FIRST CITIZENS BANCSHARES INC /TN/
Form 10-K
April 01, 2002

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, 2001

[ ] 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	62-1180360
(State or other jurisdiction of incorporation or organization)	(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 [ ].

The aggregate market value of voting stock held by nonaffiliates of the registrant at December 31, 2001 was $84,530,175.

Of the registrant's only class of common stock (no par value) there were 3,675,225 shares outstanding as of December 31, 2001 (net of Treasury Stock).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement dated March 15, 2002 (Part III) filed by electronic submission

PART I

ITEM 1 - BUSINESS

GENERAL

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

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

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

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

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

	December 31, (in thousands)		
	2001	**2000**	**1999**
Total Assets	$ 537,991	$ 500,954	$ 472,670
Total Deposits	403,508	371,854	366,819
Total Net Loans	365,011	337,196	321,659
Total Equity Capital	49,809	46,889	43,680

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.

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

	As of December 31,					
	2001		**2000**		**1999**	
	Bancshares	**Peer Group**	**Bancshares**	**Peer Group**	**Bancshares**	**Peer Group**
Average Assets/Net Interest Income	3.84%	3.87%	3.91%	4.05%	4.17%	4.15%
Average Assets/Net Operating Income	1.06	1.04	.95	1.06	1.23	1.08
Net loan losses/Average total loans	0.30	0.20	0.41	0.21	0.28	0.17
Primary Capital/Average Assets	9.39	8.64	9.36	8.53	9.24	8.59
Cash Dividends/Net Income**	67.62	27.01	81.09	28.32	58.35	24.48

** Performance as of 12/31/01 is compared to peer group ratios as of 09/30/01 (Most recent Federal Reserve Report)

EXPANSION

On November 12, 1999 the Gramm-Leach-Bliley Act was signed into law. The act contains seven titles, each of which focuses on a different aspect of the financial services industry. This new law will significantly change the way we do business by opening up new business opportunities to the banking industry.

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

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

In December 2001 an Intent to Purchase Agreement was signed with shareholders of Metropolitan Bancshares whereby Bancshares would purchase the assets and assume liabilities of Munford Union Bank, pending regulatory approval. When consumated, this action will add approximately $115,000,000 in assets housed in five locations in Tipton and Shelby Counties in Southeast Tennessee to Bancshares' balance sheet. In addition, this will expand our market into one of the fastest growing areas in our state. The transaction is expected to close by April 30, 2002.

SUPERVISION AND REGULATION

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

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

1. Acquire ownership or control of any voting securities of a bank or Bank Holding Company where the acquisition results in the BHC owning or controlling more than 5 percent of a class of voting securities of that bank or BHC;
2. Acquire substantially all assets of a bank or BHC or merge with another BHC.

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

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

A bank holding company is prohibited with limited exceptions from engaging directly or indirectly through its subsidiaries in activities unrelated to banking or managing or controlling banks. One exception to this limitation permits ownership of a company engaged solely in furnishing services to banks; another permits ownership of shares of the company, all of the activities of which the Federal Reserve has determined after due notice and opportunity for hearing, to be so closely related to banking or managing or controlling banks, as to be a proper incident thereto. Moreover, under the 1970 amendments to the Act and to the Board's regulations, a financial holding company and its subsidiaries are prohibited from engaging in certain "tie-in" arrangements in connection with any extension of credit or provision of any property or service. Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on any extension of credit to the financial holding company or to any of its other subsidiaries, or investments in the stock or other securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower.

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

CAPITAL

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

ITEM 1A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following information relates to the principal executive officers of Bancshares and its principal subsidiary, First Citizens National Bank as of December 31, 2001:

Name	Age	Position and Office
Stallings Lipford	71	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	61	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	60	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	41	Vice President and Chief Financial Officer of Bancshares. Appointed Executive Vice President and CFO of First Citizens National Bank in August 1999. Mr. Agee served as Senior Vice President and CFO of First Citizens prior to this appointment. Employed by First Citizens in 1982. Served First Citizens previous to April, 1994 as Vice President and Accounting Officer. Appointed Senior Vice President and Chief Financial Officer of First Citizens, April 17, 1996.
Barry Ladd	61	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	47	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.

BANKING BUSINESS

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

Agricultural services are provided that include operating loans as well as financing for the purchase of equipment and farm land. The consumer lending department makes direct loans to individuals for personal, automobile, real estate, home improvement, business and collateral needs. Mortgage lending makes available long term fixed and variable rate loans to finance the purchase of residential real estate. These loans are sold in the secondary market without retaining servicing rights. Credit cards and open-ended credit lines are available to both commercial customers and consumers.

Corporate Offices for First Citizens Bancshares and First Citizens National Bank are located in Dyersburg/Dyer County, Tennessee. Dyersburg/Dyer County is located in northwest Tennessee and sits on the banks of the Mississippi River. It is 78 miles northeast of Memphis, Tennessee, 165 miles west of Nashville and 230 miles south of St. Louis, Missouri. Dyer County is equidistant between Chicago and New Orleans with direct rail, Amtrak, highway and interstate service to major industrial and consumer markets. Dyersburg/Dyer County is an anchor in the region that blends education, transportation, industry agribusiness and retail trade to serve the tri-state and service the encompassing Northwest Tennessee, Northwest Arkansas, and the Missouri Boot heel area. Dyer County is a mix of agriculture and industry. Sixty-eight percent of the land in Dyer County is in agricultural production and farming is a major industry in the county. Dyer County is Tennessee's number one producer of soybeans, grain sorghum, commercial vegetables and rice. Other important crops are wheat, cotton, and corn. There are 61 manufacturers and processors distributed throughout the county employing approximately 7,500 workers. The local economy slowed significantly in recent months following a trend which began nationally in mid - 2000. In December 2001, Dyer County unemployment rate was 8.8% compared to the State of Tennessee unemployment rate of 4.5%. The labor force in Dyer County decreased 7.66% from 19,450 in January 1995 to 17,960 in December 2000 primarily due to closings and layoffs in local industries and businesses. A textile manufacturing plant closed in mid-2001, eliminating 900+ jobs, and severely impacting the local economy.

First Citizens National Bank expanded its base of operations into Obion County in 1998. Obion County is located approximately 27 miles north of Dyersburg and is adjacent to Dyer County. Economic conditions in Obion County appear to be solid and growing. The unemployment rate as of December 31, 2001 was 3.5% down from 4.1% at December 31, 2000. The County is a mix of industry, service and retail business. Goodyear Manufacturing, a builder of tires, is the largest employer in the county, employing approximately 3,400 workers at year end 2001. Total Assets of First Citizens National Bank - Obion County offices in Troy and Union City are approximately $114 million consisting primarily of consumer and retail business loans. Total assets of the Lauderdale County office in Ripley increased to approximately $17,234 million consisting primarily of commercial, business and agriculture loans. Unemployment in Lauderdale County as of December 31, 2000 was 9.0% compared to 4.5% for the state.

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

First Citizens was granted trust powers in 1925 and has maintained an active Trust Department since that time. Assets as of December 31, 2001 were in excess of $135,360,000. Services offered by the Investment Management and Trust Services Division include but are not limited to estate settlement, trustee of living trusts, testamentary trustee, court appointed conservator and guardian, agent for investment accounts, and trustee of pension and profit sharing trusts.

Delta Finance, a finance company wholly owned by First Citizens National Bank offers financial service to the retail market. Services offered by Delta Finance, consumer finance affiliate, consist primarily of consumer and residential real estate loans. The three offices of Delta Finance are located in Dyersburg, Milan and Union City, TN. The Union City location was purchased in November 2000. Delta Finance was placed on the market "For Sale" last quarter of 2001. Return on this investment is not consistent with strategic goals of First Citizens, prompting the decision to divest ourselves of this business line.

On February 9, 1998, White and Associates/First Citizens Insurance, LLC was chartered by the State of Tennessee. White and Associates/First Citizens is a general insurance agency offering a full line of insurance products including casualty, Life and Health, and crop insurance. First Citizens holds a 50% ownership position, with Mr. White being the managing partner.

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

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

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

The following tabular analysis sets forth the competitive position of First Citizens when compared with other financial institutions in the service area for the period ending June 30, 2001.

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

Bank Name	Total Deposits 06/30/01	% of Market Share 06/30/01
First Citizens National Bank	$ 397,423	31.12%

First State Bank	197,212	15.44
Union Planters Bank, National Association	106,117	8.31
Bank of Ripley	113,500	8.89
Commercial Bank & Trust Co.	90,587	7.09
Security Bank	80,398	6.29
First Tennessee Bank, National Association	69,653	5.45
Reelfoot Bank	67,800	5.31
Bank of Halls	37,886	2.97
Lauderdale County Bank	28,414	2.22
Gates Banking & Trust Co.	25,751	2.02
Bank Tennessee	24,872	1.95
BancorpSouth Bank	16,195	1.27
Farmers Bank, Woodland Mills, TN	12,120	0.95
City State Bank	9,258	0.72
Total	$ 1,277,186	100.00%

*Does not include deposits of $17,827,000 categorized as Overnight and fixed term Repurchase Agreements.

At December 31, 2001 Bancshares and its subsidiary, First Citizens, employed a total of 204 full time equivalent employees. Having been a part of the local community in excess of 100 years, First Citizens has been privileged to enjoy a major share of the financial services market. Dyersburg and Dyer County are growing and with this growth come demands for more sophisticated financial products and services. Strategic planning has afforded the Company both the physical resources and data processing technology necessary to meet 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

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

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

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

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

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

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

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

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

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

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

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

- Market Awareness - Business decisions will be driven by a clear understanding of the financial needs of existing and potential customers, a focus on enhancing our ability to serve those needs and an awareness of changes which might impact either or both.
- Strategic Planning - Establishing a clear direction for the future of First Citizens, understanding what must be done to accomplish established goals and recognizing signs that might indicate a need to rethink the strategy are key components of the Plan. The management team, acting under guidance of a diverse and committed Board of Directors is positioned to execute a well thought out Strategic Plan.
- Technology Utilization - Automated customer information systems, electronic banking and remote distribution of services are as available to First Citizens as to the largest bank in America. We are committed to investing resources in a manner that will allow us to remain competitive as the information age continues to grow and mature.
- Staff Development - There is no one element within an organization more important to success than the quality of staff. In spite of automation and the efficiencies of outsourcing, community banks still need people. In response, a formalized Staff Development program was introduced in 1999, which will support and enhance the quality of current and future management of First Citizens at all levels. Recognizing leadership skills, enhancing abilities through training and supporting realistic career goals are primary objectives of this ongoing process.

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

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.

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

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

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

ITEM 2. PROPERTIES

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

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 will be 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 facililty, newly constructed in 1999 offers full services banking with four drive-up lanes and a twenty four hour access drive-up ATM. Other services offered at the Ripley office are mortgage loans, Brokerages and Insurance.

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:

First Volunteer Bank in Union City was purchased by First Citizens early in January 1999. The Union City branch operates two full service facilities, a motor branch and 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.

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

During the fourth quarter of the year ending December 31, 2001, 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, 2001 there were 981 shareholders of Bancshares' stock. Bancshares common stock is not actively traded on any market. Per share prices reflected in the following table are based on records of actual sales during stated time periods. These records may not include all sales during these time periods if sales were not reported to First Citizens for transfer.

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

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

Dividends - 2001

Quarter Declared	Dividend Per Share
1st	.2500
2nd	.2500
3rd	.2500
4th	.2500
Total	$1.0000

*Special dividend paid in fourth quarter 2000 and 1999.

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.

