FIRST CITIZENS BANCSHARES INC /TN/
Form 10-K
March 31, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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

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 (IRS Employer Identification No.)

P.O. Box 370, First Citizens Place
Dyersburg, Tennessee 38025-0370

(Address of principal executive offices including zip code)

(731) 285-4410

(Registrant's telephone number, including area code)

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

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 [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K (229.40 of this chapter) is not contained herein, and will not be contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K. Yes [x] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of U.A.) Yes [x] No [ ]

The aggregate market value of voting stock held by nonaffiliates of the registrant at June 30, 2002 was $91,768,350.

Of the registrant's only class of common stock (no par value) there were 3,661,236 shares outstanding as of December 31, 2002 (net of Treasury Stock).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement dated March 14, 2003 (Part III) filed by electronic submission

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PART I

ITEM 1 - BUSINESS

GENERAL

First Citizens Bancshares, Inc. is a Tennessee Corporation organized and incorporated in 1982 and commenced operations in September, 1983. Bancshares is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended and elected, effective April 19, 2000 to become a financial holding company pursuant to the provisions of the Gramm-Leach Bliley Act. 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 company 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 The Company's insured depository institutions receive a rating of less than satisfactory under any examination conducted to determine compliance with the Community Reinvestment Act. Bancshares is a two bank holding company consisting of First Citizens National Bank total assets $546 million, principal office in Dyersburg, Tennessee and Munford Union Bank total assets $148 million, principal office located in Munford Tennessee. At December 31, 2002 the Corporation had total assets of $694 million compared to $538 million at December 31, 2001.

The Principal Executive Officers are at One First Citizens Place, Dyersburg, Tennessee. Our telephone number is 731-285-4410. Our website is firstcitizens-bank.com. We intend to post to our website our annual , quarterly and current reports as soon as reasonably practicable after filing with the SEC.

Bancshares, through its principal banking subsidiaries, First Citizens National Bank and Munford Union Bank and banking-related subsidiaries, provides a broad range of financial services. The Company is engaged in both retail and commercial banking business. First Citizens National Bank was chartered as a national bank in 1900 and operates in Northwest, Tennessee. First Citizens operates under the supervision of the Comptroller of the Currency, and is insured up to applicable limits by the Federal Deposit Insurance Corporation (FDIC) and is a member of the Federal Reserve System. Munford Union Bank, chartered by the State Department of Financial Institutions in 1925 operates in Southeast Tennessee. Munford Union also operates under the supervision of the FDIC. Munford Union is insured up to the applicable limits defined by the FDIC. The subsidiary banks are also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon and limitations on the types of investments that may be made, activities that may be engaged in, and types of services that may be offered. Various consumer laws and regulations also affect the operations of the subsidiary banks. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy. The subsidiary banks operate under the day-to-day management of their officers and directors; and formulate their own policies with respect to lending practices, interest rates and service charges and other banking matters.

Bancshares' primary source of income is dividends received from bank subsidiaries. Dividend payments are determined in relation to earnings, deposit growth and capital position of the subsidiaries in compliance with regulatory guidelines. Management anticipates that future increases in the capital of Bancshares 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)		
	2002	**2001**	**2000**
Total Assets	$ 694,198	$ 537,991	$ 500,954
Total Deposits	531,642	403,508	371,854
Total Net Loans	447,827	365,011	337,196
Total Equity Capital	54,601	49,809	46,889

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.

Presented in the following chart are comparisons of Bancshares with peer group banks for the periods indicated:

	As of December 31,					
	*** 2002**		**2001**		**2000**	
	Bancshares	**Peer Group**	**Bancshares**	**Peer Group**	**Bancshares**	**Peer Group**
Average Assets/Net Interest Income	4.13%	3.98%	3.90%	3.85%	3.91%	4.05%
Average Assets/Net Operating Income	1.27	1.14	1.11	1.01	.95	1.06
Net loan losses/Average total loans	0.23	0.23	0.38	0.25	0.41	0.21
Primary Capital/Average Assets	7.94	8.59	9.26	8.51	9.36	8.53
Cash Dividends/Net Income**	50.74	36.31	64.31	49.29	81.09	28.32

** Performance as of 12/31/02 is compared to peer group ratios as of 09/30/02 (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 significantly changed the way we do business by opening up new business opportunities to the banking industry.

Based on authority granted under this act, Bancshares, 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.

Bancshares 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. Bancsharess' objective in acquiring other banking institutions would be for asset growth and diversification into other market areas. Acquisitions would afford Bancshares 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.

Bancshares acquired Munford Union Bank in May 2002. This acquisition added $148 million in assets housed in five locations in Tipton and Shelby Counties in South Tennessee to Bancshares' balance sheet. In addition, the acquisition expanded Bancshares market into one of the fastest growing areas of the state.

SUPERVISION AND REGULATION

Bancshares is a two-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 financial holding company, Bancshares is required to file with the Federal Reserve annual reports and other information regarding its business obligations and those of its subsidiaries. Federal Reserve 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 bank holding company owning or controlling more than 5 percent of a class of voting securities of that bank or bank holding company;
2. Acquire substantially all assets of a bank or bank holding company or merge with another bank holding company.

Federal Reserve approval is not required for a bank subsidiary of a bank holding company 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 bank holding company 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 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 financial 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting standards on business combinations (FASB 141) and accounting for goodwill (FASB 142) had an impact on Bancshares' financials. Purchase accounting has been applied on our Munford Union acquisition and will be applied to any others that might take place in the future. Bancshares has calculated the fair value of our one unit and compared the value to the unit's book value. FASB 142 adopts a more aggregate view for goodwill and bases the accounting on the units of the combined entity into which an acquired entity is integrated (reporting units per FASB 131). If the book value is determined to be below the fair value assessment, there is no impairment loss. But, if the fair value is below book, this means that goodwill has been impaired, and a write down is required. As of December 31, 2002, there was no impairment; therefore, no amortization expense will be required. Bancshares adopted this statement (FASB 142) on January 1, 2002 and the benchmark was applied. The amount of amortization eliminated in 2002 was $25 thousand per month. We do not anticipate any impairment write-downs in 2003.

FASB Statement 144 supercedes Statement 121 and provides a single accounting model for long lived assets to be disposed of. This statement did not have a material impact on Bancshares financial condition or results of operations.

In April 2002, FASB issued Statement 145, "Rescission of Statements 4, 44 and 64. Amendment of FASB 13 and Technical Corrections" (Statement 145). Statement 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of tax. The provisions of this statement did not have a material impact on Bancshares.

FASB Statement No. 147, (Acquisition of Certain Financial Institutions) will replace certain paragraphs in Statement 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions. This issuance has no immediate impact on Bancshares, but could be applicable if Bancshares buys another branch.

FASB issued Statement No. 148 (issued December 2002). This statement amends FASB 123, Accounting for Stock Based Compensation and is not applicable to Bancshares.

CAPITAL ADEQUACY

Bancshares is subject to capital adequacy requirements imposed by the Federal Reserve. The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The minimum guideline for the ratio of total capital to risk weighted assets (including certain off-balance-sheet items such as standby letters of credit) is 8%, and the minimum ratio of Tier 1 Capital to risk-weighted assets is 4%. At least half of the Total Capital must be composed of common stock, minority interests in the equity capital accounts of consolidated subsidiaries, non-cumulative perpetual preferred stock and a limited amount of cumulative perpetual preferred stock, less goodwill and certain other intangible assets (Tier 1 Capital). The remainder may consist of qualifying subordinated debt, certain types of mandatory convertible securities and perpetual debt, other preferred stock and a limited amount of loan loss reserves. At December 31, 2002, Bancshares' risk-based capital ratio was 10.92% significantly in excess of 8% mandated by regulation, but less than the 13.81% at year-end 2001. The level of capital at year-end was reduced by an investment of $5 million of capital toward the purchase price of Munford Union Bank. 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. Tier 1 leverage ratio at year-end 2002 was 6.76 percent, with total capital as a percentage of total assets net of loan loss reserves at 7.86%.

Failure to meet capital guidelines could subject a financial holding company to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business and in certain circumstances to the appointment of a conservator or receiver.

BANKING BUSINESS

Bancshares is the financial holding company for First Citizens, Munford Union Bank, First Citizens Capital Assets, and First Citizens (TN) statutory Trust II, is headquartered in Dyersburg, Tennessee. First Citizens and Munford Union Bank (the subsidiary banks) provide customary banking services, such as checking and savings accounts, funds transfers, various types of time deposits and safe deposit facilities. Other services also include the financing of commercial transactions and making and servicing both secured and unsecured loans to individuals, firms, and corporations. First Citizens is a leader in agricultural lending in Tennessee. Agricultural services 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. Commercial lending operations include various types of credit services for customers.

The subsidiary banks have a total of 38 banking locations (17 branch banks and 21 free standing ATMs) in five Tennessee counties. First Citizens owns and operates four wholly owned subsidiaries that provides the following services:

- First Citizens Financial Plus, Inc., a bank service corporation wholly owned by First Citizens provides licensed brokerage services that allows the bank to compete on a limited basis with numerous non-bank entities who pose a continuing threat to the customer base. The brokerage firm operates two locations in Northwest Tennessee.

- Delta Finance provides consumer finance services consisting primarily of consumer and residential real estate loans out of three office locations in West Tennessee.
- White and Associates/First Citizens Insurance, LLC was chartered by the State of Tennessee and is a general insurance agency offering a full line of insurance products including casualty, life and health, and crop insurance. First Citizens holds a 50% ownership in the company. The insurance agency occupies two offices in Northwest Tennessee.
- First Citizens was granted trust powers in 1925 and has maintained an active Trust department since that time. Assets as of December 2002 were $138 million. Trust services offered 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.
- Nevada I and Nevada II, corporations organized and existing under the laws of the state of Nevada. The activities of Nevada I are the ownership of stock in Nevada II and the ownership of certain loans pursuant to a participation agreement. The principal activity of Nevada II is to acquire and sell investment securities as well as collect the income from the portfolio.

Munford Union Bank owns and operates two wholly owned subsidiaries, Nevada Investments III and Nevada Investments IV serving the same purpose for Munford Union as Nevada I and II serve for First Citizens.

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, Bancshares subsidiary banks compete 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 and Munford Union when compared with other financial institutions in the service area for the period ending June 30, 2002.

Dyer, Lauderdale, Obion, Tipton & Weakley Counties Market
(Banks Only)
(in thousands)

Bank Name	# of Offices	Total Deposits 06/30/02	% of Market Share 06/30/02
First Citizens National Bank	13	$ 398,301	18.86%
Union Planters Bank, National Association	17	231,791	10.98
First State Bank	6	191,763	9.08
BancorpSouth Bank	5	156,567	7.41
Bank of Ripley	5	120,767	5.72
Commercial Bank & Trust Co.	2	96,951	4.59
INSOUTH Bank	3	94,263	4.46
Reelfoot Bank	4	91,068	4.31
City State Bank	4	82,835	3.92
Security Bank	6	79,678	3.77
Bank of Sharon	2	74,835	3.54
First Tennessee Bank, National Association	2	71,824	3.40
Munford Union Bank	2	65,579	3.11
Bank of Gleason	1	59,894	2.84
Weakley County Bank	3	51,128	2.42
Bank of Halls	2	43,099	2.04
Greenfield Banking Company	2	37,473	1.77
Brighton Bank	2	35,741	1.69
Bank of Friendship	1	30,853	1.46
Lauderdale County Bank	2	29,061	1.38
Gates Banking & Trust Co.	1	26,982	1.28
Bank Tennessee	1	19,883	0.94

Farmers Bank, Woodland Mills, TN	1	12,414	0.59
Bank of Mason	1	9,235	0.44
Total	88	$ 2,111,985	100.00%

At December 31, 2002 Bancshares and its subsidiaries employed a total of 256 full time equivalent employees. Having been a part of Dyersburg/Dyer County in excess of 100 years, First Citizens is privileged to enjoy a significant share (60% market share) of the financial services market. Expansion into other counties in West Tennessee increased the fulltime equivalent from 204 at year-end 2001 to the current total of 256. Planning has afforded Bancshares both the physical resources and data processing technology to meet 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.

IMPACT OF GRAMM LEACH-BLILEY ACT

The Gramm-Leach-Bliley Financial Modernization Act of 1999 permits bank holding companies meeting certain management, capital, and community reinvestment act standards to engage in a substantially broader range of non-banking activities than permitted previously, including insurance underwriting and merchant banking activities. The Act repeals sections 20 and 32 of the Glass Steagall Act, permitting affiliations of banks with securities firms and registered investment companies. The Act authorizes financial holding companies, permitting banks to be owned by security firms, insurance companies and merchant banking companies and visaversa. Some of these affiliations are also permissible for bank subsidiaries. The Act gives the Federal Reserve Board authority to regulate financial holding companies, but provides for functional regulation of subsidiary activities.

The Gramm-Leach-Bliley Financial Modernization Act also modifies financial privacy and community reinvestment laws. The new financial privacy provisions generally prohibit financial institutions such as the Bank from disclosing non-public personal financial information to third parties unless customers have the opportunity to opt out of the disclosure. The Act also magnifies the consequences of a bank receiving a less than a satisfactory community reinvestment act rating, by freezing new activities until the institution achieves a better community reinvestment act rating.

CUSTOMER INFORMATION SECURITY AND CUSTOMER FINANCIAL PRIVACY

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.

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:

- Identify and assess the risks that may threaten customer information;
- Develop a written plan containing policies and procedures to manage and control these risks;
- Implement and test the plan; and
- 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. First Citizens National Bank has structured and implemented a financial security program that complies with all principal requirements of the act.

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.

SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 imposes new duties on public companies and executives, directors, auditors, plan administrators, attorneys, as well as securities analysts. It creates new regulatory framework for the audit profession and set new standards for auditor independence. In addition, it expands criminal and civil liabilities with the intent of restoring trust in the integrity of disclosures and accounting practices of public companies. Bancshares has and will continue to implement requirements of this act in an effort to ensure that investors in the stock of Bancshares are well informed.

INSURANCE ACTIVITIES

Subsidiaries of Bancshares sell various types of insurance as agent in the State of Tennessee. Insurance activities are subject to regulation by the states in which such business is transacted. Although most of such regulation focuses on insurance companies and their insurance products, insurance agents and their activities are also subject to regulation by the states, including, among other things, licensing and marketing and sales practices.

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 One First Citizens Place (formerly 200 West Court). 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.

DOWNTOWN DRIVE-IN:

The land and building occupied by the Downtown Drive-in Branch located at 113 South Church Street, Dyersburg, Tennessee is owned by First Citizens National Bank. The building, newly constructed in 2001 occupies approximately 898 square feet and is a remote motor bank with six drive-thru lanes and a drive-up ATM lane.

GREEN VILLAGE:

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.

NEWBERN:

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.

INDUSTRIAL PARK:

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.

RIPLEY:

The Ripley, Lauderdale County facility contains approximately 3,500 square feet and is located on 1.151 acres of land located at 316 Cleveland Street in Ripley, Tennessee. The facility, newly constructed in 1999 offers full service banking with four drive-up lanes and a twenty four hour access drive-up ATM.

TROY:

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. First Citizens has two ATMs located in Troy, one at 510 East Harper Street and the other in the Little General Store.

UNION CITY:

The Union City branch operates two full service facilities, a motor branch and three ATM's 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.

MARTIN:

The Martin office is located at 200 University Ave., Martin, TN. 38237. A temporary modular building of approximately 1800 square feet was located at this address on approximately 1.08 acres in April 2002. The modular location houses a one lane drive-up facility. Two ATMs offer banking services, one a drive-up on University Ave. and a second occupies space in the Student Center of The University of Tennessee at Martin. A permanent building is under construction at 200 University Ave. that will occupy 4,042 square feet.

MUNFORD UNION BANK:

MAIN OFFICE:

The main banking location of Munford Union Bank is 1426 Munford Avenue, Munford, TN. 38058. The two-story brick veneer building contains approximately 10,171 square feet and is located on a lot size of 65,700 square feet. A remote building located at 1483 Munford Avenue serves as a drive-thru facility for the main bank. The remote contains approximately 443 square feet and is located on lot size of 36,254 square feet.

