-offs by category for the periods ending December 31 as indicated:

	Year Ending December 31 (in thousands)			
	2000	1999	1998	1997
Charge-offs:				
Domestic:				
Commercial, Financial & Agricultural	$ 761	$ 236	$ 228	$ 23
Real Estate-Construction	0	0	0	0
Real Estate-Mortgage	340	142	158	0
Installment Loans to individuals & credit cards	600	836	566	303
Lease financing	0	0	0	0
Total	$1,701	$1,214	$ 952	$ 326

Recoveries:				
Domestic:				
Commercial, Financial & Agricultural	$ 52	$ 89	$ 165	$ 43
Real Estate-Construction	0	0	0	0
Real Estate-Mortgage	39	6	9	2
Installment Loans to individuals & credit cards	244	244	157	89
Lease financing	0	0	0	0
Total	$ 335	$ 339	$ 331	$ 134
Net Charge-offs	$(1,366)	$ (875)	$(621)	$(192)

COMPOSITION OF INVESTMENT SECURITIES

	December 31 (in thousands)				
	2000	1999	1998	1997	1996
U. S. Treasury & Government Agencies	$82,707	$83,372	$ 89,410	$62,976	$66,194
State & Political Subdivisions	$13,959	$12,515	$ 17,113	$11,799	$11,729
All Others	$ 6,428	$ 3,250	$ 3,207	$ 2,740	$ 3,649
TOTALS	$103,094	$99,137	$109,730	$77,515	$81,572

MATURITY AND YIELD ON SECURITIES - DECEMBER 31, 2000
(in thousands)

	Maturing Within One Year Amount	Yield	Maturing After One Year Within Five Years Amount	Yield	Maturing After Five Years Within Ten Years Amount	Yield	Maturing After Ten Years Amount	Yield
U. S. Treasury and Government Agencies	$ 2,500	6.02%	$36,419	6.06%	$25,087	6.50%	$18,701	6.58%
State and Political Subdivisions*	$ 245	6.19%	$ 892	6.40%	$ 5,820	6.59%	$ 7,002	7.44%
All Others	$ 0	0%	$ 985	6.68%	$ 3,943	5.55%	$ 1,500	9.74%
TOTALS	$ 2,745	6.05%	$38,296	6.08%	$34,850	6.40%	$27,203	6.97%

*Yields on tax free investments are stated herein on a taxable equivalent basis.

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HELD TO MATURITY & AVAILABLE FOR SALE SECURITIES - DECEMBER 31, 2000

	Held to Maturity Amortized Cost	Held to Maturity Fair Value	Available for Sale (in thousands) Amortized Cost	Available for Sale Fair Value
U.S. Treasury Securities	0	0	2,028	2,037
U.S. Government Agency and corporation obligations	15,007	14,903	66,372	65,660
Securities issued by states & political subdivisions in the U.S.:				
Taxable Securities	0	0	0	0
Tax-exempt Securities	1,698	1,723	12,068	12,263
U. S. Securities:				
Debt Securities	0	0	2,920	2,925
Equity Securities (Including Federal Reserve Stock)	0	0	3,472	3,504
Foreign Securities:				
Debt Securities	0	0	0	0
Equity Securities	0	0	0	0
Total (sum of column A items 1 through 5.a must equal Schedule HC, item 2.a and sum of column D, items 1 through 5.b must equal Schedule HC, item 2.b)	16,705	16,626	86,860	86,389

(1) Includes equity securities without readily determinable fair values at historical cost.

(2) Includes Small Business Administration "Guaranteed Loan Pool Certificates," U.S. Maritime Administration obligations, and Export-Import Bank participation certificates.

(3) Includes obligations (other than pass-through securities, CMOs, and REMICs) issued by the Farm Credit System, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financing Corporation, Resolution Funding Corporation, the Student Loan Marketing Association, and the Tennessee Valley Authority.

A major goal of the bank's investment portfolio management is to maximize returns from investments while controlling the basic elements of risk. The second goal is to provide liquidity and meet financial needs of the community. Investment Securities also serve as collateral for government and public funds deposits. The investment portfolio, which currently totals $103,094,000, is comprised of U. S. Treasury and U. S. Agency Obligations of $82,707,000, Municipal Obligations of $13,959,000, and all other investments totaling $6,428,000. Fixed rate holdings comprise 90% of the portfolio, while adjustable rate holding comprise the remaining 10%.

The fixed rate holdings currently have an expected average life of 3.6 years. It is estimated that this average life would extend to 6.2 years should rates go up by 100 basis points and 6.8 years if rates increase 200 basis points. This is a result of some extension occurring in the callable bonds and mortgage-backed holdings as rates rise. Should rates decline 100 basis points, the average life would decrease to 2.1 years.

In terms of price sensitivity, we estimate that if rates go up 100 basis points the market value of the portfolio would fall by 2.3%, while rates up 200 basis points would impact the market value by a negative 5.5%. This is equal to the price sensitivity of a four year Treasury bond, which is consistent with the current average life profile of the portfolio. If rates go down 100 basis points, we estimate that the market value would increase by 1.5%.

The adjustable rate holdings reprice on an annual or more frequent basis and currently have an average life of 4.5 years. Due to the structure of these holdings, we would expect very little extension to occur in average life should interest rates rise, but could see some shortening should rates fall. We estimate that the adjustable rate holdings have the price sensitivity of a 3-year Treasury, although this is more difficult to project on adjustable rate holdings than on fixed rate holdings.

On July 19, 2000, the Board approved the organization of Nevada I, a corporation organized and existing under the laws of the state of Nevada. The sole activities of Nevada I are the ownership of stock in Nevada II and the ownership of certain loans pursuant to a Participation Agreement. Nevada I will neither own nor lease any tangible property. Nevada I will have an employee located in the state of Nevada and officers and directors located in the state of Tennessee. Permission was also granted to organize Nevada II, which is also a corporation organized and existing under the laws of the state of Nevada. Nevada II board of directors consists of three persons, two Tennessee residents and one Nevada resident. All board meeting will held in Las Vegas, Nevada. The principal activity of Nevada II is to acquire and sell investment securities as well as collect the income from the portfolio. The sole purpose will be to transfer the bank's investment activity to the Nevada II Corporation. First Citizens National Bank income is projected to increase in excess of $300,000 the first year of operations. In conjunction with the Nevada Corporation and transfer of the investment portfolio, First Tennessee will assume management of the portfolio.

As a result, the following changes to the Investment Management Policy were presented and approved on September 20, 2000:

1. Safety of Principal - Insulate the investment portfolio from undue credit risk. Investment recommendations will emphasize government issued securities, government guaranteed securities and other high grade investments.
2. Adequate liquidity - Ensure that adequate liquidity is maintained. Make investments more liquid than they have been in the past.

3. Capital at Risk - Insulate GAAP capital against excessive changes in market value which is not of the unrealizable gain and losses of the investment portfolio. First Citizens has excessive capital on hand. A plan to invest additional capital is a component of the investment policy.
4. Earnings at Risk - Insulate earnings from excessive change. First Citizens requires a stable Asset/Liability strategy to stabilize income streams during times of excessive interest rate moves.
5. Investment Performance - Optimize investment performance Four recommendations to optimize investment performance were: (a) Purchase securities with call protection; (b) concentrate funding with growth in deposits; (c) Purchase securities with bullet-like features; (d) Sell investments ranging from $2 - $3 million with five year maturities and reinvest in long term municipals.

FASB 115 required banks to maintain separate investment portfolios for Held-to-Maturity, Available for Sale, and Trading Account Investments. As of December 31, 2000 approximately 16 percent of the bank's total portfolio was placed in the Available For Sale Account while the remaining 84 percent is contained in the Held to Maturity Account. FASB 115 also requires banks to mark to market the Available for Sale and Trading Account investments at the end of each calendar quarter. Held-to-Maturity account investments are stated at amortized cost on the balance sheet. Mark to market resulted in a negative capital entry of $371,000 as reflected on the December 31, 2000 balance sheet. Mark to market impact to capital on December 31, 1999 was a negative $2,036,000. All purchase and sale transactions in 2000 were made in accordance with specifications set forth in FASB 115. The trading account at December 31, 2000 maintained a zero balance.

First Citizens National Bank engaged in derivative activity as defined by FASB 133 (Reference Footnote 2 of the Accountant's Report page 68).

Maturities in the portfolio are made up of 2.7% within one year, and 37.1% maturing after one year and within five years. Maturities on future investment purchases will be structured to meet loan demand as well as projected changes in interest rates.

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Gains/Losses reflected in year-end income statements attributable to trading account securities for the five year period ending 12/31/00 are zero.

The following table allocates by category unrealized Gains/Losses within the total portfolio as of December 31, 2000 (in thousands):

	Unrealized Gains	Unrealized Losses	Net Gains/Losses
U.S. Treasury Securities and Obligations of U.S. Government Agencies and Corporations	$ 210	$1,019	$ (809)
Obligations of States and Political Subdivisions	$ 308	$ 88	$ 220
Federal Reserve and Corporate Stock	$ 20	$ 15	$ 5
TOTALS	$ 538	$1,122	$ 584

LIQUIDITY AND INTEREST RATE SENSITIVITY

Liquidity is the ability to meet the needs of our customer base for loans and deposit withdrawals by maintaining assets which are convertible to cash equivalents with minimal exposure to interest rate risk. Slower deposit growth in recent years has forced banks to seek alternative funding sources in order to meet loan demand. First Citizens has resolved this issue by becoming a member of the Federal Home Loan Bank and establishing a credit line sufficient to meet liquidity needs.

Lines of Credit made available through Federal Home Loan Bank totaling $129,000,000 provide a fixed level of funds at a predetermined rate. Other lines of credit established with Correspondent banks total $38,500,000. Of the $167.5 million available, only $62 million has been advanced as a source of funds. Correspondent Bank Lines provide additional liquidity required for daily settlement. It is anticipated that these sources of funds will continue to be utilized as a tool in managing liquidity.

As a result, the company has experienced no problem with liquidity during any of the years under review and anticipates that all liquidity requirements will be effectively met in the future. Adherence to a strict Asset/Liability Management Policy will ensure our ability to effectively manage future interest rate risk.

When evaluating liquidity, comparison is made between funding needs and the current level of liquidity, plus liquidity that would be likely be available from other sources. This comparison should determine whether funds management practices are adequate. Bank management should be able to manage unplanned changes in funding sources, as well as react to changes in market conditions that could hinder the bank's ability to quickly liquidate assets with minimal loss. Funds management practices should ensure that the bank does not maintain liquidity at too high a cost or by relying unduly on wholesale or credit-sensitive funding sources. Office of the Comptroller of the Currency has established benchmarks for comparison. The following areas are considered Liquidity Red Flags:

- Significant increases in reliance on wholesale funding.
- Significant increases in large certificates of deposit, brokered deposits, or deposits with interest rates higher than the market.
- Mismatched funding - funding long-term assets with short-term liabilities or short-term assets with long-term liabilities.
- Significant increases in borrowings.
- Significant increases in dependence on funding sources other than core deposits.
- Reduction in borrowing lines by correspondent banks.
- Increases in cost of funds.
- Declines in levels of core deposits.
- Significant decreases in short-term investments.

Liquidity has been a concern through 2000 and will continue to seek alternative funding sources that are conducive to our net interest margin strategies. The following table reflects First Citizens position as of December 31, 2000 in comparison to the OCC Liquidity Benchmarks.

OCC Liquidity Benchmark	Actual 12/31/00
Short Term Liabilities/Total Assets > 20%	23.75%
On Hand Liquidity to Total Liabilities <8%	4.88%

Loan to Deposits <80%	93.67%
Wholesale Funds/Total Sources > 15%	16.87%
Non Core Funding Dependence > 20%	79.60%

There are no known trends or uncertainties that are likely to have a material affect on First Citizens liquidity or capital resources. There currently exists no recommendations by regulatory authorities which if implemented, would have such an affect. There are no matters of which management is aware that have not been disclosed.

Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds, on which rates change daily, and loans which are tied to the prime rate are much more sensitive than long-term investment securities and fixed rate loans. The shorter term interest sensitive assets and liabilities are the key to measurement of the interest sensitivity gap. Minimizing this gap is a continual challenge and a primary objective of the asset/liability management program.

The following condensed gap report provides an analysis of interest rate sensitivity of earning assets and costing liabilities. First Citizens Asset/Liability Management Policy provides that the net interest income exposure to Tier I Capital shall not exceed 2.00%. Interest rate risk is separated and analyzed according to the following categories of risk: (1) repricing (2) yield curve (3) option risk (4) price risk and (5) basis risk. Trading assets are utilized infrequently and are addressed in the investment policy. Any unfavorable trends reflected in interest rate margins will cause an immediate adjustment to the bank's gap position or asset/liability management strategies. The following data schedule reflects a summary of First Citizens' interest rate risk using simulations. The projected 12 month exposure is based on 5 different rate movements (flat, rising, or declining). Three different rate scenarios were used for rising rates since First Citizens is liability sensitive.

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Interest Rate Risk
December 2000
(in thousands)

Tier Capital $42,894

Projected 12 Month Exposure Net Interest Income Levels	Rate Moves In Basis Pts	Current Position	Possible Scenarios	Variance
Declining 4	-400	$16,409	$18,684	$2,275
Declining 3	-300	16,409	18,636	2,227
Declining 2	-200	16,409	17,989	1,580
Declining 1	-100	16,409	16,426	17
Most Likely-Base	-100	16,409	16,409	0
Rising 1	100	16,409	15,099	(1,310)
Rising 2	200	16,409	14,281	(2,128)
Rising 3	300	16,409	13,469	(2,940)
Rising 4	400	16,409	12,396	(4,013)

Tier 1 Capital at Risk	% of Net Int Income Actual	% of Net Int Income Policy

Declining 4	5.30%	13.86%	20.00%
Declining 3	5.19%	13.57%	20.00%
Declining 2	3.68%	9.63%	20.00%
Declining 1	0.04%	0.10%	10.00%
Most Likely-Base	0.00%	0.00%	0.00%
Rising 1	-3.05%	-7.98%	-10.00%
Rising 2	-4.96%	-12.97%	-25.00%
Rising 3	-6.85%	-17.92%	-25.00%
Rising 4	-9.36%	-24.46%	-30.00%

Notes:

Net interest income as presented in the preceding table assumes that interest rates would change immediately on the total portfolio, a scenario which would reflect a worst case position and is unlikely to happen. A revised investment management strategy approved by the Board in 2000 will spread the call feature on investments and borrowings over a time period sufficient to minimize the impact of interest of rate changes to the income statement. This will avoid a repeat of the situation which occurred in 2000, when numerous calls were made on both investments and borrowings, significantly increasing the cost of funds and significantly increasing the cost of funds and negatively impacting net interest margins.

The rising rate scenarios will dilute First Citizens net income because FCNB's liabilities reprice faster than its assets. In a rising rate cycle, non-maturity deposits will not reprice until a 250 or 300 basis point rise takes place. In a declining rate cycle, non-maturity deposits will reprice with market conditions until deposits hit a floor position. A 200 basis point rise in rates would cause earnings to decrease because liabilities would reprice quicker than rate sensitive assets.

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CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00

(in thousands)

	O/N BAL	O/N RATE	0-3 MONTHS BAL	0-3 RATE	3-12 MONTHS BAL
Assets:					
Cash and Due From	0.00	0.00	0.00	0.00	0.0
Total Cash and Due From	0.00	0.00	0.00	0.00	0.0
US Treasury	0.00	0.00	1,499.81	6.34	0.0
US Agency	0.00	0.00	18,939.99	5.28	8,242.4
MBS	0.00	0.00	322.63	5.83	1,045.1
Agency	0.00	0.00	19,262.62	5.29	9,287.6
Municipals	0.00	0.00	155.06	6.81	1,530.4
Corp & Others	0.00	0.00	2,929.62	0.00	0.0
Equities	0.00	0.00	0.00	0.00	0.0
Unrealized G/L	0.00	0.00	0.00	0.00	0.0
Total Investments	0.00	0.00	23,847.11	4.71	10,818.0

Fed Funds Sold	0.00	0.00	4,804.11	6.00	0.0
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	0.0
Total Fed Funds Sold	0.00	0.00	4,804.11	6.00	0.0
Commercial Variable	0.00	0.00	13,452.13	9.82	7,547.0
Commercial Fixed	0.00	0.00	7,891.77	8.72	12,539.6
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.0
Floor	0.00	0.00	266.63	0.00	0.0
Unearned	0.00	0.00	0.00	0.00	0.0
Total Commercial	0.00	0.00	21,610.53	9.30	20,086.6
Real Estate Variable	0.00	0.00	15,935.18	9.69	7,803.0
Real Estate Fixed	0.00	0.00	28,294.91	8.87	36,544.2
Home Equity +1	0.00	0.00	7,166.99	10.00	0.0
Home Equity +2	0.00	0.00	2,738.94	10.35	0.0
Home Equity	0.00	0.00	9,905.93	10.10	0.0
Secondary Mortgage	0.00	0.00	1,199.94	8.00	0.0
Total Real Estate	0.00	0.00	55,335.95	9.31	44,347.2
Installment Variable	0.00	0.00	32.90	9.56	95.7
Installment Fixed	0.00	0.00	4,823.99	9.95	13,592.2
Finance Company - 78s	0.00	0.00	0.00	0.00	0.0
Total Installment	0.00	0.00	4,856.89	9.95	13,688.0
Credit Cards	0.00	0.00	0.00	0.00	2,554.6
Overdrafts	0.00	0.00	699.92	0.00	0.0
Total Other Loans	0.00	0.00	699.92	0.00	2,554.6
Total Loans	0.00	0.00	82,503.30	9.26	80,676.5
Loan Loss Reserve	0.00	0.00	0.00	0.00	0.0
Total Net Loans	0.00	0.00	82,503.30	9.26	80,676.5
Building, Furniture					
& Fixtures	0.00	0.00	0.00	0.00	0.0
Other Real Estate	0.00	0.00	0.00	0.00	0.0
Other Assets	0.00	0.00	0.00	0.00	0.0
Total Assets	0.00	0.00	111,154.52	8.15	91,494.5
Liabilities:					
Demand	0.00	0.00	0.00	0.00	0.0
Total Demand	0.00	0.00	0.00	0.00	0.0
Regular	0.00	0.00	0.00	0.00	4,307.6
NOW	0.00	0.00	0.00	0.00	8,129.2
Business	0.00	0.00	0.00	0.00	76.8
IMF	0.00	0.00	0.00	0.00	3,408.3
First Rate	0.00	0.00	0.00	0.00	8,378.4
Wall Street	24,624.84	5.25	0.00	0.00	0.0
Dogwood	0.00	0.00	0.00	0.00	2,016.0
Total Savings	24,624.84	5.25	0.00	0.00	26,316.5
CD 1-3 Months	0.00	0.00	22,462.25	6.33	63.7
CD 3-6 Months	0.00	0.00	13,493.75	6.66	114.7
CD 6-12 Months	0.00	0.00	15,098.15	6.13	16,566.7
CD 13 Months	0.00	0.00	8,663.69	5.94	13,057.0
CD 1-2 Years	0.00	0.00	17,596.68	5.83	53,937.8
CD 2-5 Years	0.00	0.00	699.84	5.26	746.1
CD 5 + Years	0.00	0.00	107.45	5.88	136.1
Total CD	0.00	0.00	78,121.80	6.18	84,622.4

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00
(in thousands)

	O/N BAL	O/N RATE	0-3 MONTHS BAL	0-3 RATE	3-12 MONTHS BAL
IRA Savings	0.00	0.00	0.00	0.00	0.00
IRA 1-2 Years	0.00	0.00	4,182.74	5.72	11,003.16
IRA 2-5 Years	0.00	0.00	85.81	5.42	199.91
IRA 5 + Years	0.00	0.00	219.43	4.24	110.69
Total IRA	0.00	0.00	4,487.98	5.64	11,313.76
Christmas Club	0.00	0.00	0.00	0.00	137.12
Total Time	0.00	0.00	82,609.78	6.15	96,073.34
Total Deposits	24,624.84	5.25	82,609.78	6.15	122,389.93
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	0.00
Fed Funds Purchased	3,000.00	7.00	0.00	0.00	0.00
TT & L	1,000.00	5.60	0.00	0.00	0.00
Securities Sold-Sweep	7,118.60	3.11	0.00	0.00	0.00
Securities Sold - Fixed	0.00	0.00	3,469.45	5.72	4,933.18
FHLB Short Term	15,500.00	9.37	0.00	0.00	0.00
FHLB Long Term Fixed	0.00	0.00	808.00	5.66	0.00
FHLB Libor	0.00	0.00	1,500.00	5.75	0.00
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	0.00
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	0.00
Note Payable-Finance GE	0.00	0.00	0.00	0.00	0.00
Total Borrowing	26,618.60	7.29	5,777.45	5.72	4,933.18
Other Liabilities	0.00	0.00	0.00	0.00	0.00
Total Other Liabilities	26,618.60	7.29	5,777.45	5.72	4,933.18
Total Liabilities	51,243.44	6.31	88,387.23	6.12	127,323.11
Equity:					
Retained Earnings	0.00	0.00	0.00	0.00	0.00
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	0.00
Unrealized Gains/(Losses)	0.00	0.00	0.00	0.00	0.00
YTD NET INCOME	0.00	0.00	0.00	0.00	0.00
Total Equity	0.00	0.00	0.00	0.00	0.00
Total Liability/Equity	51,243.44	6.31	88,387.23	6.12	127,323.11
Period Gap	(51,243.44)	0.00	22,767.29	0.00	(35,828.56)
Cumulative Gap	(51,243.44)	0.00	(28,476.15)	0.00	(64,304.71)
RSA/RSL	0.00	0.00	1.26	0.00	0.72
Off Balance Sheet:					
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00
Period Gap	(51,243.44)	0.00	22,767.29	0.00	(35,828.56)
Cumulative Gap	(51,243.44)	0.00	(28,476.15)	0.00	(64,304.71)
RSA/RSL	0.00	0.00	1.26	0.00	0.72

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00
(in thousands)