	2001	2000	1999	1998	1997
	(Dollars in thousands, except per share data)				
Net Interest & Fee Income	$ 19,917	$ 18,594	$ 19,305	$ 17,964	$ 16,021
Gross Interest Income	39,189	38,137	36,085	35,252	30,698
Income From Continuing Operations	5,760	4,612	5,799	4,474	4,730
Long Term Obligations (1)	63,075	44,237	11,264	25,486	12,146
Income Per Share from Continuing Operation (2)	$ 1.56	$ 1.24	$ 1.58	$ 1.25	$ 1.38
Net Income per Common Share (2)	$ 1.56	$ 1.24	$ 1.58	$ 1.25	$ 1.38
Cash Dividends Declared per Common Share (2)	$ 1.00	$ 1.00	$ 0.90	$ 0.75	$ 0.50

Total Assets at Year End	$ 537,991	$ 500,954	$ 472,670	$ 472,153	$ 384,183
Allowance for Loan Losses as a % Loans	1.08%	1.10%	1.14%	1.25%	1.21%
Allowance for Loan Losses as a % of Non-Performing Loans	141.97%	125.01%	445.26%	509.62%	461.76%
Loans 90 Days Past Due as a % of Loans	0.33%	0.47%	0.10%	0.14%	0.00%

(1) Long Term Obligations consist of FHLB Borrowings, an ESOP obligation, and Finance Company Debts.

(2) Restated to reflect 4 for 1 Stock Split on June 15, 1998.

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

First Citizens Bancshares Inc. is a one-bank holding company headquartered in Dyersburg, Tennessee with full service banking locations Dyer, Lauderdale and Obion Counties. The primary asset of Bancshares is First Citizens National Bank, but also includes First Citizens Financial Plus, Inc, a full service brokerage subsidiary, 50% ownership in White and Associates/First Citizens Insurance, a full service insurance agency, and Delta Finance, a consumer finance affiliate. First Citizens National Bank also offers a full range of Trust and Mortgage Loan services.

The following discussion reviews important factors affecting the financial condition and results of operations of the Corporation for periods indicated. The review should be read in conjunction with the consolidated financial statements and related notes. The discussion also contains forward-looking statements that must also be read in conjunction with the Corporation's Consolidated Financial Statements and Footnotes. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements.

A review of the financials contained within this report reveals renewed growth in deposits, loans and assets of the company. Earnings are much improved over the prior year, increasing 27%, supported by an upward trend in net interest margins that began in second quarter and is expected to continue into the current year.

Balance Sheet Summary:

Assets grew 7.9%, up in excess of $39,000,000 when compared to year-end 2000. This increase represents good solid internal growth with no acquisitions being accomplished in 2001. For the first time in recent history, growth in deposits exceeded that of loans, with increases of $31,659,000 (8.5%) in deposits and $27,815,000 (8.25%) in loans. This can be attributed in part to a flight to safety by customers concerned with volatility of financial markets, opting instead for security of principal afforded by FDIC insurance. Capital growth of 7.9% was supported by improved earnings and an increase in unrealized gains in the Available for Sale segment of the Investment Portfolio.

Income Statement:

Improved net interest margins and an increase in other income resulted in a 27% increase in net income when compared to results of the prior year. This was accomplished in spite of a 24% increase in the loan loss provision, a reflection of the slowing economy and growth within the portfolio. Overall loan portfolio quality remains high, a reflection of strong underwriting standards and diligent oversight by loan administration. The long term Mortgage division was a major contributor to the increase in earnings, ending a record year with income up more than %. Our partnership with White & Associates Insurance produced $242,000 in after tax earnings during 2001, an increase of 19% when compared to year 2000 results.

Liquidity/asset/liability management

: The increase in deposit totals and turnover in the investment portfolio resulting from callable securities significantly improved the liquidity position, but also lowered returns. We are reinvesting with an enhanced awareness of the management of callable securities and the impact their structure can have on net interest margins in a falling rate environment.

Shareholder value

: The management team at First Citizens is driven by shareholder value. Proposals that involve expansion of markets, investment in new or existing business lines and internal enhancements of operations are all focused toward long-term improvement in the shareholder value of the Company. Dividend yields on Bancshares' Common Stock for years 2001 and 2000 were 45% and 79% above peer group payout ratios. A five-year stock buy-back program approved by the Board of Directors will reduce the number of outstanding shares and thereby enhance the value of each remaining share. During 2001, a total of 41,000 shares were purchased at a cost of $939,000. These shares are held as Treasury Stock and are not available for resale. The management team is committed to the future of First Citizens National Bank as an independent community bank. We realize that the only way this can be accomplished is by providing financial returns sufficient to maintain a high level of shareholder value.

Our future:

By the time this report reaches investors, a new location in Martin, Tennessee should be open for business. At this time, the staff and management are in place and are being trained. Even as the temporary facility is being located on sight, we are involved in the process of making decisions relative to a permanent structure. Within eighteen months, a proposed plan will be presented to the Martin Planning Commission for their approval. Based on both internal and external studies of this location, this should prove to be a profitable expansion of First Citizens' market.

First Citizens Bancshares, Inc. has entered into an agreement to purchase the assets of Munford Union Bank in Munford, Tennessee. This is a $115,000,000 asset state chartered bank with locations in Munford (2), Atoka, Millington and Bartlett. It is our intent to allow this bank to continue to operate under its current corporate structure, retaining existing employees and an independent Board of Directors. This acquisition will expand the Bancshares' franchise into several high growth markets, creating opportunities to market banking, brokerage, trust, insurance and mortgage loan product and services.

Summary:

This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement no. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion no. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extaordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB no. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which controls is likely to be temporary.

Reasons for issuing This Statement:

Because Statement 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under Opinion 30, two accounting models existed for long-lived assets to be disposed of. The Board decided to establish a single accounting model, based on the framework established in Statement 121, for long-lived assets to be disposed of by sale. The Board also decided to resolve significant implementation issues related to Statement 121.

- Users of financial statements indicated that the diverse accounting practices that have developed for obligations associated with the retirement of tangible long-lived assets to be disposed of. The Board decided to establish a single accounting model, based on the framework established in Statement 121, for long-lived assets to be disposed of by sale. The Board also decided to resolve significant implementation issues related to Statement 121.

- Obligations that meet the definitions of a liability were not being recognized when those liabilities were incurred or the recognized liability was not consistently measured or presented.

- Company management indicated that the difference between the pooling and purchase methods of accounting for business combinations affected competition in markets for mergers and acquisitions.

NON-INTEREST INCOME

The following table reflects restated non-interest income for the years ending December 31, 2001, 2000, and 1999:

December 31
Change from Prior Year
(in thousands)

		Increase (Decrease)			Increase (Decrease)		
	Total 2001	**Amount**	**Percentage**	**Total 2000**	**Amount**	**Percentage**	**Total 1999**
Service Charges on Deposit Accounts	$ 3,214	$ 503	18.55 %	$ 2,711			

$ 303
12.58 %
$ 2,408Trust Fees859(24)(2.72)%883(38)(4.13)%921Brokerage760(190)(20.00)%950452 90.76 %498Other 1,562 34 2.23 % 1,528 (316) 17.14 % 1,844 Total Non-interest
income
$ 6,395
$ 323
5.32 %
$ 6,072
$ 401
7.07 %
$ 5,671==

Net interest income is the difference between interest and fees earned on loans, securities and other interest-earning assets (interest income) and interest paid on deposits and borrowed funds (interest expense). Net interest income is affected by a number of factors including the level, pricing, mix and maturity of earning assets and interest-bearing liabilities; interest rate fluctuations; and asset quality. The Federal Reserve in year 2000 continued to increase the Federal Funds rates from 5.50% at the end of 1999 to 6.50% at the end of year 2000. This rising rate environment caused First Citizens liabilities to reprice at a faster rate than interest rates earned on earning assets thereby causing a decrease in net interest income of $711 thousand or 3.8% from year-end 1999 to 2000. In 2001 the Federal Funds rate started a steady decline throughout the year resulting in net interest income of $ 1 million or 6.34% in excess of amounts posted in 2000. Downward pressures exerted on interest rate margins were offset in part in year 2001 and 2000 with strong loan growth in excess of 7 percent. Net interest income after the loan loss provision when comparing 2001, 2000 and 1999 was $18,273 thousand, $17,183 thousand, and $18,585 thousand. Increases to the provision in 2001and 2000 represents increased loan growth and elevated charge-offs, which exceeded budget projections for the years under comparison. Long term mortgage lending income ended 2001 with record income of $840 thousand up 65% when compared to $508 thousand in 2000. With Federal Funds rate expected to remain steady in 2002, management expects a favorable impact on this years net interest margins and income. First Citizens Bank locked in $19 million of FHLB long term borrowings during the year of 2001 to reduce our exposure to rising rates or interest rate risk.

Growth in non-interest income has become a key component in sustaining increased earnings for Bancshares. Non-interest income increased 5.32 percent and 7.07 percent when comparing year 2001 to 2000 and 1999 respectively. The major components of non-interest income are service charges on deposit accounts, trust, brokerage and insurance commissions. Service charges on deposit accounts increased $503 thousand or 18.55% and $303 thousand or 12.58% when comparing the year 2001, 2000, and 1999. Also contributing to net interest income was $353,000 received from the sale of insurance products and service from First Citizens/White & Associates Insurance Company, LLC. Non interest income as percent of income for 2001 was 14.03% versus 13.73% for 2000 and 13.58% for 1999**.**

NON-INTEREST EXPENSE

December 31
Change from Prior Year
(in thousands)

		Increase (Decrease)			**Increase (Decrease)**		
	Total 2001	**Amount**	**Percentage**	**Total 2000**	**Amount**	**Percentage**	**Total 1999**
Salaries & Employee Benefits	$ 8,911	$ 160	1.82 %	$ 8,751	$ 79	0.91%	$ 8,672
Occupancy Expense	2,951	13	0.44 %	2,938	212	7.77%	2,726
Other Operating Expense	4,843	(114)	(2.29)%	4,957	946	23.58%	4,011
Total Non-Interest expense	$ 16,705	$ 59	0.35 %	$ 16,649	$ 1,237	8.02%	$ 15,409
	======	======	=======	======	======	=======	=====

Non interest expense increased .35 percent in 2001 to $16,705 thousand, compared to $16,646 thousand and $15,409 thousand in 2000 and 1999 respectively. One of the most significant components of non-interest expense is salaries and employee benefits representing $8,911 thousand in 2001 and $8,751 thousand in 2000 and $8,672 thousand in 1999. At December 31, 2001 First Citizens had 204 full-time equivalent employees, compared to 209 and 203, respectively at December 31, 2000 and 1999. The reduction in fulltime-time equivalent and associated expenses in 2001 related to a reduction in a number of personnel brought about by improved operational efficiencies gained when merging operations of banks acquired beginning in 1998. Efficiencies implemented over the past three years have reduced and/or controlled non-interest expense at acceptable levels. Going forward, management will continue to focus on improving the efficiency ratio at a level comparable to peer banks.

Net occupancy and equipment expense was $2,951 thousand, an increase of .44% over $2,938 thousand in 2000. Equipment and depreciation expense has been largely driven by information technology demands made on First Citizens in support of service delivery systems necessary to meet customer needs as well to place the bank at a competitive advantage.

Other operating expense decreased $114 thousand or 2.29 percent after posting a sharp $946 thousand or 23.58 percent increase in year 2000. The increase from 1999 to 2000 was a result of payouts to two individuals choosing to exercise contract options available as the result of merger activity in Obion County in 1998. Total payout exceeded $800 thousand and represented the extent of First Citizens' contract liability to employees of merged banks. Other changes in non-interest expense resulted from the cost of employing a consulting firm to review systems and practices and to make recommendations for improvements. The level of compensation for the consulting firm was targeted at one-third or approximately $443 thousand of the increase in annual income derived by the company. After the first year, all income enhancements accrue to the benefit of the company.

Efficiencies implemented over the past five years have reduced and/or controlled non-interest expense at an acceptable level. Going forward, management will focus on increasing the potential to generate non-interest income through investment in non-banking subsidiaries such as insurance agencies, consumer finance companies, and our brokerage business. In addition, we will concentrate on internal income growth in the bank's mortgage lending and trust services departments. As we implement new business lines and grow within existing businesses, non-interest expense can be expected to increase. However, the increase should be offset by increases in income at levels targeted by our Capital Plan.