ATOKA:

Atoka branch is located on the Atoka-Idaville Road at 123 Atoka-Munford Avenue, Atoka, Tennessee 38004. The bank building has approximately 2,950 square feet located on a lot size of 52,272. The Atoka Branch also has an ATM.

MILLINGTON:

A full service branch facility is located at 8170 Highway 51 N. Millington, Shelby County, TN. 38053. The branch is a brick veneer building consisting of 2,680 square feet located on a lot size of 36,155 square feet. The Millington Branch has a drive-thru ATM.

BARTLETT:

Bartlett branch is located at 7580 Highway 70, Bartlett, Shelby County, TN. 38135. The property consists of a one-story brick veneer building containing approximately 3,102 square feet. The lot size is 50,747 square feet. A drive-thru ATM is attached to the facility.

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

ITEM 3. LEGAL PROCEEDINGS

The subsidiary banks are involved in routine legal issues. However, the outcome of these issues are not expected to have a material adverse effect to the subsidiary banks.

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

During the fourth quarter of the year ending December 31, 2002, 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, 2002 there were 1,009 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 of which management of Bancshares is aware. These records may not include all sales during these time periods if sale prices were not reported to First Citizens in connection with a transfer of shares.

Quarter Ended	High	Low
March 31, 2002	$ 23.00	$ 19.00
June 30, 2002	$ 25.00	$ 25.00
September 30, 2002	$ 30.00	$ 25.00
December 31, 2002	$ 30.00	$ 27.50
March 31, 2001	$ 20.00	$ 19.00
June 30, 2001	$ 23.00	$ 19.00
September 30, 2001	$ 23.00	$ 23.00
December 31, 2001	$ 25.00	$ 23.00

Dividend pay-outs per share were 1.04 dollar in 2002, 1.00 dollar in 2001 and .90 cents in 2000.

Dividends - 2002

Quarter Declared	**Dividend Per Share**
1st	.26
2nd	.26
3rd	.26
4th	.26
Total	$1.04

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.

	2002	2001	2000	1999	1998
			(Dollars in thousands, except per share data)		
Net Interest & Fee Income	$ 24,262	$ 19,917	$ 18,594	$ 19,305	$ 17,964
Gross Interest Income	38,970	39,189	38,137	36,085	35,252
Income From Continuing Operations	7,832	5,761	4,612	5,799	4,474
Long Term Obligations (1)	83,881	63,075	44,237	11,264	25,486
Income Per Share from Continuing Operation (2)	$ 2.14	$ 1.56	$ 1.24	$ 1.58	$ 1.25
Net Income per Common Share (2)	$ 2.14	$ 1.56	$ 1.24	$ 1.58	$ 1.25
Cash Dividends Declared per Common Share (2)	$ 1.04	$ 1.00	$ 1.00	$ 0.90	$ 0.75
Total Assets at Year End	$ 694,198	$ 537,991	$ 500,954	$ 472,670	$ 472,153
Allowance for Loan Losses as a % Loans	1.24%	1.08%	1.10%	1.14%	1.25%
Allowance for Loan Losses as a % of Non-Performing Loans	144.31%	141.97%	125.01%	445.26%	509.62%
Loans 90 Days Past Due as a % of Loans	0.37%	0.33%	0.47%	0.10%	0.14%

(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

Bancshares is the financial holding company for First Citizens, Munford Union Bank, First Citizens Capital Assets, and First Citizens (TN) Statutory Trust II, is headquartered in Dyersburg, Tennessee. First Citizens and Munford National Bank are diversified financial service institutions, which provides banking and other financial services to its customers and operates four wholly owned subsidiaries: Financial Plus, Inc., Delta Finance, Inc., Nevada Investments I, Inc., and Nevada Investments II, Inc. First Citizens also owns 50% of White and Associates/First Citizens Insurance LLC and First Citizens/White and Associates Insurance Company, Inc. These subsidiary activities consist of brokerage, personal finance, investments, insurance related products and credit insurance. Munford Union Bank operates two wholly-owned subsidiaries, Nevada Investments III and Nevada Investments IV, Inc.

FORWARD LOOKING STATEMENTS

Management's discussion may contain forward-looking statements with respect to Bancshares' beliefs, plans, goals and estimates. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant banking, economic, and competitive uncertainties, many of which are beyond management's control. When used in this discussion, the words "anticipate," "project," "expect," "believe," "should," "intend," "is likely," "going forward" and other expressions are intended to identify forward-looking statements. These forward-looking statements are within the meaning of section 27A of the Securities Exchange Act of 1934. Such statements may include, but are not limited to, projections of income or loss, expenses, acquisitions, plans for the future and others.

RESULTS OF OPERATIONS

Bancshares recorded net income of $7.8 million for the year ended December 31, 2002, an increase of 36.05% over 2001 operating results. Earnings per share of $2.14 reflected consistent improvement throughout the year with first and second quarter earnings being $.48, third quarter $.58 and fourth quarter per share earnings increasing to $.60. This compares to earnings of $1.56 per share reported in the prior year. Return on average assets was 1.28 percent for 2002 compared to 1.10 percent in 2001. Total assets at December 31, 2002 were $694 million and are inclusive of $115 million in assets added as a result of the purchase of Munford Union Bank. Asset growth of the acquisition has been strong, increasing 20% since being acquired in June 2002. Return on average equity improved to 15.09% from 11.98% for the prior period, in line with strategic planning goals. A goal of the Strategic Plan approved by the Board in 2001 called for the deployment of capital in areas with the potential to enhance shareholder return and expand markets of the bank. In striving to meet this goal, a dividend of $5 million was paid to Bancshares by First Citizens to be applied toward the purchase of Munford Union Bank, with the balance of the purchase price funded through borrowings. Return on Equity for 2002 includes seven months of net earnings ($982 thousand) from Munford Union

Bank, resulting in a positive per share impact of $.27.

The Board of Bancshares approved a stock buy-back program in year 2000 that provided for the purchase of $1 million per year of company stock over a five-year period. A total of 56,357 shares have been accumulated to date. In January of 2003, the board reaffirmed the buy-back decision, but opted to make shares acquired through this program available to shareholders desiring to increase their holdings or to new investors. Increased demand for Bancshares stock and the opportunity to utilize capital to fund the expansion of First Citizens into new markets drove this change in strategy.

The effective tax rate for the current period is 29% versus 28% for the prior period. The tax rate is impacted by numerous factors, including but not limited to the level of tax-free investments within our investment portfolio, certain tax benefits which could result from ESOP debt, and other factors incidental to the financial services business. At the present time, there are no tax laws being introduced that will have a material impact on the tax rate being applied to company earnings. Bancshares does not transact business outside the United States.

Net interest income increased $4.3 million or 28.2 percent over the prior twelve months, primarily the result of a reduction in the cost of funding liabilities. A decline in the federal funds rate from 6.50 percent in September of 2000 to the current level of 1.75 percent had a material impact on Bancshares' earnings, forcing down funding costs and increasing net interest margins. The impact of declines over the past twelve months was substantial, reducing the cost of funds for First Citizens National Bank by 161 basis points. Average rates paid on time deposits experienced the most dramatic decrease, falling to 3.16 percent from 5.33 percent. Because of the liability sensitive nature of the balance sheet, Bancshares benefits more in a low or declining rate environment than from a rising rate environment. In an environment of rapidly rising rates, Bancshares liabilities re-price at a faster rate than do earning assets causing a decrease in net interest income. The net yield on average earnings assets was 4.47 percent for the current period compared to 4.35 percent and 4.36 percent in 2001 and 2000.

Net interest income (stated in millions) after loan loss provision in 2002, 2001 and 2000 was $22.7, $18.2 and $17.1. Recoveries of loans previously charged off, a reduction in new loans charged against the reserve and the addition of reserves totaling $968 thousand incident to the merger, resulted in a lower provision from earnings to cover loan losses for the period just ended. Net charge offs for 2002 were $848 thousand compared to $1.4 million in 2001, a reduction of 20.21%. Additional write downs and accelerated charge-offs within the loan portfolio resulting from a declining economy contributed to the higher level in 2001. The ratio of loan loss reserves to total loans as of December 31, 2002 was 1.25% compared to 1.09% at December 31, 2001.

Secondary mortgage activity exceeded prior record levels as consumers opted to take advantage of the low rate environment by refinancing existing home mortgages. Income and fees recorded from this activity increased each quarter of 2002, with fourth quarter earnings of $336,000 exceeding all prior records. Total income for quarters one through three was $158,000, $169,000 and $239,000 respectively. Activity the first quarter of 2003 is projected to mirror results of fourth quarter 2002, with future activity dependent on economic conditions.

NON-INTEREST INCOME

The following table reflects restated non-interest income for the years ending December 31, 2002, 2001, and 2000:

December 31
Change from Prior Year
(in thousands)

	Increase (Decrease)			**Increase (Decrease)**	
Total 2002	**Amount**	**Percentage**	**Total 2001**	**Amount**	**Percentage**

Total 2000

Service Charges on
Deposit Accounts
$ 3,620
$ 406
12.63 %
$ 3,214
$ 503
18.55 %
$ 2,711Trust Fees802(57)(6.63)%859(24)(2.72)%883Brokerage891131 17.23 %760(190)(20.00)%950Other 2,375 813 52.04 % 1,562 34 2.23 % 1,528 Total Non-interest
income
$ 7,688
$ 1,293
20.21 %
$ 6,395
$ 323
5.32 %
$ 6,072===

Non-interest income increased $1.3 million or 20.21 percent when comparing 2002 results to 2001. In the year 2002 non-interest income (fee income) contributed 16.47 percent to total revenue compared to 14.02 percent for the same period last year. The contribution to non-interest income from Munford Union Bank for the reportable period was $612 thousand or 7.96 percent of total income in this category. Since the acquisition took place in June of 2002, only seven months of income is reflected from this source. Excluding incremental income received from Munford Union, Bancshares' non-interest income would have increase 10.64 percent. Non-interest income is derived from service charges on deposit accounts, income from fiduciary activities, brokerage fees and all other income not categorized as interest income. The most significant increase in non-interest income was derived from service charges on checking accounts, increasing $406 thousand or 12.63 percent. In addition, Bancshares' portion of net income generated by First Citizens/White and Associates Insurance Company, LLC totaled $326,000 for the twelve months ending December 31, 2002 and is included in this category. Also included in non-interest income is pre-tax income of $191 thousand received from the sale of First Citizens' credit card portfolio in 2002 and bon profits totaling $189 thousand. The decision to divest the bank of its credit card portfolio was based on risk factors, high maintenance costs and the limited contribution to income.

NON-INTEREST EXPENSE

December 31
Change from Prior Year
(in thousands)

		Increase (Decrease)			**Increase (Decrease)**		
	Total 2002	**Amount**	**Percentage**	**Total 2001**	**Amount**	**Percentage**	**Total 2000**
Salaries & Employee Benefits	$ 10,846	$ 1,935	21.71%	$ 8,911	$ 160	1.82 %	$ 8,751
Occupancy Expense	3,364	413	13.99%	2,951	13	0.44 %	2,938
Other Operating Expense	5,125	282	5.82%	4,843	(114)	(2.29)%	4,957
Total Non-Interest expense	$ 19,335	$ 2,630	15.74%	$ 16,705	$ 59	0.35 %	$ 16,649
	======	======	=======	======	======	=======	=====

The non-interest expense category is dominated by salary and benefit expense and comprises 56 percent of the total in 2002. The increase of 15.74% in this category for 2002 reflects an increase in number of full time equivalent staff from 204 at December 31, 2001 to 256 at the end of 2002. The increase in staff can be attributed to the Munford Union acquisition (43 fulltime equivalent), a de novo branch in Martin, TN., (4.25 fulltime equivalent) and additional staff necessary to support expansion within the mortgage lending and brokerage divisions. Efficiencies implemented in previous years have reduced or controlled non-interest expense levels and contributed to efforts focused on improving the efficiency ratio of the company. A comparison of 2002, 2001 and 2000 results reflects ratios of 59.24 percent, 62.64 percent and 66.60 percent respectively.

The 13.99 percent increase in net occupancy expense reflects the increase in numbers of locations brought about by the Munford Union acquisition (5), and de novo branches in Martin and Arlington (2). Equipment depreciation expense is driven by information technology demands in support of service delivery systems necessary to meet customer demand and the need to place the bank at a competitive advantage. While every effort will be made to ensure efficiencies in these areas, the expansion strategy adopted by the board will continue to exert pressure on occupancy and depreciation expense as markets are expanded by future acquisitions and the establishment of de novo branches.

Other operating expenses increased $282 thousand or 5.82 percent from December 31, 2001 and reflects additional marketing expense associated with expansion into new markets, legal and other acquisition costs incurred as a result of the Munford acquisition, and increased costs associated with management of other real estate owned. Efforts to divest the portfolio of an increased inventory of foreclosed properties have been successful as we ended 2002 with approximately the same level that existed at December 31, 2001 in spite of increased foreclosures in 2002. Other real estate totaled $1.8 million at December 31, 2002 compared to $1.7 million at December 31, 2001 and was inclusive of $648 thousand other real estate held by Munford Union. Impaired goodwill expense is zero for the current reportable period compared to $269 thousand for 2001.

December 31,	Assets Per Employee	Assets Per Employee Peer Group
*2002	$ 2,712	$ 3,530
**2001	$ 2,637	$ 3,350
2000	$ 2,397	$ 2,860
1999	$ 2,328	$ 2,540
***1998	$ 2,354	$ 2,400

* Includes Munford staff
** The Peer Group for First Citizens changed when we exceeded $500 million in assets
*** 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:

As of December 31,

(Dollars in thousands)	2002 Average Balance	2002 Average Rate	2001 Average Balance	2001 Average Rate	2000 Average Balance	2000 Average Rate
Non-Interest Bearing Demand Deposits	$ 49,005	0.00%	$ 37,971	0.00%	$ 39,549	0.00%
Savings Deposits	146,844	1.30	126,116	2.57	114,316	3.04
Time Deposits	267,681	3.16	225,833	5.33	210,177	5.79
Total Deposits	$ 463,530	3.17%	$ 389,940	3.92%	$ 364,042	4.30%

Market share data for the State of Tennessee, counties of Dyer, Lauderdale, Obion, Weakley, and Tipton is included in a table contained in Item 1 Banking Business of this report. A review of the table reflects that First Citizens was a market share leader with $398 million in deposits accounting for 18.86 percent of total market share. Union Planters Bank, National Association, a competitor in markets of both First Citizens and Munford Union Bank was second in market share accounting for 10.98 percent of total deposits. Bancshares' total deposits at December 31, 2002 were $463,530 thousand at an average rate of 3.17% compared to $389,940 thousand at December 31, 2001 at an average rate of 3.92%. Growth in the deposit base is a result of consumers moving dollars into insured investments away from equities and mutual funds. A second drawing card for deposit growth is the Wall Street checking account introduced first quarter 2001 which continues to draw deposits that in the past had flowed to a similar deposit account offered by brokerage firms. Total deposit dollars in the Wall Street account was in excess of $40 million for year 2002.

First Citizens continues to offer free checking coupled with overdraft privilege to attract and retain deposit relationships. Overdraft privilege is a discretionary non-contractual service designed to protect the customer against having their checks returned. Each customer is given an overdraft privilege limit based on the type of account the customer has with the bank and other factors. Overdraft privilege allows the customer to overdraw their account feeling confident checks will be paid within their assigned limit as long as they make regular deposits into their account. Customers are charged the normal overdraft fee for each item paid into overdraft. If the item is over their assigned limit, it will be returned and a non-sufficient fund fee will be assessed.

Maturity distribution of time deposits reflects that 78% of total time deposits in the amount of $100,000 or more will re-price in the next twelve months. Customers are hesitant to lock in rates on time deposit accounts for longer than twelve months given a lack of stability in the economy and low interest rate environment. Time deposits maturing in over 12 months accounts for $30.6 million or 21.85% of maturity distribution total.