	1-3 YEARS BAL	1-3 YEARS RATE	3-5 YEARS BAL	3-5 YEARS RATE	
Assets:					
Cash and Due From	0.00	0.00	0.00	0.00	
Total Cash and Due From	0.00	0.00	0.00	0.00	
US Treasury	0.00	0.00	0.00	0.00	
US Agency	26,813.79	6.08	6,462.00	6.29	
MBS	6,996.15	6.46	1,937.51	6.90	
Agency	33,809.95	6.16	8,399.51	6.43	
Municipals	1,949.81	4.66	1,592.12	5.00	
Corp & Others	0.00	0.00	0.00	0.00	
Equities	0.00	0.00	0.00	0.00	
Unrealized G/L	0.00	0.00	0.00	0.00	
Total Investments	35,759.76	6.08	9,991.63	6.20	2
Fed Funds Sold	0.00	0.00	0.00	0.00	
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	
Total Fed Funds Sold	0.00	0.00	0.00	0.00	
Commercial Variable	12.23	9.50	0.00	0.00	
Commercial Fixed	11,659.86	8.79	4,988.31	8.87	
Contra Loans - Troy	0.00	0.00	0.00	0.00	
Floor	0.00	0.00	0.00	0.00	
Unearned	0.00	0.00	0.00	0.00	
Total Commercial	11,672.09	8.79	4,988.31	8.87	
Real Estate Variable	3,362.30	9.44	1,946.83	9.01	
Real Estate Fixed	84,598.05	8.57	48,188.39	8.23	
Home Equity +1	0.00	0.00	0.00	0.00	
Home Equity +2	0.00	0.00	0.00	0.00	
Home Equity	0.00	0.00	0.00	0.00	
Secondary Mortgage	0.00	0.00	0.00	0.00	
Total Real Estate	87,960.36	8.61	50,135.22	8.26	
Installment Variable	10.73	8.82	17.54	7.75	
Installment Fixed	16,489.94	9.80	3,967.65	9.47	
Finance Company - 78s	0.00	0.00	0.00	0.00	
Total Installment	16,500.67	9.80	3,985.18	9.46	
Credit Cards	0.00	0.00	0.00	0.00	
Overdrafts	0.00	0.00	0.00	0.00	
Total Other Loans	0.00	0.00	0.00	0.00	
Total Loans	116,133.11	8.80	59,108.71	8.39	
Loan Loss Reserve	0.00	0.00	0.00	0.00	
Total Net Loans	116,133.11	8.80	59,108.71	8.39	
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	
Other Real Estate	0.00	0.00	0.00	0.00	
Other Assets	0.00	0.00	0.00	0.00	
Total Assets	151,892.87	8.16	69,100.34	8.07	2
Liabilities:					
Demand	0.00	0.00	0.00	0.00	
Total Demand	0.00	0.00	0.00	0.00	
Regular	8,615.27	3.00	4,307.63	3.00	
NOW	16,258.53	1.50	8,129.27	1.50	
Business	153.63	1.50	76.81	1.50	
IMF	3,408.39	2.00	0.00	0.00	
First Rate	8,378.43	4.35	0.00	0.00	
Wall Street	0.00	0.00	0.00	0.00	
Dogwood	4,032.10	1.50	2,016.05	1.50	

Total Savings	40,846.35	2.44	14,529.76	1.94	1
CD 1-3 Months	11.96	6.50	0.00	0.00	
CD 3-6 Months	0.00	0.00	0.00	0.00	
CD 6-12 Months	0.00	0.00	0.00	0.00	
CD 13 Months	1,524.53	5.90	0.00	0.00	
CD 1-2 Years	15,713.06	6.39	0.00	0.00	
CD 2-5 Years	3,726.16	6.15	56.25	6.32	
CD 5 + Years	2,199.69	5.92	1,895.85	6.10	
Total CD	23,175.40	6.28	1,952.10	6.10	

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CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00
(in thousands)

	1-3 YEARS BAL	1-3 YEARS RATE	3-5 YEARS BAL	3-5 YEARS RATE	
IRA Savings	0.00	0.00	0.00	0.00	
IRA 1-2 Years	3,260.09	6.08	28.32	5.85	
IRA 2-5 Years	1,314.56	5.73	0.00	0.00	
IRA 5 + Years	1,569.66	5.90	1,237.27	5.47	
Total IRA	6,144.31	5.96	1,265.60	5.48	
Christmas Club	0.00	0.00	0.00	0.00	
Total Time	29,319.71	6.21	3,217.70	5.86	
Total Deposits	70,166.05	4.02	17,747.46	2.65	14,
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	
Fed Funds Purchased	0.00	0.00	0.00	0.00	
TT & L	0.00	0.00	0.00	0.00	
Securities Sold-Sweep	0.00	0.00	0.00	0.00	
Securities Sold - Fixed	152.50	6.65	0.00	0.00	
FHLB Short Term	0.00	0.00	0.00	0.00	
FHLB Long Term Fixed	0.00	0.00	0.00	0.00	1,
FHLB Libor	0.00	0.00	0.00	0.00	
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	39,
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	
Note Payable-Finance GE	0.00	0.00	0.00	0.00	
Total Borrowings	152.50	6.65	0.00	0.00	40,
Other Liabilities	0.00	0.00	0.00	0.00	
Total Other Liabilities	152.50	6.65	0.00	0.00	40,
Total Liabilities	70,318.55	4.02	17,747.46	2.65	55,
Equity:					
Retained Earnings	0.00	0.00	0.00	0.00	
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	
Unrealized Gains/(Losses)					
Mortgage	0.00	0.00	0.00	0.00	
YTD NET INCOME	0.00	0.00	0.00	0.00	
Total Equity	0.00	0.00	0.00	0.00	
Total Liability/Equity	70,318.55	4.02	17,747.46	2.65	55,
Period Gap	81,574.32	0.00	51,352.89	0.00	(33,2

Cumulative Gap	17,269.61	0.00	68,622.50	0.00	35,
RSA/RSL	2.16	0.00	3.89	0.00	
Off Balance Sheet:					
Total Off Balance Sheet	0.00	0.00	0.00	0.00	
Period Gap	81,574.32	0.00	51,352.89	0.00	(33,2
Cumulative Gap	17,269.61	0.00	68,622.50	0.00	35,
RSA/RSL	2.16	0.00	3.89	0.00	

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CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00
(in thousands)

	10-15 YEARS BAL	10-15 YEARS RATE	15 + YEARS BAL	15 + YEARS RATE	NON-SENSITIVE BAL
Assets:					
Cash and Due From	0.00	0.00	0.00	0.00	19,123.53
Total Cash and Due From	0.00	0.00	0.00	0.00	19,123.53
US Treasury	0.00	0.00	528.47	6.13	0.00
US Agency	1,343.14	6.16	0.00	0.00	0.00
MBS	0.00	0.00	0.00	0.00	0.00
Agency	1,343.14	6.16	0.00	0.00	0.00
Municipals	848.22	4.34	0.00	0.00	0.00
Corp & Others	0.00	0.00	0.00	0.00	0.00
Equities	0.00	0.00	0.00	0.00	0.00
Unrealized G/L	0.00	0.00	0.00	0.00	(470.37)
Total Investments	2,191.36	5.45	528.47	6.13	(470.37)
Fed Funds Sold	0.00	0.00	0.00	0.00	0.00
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	0.00
Total Fed Funds Sold	0.00	0.00	0.00	0.00	0.00
Commercial Variable	0.00	0.00	0.00	0.00	0.00
Commercial Fixed	276.95	9.53	404.28	9.51	0.00
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.00
Floor	0.00	0.00	0.00	0.00	0.00
Unearned	0.00	0.00	0.00	0.00	0.00
Total Commercial	276.95	9.53	404.28	9.51	0.00
Real Estate Variable	0.00	0.00	0.00	0.00	0.00
Real Estate Fixed	0.00	0.00	0.00	0.00	0.00
Home Equity +1	0.00	0.00	0.00	0.00	0.00
Home Equity +2	0.00	0.00	0.00	0.00	0.00
Home Equity	0.00	0.00	0.00	0.00	0.00
Secondary Mortgage	0.00	0.00	0.00	0.00	0.00
Total Real Estate	0.00	0.00	0.00	0.00	0.00
Installment Variable	0.00	0.00	0.00	0.00	0.00
Installment Fixed	22.81	10.00	0.00	0.00	0.00
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00
Total Installment	22.81	10.00	0.00	0.00	0.00
Credit Cards	0.00	0.00	0.00	0.00	0.00

Overdrafts	0.00	0.00	0.00	0.00	0.00
Total Other Loans	0.00	0.00	0.00	0.00	0.00
Total Loans	299.75	9.57	404.28	9.51	0.00
Loan Loss Reserve	0.00	0.00	0.00	0.00	(3,763.52)
Total Net Loans	299.75	9.57	404.28	9.51	(3,763.52)
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	14,024.64
Other Real Estate	0.00	0.00	0.00	0.00	317.94
Other Assets	0.00	0.00	0.00	0.00	22,394.96
Total Other Assets	0.00	0.00	0.00	0.00	36,737.54
Total Assets	2,491.12	5.95	932.75	7.59	51,627.18
Liabilities:					
Demand	0.00	0.00	0.00	0.00	39,696.61
Total Demand	0.00	0.00	0.00	0.00	39,696.61
Regular	0.00	0.00	0.00	0.00	0.00
NOW	0.00	0.00	0.00	0.00	0.00
Business	0.00	0.00	0.00	0.00	0.00
IMF	0.00	0.00	0.00	0.00	0.00
First Rate	0.00	0.00	0.00	0.00	0.00
Wall Street	0.00	0.00	0.00	0.00	0.00
Dogwood	0.00	0.00	0.00	0.00	0.00
Total Savings	0.00	0.00	0.00	0.00	0.00
CD 1-3 Months	0.00	0.00	0.00	0.00	0.00
CD 3-6 Months	0.00	0.00	0.00	0.00	0.00
CD 6-12 Months	0.00	0.00	0.00	0.00	0.00
CD 13 Months	0.00	0.00	0.00	0.00	0.00
CD 1-2 Years	0.00	0.00	0.00	0.00	0.00
CD 2-5 Years	0.00	0.00	0.00	0.00	0.00
CD 5 + Years	0.00	0.00	0.00	0.00	0.00
Total CD	0.00	0.00	0.00	0.00	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00

(in thousands)

	10-15 YEARS BAL	10-15 YEARS RATE	15 + YEARS BAL	15 + YEARS RATE	NON-SENSITIVE BAL	T
IRA Savings	0.00	0.00	0.00	0.00	0.00	
IRA 1-2 Years	0.00	0.00	0.00	0.00	0.00	1
IRA 2-5 Years	0.00	0.00	0.00	0.00	0.00	
IRA 5 + Years	0.00	0.00	0.00	0.00	0.00	
Total IRA	0.00	0.00	0.00	0.00	0.00	2
Christmas Club	0.00	0.00	0.00	0.00	0.00	
Total Time	0.00	0.00	0.00	0.00	0.00	21
Total Deposits	0.00	0.00	0.00	0.00	39,696.61	37
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	0.00	
Fed Funds Purchased	0.00	0.00	0.00	0.00	0.00	
TT & L	0.00	0.00	0.00	0.00	0.00	

Securities Sold-Sweep	0.00	0.00	0.00	0.00	0.00	
Securities Sold - Fixed	0.00	0.00	0.00	0.00	0.00	
FHLB Short Term	0.00	0.00	0.00	0.00	0.00	1
FHLB Long Term Fixed	0.00	0.00	0.00	0.00	0.00	
FHLB Libor	0.00	0.00	0.00	0.00	0.00	
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	0.00	3
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	0.00	
Note Payable-Finance GE	0.00	0.00	0.00	0.00	0.00	
Total Borrowings	0.00	0.00	0.00	0.00	0.00	7
Other Liabilities	0.00	0.00	0.00	0.00	3,799.62	
Total Other Liabilities	0.00	0.00	0.00	0.00	3,799.62	8
Total Liabilities	0.00	0.00	0.00	0.00	43,496.23	45
Equity:						
Retained Earnings	0.00	0.00	0.00	0.00	25,672.12	2
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	18,973.34	1
Unrealized Gains/(Losses)	0.00	0.00	0.00	0.00	(283.34)	
YTD NET INCOME	0.00	0.00	0.00	0.00	2,527.22	
Total Equity	0.00	0.00	0.00	0.00	46,889.34	4
Total Liability/Equity	0.00	0.00	0.00	0.00	90,385.56	50
Period Gap	2,491.12	0.00	932.75	0.00	(38,758.38)	
Cumulative Gap	37,825.64	0.00	38,758.39	0.00	0.00	
RSA/RSL	0.00	0.00	0.00	0.00	0.57	
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	
Period Gap	2,491.12	0.00	932.75	0.00	(38,758.38)	
Cumulative Gap	37,825.64	0.00	38,758.39	0.00	0.00	
RSA/RSL	0.00	0.00	0.00	0.00	0.57	