December 31,	**Assets Per Employee**	**Assets Per Employee Peer Group**
*2001	$ 2,637	$ 3,350
2000	$ 2,397	$ 2,860
1999	$ 2,328	$ 2,540
**1998	$ 2,354	$ 2,400
1997	$ 2,151	$ 2,400

* 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)	2001 Average Balance	2001 Average Rate	2000 Average Balance	2000 Average Rate	1999 Average Balance	1999 Average Rate
Non-Interest Bearing Demand Deposits	$ 37,971	0.00%	$ 39,549	0.00%	$ 39,805	0.00%
Savings Deposits	126,116	2.57	114,316	3.04	111,278	2.99
Time Deposits	225,833	5.33	210,177	5.79	208,908	4.91
Total Deposits	$ 389,940	3.92%	$ 364,042	4.30%	$ 359,991	3.77%

Market share data released as of June 2001 reported First Citizens' share of the Dyer County deposits at 60.8 percent, while market share in all counties in which we do business was slightly over 32 percent of total deposits. The same data released in year 2000 indicated that Dyer County market share was 57 percent. A market share comparison (table listed on page 9 contained within this report) for banking competition indicated a loss of market share for all competitor banks. Total deposits increased $26 million or 7.1 percent in 2001 after posting only a $4 million or 1.15 percent increase in 2000. Deposit growth in all quarters of year 2001 was stronger than at any time in recent years and was reflective of customers' reaction to volatile market conditions in year 2001. The "Wall Street" money market account, introduced first quarter 2001 has proven effective in attracting deposits that in the past had flowed to a similar deposit account offered by brokerage firms. The growth of the "Wall Street" account was $21 million for 2001.

Average rate paid on total deposits lowered to 3.92% for 2001 compared to 4.30% in 2000 and 3.77% in 1999. Maturity distribution of time deposits in the amount of $100,000 and over indicates that approximately $ 82 million or 21 % of total deposits will mature and re-price in the next twelve months resulting in improved net interest margins for the bank. Management of liquidity has evolved as a challenge for the community banks. Making the right investment choices, identifying funding sources that impose the least risk to the bank's asset/liability management process and finding creative ways to induce deposit growth will ensure our continued success as an independent community bank. Management is continuously monitoring and enhancing the bank's product line in order to retain and enhance relationships with existing customers and attract new customers. The bank introduced overdraft privilege in February 2001. Overdraft privilege is a discretionary non-contractual service provided our customers, designed to guard against having their checks returned by the bank. Each customer is given an overdraft privilege limit based on the type 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 paid item presented for payment against non-sufficient funds. If the item is over their limit, it will be returned and a non-sufficient fund fee will be assessed.

SHORT TERM BORROWINGS

As of December 31

	2001	**2000**
Amount outstanding - end of period	$ --	$ 34,174
Weighted Average Rate of Outstanding	N/A	5.55%
Maximum Amount of Borrowings at Month End	$ 33,391	$ 54,600
Average Amounts Outstanding for Period	4,727	49,436
Weighted Average Rate of Average Amounts	3.75%	5.97%

Long term debt for 2001 is comprised primarily of Federal Home Loan Bank borrowing totaling $60,575 and Delta Finance Company obligation of $1,000,000. Note payable of Employee Stock Ownership Plan reflected in long term debt of 2000 was paid in full in year 2001. Year 2000 long term debt again included Federal Home Loan Bank borrowings totaling $56.9 million, Employee Stock Ownership debt of $920 thousand and Delta Finance Company Debt of $1 million.

	Average Volume	**Average Rate**	**Average Maturity**	**Repricing Frequency**
FHLB Borrowings	59,424	5.36%	3 years	Fixed
Finance Company Debt	2,233	5.88%	1 year	Fixed

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

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

	2001		**2000**	
	Amount	**Percent**	**Amount**	**Percent**
Maturing in:				
3 months or less	$ 21,402	22.28%	$ 45,450	62.19%
Over 3 through 12 months	60,881	63.40	22,703	31.05
Over 12 monhts	13,740	14.30	4,948	6.76

Total	$ 96,023	31.35%	$ 73,101	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)

	2001			**2000**			**1999**
		Increase (Decrease)			**Increase (Decrease)**		
Funding Uses	**Balance**	**Amount**	**Percentage**	**Balance**	**Amount**	**Percentage**	**Balance**
Interest-Earning Assets:							
Loans (Net of Unearned Discounts & Reserve)	$ 359,296	$ 28,828	8.72%	$ 330,468	$ 7,421	2.29%	$ 323,047
Taxable Investment Securities	83,313	(3,795)	(4.35%)	87,108	(2,260)	(2.52%)	89,368
Non-Taxable Investment Securities	14,601	1,523	11.64%	13,078	6	0.04%	13,072
Federal Funds Sold	7,613	6,412	533.88%	1,201	(1,489)	(55.35%)	2,690
Interest-Earning Deposits in Banks	933	(616)	39.76%	1,549	518	50.24%	1,031
Total Interest-Earning Assets	465,756	32,352	7.46%	433,404	4,196	0.97%	429,208
Other Uses	--	--	--	51,296	7,620	17.44%	43,376
Total Funding Uses	$ 520,119	$ 35,419	7.30%	$ 484,700	$ 12,116	2.56%	$ 472,584
Interest-Bearing Liabilities:							
Savings Deposits	$ 126,116	$ 11,800	10.32%	$ 114,316	$ 3,038	2.73%	$ 111,278
Time Deposits	225,833	15,656	7.44%	210,177	1,269	0.60%	208,908
Federal Funds Purchased and Other Interest-Bearing Liabilities	78,252	6,430	8.75%	71,822	6,904	10.63%	64,918
Total Interest-Bearing Liabilities	430,201	33,886	8.55%	396,315	11,211	2.91%	385,104
Demand Deposits	37,971	(1,578)	(3.98%)	39,549	(256)	(0.64%)	39,805
Other Sources	51,947	3,111	6.37%	48,836	1,161	2.43%	47,675
Total Funding Sources	$ 520,119	$ 35,419	7.30%	$ 484,700	$ 12,116	2.56%	$ 472,584
	======	======	=======	======	======	=======	======

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

Monthly Average Balances and Interest Rates

	2001			**2000**			**1999**		
	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)	$ 359,296	$ 33,147	9.22%	$ 330,468	$ 31,631	9.57%	$ 323,047	$ 29,382	9.10%
Investment securities:									
Taxable	83,313	4,922	5.90%	87,108	5,732	6.58%	89,368	5,903	6.61%
Exempt (4)	14,601	1,039	7.11%	13,078	959	7.33%	13,072	938	7.18%
Interest Earning Deposits	933	52	5.57%	1,549	86	5.55%	1,031	42	4.07%
Federal funds sold	7,613	382	5.01%	1,201	55	4.57%	2,690	148	5.50%
Lease financing	--	--	--%	--	--	--%	--	--	--%
Total interest earning assets	465,756	39,542	8.48%	433,404	38,463	8.87%	429,208	36,413	8.48%
Non-Interest earning assets:									
Cash and Due From Banks	16,499	--	--%	12,736	--	--%	13,531	--	--%
Bank Premises and Equipment	14,116	--	--%	14,101	--	--%	13,035	--	--%
Other Assets	23,748	--	--%	24,459	--	--%	16,810	--	--%
Total Assets	$ 520,119	--	--%	$ 484,700	--	--%	$ 472,584	--	--%
========	========	========							
				LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing liabilities:									
Savings deposits	$ 126,116	$ 3,249	2.57%	$ 114,316	$ 3,481	3.04%	$ 111,278	$ 3,324	2.99%
Time deposits	225,833	12,056	5.33%	210,177	12,183	5.79%	208,908	10,262	4.91%

Federal funds purchased and Other Interest Bearing Liabilities	78,252	3,967	5.06%	71,822	3,879	5.40%	64,918	3,194	4.92%
Total interest-bearing liabilities	430,201	19,272	4.47%	396,315	19,543	4.93%	385,104	16,780	4.36%
Noninterest- bearing liabilities:									
Demand deposits	37,971	39,549	39,805						
Other liabilities	3,598	3,451	3,993						
Total liabilities	471,770	439,315	427,762						
Shareholders' equity	48,349	45,385	43,682						
Total liabilities and shareholders' equity	$ 520,119	$ 484,700	$ 472,584						
========	========	========							
Net interest income		$ 20,270			$ 18,920			$ 19,633	
======	======	======							
Net yield on average earning assets			4.35%			4.36%			4.57%
=====	=====	=====							

____

(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

	2001 Compared to 2000 Due to Changes in:			2000 Compared to 1999 Due to Changes in:		
(Dollars in thousands)	Average Volume	Average Rate	Total Increase/ (Decrease)	Average Volume	Average Rate	Total Increase/ (Decrease)
Interest Earned On:						
Loans	$ 2,759	$ (1,243)	$ 1,516	$ 675	$ 1,574	$ 2,249
Taxable investments	(250)	(560)	(810)	(149)	(22)	(171)
Tax Exempt Investment Securities	112	(32)	80	1	20	21
Interest Bearing Deposits with Other Banks	(34)	--	(34)	21	23	44
Federal Funds Sold and Securities purchased under agreement to resell	293	34	327	(82)	(11)	(93)
Lease Financing	--	--	--	--	--	--
Total Interest Earning Assets	$ 2,880	$ (1,801)	$ 1,079	$ 466	$ 1,584	$ 2,050
Interest Paid On:						
Savings deposits	359	(591)	(232)	91	66	157
Time deposits	906	(1,033)	(127)	623	1,298	1,921
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	347	(259)	88	340	345	684
Total Interest Bearing Liabilities	1,612	(1,883)	(271)	1,054	1,709	2,763
Net Interest Earnings	$ 1,268	$ 82	$ 1,350	$ (588)	$ (125)	$ (713)
======	======	======	======	======	======	

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 $465,756 thousand at an average rate of 8.48%, interest earned of $39,542 thousand for the year 2001 compared to $433,404 thousand, average rate of 8.87% and interest earned of $38,463 thousand in year 2000. Interest earning assets in year 1999 total $429,208 thousand, average rate of 8.48% and earned interest income of $36,413 thousand. Interest bearing liabilities total $430,201 thousand, interest expense of $19,272 thousand in year 2001 compared to $396,315 thousand, interest expense of $19,543 thousand and $385,104 thousand, interest expense of $16.780 thousand in years 2000 and 1999 respectively. The average rate for those years was 4.47%, 4.93% and 4.36% respectively. A reduction in the Federal Funds rate from 6.50% in September 2000 to the 1.75 % at December 31, 2001, materially reduced cost of funds resulting in improved interest rate margins and net income levels for the bank. Average volume change of 2.8 million for total interest earning assets when comparing 2001 to 2000 was primarily caused by average change in loans of 2.7 million. The average rate change for the same time period resulted in decreased volume change of $1.8 million comprised significantly of lower average rate charged on loans. A comparison of total interest bearing liabilities for year-end 2001 and 2000 indicates average volume and average rate change was an increase of $1.6 million and a decrease of $1.9 million. Net Interest earnings as a result of average volume and average rate change was $1.3 million and $82 thousand respectively.

	December 31 (In Thousands)				
	2001	2000	1999	1998	1997
Real Estate Loans:					
Construction	$ 36,862	$ 34,195	$ 34,431	$ 28,048	$ 23,378
Mortgage	225,743	197,040	189,787	159,637	151,333
Commercial, Financial and Agricultural Loans	64,496	63,703	60,446	87,927	52,212
Installment Loans to Individuals	39,200	42,754	37,595	29,197	26,904
Other Loans	2,725	3,267	3,118	2,522	2,512
TOTAL LOANS	$ 369,026	$ 340,959	$ 325,377	$ 307,331	$ 256,339

December 31, 2001 as Compared to December 31, 2000
(in thousands)

Loan Category

Amount of
Increase (Decrease)

% of
Increase (Decrease)

Real Estate$ 31,370 13.56%Commercial, Financial and
Agricultural
793 1.24%Installment Loans to Individuals(3,551)8.31%Other Loans (542) 16.59% TOTAL LOANS$
28,067 8.23%===============

Loan growth during year 2001 resulted primarily from increases of $30 million in mortgage and real estate construction loans. Total loan growth was $28 million or 8.2 percent compared to $16 million or 5 percent in year 2000. Commercial and agriculture loans posted less than a million dollars in growth after a volume increase in 2000 of more $3 million. Growth in the agricultural segment of the portfolio has been negligible as low commodity prices seem to set a standard and farmers have become more dependent on federal disaster payments. The average number of farms in Dyer County is down to 510 with only 270 fulltime farm operators each managing approximately 445 acres of land. However, the economic impact of Agriculture in Dyer County in 2001 was over $61 million. First Citizens' as the largest agriculture lender in our trade area, takes pride in its' contribution to our local economy through support of Agri business. Economists from the Food and Agricultural Policy Research Institute and the Agriculture and food Policy Center have projected that U.S. net farm income could drop more than $9 billion over a two year period beginning in year 2000.