Core deposits serve as a source of liquidity for Bancshares. The short term borrowings table reflects maximum amount of borrowings at month end was $10.3 million at December 31, 2002 compared to $33.4 million for the same time period last year. Average amounts outstanding for the period was $4.4 million compared to $4.7 million last year. Long term debt, primarily Federal Home Loan Bank Borrowings reflects average volume at year end 2002 of $67 million at an average rate of 5.36%, with an average maturity of five years and a re-pricing frequency of fixed rate. Liquidity management and long term borrowings are discussed within the Liquidity section of this report.

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SHORT TERM BORROWINGS

As of December 31	2002	2001
Amount outstanding - end of period	$ --	$ --
Weighted Average Rate of Outstanding	N/A	N/A
Maximum Amount of Borrowings at Month End	$ 10,276	$ 33,391
Average Amounts Outstanding for Period	4,477	4,727
Weighted Average Rate of Average Amounts	2.02%	3.75%

Average Volume

Average Rate

Average Maturity

Repricing Frequency

FHLB Borrowings67,2775.36%5 years

Fixed

Correspondent Debt6,8443.63%10 years

Variable

Trust Preferred Debt2,9175.46%10 years Variable

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 the subsidiary banks on December 31, 2002. The overall total increased in excess of $44 million when compared to the prior year. Munford Union deposits included in the 2002 total are $32 million.

Maturity Distribution of Time Deposits in Amounts of $100,000 and Over
December 31
(in thousands)

	2002		2001	
	Amount	**Percent**	**Amount**	**Percent**
Maturing in:				
3 months or less	$ 66,501	47.41%	$ 21,402	22.28%
Over 3 through 12 months	43,122	30.74	60,881	63.40
Over 12 monhts	30,633	21.85	13,740	14.32
Total	$ 140,256	100.00%	$ 96,023	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)

	2002				2001		2000
		Increase (Decrease)			Increase (Decrease)		
Funding Uses	**Balance**	**Amount**	**Percentage**	**Balance**	**Amount**	**Percentage**	**Balance**
Interest-Earning Assets:							
Loans (Net of Unearned Discounts & Reserve)	$ 411,890	$ 52,594	14.63%	$ 359,296	$ 28,828	8.72%	$ 330,468
Taxable Investment Securities	100,344	17,031	20.44%	83,313	(3,795)	(4.35%)	87,108
Non-Taxable Investment Securities	28,421	13,820	94.65%	14,601	1,523	11.64%	13,078
Federal Funds Sold	13,987	6,374	83.72%	7,613	6,412	533.88%	1,201
Interest-Earning Deposits in Banks	2,521	1,588	170.20%	933	(616)	39.76%	1,549
Total Interest-Earning Assets	557,163	91,407	19.62%	465,756	32,352	7.46%	433,404
Other Uses	59,655	5,292	9.73%	54,363	3,069	5.97%	51,296
Total Funding Uses	$ 616,818	$ 96,699	18.59%	$ 520,119	$ 35,419	7.30%	$ 484,700
Interest-Bearing Liabilities:							
Savings Deposits	$ 146,844	$ 20,728	16.43%	$ 126,116	$ 11,800	10.32%	$ 114,316
Time Deposits	267,681	41,848	18.53%	225,833	15,656	7.44%	210,177
Federal Funds Purchased and Other Interest-Bearing Liabilities	98,192	19,940	25.48%	78,252	6,430	8.75%	71,822
Total Interest-Bearing Liabilities	512,717	82,516	19.18%	430,201	11,211	2.91%	396,315

Demand Deposits	49,006	11,035	29.06%	37,971	(1,578)	(3.98%)	39,549
Other Sources	55,095	3,148	6.06%	51,947	3,111	6.37%	48,836
Total Funding Sources	$ 616,818	$ 96,699	18.59%	$ 520,119	$ 35,419	7.30%	$ 484,700
	======	======	=======	======	======	=======	======

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

Monthly Average Balances and Interest Rates

	2002			**2001**			**2000**		
	Average Outstanding Balance	**Interest Earned/ Paid**	**Average Yield/ Rate**	**Average Outstanding Balance**	**Interest Earned/ Paid**	**Average Yield/ Rate**	**Average Outstanding Balance**	**Interest Earned/ Paid**	**Average Yield/ Rate**
					(Dollars in Thousands)				
					ASSETS				
Interest-earning assets:									
Total loans (1) (2) (3)	$ 411,890	$ 32,698	7.93%	$ 359,296	$ 33,147	9.22%	$ 330,468	$ 31,631	9.57%
Investment securities:									
Taxable	100,344	4,678	4.66%	83,313	4,922	5.90%	87,108	5,732	6.58%
Exempt (4)	28,421	2,091	7.10%	14,601	1,039	7.11%	13,078	959	7.33%
Interest Earning Deposits	2,521	23	0.91%	933	52	5.57%	1,549	86	5.55%
Federal funds sold	13,987	238	1.70%	7,613	382	5.01%	1,201	55	4.57%
Lease financing	--	--	--%	--	--	--%	--	--	--%
Total interest earning assets	557,163	39,656	7.11%	465,756	39,542	8.48%	433,404	38,463	8.87%
Non-Interest earning assets:									
Cash and Due From Banks	14,355	--	--%	16,499	--	--%	12,736	--	--%
Bank Premises and Equipment	16,522	--	--%	14,116	--	--%	14,101	--	--%
Other Assets	28,778	--	--%	23,748	--	--%	24,459	--	--%
Total Assets	$ 616,818	--	--%	$ 520,119	--	--%	$ 484,700	--	--%
========	========	========							
					LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing liabilities:									
Savings deposits	$ 146,844	$ 1,922	1.30%	$ 126,116	$ 3,249	2.57%	$ 114,316	$ 3,481	3.04%
Time deposits	267,681	8,465	3.16%	225,833	12,056	5.33%	210,177	12,183	5.79%
Federal funds purchased and Other Interest Bearing Liabilities	98,192	4,321	4.40%	78,252	3,967	5.06%	71,822	3,879	5.40%
Total interest-bearing liabilities	512,717	14,708	2.86%	430,201	19,272	4.47%	396,315	19,543	4.93%
Noninterest- bearing liabilities:									
Demand deposits	49,005	37,971	39,549						
Other liabilities	3,040	3,598	3,451						
Total liabilities	564,762	471,770	439,315						
Shareholders' equity	52,056	48,349	45,385						
Total liabilities and shareholders' equity	$ 616,818	$ 520,119	$ 484,700						
========	========	========							
Net interest income		$ 24,948			$ 20,270			$ 18,920	
======	======	======							
Net yield on average earning assets			4.47%			4.35%			4.36%
=====	=====	=====							

(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 non-accrual 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

	2002 Compared to 2001 Due to Changes in:			**2001 Compared to 2000 Due to Changes in:**		
	Average Volume	**Average Rate**	**Total Increase/ (Decrease)**	**Average Volume**	**Average Rate**	**Total Increase/ (Decrease)**
	(Dollars in thousands)					
Interest Earned On:						
Loans	$ 4,171	$ (4,620)	$ (449)	$ 2,759	$ (1,243)	$ 1,516
Taxable investments	794	(1,038)	(244)	(250)	(560)	(810)
Tax Exempt Investment Securities	981	(1)	980	112	(32)	80
Interest Bearing Deposits with Other Banks	14	(43)	(29)	(34)	--	(34)
Federal Funds Sold and Securities purchased under agreement to resell	108	(252)	(144)	293	34	327
Lease Financing	--	--	--	--	--	--
Total Interest Earning Assets	$ 6,068	$ (5,954)	$ 114	$ 2,880	$ (1,801)	$ 1,079
Interest Paid On:						
Savings deposits	269	(1,596)	(1,327)	359	(591)	(232)
Time deposits	1,322	(4,913)	(3,591)	906	(1,033)	(127)
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	877	(523)	354	347	(259)	88
Total Interest Bearing Liabilities	2,468	(7,032)	(4,564)	1,612	(1,883)	(271)
Net Interest Earnings	$ 3,600	$ 1,078	$ 4,678	$ 1,268	$ 82	$ 1,350
======	======	======	======	======	======	

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. Interest earning assets total $557,163 thousand at an average rate of 7.11%, interest earned of $39,656 thousand for the year 2002 compared to $465,756 thousand average rate of 8.48% and interest earned of $39,542 thousand in year 2001. Interest bearing liabilities total $512,717 thousand interest expense of $14,708 thousand in year 2002 compared to $430,201 thousand interest expense of $19,272 thousand and $385,104 thousand in year 2001. The average rate for those years was 2.86% and 4.47% respectively. A reduction in the Federal Funds rate from 6.50% in September 2000 to the 1.50% at December 31, 2002, materially reduced cost of funds resulting in improved interest rate margins and net income levels for the bank. Average volume change in Interest Earning Assets and Liabilities is caused through the combination of the balance sheet of First Citizens and Munford Union Bank.

LOAN PORTFOLIO ANALYSIS
COMPOSITION OF LOANS

		December 31 (In Thousands)			
	2002	2001	2000	1999	1998
Real Estate Loans:					
Construction	$ 57,758	$ 36,862	$ 34,195	$ 34,431	$ 28,048
Mortgage	285,759	225,743	197,040	189,787	159,637
Commercial, Financial and Agricultural Loans	67,732	64,496	63,703	60,446	87,927
Installment Loans to Individuals	39,089	39,200	42,754	37,595	29,197
Other Loans	3,142	2,725	3,267	3,118	2,522
TOTAL LOANS	$ 453,480	$ 369,026	$ 340,959	$ 325,377	$ 307,331

December 31, 2002 as Compared to December 31, 2001
(in thousands)

Loan Category

	Amount of Increase (Decrease)	% of Increase (Decrease)
Real Estate	$ 80,912	30.81 %
Commercial, Financial and Agricultural	3,236	5.01 %
Installment Loans to Individuals	(111)	(0.28)%
Other Loans	417	15.30 %
TOTAL LOANS	$ 84,454	22.88 %

Total loans at December 31, 2002 were $453 million compared to $369 million at December 31, 2001. Core net loan growth (excluding acquisitions) increased only $14 million or 3.91 percent when comparing the current period to December 2001. Weak loan growth can be attributed to the slowing economy, a tightening in credit underwriting standards and a rise in unemployment rates in certain markets in which the subsidiary banks operate. In spite of economic conditions, overall loan portfolio quality remains high with approximately $343 million or 76 percent of total portfolio volume recorded in real estate loans; $67.7 million or 15 percent in Commercial and Agricultural loans with installment loans to individuals comprising 9 percent of total portfolio, unchanged from year-end 2001. The loan portfolio of Munford Union Bank is comprised primarily of loans secured by real estate, with 85% of the portfolio falling within this category. Portfolio quality is excellent with net charge-offs for all of 2002 totaling only $5 thousand. The loan loss reserve as a percent of total loans was 1.24 percent at December 31, 2002 versus 1.08 percent at year-end 2001. Net charge-offs to average net loans for the current reportable period were .20 percent, the lowest in the past five years. This compares to .38 percent for the prior year. Loan demand over the next twelve months is expected to remain soft resulting in lower than average growth percentages for First Citizens Bancshares. We will use this time to foster the development of new business relationships and to position the company to take advantage of improved economic conditions that are sure to come.

Quarterly Unemployment rate for Dyer, Obion and Lauderdale Counties for 4th quarter 2002 were as follows:

- Dyer County 5.8% compared to 9.8%, 7.4% and 6.2% for the three previous consecutive quarters of 2002.
- Obion County 5.2% compared to 5.0%, 3.8%, and 3.9% for the three previous consecutive quarters of 2002.
- Lauderdale County 9.1% compared to 11.2%, 8.7%, and 9.5% for the three previous consecutive quarters of 2002.

Quarterly unemployment rate for Shelby County, Memphis area for 4th quarter 2002 was 4.5% compared to 5.4%, 5.5%, and 5.0% for the previous consecutive quarters of 2002. Unemployment rate for the state of Tennessee for the four quarters of 2002 were 5.4%, 5.1%, 4.9%, and 4.9%.

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. Total real estate related loans are approximately $107,694 thousand at year-end 2002. The largest category of loans is residential mortgage loans, comprising 29.99 percent of total loans, which historically have low loan loss experience. The following table lists categories of real estate loans, volume and category type as a percentage of total loans and loan policy limits established for each category.

Category	Volume	Actual Percentage

			Policy Percentage
Agriculture	$ 19,309,636	5.38%	20.00%
Land Acquisition	$ 21,015,506	5.86%	10.00%
Development & Commercial Construction	$ 47,267,312	13.17%	30.00%
Residential Construction	$ 7,470,733	2.08%	10.00%
Residential Mortgage	$ 107,693,900	29.99%	40.00%

REPOSSESSED REAL PROPERTY:

The book value of repossessed real property held by Bancshares at December 31, 2002, inclusive of Munford Union Bank was $1.7 million. Without the total of other real estate property of Munford Union, repossessed real property was $1,057 thousand for First Citizens. Repossessed real property at the end of December 31, 2001 was $1.7 million. Foreclosed properties have been listed with local realtors and a plan to market those properties is in place.

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 are as follows:

Collateral	**Maximum Amortization**	**Maximum LTV**
Real Estate	Various (*)	Various (*)
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)

(*) See discussion

* 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 real estate portfolio is a necessary and desirable goal of the real estate loan policy. In order to achieve and maintain a prudent degree of diversity, given the composition of the market area and the general economic state of the market area, Bancshares 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 total loans.
- Land acquisition and development loans totaling in the aggregate no more than 10% of total loans.
- Commercial construction loans totaling in the aggregate no more than 10% of total loans.
- Residential construction loans totaling in the aggregate no more than 10% of total loans.
- Residential mortgage loans totaling in the aggregate no more than 40% of total loans.
- Commercial loans totaling in the aggregate no more than 30% of total loans.

It is the policy of Bancshares 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	
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%

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 customers, in general all loans should be repaid within the following time frames:

Loan Category	
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:

2002	2001	2000	1999	1998
7.93%	9.22%	9.57%	9.10%	9.72%

The aggregate amount of unused guarantees, commitments to extend credit and standby letters of credit was $86,323,000 at December 31, 2002.

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
		(Dollars in thousands)	
Real Estate	$ 52,919	$ 56,518	$ 53,618
Commercial, Financial and Agricultural	30,390	30,605	3,501
All Other Loans	10,127	31,586	212
Totals	$ 93,436	$ 118,709	$ 56,881

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Loans with Maturities After One Year for which:

		(in thousands)
Interest Rates are Fixed or Predetermined	$294,562	
Interest Rates are Floating or Adjustable	74,464	

The degree of interest rate risk to which a bank is subjected can be controlled through a well managed asset/liability management program. Bancshares controls interest rate risk by matching assets and liabilities, better explained by employing interest-sensitive funds in assets that are also interest sensitive. Bancshares is liability sensitive since liabilities re-price at a much quicker rate than assets. This means that in a rising rate environment net income would be diluted, while a flat rate or a lower rate environment would result in stable to improved interest rate margins and net income. In recent years the interest rate environment as well as competitive pricing strategies of Bancshares' competition has resulted in a transition in the loan portfolio from primary floating or adjustable rates to a more predetermined or fixed rate portfolio. One of the tools used to ensure market rate return is variable rate loans totaling $74 million or loans held in the portfolio that will mature in one year or less totaling $93.4 million. A total of 40.6% of average loans will re-price either immediately with a change in interest rates or within 12 months, while $187.6 million or 45.56 % of average outstanding loans will mature after one year, but within five years. Only $56.9 million or approximately 16% of average outstanding loans bear maturities of greater than five years.