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CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00

(in thousands)

	TOTAL RATE
Assets:	
Cash and Due From	0.00
Total Cash and Due From	0.00
US Treasury	6.28
US Agency	5.93
MBS	6.50
Agency	6.01
Municipals	4.69
Corp & Others	0.00

Equities	5.50
Unrealized G/L	0.00
Total Investments	5.68
Fed Funds Sold	6.00
Fed Funds Sold-Balance	0.00
Total Fed Funds Sold	6.00
Commercial Variable	9.59
Commercial Fixed	8.85
Contra Loans - Troy	8.50
Floor	0.00
Unearned	0.00
Total Commercial	9.06
Real Estate Variable	9.68
Real Estate Fixed	8.58
Home Equity +1	10.00
Home Equity +2	10.35
Home Equity	10.10
Secondary Mortgage	8.00
Total Real Estate	8.77
Installment Variable	9.02
Installlment Fixed	9.82
Finance Company - 78s	0.00
Total Installment	9.82
Credit Cards	12.96
Overdrafts	0.00
Total Other Loans	10.17
Total Loans	8.96
Loan Loss Reserve	0.00
Total Net Loans	9.06
Building, Furniture & Fixtures	0.00
Other Real Estate	0.00
Other Assets	0.00
Total Other Assets	0.00
Total Assets	7.32
Liabilities:	
Demand	0.00
Total Demand	0.00
Regular	3.00
NOW	1.50
Business	1.50
IMF	2.00
First Rate	4.35
Wall Street	5.25
Dogwood	1.50
Total Savings	2.95
CD 1-3 Months	6.33
CD 3-6 Months	6.65
CD 6-12 Months	6.10
CD 13 Months	6.03
CD 1-2 Years	6.33
CD 2-5 Years	5.93
CD 5 + Years	5.98
Total CD	6.26

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/00
(in thousands)

	Total Rate
IRA Savings	3.00
IRA 1-2 Years	6.01
IRA 2-5 Years	5.61
IRA 5 + Years	5.59
Total IRA	5.92
Christmas Club	2.50
Total Time	6.22
Total Deposits	4.49
Fed Funds Purchased - Bal	0.00
Fed Funds Purchased	7.00
TT & L	5.60
Securities Sold-Sweep	3.11
Securities Sold - Fixed	6.24
FHLB Short Term	9.37
FHLB Long Term Fixed	5.66
FHLB Libor	5.75
FHLB Long Term-Callable	5.70
Note Payable-Finance-FCNB	0.00
Note Payable-Finance GE	0.00
Total Borrowings	6.30
Other Liabilities	0.00
Total Other Liabilities	6.01
Total Liabilities	4.77
Equity:	
Retained Earnings	0.00
Stock, Surplus, PIC	0.00
Unrealized Gains/(Losses)	0.00
YTD NET INCOME	0.00
Total Equity	0.00
Total Liability/Equity	4.32
Period Gap	0.00
Cumulative Gap	0.00
RSA/RSL	0.00
Off Balance Sheet:	
Total Off Balance Sheet	0.00
Period Gap	0.00
Cumulative Gap	0.00
RSA/RSL	0.00

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NOTES TO THE GAP REPORT

1. The gap report reflects the interest sensitivity positions during a flat rate environment. Time frames could change depending if rates rise or fall.

2. Repricing over-rides maturities in various time frames.

3. Demand deposits, considered to be core, are placed in the last time frame due to lack of interest sensitivity.

4. Savings accounts, also considered core, are placed into the 2+ year time frame. In a flat rate environment, saving accounts tend not to reprice or liquidate and become price sensitive only after a major increase in the 6 month CD rate. These accounts are placed in this category instead of the variable position due to history and characteristics.

5. Simulations will be utilized to reflect the impact of multiple rate scenarios on net interest income. Decisions should be made that increase net interest income, while always considering the impact on interest rate risk. Overall, the bank will manage the gap between rate sensitive assets and rate sensitive liabilities to expand and contract with the rate cycle phase. Approximately 20% - 30% of CD customers have maturities of 6 months or less. First Citizens will attempt to minimize interest rate risk by increasing the volume of variable rate loans within the portfolio. The bank's Asset/Liability Committee will attempt to improve net interest income through volume increases and better pricing techniques. Long term fixed rate positions will be held to a minimum by increasing variable rate loans. The over 5 year fixed rate loans should be held to less than 25% of assets, unless they are funded with Federal Home Loan Bank matched funds. These maximum limits are the high points and the ACLO will strive to keep the amount below this point.

   Subsidiaries as well as the Parent Company will adhere to providing above average margins and reviewing the various material risks. New products and services will be reviewed for risk by the Product Development Committee.

6. Bancshares could benefit from a flat or declining rate environment. If interest rates rise rapidly, net interest income could be adversely impacted. First Citizens Liquidity could be negatively impacted should interest rates drop prompting an increase in loan demand. Adequate lines of credit are available to handle liquidity needs should this occur.

RETURN ON EQUITY AND ASSETS
FIRST CITIZENS BANCSHARES, INC.

	2000	1999	1998	1997	1996
Percentage of Net Income to:					
Average Total Assets	.95%	1.22%	1.02%	1.26%	1.16%
Average Shareholders Equity	10.16%	13.27%	11.22%	14.15%	13.39%
Percentage of Dividends Declared Per Common Share to Net Income Per Common Share	81.09%	58.35%	57.51%	35.78%	32.28%
Percentage of Average Shareholders' Equity to Average Total Assets	9.36%	9.24%	9.85%	9.71%	9.34%

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Return on assets is a measurement of the firms profitability in terms of asset utilization. Total assets at December 31, 2000 was $500,954,000 up 6% when compared to $472,670,000 at December 31, 1999. The balance sheet, however, was restated as required by the Financial Accounting Standards Board to reflect a more accurate comparison of prior year(s) financial information. The restated balance sheet reflected asset growth of less than one percent. Further discussion may be referenced in the section titled Earnings Analysis on page 17 of this document. Return on assets at year end 2000 was .95% compared to 1.22% and 1.02% at years ending December 31, 1999 and 1998 respectively. The return on assets calculation for 1998 is reflective of acquisition and non-recurring organization cost in excess of $1.3 million associated with the Bank of Troy. Performance ratios at the bank level were less impacted as a result of acquisition cost dealt with at the Holding Company level. Adjustments were recognized to strengthen future income potential and justify the capital investment in Bank of Troy and First Volunteer. Efforts continue to focus on positioning the company for future growth and profitability through improvements in technology, solid growth in the deposit base and efficient utilization of the branch distribution system. Results of operations for 1997 and 1996 reflect improvement over previous years as a result of the decision.

The primary source of earnings for Bancshares continues to be net interest income. Interest income increased $2,052,000, a 5.7% increase over the same period in 1999. An increase of 16.5% in interest expense for the same period reflects the increased costs of funding brought about by an accumulated increase of 175 basis points in overnight borrowing rates and resulted in a decline of 3.9% in net interest income. Other income was up 9.2%, offsetting to a degree the decline in net interest income.

Yields on interest earning assets, i.e. loans and investments, were 8.87%, 8.48% and 8.98% for 2000, 1999 and 1998 respectively while cost on interest bearing liabilities were 4.93%, 4.36% and 4.86% resulting in net yields on average earning assets of 4.36%, 4.57% and 4.63% for the years under comparison.

Reduced funding cost is attributable to utilization of Federal Home Loan Bank as an alternative source of funds. As a result, we are better able to manage the cost of funds and restore net interest margins to a more acceptable level.

The return on average assets of First Citizens National Bank was .95%, 1.22% and 1.02% respectively for 2000, 1999 and 1998. Return on average equity was also impacted by contract payouts to two management level employees in 2000 as a result of the Bank of Troy and First Volunteer acquisitions in 1998. Return on average equity reported by the Bank was 10.16%, 13.27%, and 11.22% for the years ending December 31, 2000, 1999 and 1998.

The company's strategic plan addresses objectives to sustain improved earnings, maintain a quality loan and investment portfolio, seek fee income opportunities and to maintain market share by providing quality customer service. The Bank's management and employees are rewarded with incentive compensation based on the level of ROA achieved at year end. The incentive program is in place that challenges the staff by offering incrementally increased incentives based on a return on assets up to 2%.

Total Capital (excluding Reserve for Loan Losses) as a percentage of total assets is presented in the following table for years indicated:

CAPITAL RESOURCES/TOTAL ASSETS - YEAR-END TOTALS
FIRST CITIZENS BANCSHARES, INC.

2000	1999	1998	1997	1996
9.35%	9.24%	9.12%	9.74%	9.26%

Quarterly dividends of $.2250 per share paid to shareholders in 2000 were enhanced by a special dividend of $.10 per share declared during fourth quarter. This process utilized in the past five years serves to raise payout ratios to levels targeted by the bank's capital plan. In 1998, a 4 for 1 stock split distributed the number of shares outstanding to 3,194,544. This action follows a 2.5 for 1 stock split October 15, 1993 and a 10% stock dividend December, 1992. Dividend payouts per share adjusted for the 1998 split were .75 cents in 1998, .50 cents in 1997 and .40 cents in 1996.

In 2000, per share price of banks stocks continued to experience tremendous pressure. Because Bancshares stock is not publicly traded, it has initially escaped the level of volatility that impacted stock prices of even the best performing banks. Uncertainty of the future direction of interest rates, a decrease in merger and acquisition activity and a leveling off of earnings have combined to dampen the enthusiasm of investors and create an unstable stock market. Bancshares stock traded at $30.00 per share through December 31, 1999. However, first quarter 2000, the common stock traded at a per share price of $24.00 reflecting the trend in bank stocks industry wide. This trend continued with common stock trading at a per share price of $19.00 throughout the last three quarters of 2000. Book value increased 6.85% to $12.62 at year-end 2000 from $11.81 as of December 31, 1999. Unusual items occurring in 2000 negatively impacted book value $(.23). Extraction of these items reflects a book value of $12.85. Book value fell from $12.12 at year-end 1998 to $11.81 as of December 31, 1999, as a direct result of FASB 115. FASB 115, Mark to Market is discussed within the Investment section of the report.

A stock repurchase program, approved by the Board of Directors May 17, 2000, provides for the repurchase of outstanding shares of Bancshares' stock on a first come, first served basis, within the guidelines of Generally Accepted Accounting Principles, which limits the number of shares a company may repurchase for a two year period following a pooling of interest transaction. The limitations of GAAP ceased to apply on January 1, 2001, at which time the company began actively repurchasing outstanding shares when available. The limitation is a result of FASB Accounting rules for pooling-of-interest that states Bancshares is limited to the purchase of Bancshares stock equal to 10% of the original issued quantity of shares (445,251) for the purchase of First Volunteer Bank.

In 1998, the Employee Stock Ownership Plan entered into a loan agreement with SunTrust Bank in the amount of $2,000,000 to fund the purchase of unissued stock. The stock will be utilized to satisfy future allocations to plan participants in accordance with the plan document approved by the Board of Directors. The balance remaining on the ESOP loan is $920,000 at December 31, 2000.

The purchase of Bank of Troy in 1998 was funded in part by existing capital totaling $5.5 million.

Risk-based capital focuses primarily on broad categories of credit risk and incorporates elements of transfer, interest rate and market risks. The calculation of risk-based capital ratio is accomplished by dividing qualifying capital by weighted risk assets. The minimum risk-based capital ratio is 8.00%. At least one-half or 4.00% must consist of core capital (Tier 1), and the remaining 4.00% may be in the form of core (Tier 1) or supplemental capital (Tier 2). Tier 1 capital/core capital consists of common stockholders equity, qualified perpetual preferred stock and minority interests in consolidated subsidiaries. Tier 2 capital/supplementary capital consists of the allowance for loan and lease losses, perpetual preferred stock, term subordinated debt, and other debt and stock instruments.