Installment loans to individuals dropped from $42,754 thousand in 2000 to $39, 200 thousand in 2001. Competitors offering zero percent financing has enticed consumers to pay off existing car loans held at banks in favor of new car purchases financed at the dealership. Deterioration in the economy in general has resulted in tightening of loan underwriting standards and sacrificed a higher level of growth to ensure quality in the portfolio. The Jackson, Tennessee Trustee's office reported a 61% increase in the number of Dyer County families filing Chapter 13 Bankruptcy from 2000 to 2001. This past year 228 Dyer County families have filed. Efforts are in place and will continue to provide money management education for families in the county filing bankruptcy. Education programs offered focus on managing family funds, creating and maintaining a family budget, setting money goals and establishing a money management center in the home. Program are established in local high schools that focus on budgeting, writing checks and balancing a checking account. Teens also practice consumer decision making skills.

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 2001. 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%

The provision for loan losses is $4,015 thousand, $3,763 thousand, and $3,718 thousand at December 31, 2001, 2000, and 1999 respectively. An increase in the provision for loan losses of 7 percent when compared to same time period in 2000 is reflective of portfolio growth and deterioration in quality brought about by an slowing economy. Overall portfolio quality remains high and the reserve is considered adequate to cover anticipated losses. Projected loan growth for the year 2002 is approximately 5 percent.

REPOSSESSED REAL PROPERTY:

The book value of repossessed real property held by First Citizens was $1.7 million at December 31, 2001 compared to $390 thousand at year-end 2000 resulting in a net increase of $1.3 million. Properties foreclosed on one borrower in year 2001 and placed in other real estate totals $805,000 or 62 percent of the net increase. Foreclosed properties have been listed with local realtors and a plan to market 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 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 banks' real estate portfolio is a necessary and desirable goal of the bank's real estate loan policy. In order to achieve and maintain a prudent degree of diversity, given the composition of the bank's market area and the general economic state of the market area, the bank will strive to maintain a real estate loan portfolio diversification based upon the following:

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

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

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

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

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

- The request is fully documented to support the fact that other credit factors justify the approval of that particular loan as an exception to the LTV limit;
- The loan, if approved, is designated in the Bank's records and reported as an aggregate number with all other such loans approved by the full Board of Directors on at least a quarterly basis;
- The aggregate total of all loans so approved, including the extension of credit then under consideration, shall not exceed 50% of the Bank's total capital; and
- Provided further that the aggregate portion of these loans in excess of the LTV limits that are classified as commercial, agricultural, multi-family or non-1-to-4 family residential property shall not exceed 30% of the Bank's total capital.

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

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

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

2001	2000	1999	1998	1997
9.22%	9.57%	9.10%	9.72%	9.70%

The aggregate amount of unused guarantees, commitments to extend credit and standby letters of credit was $66,172,000 at December 31, 2001.

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
	=======	=======	=======

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. First Citizens controls interest rate risk by matching assets and liabilities, better explained by employing interest-sensitive funds in assets that are also interest sensitive. First Citizens is liability sensitive since bank liabilities re-price at a much quicker rate than assets. This means that in a rising rate environment net income of the bank 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 the bank's 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 46 percent of average loans will reprice either immediately with a change in interest rates or within 12 months, while $218.7 million or 61 % of average outstanding loans will mature after one year, but within five years. Only $56.9 million or approximately 16 percent of average outstanding loans bear maturities of greater than five years.

NON-PERFORMING LOANS

Nonaccrual, Restructured and Past Due Loans and Foreclosed Properties
First Citizens National Bank
(in thousands)
December 31,

	2001	2000	1999	1998	1997
Nonaccrual Loans	$ 1,600	$ 1,389	$ 500	$ 303	$ 440
Restructured Loans	--	--	--	--	--
Foreclosed Property Other Real Estate	1,730	318	390	177	--
Other Repossessed Assets	--	--	--	--	--
Loans and Leases 90 days Past due and still accruing interest	1,228	1,621	335	425	164
Total Non-performing Assets	$ 4,558	$ 1,939	$ 1,225	$ 905	$ 604
	======	======	=======	======	======
Non-performing assets as a percent of loans and leases plus foreclosed property at end of year	1.23%	0.56%	0.37%	0.33%	0.27%
Allowance as a percent of:					
Non-performing assets	88.08%	194.06%	303.51%	386.30%	461.76%
Gross Loans	1.08%	1.10%	1.14%	1.26%	1.22%
Addition to Reserve as a percent of Net Charge-Offs	118.10%	103.29%	59.30%	154.27%	364.07%
Loans and leases 90 days past due as a percent of loans and leases at year end	0.33%	0.47%	0.10%	0.15%	0.08%
Recoveries as a percent of Gross Charge-Offs	30.98%	19.69%	27.92%	34.77%	41.11%

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 increased $2.6 million in 2001 to $4.6 million or 1.23 percent of total loans at December 31, 2001. This compares to $1.9 million or .56 % of total loans in 2000. First Citizens non-accrual loans totaling $1.6 million are primarily centered with one borrower's credits totaling $633 thousand or 40 percent of the total. The balance of the non-accrual total consists of many smaller loans that are well secured and in the process of collection. Foreclosed property was discussed previously in the discussion of repossessed real property. Loans and leases 90 days past due and still accruing interest 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 was 88.08%, 194.06% and 303.51% respectively for the years ending December 31, 2001, 2000, and 1999. The allowance as a percent of gross loans for the same time periods was 1.08%, 1.10%, and 1.14%. Loan policy calls for an allowance balance of at least 1% of total loans. Continued improvements reflected in the financial ratios are indicative of well communicated loan policies and procedures. Categorization of a loan as non-performing is not in itself a reliable indicator of potential loan loss. The banks' policy states that the bank shall not accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial position of the borrower, (2) any asset for which payment-in-full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in default for a period of 90 days or more unless it is both well secured and in the process of collection. For purposes of applying the 90 day due test for the non-accrual of interest discussed above, the date on which an asset reaches non-accrual status is determined by its contractual term. A debt is well secured if it is secured (1) by collateral in the form of liens or pledges or real or personal property, including securities that have a realizable value sufficient to discharge the debt (including accrued interest) in full, considered to be proceeding in due course either through legal action, including judgement enforcement procedures, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status. Loans that represent a potential loss to First Citizens are adequately reserved for in the provision for loan losses.

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

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

LOAN LOSS EXPERIENCE AND RESERVE FOR LOAN LOSSES

(in thousands)

December 31,

	2001	2000	1999	1998	1997
Average Net Loans Outstanding	$ 359,296	$ 330,468	$ 323,047	$ 259,416	$ 220,985
Balance of Reserve for Loan Losses at Beginning of Period	3,763	3,718	3,496	2,789	2,282
Loan Charge-Offs	(2,017)	(1,701)	(1,214)	(952)	(326)
Recovery of Loans Previously Charged Off	625	335	339	331	134
Net Loans Charged Off	(1,392)	1,366	(875)	(621)	(192)
Additions to Reserve Charged to Operating Expense	1,644	1,411	720	958	699
Changes incident to Mergers	--	--	377	370	--
Balance at End of Period	$ 4,015	$ 3,763	$ 3,718	$ 3,496	$ 2,789
Ratio of Net Charge-Offs during quarter to Average Net Loans Outstanding	0.38%	0.40%	0.28%	0.23%	0.09%

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 $2,017,000 (2) Recovery of loans previously charged off $625,000 and (3) Additions to reserves totaling $1,644,000.

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

An analysis of the allocation of the allowance for Loan Losses is made on a fiscal quarter at the end of the month, (February, May, August, and November) and reported to the board at its meeting immediately preceding quarter-end. Requirements of FASB 114 & 118 have been incorporated into the policy for Accounting by Creditor for Impairment of a loan. A loan is impaired when it is probable that a creditor will be unable to collect all amounts due of principal and interest according to the original contractional terms of the loan. First Citizens adopted the following as a measure of impairment: (1) Impairment of a loan at First Citizens shall exist when the present value of expected future cash flows discounted at the loans effective interest rate impede full collection of the contract; and (2) Fair Value of the collateral, if the loan is collateral dependent, indicates unexpected collection of full contract value. The Impairment decision will be reported to the Board of Directors and other appropriate regulatory agencies as specified in FASB 114 and 118. The bank will continue to follow regulatory guidelines for income recognition for purposes of generally accepted accounting principles, as well as regulatory accounting principles.

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

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

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

1. Pass - Loans that have been reviewed and graded high quality or no major deficiencies.
2. Watch - Loans which, because of unusual circumstances, need to be supervised with slightly more attention than is common.
3. Problem - Loans which require additional collection efforts to liquidate both principal and interest.
4. Specific Allocation - Loans, in total or in part, in which a future loss is possible.

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

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

LOAN LOSS ALLOWANCE ANALYSIS

	LOSS 1 YR.	AVERAGE BALANCE 1 YR.	PERCENT	CURRENT BALANCE	RESERVE REQUIRED
I.CREDIT CARDS					

$

GROSS $

%

$

$

II.

INSTALL. LOANS

$

NET $

%

$$III.

IMPAIRED WITH ALLOCATIONS

$$

IMPAIRED WITHOUT ALLOCATIONS

$$

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, 2002 to be as follows:

	Amount
Domestic:	
Commercial, Financial and Agricultural	$ 600,000
Real Estate - Construction	--
Real Estate - Mortgage	150,000
Installment Loans to individuals	250,000
Lease financing	--
01/01/02 through 12/31/02 Total	$ 1,000,000

	Year Ending December 31, (in thousands)			
Charge-Offs:	2001	2000	1999	1998
Domestic:				
Commercial, Financial and Agricultural	$ 1,537	$ 761	$ 236	$ 228
Real Estate - Construction	--	--	--	--
Real Estate - Mortgage	480	340	142	158
Installment Loans to individuals & credit cards	795	600	836	566
Lease financing	--	--	--	--
Total	$ 2,017	$ 1,701	$ 1,214	$ 952
Recoveries:				
Domestic:				
Commercial, Financial and Agricultural	$ 336	$ 52	$ 89	$ 165
Real Estate - Construction	--	--	--	--
Real Estate - Mortgage	95	39	6	9
Installment Loans to individuals & credit cards	194	244	244	157
Lease financing	--	--	--	--
Total	$ 625	$ 335	$ 339	$ 331
Net Charge-offs	$ 1,392	($ 1,366)	($ 875)	($ 621)

Composition of Investment Securities
December 31,
(in thousands)

	2001	2000	1999	1998	1997
U.S. Treasury & Government Agencies	$ 74,335	$ 82,707	$ 83,372	$ 89,410	$ 62,976
State & Political Subdivisions	17,798	13,959	12,515	17,113	11,799

All Others		12,141	6,428	3,250	3,207	2,740
	TOTALS	$ 104,274	$ 103,094	$ 99,137	$ 109,730	$ 77,515
		=======	=======	=======	=======	======

MATURITY AND YIELD ON SECURITIES
December 31, 2001
(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**
U.S. Treasury and Government Agencies	$ 2,000	7.00%	$ 12,696	4.69%	$ 12,473	5.83%	$ 47,166	5.46%
State and Political Subdivisions*	316	6.20	4,897	4.64	5,403	6.57	7,182	7.45
All Others	--	--	3,340	4.54	5,827	5.21	2,975	7.45
Totals	$ 2,316	6.89%	$ 20,933	4.65%	$ 23,702	5.84%	$ 57,323	5.80%
	======	======	=======	=======	=======	======	======	======

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

HELD TO MATURITY & AVAILABLE FOR SALE SECURITIES
December 31, 2001
(in thousands)

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury Securities	$ 0	$ 0	$ 0	$ 0
U.S. Government agency and corporation obligations	1,000	1,033	72,469	73,335
Securities issued by states and political subdivisions in the U.S.:				
Taxable Securities	0	0	0	0
Tax-exempt securities	1,615	1,651	15,968	16,182
U.S. Securities:				
Debt Securities	0	0	6,756	6,897
Equity Securities (including Federal Reserve stock)	0	0	5,214	5,245
Foreign securities:				
Debt Securities	0	0	0	0
Equity Securities	0	0	0	0
Total (sum of column A items 1 through 5.a must equal Schedule HC, item 2.a and sum of column D, items 1 through 5.b must equal Schedule HC, item 2.b)	$ 2,615	$ 2,684	$ 100,407	$ 101,659

(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 depositors. The investment portfolio: which currently totals $104,274,000, is comprised of US Government Obligations of $74,335,000, State and Political Obligations of $17,798,000, and all others of $12,141,000. Fixed rate holdings comprise 94% of the portfolio. The average life, maturity, and yield of the investments were 4.22 years, 5.70 years, and 5.64%.