NON-PERFORMING LOANS

Non-accrual, Restructured and Past Due Loans and Foreclosed Properties
December 31,
(in thousands)

	2002	2001	2000	1999	1998
Non-accrual Loans	$ 2,216	$ 1,600	$ 1,389	$ 500	$ 303
Restructured Loans	--	--	--	--	--
Foreclosed Property Other Real Estate	1,730	1,730	318	390	177
Other Repossessed Assets	--	--	--	--	--
Loans and Leases 90 days Past due and still accruing interest	1,701	1,228	1,621	335	425
Total Non-performing Assets	$ 5,698	$ 4,558	$ 1,939	$ 1,225	$ 905
	======	======	=======	======	======
Non-performing assets as a percent of loans and leases plus foreclosed property at end of year	1.25%	1.23%	0.56%	0.37%	0.33%
Allowance as a percent of:					
Non-performing assets	99.21%	88.08%	194.06%	303.51%	386.30%
Gross Loans	1.24%	1.08%	1.10%	1.14%	1.26%
Addition to Reserve as a percent of Net Charge-Offs	179.00%	118.10%	103.29%	59.30%	154.27%
Loans and leases 90 days past due as a percent of loans and leases at year end	0.37%	0.33%	0.47%	0.10%	0.15%
Recoveries as a percent of Gross Charge-Offs	51.34%	30.98%	19.69%	27.92%	34.77%

Non-performing assets consists of non-accrual loans, restructured loans, foreclosed properties, and loans and leases 90 days past due and still accruing interest. Non-performing loans at December 31, 2002 and December 31, 2001 were $5.7 million or 1.25% and $4.5 million or 1.23% of loans, leases plus foreclosed property. Loans and leases 90 days past due and still accruing interest ($1.7 million at 12/31/02) consists of smaller consumer loans and are not necessarily reflective of a deterioration of any segment of the loan portfolio. Allowance for loan loss as a percent of non-performing assets as 99.21%, 88.08% and 194.06% as of December 31, 2002, 2001, 2000. Non-performing assets total at year end 2002 is reflective of non-performing credits of Munford Union Bank totaling approximately $600 thousand. The allowance as a percent of gross loans for the same time periods was 1.24%, 1.08% and 1.10% well in excess of the percentage required by regulation. 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 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 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, 2002 if all loans reports as non-accrual had been current in accordance with their original terms and had been outstanding throughout the period is $175,000. Interest income on loans reported as ninety days past due and on interest accrual status was $147,520 for 2001. 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". Bancshares 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 AND RESERVE FOR LOAN LOSSES

(in thousands)
December 31,

	2002	2001	2000	1999	1998
Average Net Loans Outstanding	$ 411,890	$ 359,296	$ 330,468	$ 323,047	$ 259,416
Balance of Reserve for Loan Losses at Beginning of Period	4,015	3,763	3,718	3,496	2,789
Loan Charge-Offs	(1,743)	(2,017)	(1,701)	(1,214)	(952)
Recovery of Loans Previously Charged Off	895	625	335	339	331
Net Loans Charged Off	(848)	(1,392)	1,366	(875)	(621)
Additions to Reserve Charged to Operating Expense	1,518	1,644	1,411	720	958
Changes incident to Mergers	968	--	--	377	370
Balance at End of Period	$ 5,653	$ 4,015	$ 3,763	$ 3,718	$ 3,496
Ratio of Net Charge-Offs during quarter to Average Net Loans Outstanding	0.20%	0.38%	0.40%	0.28%	0.23%

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 $1,743,000 (2) Recovery of loans previously charged off $895,000 and (3) Additions to reserves totaling $1,518,000.

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. Impairment means: (1) Impairment of a loan 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. Bancshares 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

$$

ALLOWANCEIV.

DOUBTFUL

50.00%$$

SUBSTANDARD

10.00%

ACCOUNTS RECEIVABLE FACTORING

1.00%

WATCH

5.00%

OTHER LOANS NOT LISTED PREVIOUSLY LESS SBA/FMHA GUARANTEED PORTIONS

0.75%

TOTAL LOANS

$V.

LETTERS OF CREDIT

0.75%$$

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, 2003 to be as follows:

	Amount
Domestic:	
Commercial, Financial and Agricultural	$ 550,000
Real Estate - Construction	--
Real Estate - Mortgage	500,000
Installment Loans to individuals	700,000
Lease financing	--
01/01/03 through 12/31/03	$
Total	1,750,000

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

	Year Ending December 31, (in thousands)			
Charge-Offs:	2002	2001	2000	1999
Domestic:				
Commercial, Financial and Agricultural	$ 188	$ 1,537	$ 761	$ 236

Real Estate - Construction	--	--	--	--
Real Estate - Mortgage	803	480	340	142
Installment Loans to individuals & credit cards	752	795	600	836
Lease financing	--	--	--	--
Total	$ 1,743	$ 2,017	$ 1,701	$ 1,214
Recoveries:				
Domestic:				
Commercial, Financial and Agricultural	$ 91	$ 336	$ 52	$ 89
Real Estate - Construction	--	--	--	--
Real Estate - Mortgage	565	95	39	6
Installment Loans to individuals & credit cards	239	194	244	244
Lease financing	--	--	--	--
Total	$ 895	$ 625	$ 335	$ 339
Net Charge-offs	$ (848)	$ 1,392	($ 1,366)	($ 875)

COMPOSITION OF INVESTMENT SECURITIES

December 31,
(in thousands)

	2002	2001	2000	1999	1998
U.S. Treasury & Government Agencies	$ 101,415	$ 74,335	$ 82,707	$ 83,372	$ 89,410
State & Political Subdivisions	35,906	17,798	13,959	12,515	17,113
All Others	5,551	12,141	6,428	3,250	3,207
TOTALS	$ 142,872	$ 104,274	$ 103,094	$ 99,137	$ 109,730
	=======	=======	=======	=======	======

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MATURITY AND YIELD ON SECURITIES

December 31, 2002
(in thousands)

	Maturing Within One Year		Maturing After One Year But Within Five Years		Maturing After Five Years But Within Ten Years		Maturing After Ten Years		
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Totals**
U.S. Treasury and Government Agencies	$ 37,295	6.69%	$ 41,404	5.30%	$ 6,769	4.48%	$ 15,947	4.79%	$ 101,415
State and Political Subdivisions*	1,885	5.31	4,758	6.04	8,716	6.95	20,547	7.29	35,906
All Others	--	--	871	7.00	956	6.69	3,724	7.21	5,551
Totals	$ 2,316	6.89%	$ 20,933	4.65%	$ 23,702	5.84%	$ 57,323	5.80%	$ 142,872
	======	======	=======	=======	=======	======	======	======	=======

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

HELD TO MATURITY AND AVAILABLE FOR SALE SECURITIES

December 31, 2002
(in thousands)

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury Securities	$ 0	$ 0	$ 506	$ 508
U.S. Government agency and corporation obligations	0	0	97,831	99,197
Securities issued by states and political subdivisions in the U.S.:				
Taxable Securities	0	0	0	0
Tax-exempt securities	1,190	1,235	32,929	34,716
U.S. Securities:				
Debt Securities	0	0	5,240	5,551

Equity Securities (including Federal Reserve stock)	0	0	1,829	1,710
Foreign securities:				
Debt 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)	$ 1,190	$ 1,235	$ 138,335	$ 141,682

(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.

Objectives of the investment portfolio management are to provide safety of principal, adequate liquidity, insulate GAAP capital against excessive changes in market value, insulate earnings from excessive change, and finally optimize investment performance. Investments also serve as collateral for government, public funds, and large deposit accounts that exceed Federal Deposit Insured limits. Pledged investments at year-end totaled $103 million. Total investments at December 31, 2002 were $142,872 thousand with 27% or $39 million maturing within 12 months. Remaining investment maturities are $47,033 thousand or 33% maturing after one year and within five years and $57 million or 40% maturing after five years. The average life, maturity and yield of the investments were 3.06 years, 4.22 years, and 4.77 years respectively. A review of peer data indicates the portfolio yield is less than peers as a result of above average maturities, paydowns, and calls occurring in 2002 and 2001.

Nevada Investments I and II were incorporated in 2000 as subsidiaries of First Citizens with the sole purpose of housing the investment portfolio. Nevada III and IV were formed in 2002 to house the investments of the newly acquired Munford Union Bank. Annual savings resulting from the formation of these corporation, net of management fees exceed $300 thousand on an annual basis. The banks' investment portfolios are managed through a portfolio advisory agreement with FTN Financial.

Tennessee governor has proposed legislation that might have a negative impact on our Nevada Corporations if the legislation does pass in the year 2003. This change would negatively impact Bancshares' earnings over $300,000 on an annual basis.

Bancshares' investment strategy is to classify most of the portfolio as available for sale, which are carried on the balance sheet at fair market value. Classification of available for sale investments allows flexibility to actively manage the portfolio under various market conditions. Bancshares does not use the trading account. Callable U.S. Agencies investments called in 2001 totaled approximately 50% of the bond portfolio. The called investment amounts were reinvested into mortgage backed agencies with very defined traunches and predictable characteristics. These investments also carry an average life of less than 5 years. U.S. Treasuries and Agencies account for 71% of the investment portfolio with mortgage related investments comprising the largest percentage of this category and 50% of total portfolio. Precisely defined mortgage related investments produce consistent cash flows and enable the Company to defend against rising interest rates. Called agency volumes had a material affect on improvement noted in the Banks' liquidity position in 2001. Year 2002 reflects above average maturities, pay-downs and calls in the investment portfolio, but significantly below 2001 volumes. Flow of funds reflected on the statement of cash flows indicates net loan growth $14.3 million while investment purchases will increase $87.9 million. Economic conditions caused a material slowdown in loan growth creating an excess flow of funds into the investment portfolio. The declining rate environment supported a material increase in the market value of the portfolio, increasing other comprehensive income in the capital section 199% when compared to prior year.

FASB 115 required banks to maintain separate investment portfolios for Held-to-Maturity, Available for Sale, and Trading Account Investments. 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. All purchase and sale transactions in 2002 were made in accordance with specifications set forth in FASB 115. The trading account at December 31, 2002 maintained a zero balance.

First Citizens engaged in derivative activity as defined by FASB 133 (Reference Footnote 2 of the Accountant's Report page 49).

Gains/Losses reflected in year-end income statements attributable to trading account securities for the five year period ending 12/31/02 are zero.

The following table allocates by category unrealized Gains/Losses within the total portfolio as of December 31, 2002 (in thousands):

	Unrealized		Net Gains/
	Gains	Losses	Losses
U.S. Treasury Securities and Obligations of U.S. Government Agencies and Corporations	$ 1,407	$ 160	$ 1,247
Obligations of States and Political Subdivisions	1,843	11	1,832
All others	312	--	312
Totals	$ 3,562	$ 171	$ 3,391
	======	====	=====

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item is incorporated herein by reference to the "Interstate Risk Management" subsection of Notes 2, 18 & 19 to the Consolidated Financial Statements.

LIQUIDITY AND INTEREST RATE SENSITIVITY

Liquidity is managed in a manner to ensure the availability of ample funding to satisfy loan demand, fund investment opportunities, and large deposit withdrawals. The primary funding sources for Bancshares includes customer core deposits, Federal Home Loan Bank borrowings, as well as correspondent bank and other borrowings. Customer based sources accounted for 83.12 percent of funding for the current year versus 82.78 percent for the prior year. Borrowed funds from the Federal Home Loan Bank amounted to 10.78 percent ($69 million) of total funding for 2002 compared to 12.29 percent ($60 million) last year. The Federal Home Loan Bank line of credit is $117 million, with $33 million available at year-end. As of December 31, 2002, First Citizens held $30 million in short term Certificates of Deposit from the State of Tennessee. Because of the lack of loan demand, certain of these deposits will not be re-bid at maturity, reducing the level of Federal Funds Sold and improving net interest margins. At year-end 2002, First Citizens held $9.9 million in brokered Certificates of Deposit, representing 1.9% of total deposits.

Bancshares' liquidity position improved dramatically in 2002, the result of called investments, above average deposit growth and soft loan demand. Consumers moving dollars into insured investments and away from equities and mutual funds can attribute much of the deposit growth in 2002 to the "flight to quality". The end result of above average deposit growth coupled with slow loan demand is the investment of excess funds into Federal Funds Sold, earning an average overnight rate of 1.50%. This places stress on earnings and pressure on net interest margins. Bancshares' liquidity position is further strengthened by ready access to a diversified base of wholesale borrowings which include lines of credit with the Federal Home Loan Bank and correspondent bank totaling in excess of $140 million. Bancshares has a line of credit for $13 million earmarked for acquisitions and other financial needs of the holding company. The available line amount as of December 31, 2002 was $3.9 million. Bancshares has a crisis contingency liquidity plan to defend against any material downturn in the liquidity position.

When evaluating liquidity, comparison is made between funding needs and the current level of liquidity, plus liquidity that would likely be available from other sources. This comparison should determine whether funds management practices are adequate. 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 Bancshares 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 is a concern of the Asset/Liability and will continue to seek alternative funding sources that are conducive to our net interest margin strategies. The following table reflects Bancshares position as of December 31, 2002 in comparison to the OCC Liquidity Benchmarks.

OCC Liquidity Benchmark		Actual 12/31/02	Actual 12/31/01
	16.70%	21.35%	
	9.38%	10.50%	
	90.34%	91.45%	
	17.34%	16.66%	
	47.89%	68.15%	

There are no known trends or uncertainties that are likely to have a material affect on Bancshares' 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. Interest rate risk is separated and analyzed according to the following categories of risk: (1) re-pricing, (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 Bancshares' 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 Bancshares is liability sensitive. The rising rate scenarios will dilute Bancshares net income because liabilities re-price faster than its assets. In a rising rate cycle, non-maturity deposits will not re-price until a 250 or 300 basis point rise takes place. In a declining rate cycle, non-maturity deposits will re-price with market conditions until deposits hit a floor position. A 200 basis point rise in rates would cause earnings to decrease because liabilities would re-price quicker than rate sensitive assets.

Interest Rate Risk
December 2002
(in thousands)

Tier Capital $42,918

Projected 12 Month Exposure

Net Interest Income Levels	Rate Moves in Basis Pts.	Current Position	Possible Scenarios	Variance	% of Net Int Income	% of Net Int Income
Declining 4	-400	$ 18,763	$ 14,311	($ 4,452)	(23.73%)	20.00%
Declining 3	-300	18,763	16,029	($ 2,734)	(14.57%)	20.00%
Declining 2	-200	18,763	17,973	($ 790)	(4.21%)	20.00%
Declining 1	-100	18,763	19,373	610	3.25%	10.00%
Most Likely-Base	**0**	**18,763**	**18,763**	**0**	**0.00%**	**0.00%**
Rising 1	100	18,763	18,319	($ 444)	(2.37%)	(10.00%)
Rising 2	200	18,763	17,758	($ 1,005)	(5.36%)	(25.00%)
Rising 3	300	18,763	18,552	($ 211)	(1.12%)	(25.00%)
Rising 4	400	18,763	19,149	$ 386	2.06%	(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.

Bancshares has implemented multiple strategies to reduce interest rate risk: extended Federal Home Loan Bank borrowings, shortened the repricing date of loans, implemented an interest rate swap that gave the company a variable rate income stream, and increased investments in mortgage backed investments that enables the company to have constant cash inflows.