Bancshares has historically maintained capital in excess of minimum levels established by the Federal Reserve. The risk-based capital ratio for Bancshares as of December 31, 2000 and December 31, 1999 was 13.78% and 13.59% respectively, significantly above the 8.0 percent level required by regulation. With the exception of the Reserve for Loan and Lease Losses, all capital is Tier 1 level. Growth in capital will be maintained through retained earnings. There is no reason to assume that income levels will not be sufficient to maintain an adequate capital ratio. Ten percent is used as a benchmark for a well defined capitalized bank.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CARMICHAEL, DUNN, CRESWELL & SPARKS PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
First Citizens Bancshares, Inc.
Dyersburg, Tennessee 38024

We have audited the accompanying consolidated balance sheets of First Citizens Bancshares, Inc., and its subsidiary as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Citizens Bancshares, Inc., and its subsidiary as of December 31, 2000 and 1999, and their results of operations and cash flows for the three years ended December 31, 2000, in conformity with generally accepted accounting principles.

Dyersburg, Tennessee
January 25, 2001

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999

	2000	1999
	(In thousands)	
ASSETS		
Cash and due from banks	$ 19,123	$ 17,410
Federal funds sold	4,804	
Investment securities		
Securities held-to-maturity (fair value of $16,626 At December 31, 2000 and $19,768 at December 31, 1999)	16,705	20,345
Securities available-for-sale, at fair value	86,389	78,792
Loans (net of unearned income of $2,825 in 2000 and $2,131 in 1999)	340,959	325,377
Less: Allowance for loan losses	3,763	3,718
Net Loans	337,196	321,659
Premises and equipment, net	14,024	13,417
Accrued interest receivable	5,596	5,353
Intangible assets	3,959	5,223
Other assets	13,158	10,471
TOTAL ASSETS	$ 500,954	$ 472,670
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand	$ 39,696	$ 42,513
Time	211,311	209,835
Savings	120,847	114,471
Total Deposits	371,854	366,819
Securities sold under agreement to repurchase	15,674	22,390
Long-term debt	43,429	11,264
Federal funds purchased and short-term borrowings	18,500	23,700
Note payable of Employee Stock Ownership Plan	808	1,117
Other liabilities	3,800	3,700
Total Liabilities	454,065	428,990
Stockholders' Equity		
Common stock, no par value Shares authorized - 10,000,000; Issued-3,717,593 in 2000; 3,705,165 in 1999	3,718	3,705
Surplus	15,302	15,034
Retained earnings	29,095	28,298
Accumulated other comprehensive income	(371)	(2,036)
Less treasury stock, at cost-2,382 shares in 2000 and 6,807 shares in 1999	(47)	(204)
Obligation of Employee Stock Ownership Plan	(808)	(1,117)

Total Stockholders' Equity	46,889	43,680
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 500,954	$ 472,670

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
	(In thousands except per share data)		
Interest Income			
Interest and fees on loans	$ 31,631	$ 29,382	$ 28,502
Interest and dividends on investment securities:			
Taxable	5,496	5,582	5,149
Tax-exempt	633	610	651
Dividends	236	321	256
Other interest income	141	190	694
Total Interest Income	38,137	36,085	35,252
Interest Expense			
Interest on deposits	15,664	13,586	14,791
Interest on long-term debt	2,435	672	1,486
Other interest expense	1,444	2,522	1,011
Total Interest Expense	19,543	16,780	17,288
Net Interest Income	18,594	19,305	17,964
Provision for loan losses	1,411	720	1,226
Net interest income after provision for loan losses	17,183	18,585	16,738
Other Income			
Income from fiduciary activities	883	921	827
Service charges on deposit accounts	2,711	2,408	2,077
Other service charges, commissions, and fees	1,881	1,657	1,113
Securities gains (losses) - net	(20)	93	61
Other income	617	592	511
Total Other Income	6,072	5,671	4,589
Other Expenses			
Salaries and employee			

benefits	8,751	8,672	8,288
Net occupancy expense	1,058	1,028	917
Depreciation	1,431	1,262	1,103
Data processing expense	449	436	395
Legal and professional fees	98	139	272
Stationary and office supplies	229	291	243
Amortization of intangibles	320	351	183
Executive payments	809		
Other expenses	3,501	3,230	3,242
Total Other Expenses	16,646	15,409	14,643

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
	(In thousands except per share data)		
Net income before income taxes	$ 6,609	$ 8,847	$ 6,684
Provision for income tax expense	1,997	3,048	2,210
Net Income	$ 4,612	$ 5,799	$ 4,474
Earnings Per Common Share:			
Net income	$ 1.24	$ 1.58	$ 1.25
Weighted average shares outstanding	3,709	3,664	3,590

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
		(In thousands)	
Net income for year	$ 4,612	$ 5,799	$ 4,474
Other comprehensive income, net of tax			
Unrealized gains (losses) on available -			
For-sale securities:			
Unrealized gains (losses) arising during the period	1,665	(2,491)	174
Total Comprehensive Income	$ 6,277	$ 3,308	$ 4,648

Required disclosures of related tax effects allocated to each component of other comprehensive Income.

	Before-tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
Year Ended December 31, 2000			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ 2,772	$(1,109)	$ 1,663
Less reclassification adjustments for losses included in net income	3	(1)	2
Net Unrealized Gains (Losses)	$ 2,775	$(1,110)	$ 1,665

Year Ended December 31, 1999

Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$(3,912)	$ 1,555	$(2,357)
Less reclassification adjustments for gains included in net income	(223)	89	(134)
Net Unrealized Gains (Losses)	$(4,135)	$ 1,644	$(2,491)

Year ended December 31, 1998

Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ 300	$ (120)	$ 180
Less reclassification adjustments for gains included in net income	(11)	5	(6)
Net Unrealized Gains (Losses)	$ 289	$ (115)	$ 174

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2000, 1999 and 1998

(in thousands except per share data)

	Common Stock			
	Shares	Amount	Surplus	Retained Earnings
Balance, January 1, 1998	1,196	$ 1,196	$ 11,369	$ 23,839
Net income, year ended December 31, 1998				4,474
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($115) during the year				
Cash dividends paid - $.75 per share				(2,430)
Sale of common stock	348	348	5,354	
Adjustments to par value of common stock	2,146	2,146	(5,354)	
Treasury stock transaction-net				
Balance, December 31, 1998	3,690	3,690	14,591	25,883

Net income, year ended December 31, 1999				5,799
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($1,644) during the year				
Cash dividends paid - $.90 per share				(3,384)
Sale of common stock	15	15	435	
Treasury stock transactions - net			8	
Principal payments - ESOP				
Balance, December 31, 1999	3,705	3,705	15,034	28,298
Net income, year ended December 31, 2000				4,612
Adjustment of record unrealized gain(loss) on securities available-for-sale, net of applicable deferred income taxes ($1,110) during the year				
Cash dividends paid - $1.00 per share				(3,741)
Sale of common stock	13	13	287	
Treasury stock transactions-net			(19)	
Principal payments - ESOP				
Unrealized loss - derivatives				
Prior period adjustment of unearned Interest, net of tax				
Balance, December 31, 2000	3,718	$ 3,718	$ 15,302	$ 29,095

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2000, 1999 and 1998

(in thousands except per share data)

Obligation

Shareholder's Equity	Accumulated Other Comprehensive	Income	Of Employee Stock Ownership Treasury Stock	Total Plan
Balance, January 1, 1998	$ 281	$ (7)	$ 0	$ 36,678
Net income, year ended December 31, 1998				4,474
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($115) during the year	174			174
Cash dividends paid - $.75 per share				(2,430)
Sale of common stock				5,702
Adjustments to par value of common stock		(3)		(6)
Loan proceeds - ESOP obligation			(2,000)	(2,000)
Principal payments - ESOP			592	592
Treasury stock transaction-net		(119)		(102)
Balance, December 31, 1998	455	(129)	(1,408)	43,082
Net income, year ended December 31, 1999				5,799
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($1,644) during the year	(2,491)			(2,491)
Cash dividends paid - $.90 per share				(3,384)
Sale of common stock				450
Treasury stock transactions - net		(75)		(67)
Principal payments - ESOP			291	291
Balance, December 31, 1999	(2,036)	(204)	(1,117)	43,680
Net income, year ended December 31, 2000				4,612
Adjustment of record unrealized gain(loss) on securities available-for-sale, net of applicable deferred income taxes ($1,110) during the year	1,753			1,753
Cash dividends paid - $1.00 per share				(3,741)
Sale of common stock				300
Treasury stock transactions-net		157		138
Principal payments - ESOP			309	309

Unrealized loss - derivatives	(88)			(88)
Prior period adjustment of unearned Interest, net of tax				(74)
Balance, December 31, 2000	$ (371)	$ (47)	$ (808)	$ 46,889

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	19
		(In thousands)	
Operating Activities			
Net income	$ 4,612	$ 5,799	$ 4,
Adjustments to reconcile net income to net Cash provided by operating activities:			
Provision for loan losses	1,411	720	1,
Provision for depreciation	1,431	1,262	1,
Provision for amortization-intangibles	320	351	
Deferred income taxes	921	(1,032)	(
Gain on sale of other real estate			
Realized investment Security (gains) losses	20	(93)	
Increase in accrued Interest receivable	(243)	(158)	(
Increase (decrease) in accrued Interest payable	480	(365)	
Increase in other assets	(2,738)	(2,192)	(6,
Increase (decrease) in other liabilities	(380)	694	(
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,834	4,986	(1,0
Investing Activities			
Proceeds of maturities of held-to-maturity Investment securities	3,640	7,866	15,
Purchases of held-to-maturity investment securities		(2,500)	(19,
Proceeds of sales and maturities of available-for-sale investment securities	7,213	15,800	10,
Purchases of available-for-sale investment securities	(13,165)	(12,971)	(38,
Increase in loans - net	(16,948)	(18,920)	(45,

Proceeds from sale of other real estate			
Purchase of premises and equipment	(2,038)	(3,451)	(2,
NET CASH USED BY INVESTING ACTIVITIES	(21,298)	(14,176)	(80,

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2000, 1999, and 1998

	2000	1999	1998
		(In thousands)	
Financing Activities			
Net increase (decrease) in demand deposits, NOW accounts, and savings accounts	$ 3,559	$ (4,765)	$ 30,608
Increase in time deposits - net	1,476	10,885	20,116
Increase in long-term borrowing	32,165		23,116
Payment of principal on long-term debt		(14,222)	(9,776)
Proceeds from sale of common stock	300	450	4,335
Cash dividends paid	(3,741)	(3,384)	(2,430)
Net increase (decrease) in short-term Borrowings	(11,916)	7,983	16,341
Treasury stock transactions - net	138	(67)	(102)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	21,981	(3,120)	82,208
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,517	(12,310)	953
Cash and cash equivalents at beginning of year	17,410	29,720	28,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 23,927	$ 17,410	$ 29,720

Cash payments made for interest and income taxes during the years presented are as follows:

Interest	$ 19,063	$ 17,145	$ 17,152
Income taxes	$ 2,337	$ 2,400	$ 2,428

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 1 - Summary of Significant Accounting and Reporting Policies

The accounting and reporting policies of First Citizens Bancshares, Inc., and Subsidiary conform to generally accepted accounting principles. The significant policies are described as follows:

BASIS OF PRESENTATION

The consolidated financial statements include all accounts of First Citizens Bancshares, Inc., and its subsidiary First Citizens National Bank. First Citizens National Bank also has three wholly-owned subsidiaries, First Citizens Financial Plus, Delta Finance Company and Nevada Investments I, Inc. which are consolidated into its financial statements. First Citizens Bancshares, Inc.'s investment in this subsidiary is reflected on the Parent Company balance sheet (Note 13) at the equity in the underlying assets.