Our investment strategy has been to classify most of the portfolio as available for sale (97%), which are carried on the balance sheet at fair market value. This gives management flexibility to actively manage the portfolio under various market conditions. First Citizens does not use the trading account. The portfolio has decreased $5.4 million from 1998 to 2001 due to loan demand. Investments grew $1.2 million when comparing 2001 to 2000. The cash flow statement reflects a material amount of maturities and called bonds for the year of 2001. First Citizens invested most of these funds back into the market at various time frames to reduce market exposure. Our intent is too rely more on mortgage backed investments that have cash flows paying monthly and bullet type investments. Mortgage backed investments account for 50.30% of the portfolio and we will increase this towards 60%.

At December 2001, the investment portfolio had an unrealized gain (net of tax) of $751,000 compared to the prior year figure of ($283,000). The falling rate conditions as reflected in the New York Prime decreasing from 9.50% to 4.75% had a positive impact on the portfolio. In terms of price sensitivity, we estimate that if rates go: up 100 basis points, the market value of the portfolio would decrease $.78 million, up 200 basis points, the market value of the portfolio would decrease $2.7 million, down 100 basis points, the market value would increase $1.4 million, and down 200 basis points, the market value would increase $2 million.

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

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 2001 were made in accordance with specifications set forth in FASB 115. The trading account at December 31, 2000 maintained a zero balance.

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

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

The following table allocates by category unrealized Gains/Losses within the total portfolio as of December 31, 2001 (in thousands):

	Unrealized		Net Gains/
	Gains	Losses	Losses
U.S. Treasury Securities and Obligations of U.S. Government Agencies and Corporations	$ 1,039	$ 140	$ 899
Obligations of States and Political Subdivisions	307	57	250
Federal Reserve and Corporate Stock	172	--	172
Totals	$ 1,518	$ 197	$ 1,321

LIQUIDITY AND INTEREST RATE SENSITIVITY

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate balance between interest sensitive earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. First Citizens' liquidity position improved dramatically in year 2001, as a result of called investments and above average deposit growth. Other sources of liquidity readily available is a diversified based of wholesale borrowings that include federal home loan bank, brokered certificates of deposits, federal funds purchased, and securities sold under agreements to repurchase.

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

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

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

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

Liquidity 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 First Citizens position as of December 31, 2001 in comparison to the OCC Liquidity Benchmarks.

OCC Liquidity Benchmark	Actual 12/31/01
Short Term Liabilities/Total Assets > 20%	21.35%
On Hand Liquidity to Total Liabilities < 8%	10.50%
Loan to Deposits < 80%	91.45%
Wholesale Funds/Total Sources > 15%	16.66%
Non Core Funding Dependence > 20%	68.15%

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

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

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

Interest Rate Risk
December 2000
(in thousands)

Tier Capital $45,441

Projected 12 Month Exposure

Net Interest Income Levels	Rate Moves in Basis Pts.	Current Position	Possible Scenarios	Variance
Declining 4	-400	$ 19,816	$ 18,085	($ 1,731)
Declining 3	-300	19,816	19,674	($ 141)
Declining 2	-200	19,816	20,835	$ 1,019
Declining 1	-100	19,816	20,627	811
Most Likely-Base	**0**	**19,816**	**19,816**	**0**
Rising 1	100	19,816	19,323	($ 493)
Rising 2	200	19,816	18,679	($ 1,137)
Rising 3	300	19,816	17,350	($ 2,466)
Rising 4	400	19,816	16,068	($ 3,748)

Net Interest Income Levels	Tier 1 Capital at Risk	% of Net Int Income Actual	% of Net Int Income Policy
Declining 4	-3.81%	-8.74%	20.00%
Declining 3	-0.31%	-0.71%	20.00%
Declining 2	2.24%	5.14%	20.00%
Declining 1	1.78%	4.09%	10.00%
Most Likely-Base	**0.00%**	**0.00%**	**0.00%**
Rising 1	-1.09%	-2.49%	-10.00%
Rising 2	-2.50%	-5.74%	-25.00%
Rising 3	-5.43%	-12.44%	-25.00%
Rising 4	-8.25%	-18.91%	-30.00%

Notes

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

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

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01

(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	0.00	0.00
US Agency	0.00	0.00	6,373.73	5.37	10,691.78	4.99
MBS	0.00	0.00	5,127.96	6.19	13,742.69	5.33
Agency	0.00	0.00	11,501.68	5.73	24,434.47	5.18
Municipals	0.00	0.00	446.69	5.62	1,462.42	4.82
Corp & Others	0.00	0.00	6,665.75	7.09	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	18,614.12	6.22	25,896.89	5.16
Fed Funds Sold	0.00	0.00	15,886.91	1.50	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	15,886.91	1.50	0.00	0.00
Commercial Variable	0.00	0.00	14,385.81	5.27	8,923.51	4.52
Commercial Fixed	0.00	0.00	11,207.91	8.29	12,353.27	7.58
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.00	0.00
Floor	0.00	0.00	179.02	4.75	0.00	0.00
Unearned	0.00	0.00	0.00	0.00	0.00	0.00
Total Commercial	0.00	0.00	25,772.75	6.58	21,276.78	6.30
Real Estate Variable	0.00	0.00	25,867.42	5.32	9,447.55	5.99
Real Estate Fixed	0.00	0.00	42,671.62	8.22	60,758.96	7.72
Home Equity +1	0.00	0.00	8,999.17	4.99	0.00	0.00
Home Equity +2	0.00	0.00	3,058.16	6.08	0.00	0.00
Home Equity	0.00	0.00	12,057.33	5.27	0.00	0.00
Secondary Mortgage	0.00	0.00	4,021.41	4.75	0.00	0.00
Total Real Estate	0.00	0.00	84,617.78	6.75	70,206.51	7.49
Installment Variable	0.00	0.00	31.10	6.43	178.57	5.32
Installment Fixed	0.00	0.00	3,780.18	9.40	13,062.43	9.03
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	0.00	0.00	3,811.28	9.38	13,241.00	8.98
Credit Cards	0.00	0.00	2,504.24	12.96	0.00	0.00
Overdrafts	0.00	0.00	342.22	0.00	0.00	0.00
Total Other Loans	0.00	0.00	2,846.46	11.40	0.00	0.00
Total Loans	0.00	0.00	117,048.27	6.91	104,724.29	7.43
Loan Loss Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Net Loans	0.00	0.00	117,048.27	6.91	104,724.29	7.43
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	151,549.30	6.26	130,621.18	6.98

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	4,455.48	1.25
NOW	0.00	0.00	0.00	0.00	7,704.94	0.70
Business	0.00	0.00	0.00	0.00	155.44	0.70
IMF	0.00	0.00	0.00	0.00	1.50	0.70
First Rate	0.00	0.00	0.00	0.00	8,415.11	1.35
Wall Street	46,384.41	1.60	0.00	0.00	0.00	0.00
Dogwood	0.00	0.00	0.00	0.00	1,666.99	0.70
Total Savings	46,384.41	1.60	0.00	0.00	22,399.45	1.05
CD 1-3 Months	0.00	0.00	7,211.43	1.89	11.96	6.50
CD 3-6 Months	0.00	0.00	806.43	2.88	30,500.19	1.75
CD 6-12 Months	0.00	0.00	17,186.40	3.62	27,560.78	2.53
CD 13 Months	0.00	0.00	3,024.12	5.46	9,192.24	4.17
CD 1-2 Years	0.00	0.00	34,135.03	6.18	47,600.34	3.96
CD 2-5 Years	0.00	0.00	0 00	0.00	730.76	5.77
CD 5 + Years	0.00	0.00	542.09	6.07	493.10	6.11
Total CD	0.00	0.00	62,905.50	4.91	116,089.38	3.08

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01

(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	6,036.97	5.24	8,865.09	3.89
IRA 2-5 Years	0.00	0.00	213.64	5.09	741.06	5.58
IRA 5 + Years	0.00	0.00	179.97	5.75	467.89	6.10
Total IRA	0.00	0.00	6,430.58	5.25	10,074.04	4.11
Christmas Club	0.00	0.00	143.45	1.25	0.00	0.00
Total Time	0.00	0.00	69,479.53	4.94	126,163.42	3.16
Total Deposits	46,384.41	1.60	69,479.53	4.94	148,562.86	2.84
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	796.11	1.54	0.00	0.00	0.00	0.00
Securities Sold - Sweep	9,751.48	1.31	0.00	0.00	0.00	0.00
Securities Sold - Fixed	0.00	0.00	3,870.64	4.06	4,205.22	3.66
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	1.85	0.00	0.00
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	0.00	0.00
Note Payable-Finance-FCNB	0.00	0.00	0.00	0.00	0.00	0.00
Note Payable-Finance GE	0.00	0.00	1,704.68	5.75	0.00	0.00
Total Borrowing	10,547.58	1.33	7,075.32	4.00	4,205.22	3.66

Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Liabilities	10,547.58	1.33	7,075.32	4.00	4,205.22	3.66
Total Liabilities	56,931.99	1.55	76,554.86	4.85	152,768.08	2.86
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	56,931.99	1.55	76,554.86	4.85	152,768.08	2.86
Period Gap	(56,931.99)	0.00	74,994.45	0.00	(22,146.90)	0.00
Cumulative Gap	(56,931.99)	0.00	18,062.45	0.00	(4,084.45)	0.00
RSA/RSL	0.00	0.00	0.00	0.00	0.00	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00
Period Gap	(56,931.99)	0.00	74,994.45	0.00	(22,146.90)	0.00
Cumulative Gap	(56,931.99)	0.00	18,062.45	0.00	(4,084.45)	0.00
RSA/RSL	0.00	0.00	1.98	0.00	0.86	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(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	5,972.84	5.74	0.00	0.00	0.00	0.00
MBS	24,323.50	5.97	8,778.99	5.85	0.00	0.00
Agency	30,296.34	5.92	8,778.99	5.85	0.00	0.00
Municipals	3,680.60	3.64	3,045.50	4.23	8,947.77	4.89
Corp & Others	0.00	0.00	0.00	0.00	0.00	0.00
Equities	0.00	0.00	0.00	0.00	3,765.70	2.87
Unrealized G/L	0.00	0.00	0.00	0.00	0.00	0.00
Total Investments	33,976.74	5.68	11,824.49	5.43	12,713.47	4.29
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	0.00	9.50	0.00	0.00	0.00	0.00
Commercial Fixed	11,539.20	0.00	3,670.39	8.25	936.83	7.22
Contra Loans - Troy	0.00	0.00	454.50	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	11,539.20	8.40	4,124.89	7.34	936.83	7.22
Real Estate Variable	2,545.43	8.70	1,011.22	7.62	0.00	0.00
Real Estate Fixed	76,916.60	7.92	27,209.40	7.96	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	79,462.02	7.94	28,220.62	7.95	0.00	0.00
Installment Variable	16.41	7.75	0.00	0.00	0.00	0.00
Installment Fixed	17,978.15	10.26	3,921.58	8.78	212.82	9.14
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	17,994.56	10.26	3,921.58	8.78	212.82	9.14
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	108,995.78	8.37	36,267.09	7.97	1,149.65	7.58
Loan Loss Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Net Loans	108,995.78	8.37	36,267.09	7.97	1,149.65	7.58
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	142,972.72	7.73	48,091.58	7.35	13,863.12	4.56
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	8,910.96	1.25	4,455.48	1.25	4,455.48	1.25
NOW	15,409.87	0.70	7,704.94	0.70	7,704.94	0.70
Business	310.87	0.70	155.44	0.70	155.44	0.70
IMF	1.50	0.70	0.00	0.00	0.00	0.00
First Rate	8,415.11	1.35	0.00	0.00	0.00	0.00
Wall Street	0.00	0.00	0.00	0.00	0.00	0.00
Dogwood	3,333.98	0.70	1,666.99	0.70	1,666.99	0.70
Total Savings	36,382.29	0.98	13,982.84	0.88	13,982.84	0.88
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	450.08	2.03	0.00	0.00	0.00	0.00
CD 1-2 Years	12,225.79	4.21	0.00	0.00	0.00	0.00
CD 2-5 Years	10,093.97	5.24	20.00	6.75	0.00	0.00
CD 5 + Years	1,611.69	5.28	1,903.43	5.76	10.02	4.75
Total CD	24,381.52	4.67	1,923.43	5.77	10.02	4.75

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(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	63.17	1.25
IRA 1-2 Years	2,147.84	3.77	30.03	5.85	0.00	0.00
IRA 2-5 Years	1,765.15	4.67	32.93	4.40	0.00	0.00
IRA 5 + Years	1,587.75	5.47	873.65	6.13	0.00	0.00
Total IRA	5,500.74	4.55	936.61	6.06	63.17	1.25
Christmas Club	0.00	0.00	0.00	0.00	0.00	0.00
Total Time	29,882.26	4.65	2,860.04	5.86	73.19	1.73
Total Deposits	66,264.55	2.64	16,842.88	1.72	14,056.03	0.88
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	0.00	0.80	0.00	0.00	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	1,574.62	5.83
FHLB Libor	0.00	0.00	0.00	0.00	0.00	0.00
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	57,500.00	5.37
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	0.00	0.00	0.00	0.00	59,074.62	5.38
Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Liabilities	0.00	0.00	0.00	0.00	59,074.62	5.38
Total Liabilities	66,264.55	2.64	16,842.88	1.72	73,130.65	4.52
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	66,264.55	2.64	16,842.88	1.72	73,130.65	4.52
Period Gap	76,708.17	0.00	31,248.70	0.00	(59,267.53)	0.00
Cumulative Gap	72,623.72	0.00	103,872.43	0.00	44,604.90	0.00
RSA/RSL	2.16	0.00	2.86	0.00	0.19	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00
Period Gap	76,708.17	0.00	31,248.70	0.00	(59,267.53)	0.00
Cumulative Gap	72,623.72	0.00	103,872.43	0.00	44,604.90	0.00

RSA/RSL	2.16	0.00	2.86	0.00	0.19	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(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	15,296.00	15,296.00
Total Cash and Due From	0.00	0.00	0.00	0.00	15,296.00	15,296.00
US Treasury	0.00	0.00	528.47	0.00	0.00	0.00
US Agency	0.00	0.00	0.00	0.00	0.00	23,038.35
MBS	0.00	0.00	0.00	0.00	0.00	51,973.13
Agency	0.00	0.00	0.00	0.00	0.00	75,011.48
Municipals	0.00	0.00	0.00	0.00	0.00	17,582.98
Corp & Others	0.00	0.00	0.00	0.00	0.00	6,665.75
Equities	0.00	0.00	0.00	0.00	0.00	3,765.70
Unrealized G/L	0.00	0.00	0.00	0.00	1,248.26	1,248.26
Total Investments	0.00	0.00	528.47	0.00	1,248.26	104,274.17
Fed Funds Sold	0.00	0.00	0.00	0.00	0.00	15,886.91
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	15,886.91
Commercial Variable	0.00	0.00	0.00	0.00	0.00	23,309.32
Commercial Fixed	421.59	8.75	400.93	8.75	0.00	40,530.11
Contra Loans - Troy	0.00	0.00	0.00	0.00	0.00	454.50
Floor	0.00	0.00	0.00	0.00	0.00	179.02
Unearned	0.00	0.00	0.00	0.00	0.00	0.00
Total Commercial	421.59	8.75	400.93	8.75	0.00	64,472.95
Real Estate Variable	0.00	0.00	0.00	0.00	0.00	38,871.62
Real Estate Fixed	0.00	0.00	0.00	0.00	0.00	207,556.58
Home Equity +1	0.00	0.00	0.00	0.00	0.00	8,999.17
Home Equity +2	0.00	0.00	0.00	0.00	0.00	3,058.16
Home Equity	0.00	0.00	0.00	0.00	0.00	12,057.33
Secondary Mortgage	0.00	0.00	0.00	0.00	0.00	4,021.41
Total Real Estate	0.00	0.00	0.00	0.00	0.00	262,506.93
Installment Variable	0.00	0.00	0.00	0.00	0.00	226.09
Installment Fixed	18.32	10.00	0.00	0.00	0.00	38,973.48
Finance Company - 78s	0.00	0.00	0.00	0.00	0.00	0.00
Total Installment	18.32	10.00	0.00	0.00	0.00	39,199.57
Credit Cards	0.00	0.00	0.00	0.00	0.00	2,504.24
Overdrafts	0.00	0.00	0.00	0.00	0.00	342.22
Total Other Loans	0.00	0.00	0.00	0.00	0.00	2,846.46
Total Loans	439.90	8.80	400.93	8.75	0.00	369,025.92

Loan Loss Reserve	0.00	0.00	0.00	0.00	(4,015.00)	(4,015.00)
Total Net Loans	439.90	8.80	400.93	8.75	(4,015.00)	365,010.92
Building, Furniture & Fixtures	0.00	0.00	0.00	0.00	14,571.00	14,571.00
Other Real Estate	0.00	0.00	0.00	0.00	1,730.00	1,730.00
Other Assets	0.00	0.00	0.00	0.00	21,222.00	21,222.00
Total Other Assets	0.00	0.00	0.00	0.00	37,523.00	37,523.00
Total Assets	439.90	8.80	400.93	8.75	50,052.26	537,991.00
Liabilities:						
Demand	0.00	0.00	0.00	0.00	41,917.00	41,917.00
Total Demand	0.00	0.00	0.00	0.00	41,917.00	41,917.00
Regular	0.00	0.00	0.00	0.00	0.00	22,277.40
NOW	0.00	0.00	0.00	0.00	0.00	38,524.68
Business	0.00	0.00	0.00	0.00	0.00	777.18
IMF	0.00	0.00	0.00	0.00	0.00	3.00
First Rate	0.00	0.00	0.00	0.00	0.00	16,830.22
Wall Street	0.00	0.00	0.00	0.00	0.00	46,384.41
Dogwood	0.00	0.00	0.00	0.00	0.00	8,334.94
Total Savings	0.00	0.00	0.00	0.00	0.00	133,131.83
CD 1-3 Months	0.00	0.00	0.00	0.00	0.00	7,223.39
CD 3-6 Months	0.00	0.00	0.00	0.00	0.00	31,306.63
CD 6-12 Months	0.00	0.00	0.00	0.00	0.00	44,747.18
CD 13 Months	0.00	0.00	0.00	0.00	0.00	12,666.44
CD 1-2 Years	0.00	0.00	0.00	0.00	0.00	93,961.16
CD 2-5 Years	0.00	0.00	0.00	0.00	0.00	10,844.73
CD 5 + Years	0.00	0.00	0.00	0.00	0.00	4,560.32
Total CD	0.00	0.00	0.00	0.00	0.00	205,309.85

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(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	63.17
IRA 1-2 Years	0.00	0.00	0.00	0.00	0.00	17,079.92
IRA 2-5 Years	0.00	0.00	0.00	0.00	0.00	2,752.78
IRA 5 + Years	0.00	0.00	0.00	0.00	0.00	3,109.27
Total IRA	0.00	0.00	0.00	0.00	0.00	23,005.14
Christmas Club	0.00	0.00	0.00	0.00	0.00	143.45
Total Time	0.00	0.00	0.00	0.00	0.00	228,458.43
Total Deposits	0.00	0.00	0.00	0.00	41,917.00	403,507.26
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	796.11
Securities Sold - Sweep	0.00	0.00	0.00	0.00	0.00	9,751.48
Securities Sold - Fixed	0.00	0.00	0.00	0.00	0.00	8,075.86
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	1,574.62
FHLB Libor	0.00	0.00	0.00	0.00	0.00	1,500.00
FHLB Long Term-Callable	0.00	0.00	0.00	0.00	0.00	57,500.00
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	1,704.68
Total Borrowings	0.00	0.00	0.00	0.00	0.00	80,902.74
Other Liabilities	0.00	0.00	0.00	0.00	3,772.00	3,772.00
Total Other Liabilities	0.00	0.00	0.00	0.00	3,772.00	84,674.74
Total Liabilities	0.00	0.00	0.00	0.00	45,689.00	488,182.00
Equity:						
Retained Earnings	0.00	0.00	0.00	0.00	31,151.00	31,151.00
Stock, Surplus, PIC	0.00	0.00	0.00	0.00	18,095.00	18,095.00
Unrealized Gains/(Losses)	0.00	0.00	0.00	0.00	563.00	563.00
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	49,809.00	49,809.00
Total Liability/Equity	0.00	0.00	0.00	0.00	95,498.00	537,991.00
Period Gap	439.90	0.00	400.93	0.00	(45,445.74)	0.00
Cumulative Gap	45,044.80	0.00	45,445.73	0.00	(.01)	0.00
RSA/RSL	0.00	0.00	0.00	0.00	0.52	0.00
Off Balance Sheet:						
Total Off Balance Sheet	0.00	0.00	0.00	0.00	0.00	0.00
Period Gap	439.90	0.00	400.93	0.00	(45,445.74)	0.0
Cumulative Gap	45,044.80	0.00	45,445.73	0.00	(.01)	0.00
RSA/RSL	0.00	0.00	0.00	0.00	0.52	0.00

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(in thousands)

	TOTAL RATE
Assets:	
Cash and Due From	0.00
Total Cash and Due From	0.00
US Treasury	0.00
US Agency	5.29
MBS	5.80
Agency	5.64
Municipals	4.53

Corp & Others	7.09
Equities	2.87
Unrealized G/L	0.00
Total Investments	5.38
Fed Funds Sold	1.50
Fed Funds Sold-Balance	0.00
Total Fed Funds Sold	1.50
Commercial Variable	4.98
Commercial Fixed	8.08
Contra Loans - Troy	0.00
Floor	4.75
Unearned	0.00
Total Commercial	6.90
Real Estate Variable	5.76
Real Estate Fixed	7.93
Home Equity +1	4.99
Home Equity +2	6.08
Home Equity	5.27
Secondary Mortgage	4.75
Total Real Estate	7.44
Installment Variable	5.65
Installment Fixed	9.61
Finance Company - 78s	0.00
Total Installment	9.59
Credit Cards	12.96
Overdrafts	0.00
Total Other Loans	11.40
Total Loans	7.60
Loan Loss Reserve	0.00
Total Net Loans	7.68
Building, Furniture & Fixtures	0.00
Other Real Estate	0.00
Other Assets	0.00
Total Other Assets	0.00
Total Assets	6.30
Liabilities:	
Demand	0.00
Total Demand	0.00
Regular	1.25
NOW	0.70
Business	0.70
IMF	0.70
First Rate	1.35
Wall Street	1.60
Dogwood	0.70