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

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02

(in thousands)

	O/N BAL	O/N RATE	0-3 MONTHS BAL	0-3 RATE	3-12 MONTHS BAL	3-12 RATE
Assets:						
Cash and Due From	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash and Due From	0.00	0.00	0.00	0.00	0.00	0.00
US Treasury	0.00	0.00	0.00	0.00	1,405.00	3.63
US Agency	0.00	0.00	9,342.75	2.97	11,424.44	2.76
MBS	0.00	0.00	6,339.76	5.13	36,189.80	5.74
Agency	0.00	0.00	15,682.51	3.84	47,614.25	5.02
Municipals	0.00	0.00	493.62	4.15	1,894.65	4.15
Corp & Others	0.00	0.00	5,239.00	7.08	0.00	0.00
Equities	0.00	0.00	0.00	0.00	0.00	0.00
Unrealized G/L	0.00	0.00	0.00	0.00	0.00	0.00
Total Investments	0.00	0.00	21,415.13	4.64	50,913.90	4.95
Fed Funds Sold	0.00	0.00	26,393.00	1.25	0.00	0.00
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	0.00	0.00

Total Fed Funds Sold	0.00	0.00	26,393.00	1.25	0.00	0.00
Commercial Variable	0.00	0.00	12,386.56	4.75	20,135.36	4.67
Commercial Fixed	0.00	0.00	6,185.36	6.02	11,840.11	6.47
Contra Loans - Troy	0.00	0.00	271.00	(0.50)	0.00	0.00
Floor	0.00	0.00	107.00	4.25	0.00	0.00
Unearned	0.00	0.00	0.00	0.00	0.00	0.00
Total Commercial	0.00	0.00	18,949.92	5.08	31,975.46	5.33
Real Estate Variable	0.00	0.00	46,127.48	5.67	15,276.85	6.40
Real Estate Fixed	0.00	0.00	41,320.13	7.30	76,290.47	7.05
Home Equity +1	0.00	0.00	12,216.44	4.38	0.00	0.00
Home Equity +2	0.00	0.00	3,755.04	5.09	0.00	0.00
Home Equity	0.00	0.00	15,971.48	4.54	0.00	0.00
Secondary Mortgage	0.00	0.00	5,858.76	4.25	0.00	0.00
Total Real Estate	0.00	0.00	109,277.86	6.04	91,567.32	6.94
Installment Variable	0.00	0.00	480.93	5.62	225.78	5.72
Installment Fixed	0.00	0.00	7,016.72	7.91	15,360.51	8.14
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	0.00	0.00	7,497.65	7.77	15,586.29	8.10
Credit Cards	0.00	0.00	0.00	0.00	0.00	0.00
Overdrafts	0.00	0.00	755.04	1.31	0.00	0.00
Total Other Loans	0.00	0.00	755.04	1.31	0.00	0.00
Total Loans	0.00	0.00	136,480.47	5.98	139,129.08	6.70
Loan Loss Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Net Loans	0.00	0.00	136,480.47	5.98	139,129.08	6.70
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00	0.00
Other Real Estate	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets	0.00	0.00	184,288.60	5.15	190,042.98	6.23
Liabilities:						
Demand	0.00	0.00	0.00	0.00	0.00	0.00
Total Demand	0.00	0.00	0.00	0.00	0.00	0.00
Regular	0.00	0.00	0.00	0.00	5,842.60	1.00
NOW	0.00	0.00	0.00	0.00	11,633.90	1.00
Business	0.00	0.00	0.00	0.00	160.80	0.70
IMF	0.00	0.00	0.00	0.00	0.00	0.00
First Rate	0.00	0.00	0.00	0.00	7,166.00	1.10
Wall Street	46,372.00	1.32	0.00	0.00	0.00	0.00
Dogwood	0.00	0.00	0.00	0.00	1,666.40	0.70
Total Savings	46,372.00	1.32	0.00	0.00	26,469.71	1.01
CD 1-3 Months	0.00	0.00	38,518.33	1.50	5,402.04	1.84
CD 3-6 Months	0.00	0.00	33.83	1.84	18,288.88	2.20
CD 6-12 Months	0.00	0.00	20,065.53	2.08	45,826.34	2.33
CD 13 Months	0.00	0.00	1,426.98	2.19	5,037.85	2.32
CD 1-2 Years	0.00	0.00	16,325.96	3.57	42,643.22	2.62
CD 2-5 Years	0.00	0.00	319.92	6.00	3,346.92	6.27
CD 5 + Years	0.00	0.00	396.58	5.69	1,342.64	5.72
Total CD	0.00	0.00	77,087.13	2.15	121,887.89	2.54

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

	O/N BAL	O/N RATE	0-3 MONTHS BAL	0-3 RATE	3-12 MONTHS BAL	3-12 RATE
IRA Savings	0.00	0.00	0.00	0.00	0.00	0.00
IRA 1-2 Years	0.00	0.00	4,574.91	2.67	9,001.72	2.51
IRA 2-5 Years	0.00	0.00	244.55	6.51	351.67	5.55
IRA 5 + Years	0.00	0.00	497.97	5.90	360.79	5.22
Total IRA	0.00	0.00	5,317.42	3.15	9,714.18	2.72
Christmas Club	0.00	0.00	0.00	0.00	163.09	1.00
Total Time	0.00	0.00	82,404.55	2.21	131,765.15	2.55
Total Deposits	46,372.00	1.32	82,404.55	2.21	158,234.86	2.29
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	0.00	0.00
Fed Funds Purchased	0.00	0.00	0.00	0.00	0.00	0.00
TT&L	1,000.00	1.25	0.00	0.00	0.00	0.00
Securities Sold - Sweep	9,381.65	1.00	0.00	0.00	0.00	0.00
Securities Sold - Fixed	0.00	0.00	1,756.12	2.72	2,686.55	2.16
FHLB Short Term	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Long Term Fixed	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Libor	0.00	0.00	1,500.00	1.47	0.00	0.00
FHLB Long Term-Callable	0.00	0.00	75.00	6.19	0.00	0.00
Note Payable-Finance-FCNB	0.00	0.00	14,264.19	3.44	0.00	0.00
Note Payable-Finance GE	0.00	0.00	0.00	0.00	0.00	0.00
Total Borrowing	10,381.65	1.02	17,595.31	3.21	2,686.55	2.16
Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Liabilities	10,381.65	1.02	17,595.31	3.21	2,686.55	2.16
Total Liabilities	56,753.65	1.27	99,999.85	2.39	160,921.41	2.29
Equity:						
Retained Earnings	0.00	0.00	0.00	0.00	0.00	0.00
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	0.00	0.00
Unrealized Gains/(Losses)	0.00	0.00	0.00	0.00	0.00	0.00
YTD NET INCOME	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	0.00	0.00	0.00	0.00	0.00	0.00
Total Liability/Equity	56,753.65	1.27	99,999.85	2.39	160,921.41	2.29
Period Gap	0.00	0.00	84,288.75	0.00	29,121.56	0.00
Cumulative Gap	0.00	0.00	27,535.10	0.00	56,656.66	0.00
RSA/RSL	0.00	0.00	1.84	0.00	1.18	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00

Period Gap	0.00	0.00	84,288.75	0.00	29,121.56	0.00
Cumulative Gap	0.00	0.00	27,535.10	0.00	56,656.66	0.00
RSA/RSL	0.00	0.00	1.84	0.00	1.18	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

	1-3 YEARS BAL	1-3 YEARS RATE	3-5 YEARS BAL	3-5 YEARS RATE	5-10 YEARS BAL	5-10 YEARS RATE
Assets:						
Cash and Due From	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash and Due From	0.00	0.00	0.00	0.00	0.00	0.00
US Treasury	0.00	0.00	0.00	0.00	0.00	0.00
US Agency	4,498.31	5.27	1,000.00	3.30	0.00	0.00
MBS	26,532.44	5.44	0.00	0.00	0.00	0.00
Agency	31,030.75	5.41	1,000.00	3.30	0.00	0.00
Municipals	3,952.30	4.54	4,891.22	4.77	11,328.80	5.50
Corp & Others	0.00	0.00	0.00	0.00	0.00	0.00
Equities	0.00	0.00	4,451.00	6.00	0.00	0.00
Unrealized G/L	0.00	0.00	0.00	0.00	0.00	0.00
Total Investments	34,983.05	5.31	10,342.22	5.16	11,328.80	5.50
Fed Funds Sold	0.00	0.00	0.00	0.00	0.00	0.00
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	0.00	0.00
Total Fed Funds Sold	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Variable	2,694.09	5.01	0.00	0.00	0.00	0.00
Commercial Fixed	10,379.71	7.60	4,166.41	7.37	2,662.66	7.04
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.00	0.00
Floor	0.00	0.00	0.00	0.00	0.00	0.00
Unearned	0.00	0.00	0.00	0.00	0.00	0.00
Total Commercial	13,073.80	7.07	4,166.41	7.37	2,662.86	7.04
Real Estate Variable	23,048.44	6.51	10,165.41	5.48	0.00	0.00
Real Estate Fixed	108,407.48	7.38	0.00	0.00	0.00	0.00
Home Equity +1	0.00	0.00	0.00	0.00	0.00	0.00
Home Equity +2	0.00	0.00	0.00	0.00	0.00	0.00
Home Equity	0.00	0.00	0.00	0.00	0.00	0.00
Secondary Mortgage	0.00	0.00	0.00	0.00	0.00	0.00
Total Real Estate	131,455.92	7.23	10,165.41	5.48	0.00	0.00
Installment Variable	41.03	6.77	41.50	5.53	0.00	0.00
Installment Fixed	13,432.13	8.54	0.00	0.00	0.00	0.00
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	13,473.16	8.53	41.50	5.53	0.00	0.00
Credit Cards	0.00	0.00	0.00	0.00	0.00	0.00
Overdrafts	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Loans	0.00	0.00	0.00	0.00	0.00	0.00

Total Loans	158,002.87	7.33	14,373.32	6.03	2,662.66	7.04
Loan Loss Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Net Loans	158,002.87	7.33	14,373.32	6.03	2,662.66	7.04
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00	0.00
Other Real Estate	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets	192,985.92	6.96	24,715.54	5.66	13,991.47	5.80
Liabilities:						
Demand	0.00	0.00	0.00	0.00	0.00	0.00
Total Demand	0.00	0.00	0.00	0.00	0.00	0.00
Regular	11,685.20	1.00	5,842.60	1.00	5,842.60	1.00
NOW	23,267.81	1.00	11,633.90	1.00	11,633.90	1.00
Business	321.60	0.70	160.80	0.70	160.80	0.70
IMF	0.00	0.00	0.00	0.00	0.00	0.00
First Rate	7,166.00	1.10	0.00	0.00	0.00	0.00
Wall Street	0.00	0.00	0.00	0.00	0.00	0.00
Dogwood	3,332.80	0.70	1,666.40	0.70	1,666.40	0.70
Total Savings	45,773.41	0.99	19,303.71	0.97	19,303.71	0.97
CD 1-3 Months	0.00	0.00	0.00	0.00	0.00	0.00
CD 3-6 Months	0.00	0.00	0.00	0.00	0.00	0.00
CD 6-12 Months	0.00	0.00	0.00	0.00	0.00	0.00
CD 13 Months	431.99	2.15	0.00	0.00	0.00	0.00
CD 1-2 Years	20,283.98	2.90	0.00	0.00	0.00	0.00
CD 2-5 Years	24,249.57	4.16	340.28	4.31	0.00	0.00
CD 5 + Years	1,449.01	6.10	32,421.80	5.45	226.77	3.95
Total CD	46,414.55	3.65	32,762.08	5.44	226.77	3.95

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CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

	1-3 YEARS BAL	1-3 YEARS RATE	3-5 YEARS BAL	3-5 YEARS RATE	5-10 YEARS BAL	5-10 YEARS RATE
IRA Savings	0.00	0.00	0.00	0.00	1,980.16	1.24
IRA 1-2 Years	6,230.97	3.29	2,643.79	6.64	410.23	4.09
IRA 2-5 Years	3,754.45	3.96	104.10	4.23	0.00	0.00
IRA 5 + Years	1,284.17	5.88	2,691.64	4.60	212.26	3.95
Total IRA	11,269.59	3.81	5,439.54	5.58	2,602.65	1.91
Christmas Club	0.00	0.00	0.00	0.00	0.00	0.00
Total Time	57,684.13	3.68	38,201.62	5.46	2,829.42	2.07
Total Deposits	103,457.54	2.49	57,505.33	3.95	22,133.12	1.11
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	0.00	0.00
Fed Funds Purchased	0.00	0.00	0.00	0.00	0.00	0.00
TT & L	0.00	0.00	0.00	0.00	0.00	0.00

Securities Sold - Sweep	0.00	0.00	0.00	0.00	0.00	0.00
Securities Sold - Fixed	3,880.68	3.96	738.60	4.80	0.00	0.00
FHLB Short Term	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Long Term Fixed	0.00	0.00	0.00	0.00	1,199.13	3.85
FHLB Libor	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Long Term-Callable	24.65	6.55	0.00	0.00	65,200.51	5.19
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	0.00	0.00
Note Payable-Finance GE	0.00	0.00	0.00	0.00	0.00	0.00
Total Borrowings	3,905.33	3.98	738.60	4.80	66,399.64	5.16
Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Liabilities	3,905.33	3.98	738.60	4.80	66,399.64	5.16
Total Liabilities	107,362.88	2.55	58,243.93	3.96	88,532.76	4.15
Equity:						
Retained Earnings	0.00	0.00	0.00	0.00	0.00	0.00
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	0.00	0.00
Unrealized Gains/(Losses) Mortgage	0.00	0.00	0.00	0.00	0.00	0.00
YTD NET INCOME	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	0.00	0.00	0.00	0.00	0.00	0.00
Total Liability/Equity	107,362.88	2.55	58,243.93	3.96	88,532.76	4.15
Period Gap	85,623.04	0.00	(33,528.39)	0.00	(74,541.29)	0.00
Cumulative Gap	142,279.70	0.00	108,751.31	0.00	34,210.02	0.00
RSA/RSL	1.80	0.00	0.42	0.00	0.16	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00
Period Gap	85,623.04	0.00	(33,528.39)	0.00	(74,541.29)	0.00
Cumulative Gap	142,279.70	0.00	108,751.31	0.00	34,210.02	0.00
RSA/RSL	1.80	0.00	0.42	0.00	0.16	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02

(in thousands)

	10-15 YEARS BAL	10-15 YEARS RATE	15+ YEARS BAL	15+ YEARS RATE	NON-SENSITIVE BAL	TOTAL BAL
Assets:						
Cash and Due From	0.00	0.00	0.00	0.00	21,290.00	21,290.00
Total Cash and Due From	0.00	0.00	0.00	0.00	21,290.00	21,290.00
US Treasury	0.00	0.00	0.00	0.00	0.00	1,405.00
US Agency	242.60	7.34	3,191.99	7.34	0.00	29,700.09
MBS	0.00	0.00	0.00	0.00	0.00	69,062.01
Agency	242.60	7.34	3,191.99	7.34	0.00	98,762.10
Municipals	8,005.85	6.28	3,507.56	6.50	0.00	34,074.00

Corp & Others	0.00	0.00	0.00	0.00	0.00	5,239.00
Equities	0.00	0.00	0.00	0.00	0.00	4,451.00
Unrealized G/L	0.00	0.00	0.00	0.00	3,391.00	3,391.00
Total Investments	8,248.45	6.31	6,699.55	6.90	3,391.00	147,322.10
Fed Funds Sold	0.00	0.00	0.00	0.00	0.00	26,393.00
Fed Funds Sold-Balance	0.00	0.00	0.00	0.00	0.00	0.00
Total Fed Funds Sold	0.00	0.00	0.00	0.00	0.00	26,393.00
Commercial Variable	0.00	0.00	0.00	0.00	0.00	35,216.00
Commercial Fixed	2,739.94	7.09	91.56	8.75	0.00	38,065.75
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.00	271.00
Floor	0.00	0.00	0.00	0.00	0.00	107.00
Unearned	0.00	0.00	0.00	0.00	0.00	0.00
Total Commercial	2,739.94	7.09	91.56	8.75	0.00	73,659.75
Real Estate Variable	0.00	0.00	0.00	0.00	0.00	94,618.19
Real Estate Fixed	0.00	0.00	0.00	0.00	0.00	226,018.08
Home Equity +1	0.00	0.00	0.00	0.00	0.00	12,216.44
Home Equity +2	0.00	0.00	0.00	0.00	0.00	3,755.04
Home Equity	0.00	0.00	0.00	0.00	0.00	15,971.48
Secondary Mortgage	0.00	0.00	0.00	0.00	0.00	5,858.76
Total Real Estate	0.00	0.00	0.00	0.00	0.00	342,466.51
Installment Variable	0.00	0.00	0.00	0.00	0.00	789.24
Installment Fixed	0.00	0.00	0.00	0.00	0.00	35,809.36
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	0.00	0.00	0.00	0.00	0.00	36,598.60
Credit Cards	0.00	0.00	0.00	0.00	0.00	0.00
Overdrafts	0.00	0.00	0.00	0.00	0.00	755.04
Total Other Loans	0.00	0.00	0.00	0.00	0.00	755.04
Total Loans	2,739.94	7.09	91.56	8.75	0.00	453,479.90
Loan Loss Reserve	0.00	0.00	0.00	0.00	(5,653.00)	(5,653.00)
Total Net Loans	2,739.94	7.09	91.56	8.75	(5,653.00)	447,826.90
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	17,866.00	17,866.00
Other Real Estate	0.00	0.00	0.00	0.00	1,781.00	1,781.00
Other Assets	0.00	0.00	0.00	0.00	31,719.00	31,719.00
Total Other Assets	0.00	0.00	0.00	0.00	51,366.00	51,366.00
Total Assets	10,988.39	6.50	6,791.11	6.92	70,394.00	694,198.00
Liabilities:						
Demand	0.00	0.00	0.00	0.00	61,535.00	61,535.00
Total Demand	0.00	0.00	0.00	0.00	61,535.00	61,535.00
Regular	0.00	0.00	0.00	0.00	0.00	29,213.01
NOW	0.00	0.00	0.00	0.00	0.00	58,169.52
Business	0.00	0.00	0.00	0.00	0.00	804.00
IMF	0.00	0.00	0.00	0.00	0.00	0.00
First Rate	0.00	0.00	0.00	0.00	0.00	14,332.00
Wall Street	0.00	0.00	0.00	0.00	0.00	46,372.00
Dogwood	0.00	0.00	0.00	0.00	0.00	8,332.00