Bank of Troy was acquired on March 5, 1998, in a transaction accounted for as a purchase, and therefore, operations of Bank of Troy from March 5, 1998 forward are included in the consolidated financial statements.

Effective January 1, 1999, First Citizens Bancshares, Inc. acquired First Volunteer Corporation and its subsidiary, First Volunteer Bank, in a transaction accounted for as a pooling-of-interests.

During the year ended December 31, 1999, Bank of Troy and First Volunteer Bank were merged with First Citizens National Bank resulting in one wholly-owned subsidiary of First Citizens Bancshares, Inc. operating as First Citizens National Bank.

During the year ended December 31, 2000, First Citizens National Bank organized, as a wholly-owned subsidiary, Nevada Investments I, Inc., a Nevada corporation. Subsequently, Nevada Investments II, Inc. was organized in the State of Nevada as a wholly-owned subsidiary of Nevada Investments I, Inc. First Citizens National Bank contributed all of its securities investments to these Nevada corporations as contributed capital, and at year end, Nevada Investments II, Inc. owns all of the securities investments reflected on the consolidated balance sheet.

All significant inter-company accounts are eliminated in consolidation.

NATURE OF OPERATIONS

The Company and its subsidiary provide commercial banking services of a wide variety to individuals and corporate customers in the mid-southern United States with a concentration in northwest Tennessee. The Company's primary products are checking and savings deposits and residential, commercial, and consumer lending.

BASIS OF ACCOUNTING

The consolidated financial statements are presented using the accrual basis of accounting.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

CASH EQUIVALENTS

Cash equivalents include amounts due from banks which do not bear interest and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

SECURITIES

Investment securities are classified as follows:

Held-to-maturity, which includes those investment securities which the

Company has the intent and the ability to hold until maturity; Trading securities, which includes those investment securities which are held for short-term resale; and Available-for-sale, which includes all other investment securities.

Securities, which are held-to-maturity, are reflected at cost, adjusted for amortization of premiums and accretion of discounts using methods which approximate the interest method. Securities, which are available-for-sale, are carried at fair value, and unrealized gains and losses are recognized as direct increases or decreases in stockholders' equity. Trading securities, where applicable, are carried at fair value, and unrealized gains and losses on these securities are included in net income.

Realized gains and losses on investment securities transactions are determined based on the specific identification method and are included in net income.

LOANS

Loans are reflected on the balance sheet at the unpaid principal amount less the allowance for loan losses and unearned income.

Loans are generally placed on non-accrual status when, in the judgment of management, the loans have become impaired. Unpaid interest on loans placed on non-accrual status is reversed from income and further accruals of income are not usually recognized. Subsequent collections related to impaired loans are usually credited first to principal and then to previously uncollected interest.

ALLOWANCE FOR LOAN LOSSES

The provision for loan losses which is charged to operations is based on management's assessment of the quality of the loan portfolio, current economic conditions, and other relevant factors. In management's judgment, the provision for loan losses will maintain the allowance for loan losses at an adequate level to absorb probable loan losses, which may exist in the portfolio.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using straight-line and accelerated methods for both financial reporting and income tax purposes. Expenditures for maintenance and repairs are charged against income as incurred. Cost of major additions and improvements are capitalized and depreciated over their estimated useful lives.

REAL ESTATE ACQUIRED BY FORECLOSURE

Real estate acquired through foreclosure is reflected in other assets and is recorded at the lower of fair value less estimated costs to sell or cost. Adjustments made at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred in connection with ownership, subsequent adjustments to book value, and gains and losses upon disposition are included in other non-interest expenses.

Adjustments to net realizable value are made annually subsequent to acquisition based on appraisal.

INCOME TAXES

First Citizens Bancshares, Inc. uses the accrual method of accounting for federal income tax reporting. Deferred tax assets or liabilities are computed for significant differences in financial statement and tax bases of assets and liabilities, which result from temporary differences in financial statement and tax accounting.

INTEREST INCOME ON LOANS

Interest income on commercial and real estate loans is computed on the basis of daily principal balance outstanding using the accrual method. Interest on installment loans is credited to operations by the level-yield method.

NET INCOME PER SHARE OF COMMON STOCK

Net income per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period, after giving retroactive effect to stock dividends and stock splits.

INCOME FROM FIDUCIARY ACTIVITIES

Income from fiduciary activities is recorded on the accrual basis.

ADVERTISING AND PROMOTIONS

The Company's policy is to charge advertising and promotions to expense as incurred.

Note 2 - Investment Securities

The following tables reflect amortized cost, unrealized gains, unrealized losses, and fair value of investment securities for the balance sheet dates presented, segregated into held-to-maturity and available-for-sale categories:

	December 31, 2000 Held-To-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 15,050	$ 11	$ 116	$ 14,945

Obligations of states and political subdivisions	1,632	27	1	1,658
Mortgage-backed securities	23			23
TOTAL SECURITIES INVESTMENTS	$ 16,705	$ 38	$ 117	$ 16,626

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 2 - Investment Securities (Continued)

	December 31, 2000 Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 56,525	$ 145	$ 737	$ 55,933
Obligations of states and political subdivisions	12,069	281	87	12,263
Mortgage-backed securities	11,885	54	133	11,806
Corporate debt securities	2,920	20	15	2,925
Total Debt Securities	83,399	500	972	82,927
Equity investments	3,462			3,462
TOTAL SECURITIES INVESTMENTS	$ 86,861	$ 500	$ 972	$ 86,389

	December 31, 1999 Held-To-Maturity			
		Gross	Gross	

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 16,984	$	$ 476	$ 16,508
Obligations of states and political subdivisions	3,282	4	106	3,180
Mortgage-backed securities	79	1		80
TOTAL SECURITIES INVESTMENTS	$ 20,345	$ 5	$ 582	$ 19,768

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 2 - Investment Securities (Continued)

	December 31, 1999 Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 57,880	$ 61	$ 2,775	$ 55,166
Obligations of states and political subdivisions	9,557	7	331	9,233
Mortgage-backed securities	11,511	21	389	11,143
Total Debt Securities	78,948	89	3,495	75,542
Equity investments	3,223	27		3,250
TOTAL SECURITIES INVESTMENTS	$ 82,171	$ 116	$ 3,495	$ 78,792

The tables below summarize maturities of debt securities held-to-maturity and available-for-sale as of December 31, 2000 and 1999:

December 31, 2000

	Securities Held-To-Maturity		Securities Available-For-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Amounts Maturing In:				
One Year or less	$ 78	$ 78	$ 2,671	$ 2,667
After one year through five years	15,647	15,542	22,722	22,649
After five years through ten years	980	1,006	34,002	33,870
After ten years			24,004	23,741
	$ 16,705	$ 16,626	$ 83,399	$ 82,927

December 31, 1999

	Securities Held-To-Maturity		Securities Available-For-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Amounts Maturing In:				
One Year or less	$ 16,233	$ 15,770	$ 43,152	$ 41,191
After one year through five years	2,603	2,584	17,537	16,991
After five years through ten years	1,334	1,239	9,579	9,225
After ten years	175	175	8,680	8,135
	$ 20,345	$ 19,768	$ 78,948	$ 75,542

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 2 - Investment Securities (Continued)

Securities gains (losses) presented in the consolidated statements of income consist of the following:

Year Ended December 31	Gross Sales	Gains	Losses	Net
	(In thousands)			
2000 - Securities held to maturity	$ 3,375	$ 0	$ 20	$ (20)
2000 - Securities available-for-sale	0	0	0	0
1999 - Securities held-to-maturity	998	1	2	(1)
1999 - Securities available-for-sale	6,353	96	2	94
1998 - Securities held-to-maturity	15,558	82	57	25
1998 - Securities available-for-sale	10,425	36		36

Sales of securities classified as held-to-maturity consist of securities which were called resulting in a gain or loss or sold within ninety days of maturity. During the year 2000, First Citizens Bancshares, Inc. adopted Statement No. 133 of the Financial Accounting Standards Board which provided a period of time subsequent to adoption during which securities could be transferred from held-to-maturity to Available-for-sale. Securities with a book value of $1,340,000 were transferred to the available-for-sale category and sold at a later time in the year.

At December 31, 2000 and 1999, investment securities were pledged to secure government, public and trust deposits as follows:

December 31	Amortized Cost	Fair Value
	(In thousands)	
2000	$ 79,517	$ 79,435
1999	86,762	83,312

At December 31, 2000, Nevada Investments II, Inc. has unrealized losses on securities available-for-sale totaling $471,669, resulting in a negative accumulated other comprehensive income in the amount of $283,001.

Generally accepted accounting principles has 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. The 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 utilized the derivative as a cash flow hedge, hedging the "benchmark interest rate." A Federal Home Loan Bank Variable Libor Borrowing has been designated as hedged and in doing so, the Company has effectively fixed the cost of this liability.

Nevada Investments II, Inc. swapped a fixed investment cash flow for a variable cash flow that fluctuates with the Libor rate. The new variable investment is then matched with a variable borrowing cash flow generating a positive interest rate spread of 250 basis points. The purpose of this transaction was to increase the Company's earnings, and the amount of the asset involved and the risk associated with this transaction is within the Company's Funds Management Policy. The hedge matures in ten (10) years.

FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

Note 2 - Investment Securities (Continued)

During the year, the value of the derivative decreased by $147,000 due to market interest rate fluctuations, resulting in a negative other compre- hensive income of $88,000, which is reflected in accumulated other comprehensive income at December 31, 2000.

Note 3 - Loans

Loans outstanding at December 31, 2000 and 1999, were comprised of the following:

	2000	1999
	(In thousands)	
Commercial, Financial and Agricultural	$ 63,703	$ 60,446
Real estate - construction	34,195	34,431
Real estate - mortgage	197,040	189,787
Installment	42,754	37,595
Other loans	3,267	3,118
	340,959	325,377
Less: Allowance for loan losses	3,763	3,718
Net Loans	$ 337,196	$ 321,659

In conformity with Statement No. 114 of the Financial Accounting Standards Board, the Corporation has recognized loans with carrying values of $2,267,000 at December 31, 2000, and $872,000 at December 31, 1999, as being impaired. The balance maintained in the Allowance for Loan Losses related to these loans was $1,021,167 at December 31, 2000, and $157,623 at December 31, 1999. As of December 31, 2000, loans totaling $1,984,000 were directly related to the specific Allowance for Loan Losses.

Note 4 - Allowance for Loan Losses

An analysis of the allowance for loan losses during the three years ended December 31 is as follows:

	2000	1999	1998
	(In thousands)		
Balance - beginning of period	$ 3,718	$ 3,872	$ 3,122
Provision for loan losses charged to operations	1,411	720	1,226
Loans charged to allowance, net of loan loss Recoveries of $335,139, $308,669, and 324,521	(1,366)	(874)	(846)
Addition incident to merger			370

Balance - end of period	$ 3,763	$ 3,718	$ 3,872

For tax purposes, the Corporation deducts the maximum amount allowable. During the year ended December 31, 2000, the deduction taken was $1,820,429. The deductions for tax purposes in 1999 and 1998 were $681,563 and $479,396, respectively.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5 - Premises and Equipment

The fixed assets used in the ordinary course of business are summarized as follows:

	Useful Lives in Years	2000	1999
		(In thousands)	
Land		$ 1,684	$ 1,653
Buildings	5 to 50	13,659	12,425
Furniture and equipment	3 to 20	10,819	10,341
		26,162	24,419
Less: Accumulated depreciation		12,138	11,002
Net Fixed Assets		$ 14,024	$ 13,417

Note 6 - Repossessed Real Property

The carrying value of repossessed real property on the balance sheets of the Corporation is $324,238 at December 31, 2000, and $390,458 at December 31, 1999. The value of repossessed real property is reflected on the balance sheets in "other assets."