Total Savings	1.19
CD 1-3 Months	1.89
CD 3-6 Months	1.78
CD 6-12 Months	2.95
CD 13 Months	4.40
CD 1-2 Years	4.80
CD 2-5 Years	5.28
CD 5 + Years	5.66
Total CD	3.85

CONDENSED GAP REPORT

CURRENT BALANCES

12/31/01
(in thousands)

	TOTAL RATE
IRA Savings	1.25
IRA 1-2 Years	4.35
IRA 2-5 Years	4.95
IRA 5 + Years	5.77
Total IRA	4.61
Christmas Club	1.25
Total Time	3.93
Total Deposits	2.62
Fed Funds Purchased - Bal	0.00
Fed Funds Purchased	0.00
TT & L	1.54
Securities Sold - Sweep	1.31
Securities Sold - Fixed	3.85
FHLB Short Term	0.00
FHLB Long Term Fixed	5.83
FHLB Libor	1.85
FHLB Long Term-Callable	5.37
Note Payable-Finance-FCNB	0.00
Note Payable-Finance GE	5.75
Total Borrowings	4.64
Other Liabilities	0.00
Total Other Liabilities	4.44
Total Liabilities	2.93
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	2.66
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.
- Repricing 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 reprice or liquidate and become price sensitive only after a major increase in the 6 month CD rate. These accounts are placed in this category instead of the variable position due to history and characteristics.
- 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. First Citizens will attempt to minimize interest rate risk by increasing the volume of variable rate loans within the portfolio. The bank's Asset/Liability Committee will attempt to improve net interest income through volume increases and better pricing techniques. Long term fixed rate positions will be held to a minimum by increasing variable rate loans. The over 5 year fixed rate loans should be held to less than 25% of assets, unless they are funded with Federal Home Loan Bank matched funds. These maximum limits are the high points and the ACLO will strive to keep the amount below this point.

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

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

RETURN ON EQUITY AND ASSETS
FIRST CITIZENS BANCSHARES, INC.

	2001	2000	1999	1998	1997
Percentage of Net Income to:					
Average Total Assets	1.10%	0.95%	1.22%	1.02%	1.26%
Average Shareholders' Equity	11.91%	10.16%	13.27%	11.22%	14.15%
Percentage of Dividends Declared Per Common Share to Net Income	64.31%	81.09%	58.35%	57.51%	35.78%
Percentage of Average Shareholders' Equity to Average Total Assets	9.29%	9.36%	9.24%	9.85%	9.71%

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate balance between interest sensitive earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. First Citizens' liquidity position improved dramatically in year 2001, as a result of called investments and above average deposit growth. Other sources of liquidity readily available is a diversified based of wholesale borrowings that include federal home loan bank, brokered certificates of deposits, federal funds purchased, and securities sold under agreements to repurchase.

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.

2001	2000	1999	1998	1997
9.25%	9.35%	9.24%	9.12%	9.74%

First Citizens' shareholders' equity at December 31, 2001 was $48,809 thousand compared to $46,889 thousand at December 31, 2000, up $1,920 thousand or 4.09 percent. The net increase in capital is a result of undistributed net income, pay-down on debt incurred by the Employee Stock Ownership Plan, and positive market moves in the bond portfolio. Bancshares has historically maintained capital in excess of minimum levels established by the Federal Reserve Board. The risked based capital ratio, a comparison of tier I and tier II capital to risk weighted assets, was 14.04 percent and 13.78% at December 31, 2001 and December 31, 2000. The capital to assets was 9.25% at 12-31-01 versus 9.35% for 12-31-00. This ratio declined slightly due to asset growth and treasury stock purchases. Bancshares' intends to maintain a capital to asset ratio, which reflects financial strength and conforms to current regulatory guidelines. The ratio of dividends to net income was 64 percent in 2001, and 81 percent in 2000 and this was above peer average. The authorized number of common shares was 3,675,225. shares issued and outstanding. Bancshares' declared cash dividends on its common stock of $1.00 per share in both 2001 and 2000. Dividends paid in year 2000 included a special dividend declared fourth quarter of $.10 per share. Dividends ratios paid to shareholders are in line with levels targeted by the bank's capital plan.

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CARMICHAEL, DUNN, CRESWELL & SPARKS PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of First Citizens Bancshares, Inc., and its subsidiary as of December 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years ended December 31, 2001. 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, 2001 and 2000, and their results of operations and cash flows for the three years ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Dyersburg, Tennessee
January 25, 2002

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FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2001 AND 2000

	2001	2000
	(In thousands)	
ASSETS		
Cash and due from banks	$ 15,296	$ 19,123
Federal funds sold	15,887	4,804
Investment securities		
Securities held-to-maturity (fair value of $2,648 at December 31, 2001 and $16,626 at December 31, 2000	2,615	16,705
Securities available-for-sale, at fair value	101,659	86,389
Loans (net of unearned income of $1,738 in 2001 and $2,825 in 2000)	369,026	340,959
Less: Allowance for loan losses	4,015	3,763
Net Loans	365,011	337,196
Premises and equipment, net	14,571	14,024
Accrued interest receivable	3,848	5,596
Intangible Assets	3,636	3,959
Other assets	15,468	13,158
TOTAL ASSETS	$ 537,991	$ 500,954
	========	=======
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Demand	$ 41,917	$ 39,696
Time	228,459	211,311
Savings	133,132	133,132
Total Deposits	403,508	371,854
Securities sold under agreements to repurchase	17,827	15,674
Long term debt	63,075	43,429
Federal funds purchased & other short-term borrowings	--	18,500
Note payable of Employee Stock Ownership Plan	--	808
Other liabilities	3,772	3,800

TOTAL LIABILITIES	$ 488,182	$ 454,065
Stockholders' Equity		
Common stock, No par value:		
Shares authorized - 10,000,000; issued - 3,717,593 in 2001 and 2000	3,718	3,718
Surplus	15,298	15,302
Retained earnings	31,151	29,095
Accumulated other comprehensive income	563	(371)
Less treasury stock, at cost - 42,368 shares in 2001 and 2,382 shares in 2000	(921)	(47)
Obligation of Employee Stock Ownership Plan	--	(808)
TOTAL STOCKHOLDERS' EQUITY	$ 49,809	$ 46,889
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 537,991	$ 500,954
	==========	========

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Interest Income			
Interest and fees on loans	$ 33,147	$ 31,631	$ 29,382
Interest and dividends on investment securities:			
Taxable	4,640	5,496	5,582
Tax-exempt	686	633	610
Dividends	282	236	321
Other interest income	434	141	190
Total Interest Income	39,189	38,137	36,085
Interest Expense			
Interest on deposits	15,305	15,664	13,586
Interest on long-term debt	3,184	2,435	672
Other interest expense	783	1,444	2,522
Total Interest Expense	19,272	19,543	16,780
Net interest income	19,917	18,594	19,305
Provision for loan losses	1,644	1,411	720
Net interest income after provision for loan losses	18,273	17,183	18,585
Other Income			
Income from fiduciary activities	779	883	921
Service charges on deposit accounts	3,214	2,711	2,408
Brokerage fees	760	950	498
Securities gains (losses) - net	127	(20)	93
Other income	1,515	1,548	1,751
Total Other Income	6,395	6,072	5,671
Other Expenses			
Salaries and employee benefits	8,912	8,751	8,672
Net occupancy expense	1,031	1,058	1,028
Depreciation	1,388	1,431	1,262
Data processing expense	532	449	436

Legal and professional fees	166	98	139
Stationary and office supplies	233	229	291
Amortization of intangibles	322	320	351
Executive payments	--	809	--
Other expenses	4,121	3,501	3,230
Total Other Expenses	16,705	16,646	15,409
Net income before income taxes	$ 7,963	$ 6,609	$ 8,847
Provision for income tax expense	2,202	1,997	3,048
Net income	$ 5,761	$ 4,612	$ 5,799
	=====	=====	=====
Earnings Per Common Share:			
Net income	$ 1.56	$ 1.24	$ 1.58
	=====	=====	=====
Weighted average shares outstanding	3,703	3,709	3,664
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
		(In thousands)	
Net income for year	$ 5,761	$ 4,612	$ 5,799
Other comprehensive income, net of tax			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	934	1,665	(2,491)
Total Comprehensive Income	$ 6,695	$ 6,277	$ 3,308
	=====	=====	=====

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, 2001			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ 1,345	$ (528)	$ 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
	=====	=====	=====
Year Ended December 31, 1999			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	$ (3,912)	$ 1,555	$ (2,357)

Less reclassification adjustments for gains included in net income	(223)	89	(134)
Net Unrealized Gains (Losses)	$ (4,135)	$ 1,644	$ (2,491)
	=====	=====	=====

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2001, 2000 and 1999
(In thousands except per share data)

	Common Stock				
	Shares	At Par			
Net income, year ended December 31, 1999			5,799		5,799
Net income, year ended December 31, 2000			4,612		4,612
Unrealized loss - derivatives				(88)	(88)
Prior period adjustment of unearned interest, net of tax					
Net income, year ended December 31, 2001			5,761		5,761

See accompanying notes to consolidated financial statements.

FIRST CITIZENS BANCSHARES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
		(In thousands)	
Operating Activities			
Net income	$ 5,761	$ 4,612	$ 5,799
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for loan losses	1,644	1,411	720
Provision for depreciation	1,388	1,431	1,262
Provision for amortization - intangibles	322	320	351
Deferred income taxes	49	921	(1,032)
Realized investment security (gains) losses	(127)	20	(93)
Decrease (increase) in accrued interest receivable	1,748	(243)	(158)
Increase (decrease) in accrued interest payable	(613)	480	(365)
Increase in other assets	(2,358)	(2,738)	(2,192)
Increase (decrease) in other liabilities	585	(380)	694
Net cash provided by operating activities	8,399	5,834	4,986
Investing Activities			

Proceeds of maturities of held to maturity investment securities	14,090	3,640	7,866
Purchases of held-to-maturity investment securities	--	--	(2,500)
Proceeds of sales and maturities of available-for-sale investment securities	92,763	7,213	15,800
Purchases of available-for-sale investment securities	(106,972)	(13,165)	(12,971)
Increase in loans - net	(29,459)	(16,948)	(18,920)
Purchase of premises and equipment	(1,935)	(2,038)	(3,451)
Net Cash provided by investing activities	(31,513)	(21,298)	(14,176)
Financing Activities			
Net increase (decrease) in demand deposits, NOW accounts, and savings accounts	14,506	3,559	(4,765)
Increase in time deposits - net	17,148	1,476	10,885
Increase in long-term borrowing	19,646	32,165	
Payment of principal on long-term debt			(14,222)
Proceeds from Sale of Common Stock		300	450
Cash Dividends Paid	(3,705)	(3,741)	(3,384)
Net Increase (decrease) in short-term borrowings	(16,347)	(11,916)	7,983
Treasury stock transactions - net	(878)	138	(67)
Net Cash provided (used) by Financing Activities	30,370	21,981	(3,120)
Increase (Decrease) in Cash and Cash Equivalents	7,256	6,517	(12,310)
Cash and cash equivalents at beginning of year	23,927	17,410	29,720
Cash and cash equivalents at end of year	$ 31,183	$ 23,927	$ 17,410
	======	======	======

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

	2001	2000	1999
Interest	$ 19,259	$ 19,063	$ 17,145
Income Taxes	1,751	2,337	2,400

See accompanying notes to consolidated financial statements.

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FIRST CITIZENS BANCSHARES, INC.,
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

BASIS OF PRESENTATION

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

Bank of Troy was acquired on March 5, 1999, in a transaction accounted for as a purchase, and therefore, operations of Bank of Troy from March 5, 1999 forward are included in the consolidated financial statements.

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

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

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

All significant inter-company accounts are eliminated in consolidation.

NATURE OF OPERATIONS

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

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 sheet at the unpaid principal amount less the allowance for loan losses and unearned income.