Total Savings	0.00	0.00	0.00	0.00	0.00	157,222.53
CD 1-3 Months	0.00	0.00	0.00	0.00	0.00	43,920.37
CD 3-6 Months	0.00	0.00	0.00	0.00	0.00	18,322.71
CD 6-12 Months	0.00	0.00	0.00	0.00	0.00	65,891.87
CD 13 Months	0.00	0.00	0.00	0.00	0.00	6,896.82
CD 1-2 Years	0.00	0.00	0.00	0.00	0.00	79,253.16
CD 2-5 Years	0.00	0.00	0.00	0.00	0.00	28,256.69
CD 5 + Years	0.00	0.00	0.00	0.00	0.00	35,836.79
Total CD	0.00	0.00	0.00	0.00	0.00	278,378.41

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

	10-15 YEARS BAL	10-15 YEARS RATE	15+ YEARS BAL	15+ YEARS RATE	NON-SENSITIVE BAL	TOTAL BAL
IRA Savings	0.00	0.00	0.00	0.00	0.00	1,980.16
IRA 1-2 Years	0.00	0.00	0.00	0.00	0.00	22,861.62
IRA 2-5 Years	0.00	0.00	0.00	0.00	0.00	4,454.77
IRA 5 + Years	0.00	0.00	0.00	0.00	0.00	5,046.82
Total IRA	0.00	0.00	0.00	0.00	0.00	34,343.37
Christmas Club	0.00	0.00	0.00	0.00	0.00	163.09
Total Time	0.00	0.00	0.00	0.00	0.00	312,884.87
Total Deposits	0.00	0.00	0.00	0.00	61,535.00	531,642.40
Fed Funds Purchased - Bal	0.00	0.00	0.00	0.00	0.00	0.00
Fed Funds Purchased	0.00	0.00	0.00	0.00	0.00	0.00
TT & L	0.00	0.00	0.00	0.00	0.00	1,000.00
Securities Sold - Sweep	0.00	0.00	0.00	0.00	0.00	9,381.65
Securities Sold - Fixed	0.00	0.00	0.00	0.00	0.00	9,061.95
FHLB Short Term	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Long Term Fixed	0.00	0.00	0.00	0.00	0.00	1,199.13
FHLB Libor	0.00	0.00	0.00	0.00	0.00	1,500.00
FHLB Long Term-Callable	433.39	6.52	1,184.13	6.58	0.00	66,917.68
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	0.00	14,264.19
Note Payable-Finance GE	0.00	0.00	0.00	0.00	0.00	0.00
Total Borrowings	433.39	6.52	1,184.13	6.58	0.00	103,324.60
Other Liabilities	0.00	0.00	0.00	0.00	4,630.00	4,630.00
Total Other Liabilities	433.39	6.52	1,184.13	6.58	4,630.00	107,954.60
Total Liabilities	433.39	6.52	1,184.13	6.58	66,165.00	639,597.00
Equity:						
Retained Earnings	0.00	0.00	0.00	0.00	35,174.00	35,174.00
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	17,746.00	17,746.00
Unrealized Gains/(Losses)	0.00	0.00	0.00	0.00	1,681.00	1,681.00
YTD NET INCOME	0.00	0.00	0.00	0.00	0.00	0.00

Total Equity	0.00	0.00	0.00	0.00	54,601.00	54,601.00
Total Liability/Equity	433.39	6.52	1,184.13	6.58	120,766.00	694,198.00
Period Gap	10,555.60	0.00	5,606.98	0.00	(50,372.00)	0.00
Cumulative Gap	44,765.02	0.00	50,372.00	0.00	0.00	0.00
RSA/RSL	25.35	0.00	5.74	0.00	0.58	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00
Period Gap	10,555.00	0.00	5,606.98	0.00	(50,372.00)	0.0
Cumulative Gap	44,765.02	0.00	50,372.00	0.00	0.00	0.00
RSA/RSL	25.35	0.00	5.74	0.00	0.58	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

	TOTAL RATE
Assets:	
Cash and Due From	0.00
Total Cash and Due From	0.00
US Treasury	3.63
US Agency	3.75
MBS	5.57
Agency	5.02
Municipals	5.47
Corp & Others	7.08
Equities	6.00
Unrealized G/L	0.00
Total Investments	5.10
Fed Funds Sold	1.25
Fed Funds Sold-Balance	0.00
Total Fed Funds Sold	1.25
Commercial Variable	4.72
Commercial Fixed	6.90
Contra Loans - Troy	(0.50)
Floor	4.25
Unearned	0.00
Total Commercial	5.82
Real Estate Variable	5.97
Real Estate Fixed	7.25
Home Equity +1	4.38
Home Equity +2	5.09
Home Equity	4.54

Secondary Mortgage	4.25
Total Real Estate	6.72
Installment Variable	5.71
Installment Fixed	8.24
Finance Company - 78s	0.00
Total Installment	8.19
Credit Cards	0.00
Overdrafts	1.31
Total Other Loans	1.31
Total Loans	6.69
Loan Loss Reserve	0.00
Total Net Loans	6.77
Building, Furniture & Fixtures	0.00
Other Real Estate	0.00
Other Assets	0.00
Total Other Assets	0.00
Total Assets	5.50
Liabilities:	
Demand	0.00
Total Demand	0.00
Regular	1.00
NOW	1.00
Business	0.70
IMF	0.00
First Rate	1.10
Wall Street	1.32
Dogwood	0.70
Total Savings	1.09
CD 1-3 Months	1.54
CD 3-6 Months	2.20
CD 6-12 Months	2.26
CD 13 Months	2.28
CD 1-2 Years	2.89
CD 2-5 Years	4.43
CD 5 + Years	5.48
Total CD	2.96

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/02
(in thousands)

TOTAL
RATE

IRA Savings	1.24
IRA 1-2 Years	3.26
IRA 2-5 Years	4.23
IRA 5 + Years	5.07
Total IRA	3.54
Christmas Club	1.00
Total Time	3.02
Total Deposits	2.10
Fed Funds Purchased - Bal	0.00
Fed Funds Purchased	0.00
TT & L	1.25
Securities Sold - Sweep	1.00
Securities Sold - Fixed	3.26
FHLB Short Term	0.00
FHLB Long Term Fixed	3.85
FHLB Libor	1.47
FHLB Long Term-Callable	5.22
Note Payable-Finance-FCNB	3.44
Note Payable-Finance GE	0.00
Total Borrowings	4.31
Other Liabilities	0.00
Total Other Liabilities	4.13
Total Liabilities	2.44
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	2.25
Period Gap	0.00
Cumulative Gap	0.00
RSA/RSL	0.00
Off Balance Sheet:	0.00
Total Off Balance Sheet	0.00
Period Gap	0.00
Cumulative Gap	0.00
RSA/RSL	0.00

NOTES TO THE GAP REPORT

- The gap report reflects the interest sensitivity positions during a flat rate environment. Time frames could change depending if rates rise or fall.
- Re-pricing over-rides maturities in various time frames.

- Demand deposits, considered to be core, are placed in the last time frame due to lack of interest sensitivity.
- Savings accounts, also considered core, are placed into the 2+ year time frame. In a flat rate environment, saving accounts tend not to re-price 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.
- 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 18% - 20% of CD customers have maturities of 6 months or less. Bancshares 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.

	2002	2001	2000	1999	1998
Percentage of Net Income to:					
Average Total Assets	1.27%	1.10%	0.95%	1.22%	1.02%
Average Shareholders' Equity	15.05%	11.91%	10.16%	13.27%	11.22%
Percentage of Dividends Declared Per Common Share to Net Income	48.66%	64.31%	81.09%	58.35%	57.51%
Percentage of Average Shareholders' Equity to Average Total Assets	8.43%	9.29%	9.36%	9.24%	9.85%

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.

2002	2001	2000	1999	1998
7.86%	9.25%	9.35%	9.24%	9.12%

Total capital as of December 31, 2002 was $54.6 million, an increase of 9.62% when compared to the ending balance for the prior year of $49.8 million. Growth in capital during 2002 was supported by undistributed net income and adjustments to capital resulting from increases in market value within the Available for Sale segment of the investment portfolio. Adjustments to capital resulting from changes in market value, quantified as comprehensive income, are made quarterly. Bancshares has historically maintained capital in excess of minimum levels established by regulation and reflects continuous improvement when comparing previous years. The risk based capital ratio of 10.92 percent at December 31, 2002 was significantly in excess of the 8 percent mandated by regulation but less than the 13.81 percent at year-end 2001. The acquisition was accomplished through purchase accounting with no stock issuance and is in keeping with the strategic objective of leveraging Bancshares' capital through growth in assets. The tier I leverage ratio at year-end 2002 was 6.76 percent, with total capital as a percentage of total assets net of loan loss reserves at 7.86 percent.

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.

The dividend pay-out ratio is 48.66 percent for the current period versus 64.31 percent for the prior year. In spite of the fact that dividend pay-outs per share were increased, improved earnings reduced the pay-out ration. The projected pay-out ration for 2003 is in the range of 47-50 percent. The dividend yield in 2002 assuming a $27.50 market price was 3.78 percent, well in excess of the Southeast Bank Group peer average of 2.86 percent. The board of Bancshares approved a five-year stock repurchase program in 2001, which provides for the repurchase of up to $1 million in company stock per year. This program has resulted in the accumulation of 56,357 shares of Treasury Stock. The weighted average cost basis of Treasury Shares is $22.56.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CARMICHAEL, DUNN, CRESWELL & SPARKS PLLC

Certified Public Accountants

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Dyersburg, TN 38024
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American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants
Private Companies Practice Section - AICPA
SEC Practice Section - AICPA

Alamo, Tennessee
Dyersburg, Tennessee
Fulton, Kentucky
Henderson, Tennessee
Jackson, Tennessee
McKenzie, Tennessee
Paris, Tennessee
Trenton, Tennessee
Union City, Tennessee

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, 2002 and 2001, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years ended December 31, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and their results of operations and cash flows for the three years ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ CARMICHAEL, DUNN, CRESWELL & SPARKS PLLC
Dyersburg, Tennessee
February 5, 2003

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2002 AND 2001

	2002	2001
	(In thousands)	
ASSETS		
Cash and due from banks	$ 21,290	$ 15,296
Federal funds sold	26,393	15,887
Investment securities		
Securities held-to-maturity (fair value of $1,235 at December 31, 2002 and $2,648 at December 31, 2001	1,190	2,615
Securities available-for-sale, at fair value	141,682	101,659
Loans (net of unearned income of $1,473 in 2002 and $1,738 in 2001	453,480	369,026
Less: Allowance for loan losses	5,653	4,015
Net Loans	447,827	365,011
Premises and equipment, net	17,866	14,571
Accrued interest receivable	4,603	3,848
Intangible Assets	13,261	3,636
Other assets	20,086	15,468
TOTAL ASSETS	$ 694,198	$ 537,991
	========	=======
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Demand	$ 61,535	$ 41,917
Time	312,885	228,459
Savings	157,222	133,132

Total Deposits	531,642	403,508
Securities sold under agreements to repurchase	18,444	17,827
Long term debt	83,881	63,075
Other liabilities	5,630	3,772
TOTAL LIABILITIES	$ 639,597	$ 488,182
Stockholders' Equity		
Common stock, No par value:		
Shares authorized - 10,000,000; issued - 3,717,593 in 2002 and 2001	3,718	3,718
Surplus	15,299	15,298
Retained earnings	35,174	31,151
Accumulated other comprehensive income	1,681	563
Less treasury stock, at cost - 56,357 shares in 2002 and 42,368 shares in 2001	(1,271)	(921)
TOTAL STOCKHOLDERS' EQUITY	$ 54,601	$ 49,809
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 694,198	$ 537,991
	==========	========

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
Interest Income		(In thousands except per share data)	
Interest and fees on loans	$ 32,698	$ 33,147	$ 31,631
Interest and dividends on investment securities:			
Taxable	4,407	4,640	5,496
Tax-exempt	1,333	686	633
Dividends	271	282	236
Other interest income	261	434	141
Total Interest Income	38,970	39,189	38,137
Interest Expense			
Interest on deposits	10,387	15,305	15,664
Interest on long-term debt	3,844	3,184	2,435
Other interest expense	477	783	1,444
Total Interest Expense	14,708	19,272	19,543
Net interest income	24,262	19,917	18,594
Provision for loan losses	1,518	1,644	1,411
Net interest income after provision for loan losses	22,744	18,273	17,183
Other Income			
Income from fiduciary activities	802	779	883
Service charges on deposit accounts	3,640	3,214	2,711
Brokerage fees	891	760	950
Securities gains (losses) - net	189	127	(20)
Other income	2,166	1,515	1,548
Total Other Income	7,688	6,395	6,072

Other Expenses			
Salaries and employee benefits	10,846	8,912	8,751
Net occupancy expense	1,299	1,031	1,058
Depreciation	1,392	1,388	1,431
Data processing expense	673	532	449
Legal and professional fees	186	166	98
Stationary and office supplies	280	233	229
Amortization of intangibles	53	322	320
Executive payments	--	--	809
Other expenses	4,606	4,121	3,501
Total Other Expenses	19,335	16,705	16,646
Net income before income taxes	$ 11,097	$ 7,963	$ 6,609
Provision for income tax expense	3,259	2,202	1,997
Net income	$ 7,838	$ 5,761	$ 4,612
	=====	=====	=====
Earnings Per Common Share:			
Net income	$ 2.14	$ 1.56	$ 1.24
	=====	=====	=====
Weighted average shares outstanding	3,668	3,703	3,709
	=====	=====	=====

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
		(In thousands)	
Net income for year	$ 7,838	$ 5,761	$ 4,612
Other comprehensive income, net of tax			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	1,118	934	1,665
Total Comprehensive Income	$ 8,956	$ 6,695	$ 6,277
	=====	=====	=====

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, 2002			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ 2,030	$ (812)	$ 1,218
Less reclassification adjustments for gains included in net income	(167)	67	(100)
Net Unrealized Gains (Losses)	$ 1,863	$ (745)	$ 1,118
	=====	=====	=====
Year Ended December 31, 2001			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ 1,345	$ (538)	$ 807
Less reclassification adjustments for gains included in net income	212	(85)	127
Net Unrealized Gains (Losses)	$ 1,557	$ (623)	$ 934
	=====	=====	=====

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 gains included in net income	3	(1)	2
Net Unrealized Gains (Losses)	$ 2,775	$ (1,110)	$ 1,665

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2002, 2001, and 2000
(In thousands except per share data)

	Common Stock							
	Shares	At Par	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Obligation of Employee Stock Ownership Plan	Total Stockholders' Equity
Balance at January 1, 2000	**3,705**	**$ 3,705**	**$ 15,034**	**$ 28,298**	**$ (2,036)**	**$ (204)**	**$ (1,117)**	**$ 43,680**
Net income, year ended December 31, 2000				4,612				4,612
Adjustment of 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)		(3,741)					
Sale of common stock	13	13	287			300		
Treasury stock transactions - net			(19)			157	138	
Principal payments - ESOP							309	309
Unrealized loss - derivatives					(88)			(88)
Prior period adjustment of unearned interest, net of tax	--	--	--	(74)	--	--	--	(74)
Balance, December 31, 2000	**3,718**	**3,718**	**15,302**	**29,095**	**(371)**	**(47)**	**(808)**	**46,889**
Net income, year ended December 31, 2001				5,761				5,761
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($623) during the year			934	934				
Cash dividends paid - $1.00 per share	(3,705)		(3,705)					
Treasury stock transactions - net			(4)			(874)	(878)	
Principal payments - ESOP	--	--	--	--	--	--	808	808
Balance, December 31, 2001	**3,718**	**3,718**	**15,298**	**31,151**	**563**	**(921)**	**--**	**49,809**
Net income, year ended December 31, 2002				7,838				7,838
Adjustment of unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes ($745) during the year			1,118	1,118				
Cash dividends paid - $1.04 per share	(3,815)		(3,815)					
Treasury stock transactions - net	--	--	1	--	--	(350)	349	
Balance, December 31, 2002	**3,718**	**$ 3,718**	**$ 15,299**	**$ 35,174**	**$ 1,681**	**$ (1,271)**	**$ --**	**$ 54,601**