Note 7 - Deposits

Included in the deposits shown on the balance sheets are the following time deposits and savings deposits in denominations of $100,000 or more:

2000	1999

	----	----
	(In thousands)	
Time Deposits	$73,101	$70,862
Savings Deposits	49,365	53,516

NOW accounts, included in savings deposits on the balance sheets, totaled $40,646,326 at December 31, 2000, and $40,365,018 at December 31, 1999.

First Citizens National Bank routinely enters into deposit relationships with its directors, officers and employees in the normal course of business. These deposits bear the same terms and conditions as those prevailing at the time for comparable transactions with unrelated parties. Balances of executive officers and directors on deposit as of December 31, 2000 and 1999, were $8,858,253 and $5,726,010, respectively.

Time deposits maturing in years subsequent to December 31, 2000 are as follows:

	(In thousands)
One year or less	$178,683
After one year through three years	29,320
After three years through five years	3,218
After five years	90

Total	$211,311
	========

FIRST CITIZENS BANCSHARES, INC.,
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Note 8 - Employee Stock Ownership Plan

First Citizens National Bank maintains the First Citizens National Bank of Dyersburg Employee Stock Ownership Plan and the First Citizens National Bank 401(k) Plan as employee benefits. The 401(k) plan was adopted October 1, 2000. The plans provides for a contribution annually not to exceed twenty-five percent of the total compensation of all participants and affords eligibility for participation to all full-time employees who have completed at least one year of service. During the year 2000, the Company contributed amounts equal to three percent (3%) of total eligible compensation to the 401(k) plan and seven percent (7%) of eligible compensation to the employee stock ownership plan. Contributions to the plans totaled $629,820 in 2000, $610,718 in 1999, and $565,557 in 1998.

Note 9 - Income Taxes

Provision for income taxes is comprised of the following:

	2000	1999	1998
	----	----	----
Federal income tax expense (benefit)		(In thousands)	
Current	$1,555	$2,530	$2,002
Deferred	210	(26)	(196)
State income tax expense (benefit)			

Current	193	511	438
Deferred	39	33	(34)
	$1,997	$3,048	$2,210

The ratio of applicable income taxes to net income before income taxes differed from the statutory rates of 34%. The reasons for these differences are as follows:

	2000	1999	1998
		(In thousands)	
Tax expense at statutory rate	$2,247	$3,008	$2,272
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	152	359	265
Tax exempt income	(215)	(435)	(190)
Effect of life insurance	(115)	(168)	(80)
Amortization of goodwill	123	124	75
Other items	(195)	160	(132)
	$1,997	$3,048	$2,210

Deferred tax liabilities have been provided for taxable temporary differences related to depreciation, accretion of securities discounts, and other minor items. Deferred tax assets have been provided for deductible temporary differences related primarily to the allowance for loan losses and adjustments for loss on repossessed real estate. The net deferred tax assets, which are included in "other assets" in the accompanying consolidated balance sheets, include the following components:

	December 31 2000	1999
	(In thousands)	
Deferred tax liabilities	$	$ (568)
Deferred tax assets	435	2,612
Net deferred tax assets	$ 435	$2,044

FIRST CITIZENS BANCSHARES, INC.,
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Note 10 - Regulatory Matters

First Citizens Bancshares, Inc. is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company and the consolidated financial statements. The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier I capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier I and total risk-based capital (as defined) to risk-weighted assets (as defined). To be considered adequately capitalized (as defined) under the regulatory framework for prompt corrective action, the Bank must maintain minimum Tier I leverage, Tier I risk-based, and total risk-based ratios as set forth in the table. The Bank's actual capital amounts and ratios are also presented in the table.

As of December 31, 2000, the most recent notification from the Bank's primary regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed institution's category.

(In thousands) Amount	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio
As of December 31, 2000:				
Total Risk-Based Capital (To Risk Weighted Assets)	$46,657	13.78%	$27,091	≥ 8.0%
Tier I Capital (To Risk Weighted Assets)	42,894	12.67%	13,546	≥ 4.0%
Tier I Capital (To Average Assets)	42,894	8.76%	19,594	≥ 4.0%
As of December 31, 1999:				
Total Risk-Based Capital (To Risk Weighted Assets)	$47,788	14.74%	$25,943	≥ 8.0%
Tier I Capital (To Risk Weighted Assets)	41,884	12.91%	12,972	≥ 4.0%
Tier I Capital (To Average Assets)	41,884	8.91%	18,803	≥ 4.0%

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Note 11 - Restrictions on Cash and Due From Bank Accounts

The Corporation's bank subsidiary maintains cash reserve balances as required by the Federal Reserve Bank. Average required balances during 2000 and 1999 were $2,704,970 and $1,883,000, respectively.

Note 12 - Restrictions on Capital and Payments of Dividends

The Corporation is subject to capital adequacy requirements imposed by the Federal Reserve Bank. In addition, the Corporation's National Bank Subsidiary is restricted by the Office of the Comptroller of the Currency from paying Dividends in any years which exceeded the net earnings of the current year plus retained profits of the preceding two years. As of December 31, 2000, approximately $9 million of retained earnings was available for future dividends from the subsidiary to the parent corporation.

Note 13 - Condensed Financial Information

First Citizens Bancshares, Inc.
(Parent Company Only)

	December 31 2000	1999
	(In thousands)	
BALANCE SHEETS		
ASSETS		
Cash	$ 1,091	$ 497
Investment in subsidiaries	46,482	44,071
Other assets	103	238
TOTAL ASSETS	$ 47,676	$ 44,806
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Note payable of ESOP	$ 808	$ 1,117
Accrued expenses	(21)	9
TOTAL LIABILITIES	787	1,126
STOCKHOLDERS' EQUITY	46,889	43,680
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 47,676	$ 44,806

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FIRST CITIZENS BANCSHARES, INC.,
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Note 13 - Condensed Financial Information (Continued)

STATEMENTS OF INCOME

	December 31 2000	1999
	(In thousands)	
INCOME		
Dividends from bank subsidiary	$ 3,828	$ 3,468
Other income	63	34
TOTAL INCOME	3,891	3,502
EXPENSES		
Interest expense		19
Other expenses	120	160
TOTAL EXPENSES	120	179
Income before income taxes and equity in undistributed net income of bank subsidiary	3,771	3,323
Income tax expense (benefit)	(21)	(65)
	3,792	3,388
Equity in undistributed net income of bank subsidiary	820	2,411
NET INCOME	$ 4,612	$ 5,799

STATEMENTS OF CASH FLOWS

Operating Activities		
Net income	$ 4,612	$ 5,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary	(820)	(2,411)
Decrease in other assets	135	102
Increase in other liabilities	(30)	(72)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,897	3,418
Financing Activities		
Payment of principal on note		(907)
Payment of dividends and payments in lieu of fractional shares	(3,741)	(3,384)
Sale of common stock	300	450
Treasury Stock transactions - net	138	(67)
NET CASH USED BY FINANCING ACTIVITIES	(3,303)	(3,908)
INCREASE (DECREASE) IN CASH	594	(490)
Cash at beginning of year	497	987
CASH AT END OF YEAR	$ 1,091	$ 497

FIRST CITIZENS BANCSHARES, INC.,
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Note 14 - Long Term Debt

First Citizens National Bank has secured advances from the Federal Home Loan Bank in the amounts of $55,429,000 at December 31, 2000, and $33,963,571 at December 31, 1999. At December 31, 2000, $42,429,000 is considered long-term in nature. These advances bear interest at rates which vary from 4.52% to 6.40% and mature in the years 2008 through 2011. The obligations are secured by the Bank's entire portfolio of fully disbursed, one to four family residential mortgages.

Delta Finance Company, a subsidiary of First Citizens National Bank, is obligated to General Appliance and Furniture Company, Inc. on an unsecured note payable in the amount of $1,000,000, which bears interest at the rate of six and one-half percent (6.5%) per annum and matures February 18, 2001. The Company has the intent and ability to renew the loan for another five years.

The First Citizens National Bank Employee Stock Ownership Plan is obligated to another financial institution on a note which matures on January 2, 2008, and which bears interest at one and one-fifth of one percent (1.2%) above the London Interbank Offered Rate for one month periods which is published monthly. The note requires quarterly payments of $52,632 plus interest. The outstanding principal balance was $807,631 at December 31, 2000, and $1,117,265 at December 31, 1999. Collateral for the loan was capital stock of First Citizens National Bank totaling 34,369 shares and 47,544 shares at December 31, 2000 and 1999, respectively.

Averages for the years 2000 and 1999 are as follows:

	Average Volume	Average Interest Rate (In thousands)	Average Maturity
2000			
First Citizens Bancshares, Inc.	$ 920	7.25%	5 years
First Citizens National Bank	56,929	5.90%	3 years
Delta Finance Company	1,000	6.00%	5 years
1999			
First Citizens Bancshares, Inc.	2,175	6.89%	6 years
First Citizens National Bank	12,528	5.36%	5 years
Delta Finance Company	1,000	6.00%	5 years

Maturities of principal on the above referenced long-term debt for the following five years is as shown:

Year Ending December 31,	
2001	$ 0
2002	0
2003	0
2004	0
2005	0
Thereafter	43,429
	$43,429

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FIRST CITIZENS BANCSHARES, INC.,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 15 - Short-term Borrowings

At December 31, 2000 and 1999, First Citizens National Bank had outstanding balances in short-term borrowings as follows:

	2000	1999
	(In thousands)	

Outstanding balance, end of period	$34,174	$46,090
Weighted average interest rate	5.55%	4.56%
Maximum amount of borrowings at month end	54,600	47,470
Average balances outstanding during the period	49,436	32,759
Average weighted average interest rate	5.97%	4.46%

Note 16 - Non-Cash Investing and Financing Activities

During the periods presented, the Corporation engaged in the following non-cash investing and financing activities:

	2000	1999	1998
Investing		(In thousands)	
Other real estate acquired in Satisfaction of loans	$ 804	$ 824	$ 249
Investment in White & Associates? First Citizens Insurance, L.L.C.			1,362
Investment in First Volunteer Corporation		3,775	

Note 17 - Financial Instruments with Off-Balance Sheet Risk

First Citizens National Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk, which are not recognized in the statement of financial position.

The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The same policies are utilized in making commitments and conditional obligations as are used for creating on-balance sheet instruments. Ordinarily, collateral or other security is not required to support financial instruments with off-balance sheet risk.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's credit-worthiness is evaluated on a case-by-case basis, and collateral required, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. At December 31, 2000 and 1999, First Citizens National Bank had outstanding loan commitments of $56,860,000 and $55,042,000, respectively. Of these commitments, none had an original maturity in excess of one year.

Note 17 - Financial Instruments with Off-Balance Sheet Risk (Continued)

Standby letters of credit and financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are issued primarily to support public and private borrowing arrangements, and the credit risk involved is essentially the same as that involved in extending loans to customers. The Bank requires collateral to secure these commitments when it is deemed necessary. At December 31, 2000 and 1999, outstanding standby letters of credit totaled $1,761,000 and $1,761,000, respectively.

In the normal course of business, First Citizens National Bank extends loans, which are subsequently sold to other lenders, including agencies of the U. S. government. Certain of these loans are conveyed with recourse creating off-balance sheet risk with regard to the collectibility of the loan. At December 31, 2000 and 1999, however, the Bank had no loans sold.

Note 18 - Significant Concentrations of Credit Risk

First Citizens National Bank grants agribusiness, commercial, residential, and personal loans to customers throughout a wide area of the mid-southern United States. A large majority of the Bank's loans, however, are concentrated in the immediate vicinity of the Bank or northwest Tennessee. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their obligations is dependent upon the agribusiness and industrial economic sectors of that geographic area.