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended December 31, 2002, 2001, and 2000

	2002	2001	2000
		(In thousands)	
Operating Activities			
Net income	$ 7,838	$ 5,761	$ 4,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for loan losses	1,518	1,644	1,411
Provision for depreciation	1,392	1,388	1,431
Provision for amortization - intangibles	53	322	320
Deferred income taxes	233	49	921
Realized investment security (gains) losses	(189)	(127)	20
(Increase) decrease in accrued interest receivable	(755)	1,748	(243)
Increase (decrease) in accrued interest payable	(514)	(613)	480
Increase in other assets	1,820	(2,358)	(2,738)
Increase (decrease) in other liabilities	1,464	585	(380)
Net cash provided by operating activities	12,860	8,399	5,834
Investing Activities			
Proceeds of maturities of held-to-maturity investment securities	1,420	14,090	3,640
Proceeds of sales and maturities of available-for-sale investment securities	76,693	92,763	7,213
Purchases of available-for-sale investment securities	(87,978)	(106,972)	(13,165)
Acquisition of subsidiary, net of cash and cash equivalents received	(10,173)		
Increase in loans - net	(14,336)	(29,459)	(16,948)
Purchase of premises and equipment	(1,350)	(1,935)	(2,038)
Net Cash provided by investing activities	(35,724)	(31,513)	(21,298)
Financing Activities			
Net increase (decrease) in demand deposits, NOW accounts, and savings accounts	(57,234)	14,506	3,559
Increase in time deposits - net	84,426	17,148	1,476
Increase in long-term borrowing	16,437	19,646	32,165
Payment of principal on long-term debt	(289)		
Proceeds from Sale of Common Stock			300
Cash Dividends Paid	(3,815)	(3,705)	(3,741)
Net Increase (decrease) in short-term borrowings	188	(16,347)	(11,916)
Treasury stock transactions - net	(349)	(878)	138
Net Cash provided by Financing Activities	39,364	30,370	21,981
Increase in Cash and Cash Equivalents	16,500	7,256	6,517

Cash and cash equivalents at beginning of year	31,183	23,927	17,410
Cash and cash equivalents at end of year	$ 47,683	$ 31,183	$ 23,927
	======	======	======

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

	2002	2001	2000
Interest	$ 15,222	$ 19,259	$ 19,063
Income Taxes	3,184	1,751	2,337

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC., AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2002 and 2001

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 subsidiaries First Citizens National Bank, Munford Union Bank, and First Citizens (TN) Statutory Trust. 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. Munford Union Bank owns all of the outstanding capital stock of Nevada Investments III which is included in the consolidated financial statements. First Citizens Bancshares, Inc.'s investment in these subsidiaries is reflected on the Parent Company balance sheet (Note 13) at the equity in the underlying assets.

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.

As of June 1, 2002, First Citizens Bancshares, Inc. acquired all of the outstanding capital stock of Metropolitan Bancshares, Inc., parent company of Munford Union Bank, in a transaction accounted for as a purchase. Metropolitan Bancshares, Inc. was subsequently dissolved transferring all of its assets to First Citizens Bancshares, Inc. Munford Union Bank then organized its subsidiary, Nevada Investments III, to hold and manage the investment securities of Munford Union Bank. Munford Union Bank transferred all of its investment securities to Nevada Investments III as contributed capital.

Also, during the year ended December 31, 2002, the Company organized the First Citizens (TN) Statutory Trust as a wholly-owned subsidiary. The purpose and activities of this subsidiary are further discussed in Note 14 of Notes to the Consolidated Financial Statements.

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 west 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 requires 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.

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 sheets 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.

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:

HELD-TO-MATURITY
December 31, 2002
(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 1,190	$ 45	$ --	$ 1,235
Total Securities Investments	$ 1,190	$ 45	$ --	$ 1,235
	=====	=====	====	=====

AVAILABLE-FOR-SALE
December 31, 2002
(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 98,458	$ 1,407	$ 160	$ 99,705
Obligations of states and political subdivisions	32,929	1,798	11	34,716
Other debt securities	6,949	312	--	7,261
Total Securities Investments	$ 138,336	$ 3,517	$ 171	$ 141,682
	=====	=====	====	=====

HELD- TO- MATURITY
December 31, 2001
(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,000	$ 33	$ --	$ 1,033
Obligations of states and political subdivisions	1,615	--	--	1,615
Total Securities Investments	$ 2,615	$ 33	$ --	$ 2,648
	=====	=====	====	=====

AVAILABLE-FOR-SALE
December 31, 2001
(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 22,038	$ 403	$ 60	$ 22,381
Obligations of states and political subdivisions	15,969	271	58	16,182
Mortgage-backed securities	52,070	573	88	52,555
Corporate debt securities	6,655	149	7	6,797
Total Debt Securities	96,732	1,396	213	97,915
Equity Investments	3,675	69	--	3,744
Total Securities Investments	$ 100,407	$ 1,465	$ 213	$ 101,659
	=====	=====	====	=====

The tables below summarize maturities of debt securities held-to-maturity and available-for-sale as of December 31, 2002 and 2001:

December 31, 2002
(in thousands)

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts Maturing In:				

One Year or less	$ 216	$ 219	$ 38,041	$ 38,964
After one year through five years	225	228	45,699	46,808
After five years through ten years	749	788	15,320	15,692
After ten years	--	--	39,276	40,218
	$ 1,190	$ 1,235	$ 138,336	$ 141,682

December 31, 2001

(in thousands)

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts Maturing In:				
One Year or less	$ 1,156	$ 1,191	$ 1,167	$ 1,160
After one year through five years	555	562	21,527	21,378
After five years through ten years	904	895	22,485	22,798
After ten years	--	--	51,553	52,579
	$ 2,615	$ 2,648	$ 96,732	$ 97,915

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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)		
2002 - Securities available-for-sale	$ 10,482	$ 189	$ --	$ 189
2001 - Securities available-for-sale	6,000	127		127
2000 - Securities available-for-sale	3,375		20	(20)

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, 2002 and 2001, investment securities were pledged to secure government, public and trust deposits as follows:

December 31	Amortized Cost	Fair Value
2002	$ 99,543	$ 101,599
2001	75,346	76,383

At December 31, 2002, the Company has unrealized gains on securities available-for-sale totaling $3,360,000, resulting in accumulated other comprehensive income in the amount of $2,016,000.

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., exchanged 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.

During the year, the value of the derivative decreased by $243,000 due to market interest rate fluctuations, resulting in a negative other comprehensive income attributable to derivatives of $334,000, which is reflected in accumulated other comprehensive income at December 31, 2002.

NOTE 3 - LOANS

Loans outstanding at December 31, 2002 and 2001, were comprised of the following:

	2002	2001
	(In thousands)	
Commercial, financial and agricultural	$ 67,446	$ 64,496
Real estate - construction	57,758	36,862
Real estate - mortgage	285,759	225,743
Installment	39,232	39,200
Other loans	3,285	2,725
	453,480	369,026
Less: Allowance for loan losses	5,653	4,015
Net Loans	$ 447,827	$ 365,011
	======	======

In conformity with Statement No. 114 of the Financial Accounting Standards Board, the Corporation has recognized loans with carrying values of $1,291,584 at December 31, 2002, and $1,600,000 at December 31, 2001, as being impaired. The balance maintained in the Allowance for Loan Losses related to these loans was $556,369 at December 31, 2002, and $694,700 at December 31, 2001.

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

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

	2002	2001	2000
		(In thousands)	
Balance - beginning of period	$ 4,015	$ 3,763	$ 3,718
Addition incident to merger	968		
Provision for loan losses charged to operations	1,518	1,644	1,411
Loans charged to allowance, net of loan loss recoveries of $625,398; $895,000, and $308,669	(848)	(1,392)	(1,366)
Balance - end of period	$ 5,653	$ 4,015	$ 3,763
	======	======	======

For tax purposes, the Corporation deducts the maximum amount allowable. During the year ended December 31, 2002, the deduction taken was $740,402. The deductions for tax purposes in 2001 and 2000 were $1,455,272 and $1,820,429, respectively.

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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	2002	2001

		(In thousands)	
Land		$ 3,093	$ 2,193
Buildings	5 to 50	16,350	14,330
Furniture and equipment	3 to 20	12,802	11,320
		32,245	27,843
Less: Accumulated depreciation		14,379	13,272
Net Fixed Assets		$ 17,866	$ 14,571
		=======	=======

NOTE 6 - REPOSSESSED REAL PROPERTY

The carrying value of repossessed real property on the balance sheets of the Corporation is $1,782,870 at December 31, 2002, and $1,757,392 at December 31, 2001. 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:

	2002	2001
	(In thousands)	
Time Deposits	$ 140,256	$ 96,023
Savings Deposits	72,136	69,712

NOW accounts, included in savings deposits on the balance sheets, totaled $58,287,421 at December 31, 2002, and $38,524,682 at December 31, 2001.

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, 2002 and 2001 were $8,646,911 and $7,094,407, respectively.

Time deposits maturing in years subsequent to December 31, 2002, are as follows:

	(In thousands)
One year or less	$ 249,969
After one year through three years	47,711
After three years through five years	23,362
After five years	492
Total	$ 321,534
	=======

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 2002, 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 $640,000 in 2002, $619,964 in 2001, and $629,820 in 2000.

Munford Union Bank also maintains a 401(k) employee benefit plan to which it contributes four percent (4%) of pre-tax earning annually. In the year 2002, the contribution totaled $76,050.

NOTE 9 - INCOME TAXES

Provision for income taxes is comprised of the following:

	2002	2001	2000
		(In thousands)	
Federal income tax expense (benefit)			
Current	$ 3,190	$ 2,075	$ 1,555
Deferred	(198)	(3)	210
State income tax expense (benefit)			
Current	302	131	193
Deferred	(35)	(1)	39
	$ 3,259	$ 2,202	$ 1,997
	======	=====	======

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:

	2002	2001	2000
		(In thousands)	
Tax expense at statutory rate	$ 3,773	$ 2,707	$ 2,247
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	176	79	152
Tax exempt interest	(460)	(245)	(215)
Effect of life insurance	(182)	(144)	(115)
Amortization of goodwill		123	123
Dividends - Employee Stock Ownership Plan		(296)	
Other items	(48)	(22)	(195)
	$ 3,259	$ 2,202	$ 1,997
	======	======	======

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 liabilities, which are included in "other liabilities" in the accompanying consolidated balance sheets, include the following components:

	2002	2001
(In thousands)		
Deferred tax liabilities	$ (856)	$ (497)
Deferred tax assets	512	387
Net deferred tax liabilities	$ (344)	$ (110)
	======	=====

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, 2002, 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 the institution's category.

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2002:						
Total risk-based capital (to risk weighted assets)	$ 50,979	10.92%	$ 37,335	≥ 8.0%	$ 46,669	≥ 10.0%
Tier 1 capital (to risk weighted assets)	45,326	9.71%	18,668	≥ 4.0%	28,002	≥ 6.0%
Tier 1 capital (to average assets)	45,326	6.76%	26,839	≥ 4.0%	33,549	≥ 5.0%
As of December 31, 2001:						
Total risk-based capital (to risk weighted assets)	$ 49,656	14.04%	$ 28,294	≥ 8.0%	$ 35,367	≥ 10.0%
Tier 1 capital (to risk weighted assets)	45,610	12.90%	14,147	≥ 4.0%	21,220	≥ 6.0%
Tier 1 capital (to average assets)	45,610	8.63%	21,135	≥ 4.0%	26,418	≥ 5.0%

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 2002 and 2001 were $2,487,000 and $5,023,000, 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, 2002, approximately $10.8 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,	
	2002	**2001**
	(In thousands)	

BALANCE SHEETS

	December 31, 2002	2001
	(In thousands)	
ASSETS		
Cash	$ 659	$ 148
Investment in subsidiaries	68,173	49,588
Other assets	215	75
TOTAL ASSETS	$ 69,047	$ 49,811
	========	=======
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Long-term debt	$ 14,266	$
Accrued expenses	180	2
TOTAL LIABILITIES	$ 14,446	$ 2
STOCKHOLDERS' EQUITY	54,601	49,809
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 69,047	$ 49,811
	========	========

STATEMENTS OF INCOME

	2002	2001
INCOME		
Dividends from bank subsidiary	$ 10,165	$ 3,705
Other income	25	36
TOTAL INCOME	10,190	3,741
EXPENSES		
Interest expense	443	
Other expenses	178	224
TOTAL EXPENSES	621	224
Income before income taxes and equity in undistributed net income of bank subsidiary	9,569	3,517
Income tax expense (benefit)	(228)	(72)
	9,797	3,589
Equity in undistributed net income of bank subsidiary	(1,959)	2,172
NET INCOME	$ 7,838	$ 5,761
	========	========

December 31,

	2002	2001
	(In thousands)	

STATEMENTS OF CASH FLOWS

	2002	2001
Operating Activities		
Net income	$ 7,838	$ 5,761
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary	1,959	(2,172)
(Increase) decrease in other assets	(88)	49
Increase (decrease) in other liabilities	178	2
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,887	3,640
Investing Activities		
Investment in subsidiaries	(19,478)	
Financing Activities		
Payment of dividends and payments in lieu of fractional shares	(3,815)	(3,705)
Proceeds of long term borrowing	14,555	--
Payment of principal on long term debt	(289)	
Treasury stock transactions - net	(349)	(878)
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,102	(4,583)

INCREASE (DECREASE) IN CASH	511	(943)
Cash at beginning of year	148	1,091
CASH AT END OF YEAR	$ 659	$ 148
	========	========

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NOTE 14 - LONG TERM DEBT

In March, 2002, First Citizens Bancshares, Inc. formed a new wholly-owned subsidiary, First Citizens (TN) Statutory Trust under the provisions of the Business Act of Delaware. The subsidiary was formed for the purpose of issuing preferred securities and conveying the proceeds to First Citizens Bancshares, Inc. in exchange for long-term, subordinated debentures issued by First Citizens Bancshares, Inc. The debentures are the only assets of the trust.

On March 26, 2002, the Company, through its Trust subsidiary, issued 5,000 floating rate Preferred Trust Securities in denominations of $1,000 for a total of $5,000,000, which mature thirty (30) years from the date of issuance. Interest is payable on March 26, June 26, September 26 and December 26 of each year during the term. The interest rate is calculated quarterly equal to the three month LIBOR interest rate plus 3.6%, provided that prior to March 26, 2007, the interest rate cannot exceed eleven percent (11%). The responsibilities of the Company concerning the debentures and the related documents constitute a full and unconditional guarantee by the Company of the Trust issuer's preferred securities.

Although for accounting presentation, the Preferred Trust Securities are treated as debt, the outstanding balance qualifies as Tier 1 capital subject to the provision that the amount of the securities included in Tier 1 Capital cannot exceed twenty-five percent (25%) of total Tier 1 capital.

The purpose of the issuance of the above described securities was to assist in the funding of the purchase of the Munford Union Bank. First Citizens Bancshares, Inc. will be dependent on the profitability of its subsidiaries and their ability to pay dividends in order to service its long term debt.

First Citizens National Bank has secured advances from the Federal Home Loan Bank in the amounts of $60,199,000 at December 31, 2002, and $60,575,000 at December 31, 2001. At December 31, 2002, $60,574,621 is considered long-term in nature. These advances bear interest at rates which vary from 3.97% to 6.55% 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.