Note 19 - Disclosure of Fair Value of Financial Instruments

The following assumptions were made and methods applied to estimate the fair value of each class of financial instruments reflected on the balance sheets of the Corporation:

CASH AND CASH EQUIVALENTS

For instruments, which qualify as cash equivalents, as described in Note 1 of Notes to Consolidated Financial Statements, the carrying amount is assumed to be fair value.

INVESTMENT SECURITIES

Fair value for investment securities is based on quoted market price, if available. If quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

LOANS RECEIVABLE

Fair value of variable-rate loans with no significant change in credit risk subsequent to loan origination is based on carrying amounts. For other loans, such as fixed rate loans, fair values are estimated utilizing discounted cash flow analyses, applying interest rates currently offered for new loans with similar terms to borrowers of similar credit quality. Fair values of loans which have experienced significant changes in credit risk have been adjusted to reflect such changes.

The fair value of accrued interest receivable is assumed to be its carrying value.

DEPOSIT LIABILITIES

Demand Deposits

The fair values of deposits which are payable on demand, such as interest-bearing and non-interest-bearing checking accounts, passbook savings, and certain money market accounts are equal to the carrying amount of the deposits.

Note 19 - Disclosure of Fair Value of Financial Instruments (Continued)

Variable-Rate Deposits

The fair value of variable-rate money market accounts and certificates of deposit approximate their carrying value at the balance sheet date.

Fixed-Rate Deposits

For fixed-rate certificates of deposit, fair values are estimated using discounted cash flow analyses which apply interest rates currently being offered on certificates to a schedule of aggregated monthly maturities on time deposits.

SHORT-TERM BORROWINGS

Carrying amounts of short-term borrowings, which include securities sold under agreement to repurchase, approximate their fair values at December 31, 2000 and 1999.

LONG-TERM DEBT

The fair value of the Corporation's long-term debt is estimated using the discounted cash flow approach, based on the institution's current incremental borrowing rates for similar types of borrowing arrangements.

OTHER LIABILITIES

Other liabilities consist primarily of accounts payable, accrued interest payable and accrued taxes. These liabilities are short-term and their carrying values approximate their fair values.

Unrecognized financial instruments are generally extended for short periods of time, and as a result, the fair value is estimated to approximate the face or carrying amount.

The estimated fair values of the Corporation's financial instruments are as follows:

Note 19 - Disclosure of Fair Value of Financial Instruments (Continued)

	2000		1
Financial Assets	Carrying Amount	Fair Value	Carrying Amount
	(In thousands)		
Cash and cash equivalents	$ 23,927	$ 23,927	$ 17,410
Investment securities	103,094	103,015	99,137
Loans	340,959		325,377
Less: Allowance for loan losses	(3,763)		(3,718)
Loans, net of allowance	337,196	329,573	321,659
Accrued interest receivable	5,596	5,596	5,353
Financial Liabilities			
Deposits	371,854	373,051	366,819
Short-term borrowings	34,174	34,174	46,090
Long-term debt	43,429	41,474	11,264
Other liabilities	3,800	3,800	3,700
Unrecognized Financial Instruments			
Commitments to extend credit	56,860	56,860	55,042
Standby letters of credit	1,761	1,761	1,761

Note 20 - Commitments and Contingencies

During the year ended December 31, 2000, the Board of Directors approved a stock repurchase plan whereby the Company is authorized to acquire up to a maximum of $5,000,000 of its outstanding capital stock over a five (5) year period. The stock repurchase plan is designed to enable First Citizens Bancshares, Inc. to meet the requirements of the Employee Stock Ownership Plan and reduce the number of shares outstanding in order to enhance earnings per share.

Note 21 - Mergers and Acquisitions

During the year ended December 31, 1997, First Citizens Bancshares, Inc. entered into a stock purchase agreement to buy all of the outstanding capital stock of Bank of Troy, Troy, Tennessee, at a price of two (2) times book value of the capital stock acquired. The acquisition was consummated on March 5, 1998, at a price of $9,692,835 in a transaction accounted for as a purchase. Accordingly, the financial records of Bank of Troy were closed, and the assets and liabilities were adjusted to fair market value as of the date that the purchase took place. The operations of the Bank of Troy are included in the consolidated financial statements from March 5, 1998 through December 31, 1998. The transactions resulted in goodwill in the amount of $3,290,977, which is being amortized over a period of fifteen (15) years.

During the year ended December 31, 1999, the Bank of Troy was merged with First Citizens National Bank and is operated as a branch bank.

Pro forma results of operations of First Citizens Bancshares, Inc. computed as though Bank of Troy had been acquired at the beginning of the year ended December 31, 1997, are as follows:

	(In thousands) 1998
Interest income	$ 31,625
Interest expense	15,493
Net interest income	16,132
Provision for loan losses	1,028
Net interest income after Provision for loan losses	15,104
Other income	4,326
Other expenses	13,103
Net income before income taxes	6,327
Provision for income taxes	2,090
Net income	4,237
Earnings per share	1.35
Weighted average shares Outstanding	3,145

Also, on February 11, 1998, First Citizens Bancshares, Inc. executed a transaction whereby the Corporation acquired a fifty percent (50%) interest in White & Associates/First Citizens Insurance, L.L.C., an insurance agency operating in Dyersburg, Tennessee. The Corporation issued 13,779 shares of common stock and paid $216,000 in cash for a total value of $1,469,905 in cash. The asset was then transferred to First Citizens National Bank in exchange for $1,469,905 in cash. The investment is recorded using the equity method and has a book value of $1,127,696 at December 31, 2000 and $781,542 at December 31, 1999. The transaction created $1,361,905 of goodwill on the books of First Citizens National Bank associated with the investment in this Company.

First Citizens National Bank and White & Associates began the process of forming a credit insurance company during 1998. During the year ended December 31, 1999, the credit insurance company was chartered and operated at a profit of $39,878. Operating results for the year ended December 31, 2000 showed a profit of $102,248 of which 50% was accrued to First Citizens National Bank.

Note 21 - Mergers and Acquisitions

Also, during 1998, First Citizens Bancshares, Inc. entered into an agreement to acquire all of the outstanding capital stock of First Volunteer Corporation, a one-bank holding company which owned First Volunteer Bank located in Union City, Tennessee. The acquisition was consummated on February 12, 1999, in a transaction recorded as a pooling-of-interests which involved the issuance of 445,251 shares of First Citizens Bancshares, Inc. common stock. Accordingly, all historical financial information of First Citizens Bancshares, Inc. for all periods presented has been restated to include the historical financial information of First Volunteer Corporation. Subsequently, First Volunteer Bank was merged with First Citizens National Bank and is operated as a branch bank.

Note 22 - Common Capital Stock

On April 16, 1998, First Citizens Bancshares, Inc. filed Articles of Amendment to its Charter increasing the total authorized number of common shares of stock from 2,000,000 to 10,000,000 and changing the par value from $1 to no par value. The Corporation then declared a four for one stock split, according to which all shareholders received three (3) additional shares of common stock for each share owned. The split resulted in the issuance of 2,145,678 new shares. The shares are recorded at one dollar ($1) per share requiring the transfer of an equal amount from paid-in capital to capital stock.

Note 23 - Amounts Receivable from Related Parties

Year Ended December 31, 2000

(In thousands)

Column A	Column B	Column C	Column D		
	Balance at Beginning of Period	Additions	Deductions		
			Amounts Collected	Amounts Written Off	Current
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers Of First Citizens Bancshares, Inc. (26)	$ 8,627	$ 6,614	$ 6,383	$ -0-	$ 8,85
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers Of First Citizens National Bank (26)	$ 8,627	$ 6,614	$ 6,383	$ -0-	$ 8,85

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	Year Ended December 31, 1999				
	(In thousands)				
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers of First Citizens Bancshares, Inc. (27)	$ 8,234	$ 6,984	$ 6,591	$ -0-	$ 8,6
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers of First Citizens National Bank (27)	$ 8,234	$ 6,984	$ 6,591	$ -0-	$ 8,

Indebtedness shown represents amounts owed by directors and executive officers of First Citizens Bancshares, Inc., and First Citizens National Bank and by businesses in which such persons are general partners or have at least 10% or greater interest and trust and estates in which they have a substantial beneficial interest. All loans have been made on substantially the same terms, including interest rates and collateral as those prevailing at the time for comparable transactions with others and do not involve other than normal risks of collectibility.

Note 24- Executive Payments

In the acquisition of First Volunteer Corporation, as of January 1, 1999, First Citizens Bancshares, Inc. assumed the obligation for separation payments to two (2) executives of First Volunteer Corporation if the executives elected to terminate service with the Company. These separation payments are equal to approximately three (3) times the executives' annual compensation, plus an amount sufficient to pay applicable federal income taxes related to the separation payments. During the year ended December 31, 2000, these executives exercised their option to receive these payments. The expense was $809,000 and is reflected on the consolidated statement of income.

Note 25 - Prior Period Adjustment

During the year ended December 31, 2000, Delta Finance Company identified a difference in the unearned interest on loans in the amount of $125,753 between the amount reflected on the detailed loan trial balance and the amount shown on the company's general ledger. The discrepancy was traced to a data processing system malfunction in the year 1997. The company recorded a prior period adjustment, which after deducting applicable income taxes, totaled approximately $74,000.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Bancshares had no disagreements regarding accounting procedures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information appearing in Bancshares' 1999 Proxy Statement regarding directors and officers is incorporated herein by reference in response to this Item.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is set forth in the 1999 Proxy Statement, and is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Ownership of Bancshares' common stock by certain beneficial owners and by management is set forth in Bancshares' 1999 Proxy Statement for the Annual Meeting of Shareholders to be held April 19, 2000, in the sections entitled Voting Securities and Election of Directors and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Officers, Directors and principal shareholders of the holding company (and their associates) have deposit accounts and other transactions with First Citizens National Bank. These relationships are covered in detail on page 12 of the Proxy Statement under "Certain Relationships and Related Transactions" and incorporated herein by reference. Additional information concerning indebtedness to Bancshares and First Citizens by Directors and/or their affiliates is included herein under Part III, Page 73 "Amounts Receivable from Certain Persons".

SIGNATURES

Pursuant to the requirements of Section 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, hereunto duly authorized.

FIRST CITIZENS BANCSHARES, INC.

By

Stallings Lipford
Chairman

By ______________________________
Jeff Agee
Vice President & Principal
Financial Officer

Dated: 03/14/01

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 14, 2000.

/s/Eddie Anderson Eddie Anderson Director	/s/John M. Lannom John M. Lannom Director	/s/P.H. White, Jr. P. H. White, Jr. Director
/s/J. Walter Bradshaw J. Walter Bradshaw Director	/s/Stallings Lipford Stallings Lipford Director	/s/Dwight Steven Williams Dwight Steven Williams Director
/s/James Daniel Carpenter James Daniel Carpenter Director	/s/Milton Magee Milton Magee Director	/s/Katie Winchester Katie Winchester Director
/s/William C. Cloar William C. Cloar Director	/s/Mary Frances McCauley Mary Frances McCauley Director	/s/Billy S. Yates Billy S. Yates Director
/s/Richard W. Donner Richard W. Donner Director	/s/L.D. Pennington L. D. Pennington Director	
/s/Bentley F. Edwards Bentley F. Edwards Director	/s/Allen Searcy Allen Searcy Director	
/s/Julius M. Falkoff Julius M. Falkoff Director	/s/Green Smitheal Green Smitheal Director	
/s/Larry W. Gibson Larry W. Gibson Director	/s/William F. Sweat William F. Sweat Director	
/s/Ralph E. Henson Ralph E. Henson	/s/David R. Taylor David R. Taylor	

Director	Director
--------------------------	-------------------------
/s/Barry T. Ladd	/s/Larry S. White
Barry T. Ladd	Larry S. White
Director	Director