At December 31, 2001, Delta Finance Company, a subsidiary of First Citizens National Bank, was obligated to General Appliance and Furniture Company, Inc. on an unsecured note payable in the amount of $1,000,000, which bore interest at the rate of five and three-quarter percent (5.75%) per annum and matured March 1, 2002.

Delta Finance Company was also obligated to White and Associates/First Citizens Insurance, LLC on an unsecured note with an outstanding principal balance of one million, five hundred thousand dollars ($1,500,000). The debt bore interest at the rate 5.98 percent per annum and matured on March 1, 2002.

As of December 31, 2002, Munford Union Bank was indebted to the Federal Home Loan Bank in the amount of $9,393,203. These obligations bear interest at rates which range from 2.85% to 7.55% and mature in years from 2003 to 2019.

Averages for the years 2002 and 2001 are as follows:

	Average Volume	Average Interest Rate (In thousands)	Average Maturity
2002			
First Citizens Bancshares, Inc.	9,761	4.17%	7 years
First Citizens National Bank	67,277	5.36%	5 years
Delta Finance Company	0	0%	
2001			
First Citizens National Bank	59,424	5.36%	3 years
Delta Finance Company	2,233	5.88%	1 year

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

Years Ending December 31,	
2003	$ --
2004	--
2005	--
2006	--
2007	--
Thereafter	83,881
	$ 83,881

-56-

NOTE 15 - REVOLVING LINE OF CREDIT

First Citizens Bancshares, Inc. has approved a two-year line of credit with First Tennessee Bank National Association in the amount of $13 million, secured by common stock of First Citizens Bancshares, Inc. having a total market value of $17 million. The purpose of the line of credit is for use in various financial strategies including the acquisition of Munford Union Bank. Interest on the outstanding balance is payable on a quarterly basis, calculated a 100 basis points below the base rate of First Tennessee Bank. At December 31, 2002, the outstanding balance on this line is $9.1 million.

NOTE 16 - SHORT-TERM BORROWINGS

At December 31, 2002 and 2001, First Citizens National Bank had outstanding balances in short-term borrowings as follows:

	2002	2001
	(In thousands)	
Outstanding balance - end of period	$ --	$ --
Weighted Average Interest Rate	N/A	N/A
Maximum Amount of Borrowings at Month End	10,276	33,391
Average Balances Outstanding for Period	4,477	4,727
Average Weighted Average Interest Rates	2.02%	3.75%

NOTE 17 - NON-CASH INVESTING AND FINANCING ACTIVITIES

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

Investing	2002	2001	2000
		(In thousands)	
Other real estate acquired in satisfaction of loans	$ 1,523	$ 1,340	$ 804

NOTE 18 - 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, 2002 and 2001, First Citizens National Bank had outstanding loan commitments of $90,174,000 and $65,140,000, respectively. Of these commitments, none had an original maturity in excess of one year.

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, 2002 and 2001, outstanding standby letters of credit totaled $1,477,000 and $1,032,000, 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, 2002 and 2001, however, the Bank had no loans sold.

NOTE 19 - 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 west 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 20 - 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.

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, 2002 and 2001.

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:

2002

2001

Carrying

Fair

Carrying

Fair

Financial Assets

Amount

Value

Amount

	Value
(In thousands)	
Cash and cash equivalents	
	$ 47,683
	$ 47,683
	$ 31,183
	$ 31,183
Investment securities	
	142,872
	142,917
	104,274
	104,307
Loans	
	453,480
	369,026
Less: Allowance for loan losses	
	(5,655)

	(4,015)

Loans, net of allowance	
	447,827
	458,861
	365,011
	377,781
Accrued interest receivable	
	4,603
	4,603

3,848

3,848

Financial Liabilities

Deposits

531,642

539,662

403,508

405,909

Short-term borrowings

17,827

17,827

Long-term debt

83,881

100,661

63,075

78,686

Other liabilities

5,630

5,936

3,772

3,772

Unrecognized Financial Instruments

Commitments to extend credit

90,174

90,174

65,140

65,140

Standby letters of credit

1,477

1,477

1,032

1,032

NOTE 21 - COMMITMENTS AND CONTINGENCIES

The Board of Bancshares approved a stock buy-back program in year 2000 that provided for the purchase of $1 million per year of company stock over a five-year period. A total of 56,357 shares have been accumulated to date. In January of 2003, the board reaffirmed the buy-back decision, but opted to make shares acquired through this program available to shareholders desiring to increase their holdings or to new investors. Increased demand for Bancshares stock and the opportunity to utilize capital to fund the expansion of First Citizens National Bank into new markets drove this change in strategy.

NOTE 22 - MERGERS AND ACQUISITIONS

As of June 1, 2002, First Citizens Bancshares, Inc. acquired all of the outstanding capital stock of Metropolitan Bancshares, Inc. in Munford, Tennessee, in a transaction accounted for as a purchase. Metropolitan Bancshares, Inc. was the parent company of Munford Union Bank. Metropolitan Bancshares, Inc. was subsequently dissolved resulting in Munford Union Bank becoming a wholly-owned subsidiary of First Citizens Bancshares, Inc. The acquisition adds existing Munford markets, brings new management to the Company and creates additional net income for the first Citizens operations due principally to economies of scale. The Company also acquired a significant new potential market for its products and services. Operating results for Munford Union Bank for the period beginning on June 1, 2002 and ending on December 31, 2002 are included in the consolidated financial statements.

The purchase was consummated at a price of approximately $19,300,000. The purchase amount was funded by a dividend from First Citizens National Bank in the amount of $5 million and the Preferred Trust Securities and revolving line of credit discussed in notes 14 and 15. The Company did not issue any additional shares of stock in the transaction. First Citizens Bancshares, Inc. acquired no research and development assets and incurred no preacquisition contingencies. The assets and liabilities of Munford Union Bank have been adjusted to fair value as of the date of acquisition resulting in the recording of goodwill in the amount of $8.8 million on the books of Munford Union Bank. A core deposit intangible asset was also established in the amount of $845,000 which is being amortized over a ten year period. The goodwill is being tested annually for impairment. In the event of impairment, the adjustments to goodwill will not be deductible.

The following table reflects the condensed balance sheet of Munford Union Bank and the fair values assigned to assets and liabilities at the date of purchase:

Book Value	Adjustment	Fair Value	Adjustment Amortization Period/Yrs	2002 Accumulated Amortization	Annual Estimate Accumulated Amortization	
Cash and due from banks	$ 3,855	$ --	$ 3,855	--		
Federal funds sold	5,295	--	5,295	--		
Investments	31,860	17	31,877	5	1.98	3.40
Net loans	68,542	1,456	69,998	7	121.33	208.00
Premises and equipment	3,535	(198)	3,337	3,535	(11.55)	(19.80)
Goodwill	--	8,808	8,808	--	--	--
Core deposit intangible	--	845	845	10	49.29	84.50
Other assets	2,012	--	2,012	--	--	--
Total Assets	$ 115,099	$ 10,928	$ 126,027	8	161.06	276.10
	=======	=======	=======	=======	=======	=======
Deposits	99,723	1,219	100,942	5	142.22	243.80
Other liabilities	5,741	21	5,762	5	2.45	4.20
Capital	9,635	9,688	19,323	--	--	--
Total Liabilities and Capital	$ 115,099	$ 10,928	$ 126,027	5	144.67	248.00

	=======	=======	=======	=======	=======	=======
Net Expense					16.39	28.10
					=======	=======

Pro forma statements of condition and results of operations of the Company calculated as though the acquisition of Munford Union Bank had been accomplished at the beginning of the year ended December 31, 2002, are as follows:

Statements of Condition	2002	2001
Cash and due from banks	$ 21,290	$ 19,151
Federal funds sold	26,393	16,182
Investments	147,323	136,151
Net loans	447,827	435,009
Premises and equipment	17,866	17,908
Intangible assets	13,261	13,289
Other assets	20,238	21,402
Total Assets	$ 694,198	$ 659,092
	======	======
Deposits	$ 531,642	$ 504,450
Other liabilities	107,955	104,833
Capital	54,601	49,809
Total Liabilities and Capital	$ 694,198	$ 659,092
	======	======

Results of Operation	2002	2001
Interest income	$ 38,970	$ 43,860
Interest expense	14,708	20,977
Net interest income	24,262	22,883
Provision for loan losses	1,518	2,122
Net interest income after provision for loan losses	22,744	20,761
Other income	7,688	6,716
Other expenses	19,335	18,135
Net income before income taxes	11,097	9,342
Provision for income taxes	3,259	2,599
Net income	$ 7,838	$ 6,743
	======	======
Earnings per share	$ 2.14	$ 1.82
	======	======
Weighted average shares outstanding	$ 3,668	$ 3,703
	======	======

NOTE 23 - 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 24 - 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.

NOTE 25 - AMOUNTS RECEIVABLE FROM RELATED PARTIES

Year Ended December 31, 2002
(In thousands)

Column A Column B Column C Column D Column E
Balance at Balance at
Beginning End of
of Period Additions Deductions Period
Amounts
Amounts Written Not
Collected Off Current Current

Aggregate indebtedness
to First Citizens
National Bank of
Directors and Executive
Officers
Of First Citizens
Bancshares, Inc. (26)

$ 9,367

$ 7,641

$ 5,940

$ -0-

$ 11,068

$ -0-

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Aggregate indebtedness

to First Citizens

National Bank of

Directors and Executive Officers

Of First Citizens

National Bank (26)

$ 9,367

$ 7,641

$ 5,940

$ -0-

$ 11,068

$ -0-

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Column A	Column B Balance at Beginning of Period	Column C Additions	Column D Deductions: Amounts Collected	Column D Deductions: Amounts Written Off	Column E Balance at End of Period: Current	Column E Balance at End of Period: Not Current
	Year Ended December 31, 2001 (In thousands)					
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers Of First Citizens Bancshares, Inc. (26)	$ 8,858	$ 5,182	$ 4,673	$ -0-	$ 9,367	$ -0-
	=====	=====	=====	=====	=====	=====
Aggregate indebtedness to First Citizens National Bank of Directors and Executive Officers Of First Citizens National Bank (26)	$ 8,858	$ 5,182	$ 4,673	$ -0-	$ 9,367	$ -0-
	=====	=====	=====	=====	=====	=====

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.

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' 2002 Proxy Statement regarding directors and officers is incorporated herein by reference in response to this Item.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information relates to the principal executive officers of Bancshares and its subsidiaries as of December 31, 2002:

Name	Age	Position and Office
Stallings Lipford	73	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. He served as President & CEO of Bancshares from 1983 to 1992.
Katie Winchester	62	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	61	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. Appointed to Board of Directors in 1997.
Jeffrey Agee	42	Vice President and Chief Financial Officer of Bancshares. Appointed Executive Vice President and Chief Financial Officer of First Citizens National Bank in August 1999. Mr. Agee served as Senior Vice President and Chief Financial Officer 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	62	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. Appointed to Board of Directors in 1996.
Judy Long	48	Vice President and Secretary to the Board of First Citizens Bancshares. Appointed Executive Vice President and Chief Operations Officer and Secretary of the board of both First Citizens National Bank and Bancshares 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.
John S. Bomar	54	President and CEO Munford Union Bank since June 2002. Served as President of Munford Union Bank and Metropolitan Bancshares from 1994 to May 2002. Executive Vice President from 1982 to 1994 of Munford Union Bank and Metropolitan Bancshares. Employed by Munford Union Bank in 1982. Member of the Board of Directors of First Citizens Bancshares, First Citizens National Bank and Munford Union Bank.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is set forth in the 2002 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' 2002 Proxy Statement for the Annual Meeting of Shareholders to be held April 16, 2003, 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 Bancshares (and their associates) have deposit accounts and other transactions with First Citizens National Bank. These relationships are covered in detail on page 10 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 45 - "Amounts Receivable from Certain Persons".

ITEM 14. CONTROLS AND PROCEDURES

A review of the effectiveness of internal controls in place over operations and accounting activities of Bancshares and its' subsidiaries is performed on an ongoing basis throughout the fiscal year. Review of system controls is accomplished primarily through completion of control function questionnaires, observation and discussion with department of business unit managers. Controls and procedures for all operation and accounting functions are documented and approved by executive management. As of this report date, effectiveness of internal disclosure controls are considered to be effective with no material deficiencies that could adversely affect Bancshares ability to report accurate and comprehensive financial information to investors. There was no internal fraud of any nature known to management.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

First Citizens Bancshares, Inc.
(Registrant)

Date: March 14, 2003

/s/ STALLINGS LIPFORD
CHAIRMAN

Date: March 14, 2003 /s/ JEFF AGEE
VICE PRESIDENT & PRINCIPAL FINANCIAL OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on March 15, 2003.

/s/ EDDIE ANDERSON Director	/s/ BARRY T. LADD Director	/s/ P. H. WHITE, JR. Director
/s/ JOHN S. BOMAR Director	/s/ JOHN M. LANNOM Director	/s/ DWIGHT STEVEN WILLIAMS Director
/s/ JAMES WALTER BRADSHAW Director	/s/ STALLINGS LIPFORD Director	/s/ KATIE WINCHESTER Director
/s/ JAMES DANIEL CARPENTER Director	/s/ MILTON MAGEE Director	/s/ BILLY S. YATES Director
/s/ WILLIAM C. CLOAR Director	/s/ L. D. PENNINGTON Director	
/s/ RICHARD W. DONNER Director	/s/ ALLEN SEARCY Director	
/s/ BENTLEY F. EDWARDS Director	/s/ GREEN SMITHEAL, III Director	
/s/ JULIUS M. FALKOFF Director	/s/ WILLIAM F. SWEAT Director	
/s/ LARRY W. GIBSON Director	/s/ DAVID R. TAYLOR Director	
/s/ RALPH E. HENSON Director	/s/ LARRY S. WHITE Director	

CERTIFICATION PURSUANT TO
18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of First Citizens Bancshares, Inc. (the "Company") for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned Chief Executive Officer and Chief Financial Officer of the Company, certifies to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 that:

I, Katie Winchester, Chief Executive Officer and Jeffrey Dean Agee, Chief Financial Officer of First Citizens Bancshares, Inc. certify that:

1. I have reviewed this annual report on Form 10-K of First Citizens Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of Bancshares as of, and for, the periods presented in this report;
4. Bancshares other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a and 15d-114 for First Citizens Bancshares and we have:

    a. designed such disclosure controls and procedures to ensure that material information relating to Bancshares including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. evaluated the effectiveness of Bancshares disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (Evaluation date of December 31, 2002); and
    c. presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the evaluation date December 31, 2002;
5. Bancshares other certifying officers and I have disclosed, based on our most recent evaluation, to Bancshares auditors and the audit committee of Bancshares Board of Directors:

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect Bancshares ability to record, process, summarize and report financial data and have identified for the Bancshares auditors any material weaknesses in internal controls; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in Bancshares internal controls; and
6. Bancshares other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent deficiencies and material weaknesses.

/s/ Katie S. Winchester	/s/ Jeffrey Dean Agee
Chief Executive Officer	Chief Financial Officer
Date: March 14, 2003	Date: March 14, 2003

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as a part of this report:

Financial Statements
Reports of Independent Auditors
Consolidated Balance Sheets as of December 31, 2001 & 2002
Consolidated Statements of Income for the years ended December 31, 2000, 2001 & 2002
Consolidated Statements of Changes in Shareholders' Equity and Other Comprehensive Income for the years ended December 31,

2000, 2001, & 2002
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 2001, & 2002
Notes to Consolidated Financial Statements

All other schedules have been omitted because of the absence of conditions under which they are required or because the required information is given in the above listed financial statements or notes thereto.

(b) Reports on Form 8-K

None

(c) Exhibits

The following Exhibits are filed herewith or incorporated herein by reference:

Exhibit Number	Description	Page
3.1	Charter of First Citizens Bancshares, Inc.*	
3.2	Bylaws of First Citizens Bancshares, Inc.*	
10.1	Executive Employment Agreements	1
21.1	Subsidiaries of the Registrant	1
23.1	Consent of Accountants	1
99.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act	1

* Incorporated by reference to Registrants Annual Report on Form 10-K for the year ended December 31, 2001.