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

ALLOWANCE FOR LOAN LOSSES

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

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, 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 Securities Investments	96,732	1,396	213	97,915
Corporate debt securities	3,675	69	--	3,744
Total Securities Investments	$ 100,407	$ 1,465	$ 213	$ 101,659
	=====	=====	====	=====

HELD- TO- MATURITY
December 31, 2000
(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	$ 15,050	$ 11	$ 116	$ 14,945
Obligations of states and political subdivisions	1,632	27	1	1,658
Mortgage-backed securities	23	--	--	23

Total Securities Investments	$ 16,705	$ 38	$ 117	$ 16,626
	=====	=====	====	=====

AVAILABLE-FOR-SALE
December 31, 2000
(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	$ 56,525	$ 145	$ 737	$ 55,933
Obligations of states and political subdivisions	12,069	281	87	12,263
Mortgage-backed securities	11,885	54	133	11,806
Corporate debt securities	2,920	20	15	2,925
Total Securities Investments	83,399	500	972	82,927
Corporate debt securities	3,462	--	--	3,462
Total Securities Investments	$ 86,861	$ 500	$ 972	$ 86,389
	=====	=====	====	=====

The tables below summarize maturities of debt securities held-to-maturity and available-for-sale as of December 31, 2001 and 2000:

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
	======	======	========	========

December 31, 2000
(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	$ 78	$ 78	$ 2,671	$ 2,667
After one year through five years	15,647	15,542	22,722	22,649
After five years through ten years	980	1,006	34,002	33,870
After ten years	--	--	24,004	23,741
	$ 16,705	$ 16,626	$ 83,399	$ 82,927
	======	======	========	========

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)		
2001 - Securities available-for-sale	$ 6,000	$ 127	$ --	$ 127
2000 - Securities available-for-sale	3,375	--	20	(20)
1999 - Securities held-to-maturity	998	1	2	(1)
1999 - Securities available-for-sale	6,353	96	2	94

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

December 31	Amortized Cost	Fair Value
2001	$ 75,346	$ 76,383
2000	79,517	79,435

At December 31, 2001, Nevada Investments II, Inc., has unrealized gains on securities available-for-sale totaling $1,248,256, resulting in accumulated other comprehensive income in the amount of $751,025.

Generally accepted accounting principles has established accounting and reporting standards for derivative financial instruments, including certain derivative instruments embedded in other contracts and for hedging activities. These standards require that derivatives be reported either as assets or liabilities on the balance sheets and be reflected at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation. The company utilized the derivative as a cash flow hedge, hedging the "benchmark interest rate." A Federal Home Loan Bank Variable Libor Borrowing has been designated as hedged and in doing so, the Company has effectively fixed the cost of this liability.

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

During the year, the value of the derivative decreased by $100,000 due to market interest rate fluctuations, resulting in a negative other comprehensive income attributable to derivatives of $188,000, which is reflected in accumulated other comprehensive income at December 31, 2001.

NOTE 3 - LOANS

Loans outstanding at December 31, 2001 and 2000, were comprised of the following:

	2001	2000
	(In thousands)	
Commercial, financial and agricultural	$ 64,496	$ 63,703
Real estate - construction	36,862	34,195
Real estate - mortgage	225,743	197,040
Installment	39,200	42,754
Other loans	2,725	3,267
	369,026	340,959
Less: Allowance for loan losses	4,015	3,763
Net Loans	$ 365,011	$ 337,196

====== ======

In conformity with Statement No. 114 of the Financial Accounting Standards Board, the Corporation has recognized loans with carrying values of $1,600,000 at December 31, 2001, and $2,267,000 at December 31, 2000, as being impaired. The balance maintained in the Allowance for Loan Losses related to these loans was $694,700 at December 31, 2001, and $1,021,167 at December 31, 2000. As of December 31, 2001, loans totaling $1,728,262 were directly related to the specific Allowance for Loan Losses.

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

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

	2001	2000	1999
		(In thousands)	
Balance - beginning of period	$ 3,763	$ 3,718	$ 3,872
Provision for loan losses charged to operations	1,644	1,411	720
Loans charged to allowance, net of loan loss recoveries of $625,398; $335,139, and $308,669	(1,392)	(1,366)	(874)
Balance - end of period	$ 4,015	$ 3,763	$ 3,718
	======	======	======

For tax purposes, the Corporation deducts the maximum amount allowable. During the year ended December 31, 2001, the deduction taken was $1,455,272. The deductions for tax purposes in 2000 and 1999 were $1,820,429 and $681,563, respectively.

NOTE 5 - PREMISES AND EQUIPMENT

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

	Useful Lives	2001	2000
		(In thousands)	
Land		$ 2,193	$ 1,684
Buildings	5 to 50	14,330	13,659
Furniture and equipment	3 to 20	11,320	10,819
		27,843	26,162
Less: Accumulated depreciation		13,272	12,138
Net Fixed Assets		$ 14,571	$ 14,024
		=======	=======

NOTE 6 - REPOSSESSED REAL PROPERTY

The carrying value of repossessed real property on the balance sheets of the Corporation is $1,757,392 at December 31, 2001, and $324,238 at December 31, 2000. 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:

	2001	2000
	(In thousands)	
Time Deposits	$ 96,023	$ 73,101
Savings Deposits	69,712	49,365

NOW accounts, included in savings deposits on the balance sheets, totaled $38,524,682 at December 31, 2001, and $40,646,326 at December 31, 2000.

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, 2001 and 2000, were $7,094,407 and $8,858,253, respectively.

Time deposits maturing in years subsequent to December 31, 2001, are as follows:

	(In thousands)
One year or less	$ 195,643
After one year through three years	29,883
After three years through five years	2,860
After five years	73
Total	$ 228,459

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 2001, 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 $619,964 in 2001, $629,820 in 2000, and $610,718 in 1999.

NOTE 9 - INCOME TAXES

Provision for income taxes is comprised of the following:

	2001	2000 (In thousands)	1999
Federal income tax expense (benefit)			
Current	$ 2,075	$ 1,555	$ 2,530
Deferred	(3)	210	(26)
State income tax expense (benefit)			
Current	131	193	511
Deferred	(1)	39	33
	$ 2,202	$ 1,997	$ 3,048

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:

	2001	2000 (In thousands)	1999
Tax expense at statutory rate	$ 2,707	$ 2,247	$ 3,008
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	79	152	359
Tax exempt income	(245)	(215)	(435)
Effect of life insurance	(144)	(115)	(168)
Amortization of goodwill	123	123	124
Dividends - Employee Stock Ownership Plan	(296)		
Other items	(22)	(195)	160
	$ 2,202	$ 1,997	$ 3,048

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

(In thousands)	2001	2000
Deferred tax liabilities	$ (497)	$ --
Deferred tax assets	387	435
Net deferred tax assets	$ (110)	$ 435
	======	=====

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, 2001, 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, 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%
As of December 31, 2000:						
Total risk-based capital (to risk weighted assets)	$ 46,657	13.78%	$ 27,091	≥ 8.0%	$ 33,864	≥ 10.0%
Tier 1 capital (to risk weighted assets)	42,894	12.67%	13,546	≥ 4.0%	20,319	≥ 6.0%
Tier 1 capital (to average assets)						

42,894 8.76%19,594 ≥ 4.0%24,492 ≥ 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 2001 and 2000 were $5,023,000 and $2,704,970, 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, 2001, approximately $9 million of retained earnings was available for future dividends from the subsidiary to the parent corporation.

NOTE 13 - CONDENSED FINANCIAL INFORMATION

FIRST CITIZENS BANCSHARES, INC.
(Parent Company Only)

	2001	**2000**
	(In thousands)	
BALANCE SHEETS		
ASSETS		
Cash	$ 148	$ 1,091
Investment in subsidiaries	49,588	46,482
Other assets	15,468	124
TOTAL ASSETS	$ 49,811	$ 47,697
	========	=======

LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Note payable of ESOP	$	$ 808
Accrued expenses	2	--
TOTAL LIABILITIES	$ 2	$ 808

STOCKHOLDERS' EQUITY	49,809	46,889
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 49,811	$ 47,697
	========	========

STATEMENTS OF INCOME

	2001	2000
	(In thousands)	
INCOME		
Dividends from bank subsidiary	$ 3,705	$ 3,828
Other income	36	63
TOTAL INCOME	3,741	3,891
EXPENSES		
Other expenses	224	120
TOTAL EXPENSES	224	120
Income before income taxes and equity in undistributed net income of bank subsidiary	3,517	3,771
Income tax expense (benefit)	(72)	(21)
	3,517	3,771
Equity in undistributed net income of bank subsidiary	2,172	820
NET INCOME	$ 5,761	$ 4,612
	========	========

STATEMENTS OF CASH FLOWS

	2001	2000
	(In thousands)	
Operating Activities		
Net income	$ 5,761	$ 4,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary	(2,172)	(820)
Decrease in other assets	49	135

Increase (decrease) in other liabilities	2	(30)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,640	3,897
Financing Activities		
Payment of dividends and payments in lieu of fractional shares	(2,172)	(820)
Sale of common stock		300
Treasury stock transactions - net	(878)	138
NET CASH USED BY FINANCING ACTIVITIES	(4,583)	(3,303)
INCREASE (DECREASE) IN CASH	(943)	594
Cash at beginning of year	1,091	497
CASH AT END OF YEAR	$ 148	$ 1,091
	========	========

NOTE 14 - LONG TERM DEBT

First Citizens National Bank has secured advances from the Federal Home Loan Bank in the amounts of $60,575,000 at December 31, 2001, and $55,429,000 at December 31, 2000. At December 31, 2001, $60,574,621 is considered long-term in nature. These advances bear interest at rates which vary from 3.97% to 6.46% and mature in the years 2008 through 2011. The obligations are secured by the Bank's entire portfolio of fully disbursed, one to four family residential mortgages.

Delta Finance Company, a subsidiary of First Citizens National Bank, is obligated to General Appliance and Furniture Company, Inc. on an unsecured note payable in the amount of $1,000,000, which bears interest at the rate of five and three-quarter percent (5.75%) per annum and matures March 1, 2002. The Company has the intent and ability to renew the loan for another five years.

Delta Finance Company is 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 bears interest at the rate 5.98 percent per annum and matures on March 1, 2002. The Company has the intent and ability to renew the loan at that time.

Averages for the years 2001 and 2000 are as follows:

	Average Volume	Average Interest Rate (In thousands)	Average Maturity
2001			
First Citizens National Bank	59,424	5.36%	3 years
Delta Finance Company	2,233	5.88%	1 year
2000			
First Citizens Bancshares, Inc.	920	7.25%	5 years
First Citizens National Bank	56,929	5.90%	3 years
Delta Finance Company	1,000	6.00%	5 years

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

Years Ending December 31,	
2002	$ --
2003	2,500
2004	--
2005	--
2006	--
Thereafter	60,575

$ 63,075

NOTE 15 - SHORT-TERM BORROWINGS

At December 31, 2001 and 2000, First Citizens National Bank had outstanding balances in short-term borrowings as follows:

	2001	2000
	(In thousands)	
Outstanding balance - end of period	$ --	$ 34,174
Weighted Average Rate of Outstanding	N/A	5.55%
Maximum Amount of Borrowings at Month End	$ 33,391	$ 54,600
Average Amounts Outstanding for Period	4,727	49,436
Weighted Average Rate of Average Amounts	3.75%	5.97%

NOTE 16 - NON-CASH INVESTING AND FINANCING ACTIVITIES

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

Investing	2001	2000	1999
		(In thousands)	
Other real estate acquired in satisfaction of loans	$ 1,340	$ 804	$ 824
Investment in First Volunteer Corporation			3,775

NOTE 17 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's credit-worthiness is evaluated on a case-by-case basis, and collateral required, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. At December 31, 2001 and 2000, First Citizens National Bank had outstanding loan commitments of $65,140,000 and $56,860,000, 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, 2001 and 2000, outstanding standby letters of credit totaled $1,032,000 and $1,761,000, respectively.

In the normal course of business, First Citizens National Bank extends loans, which are subsequently sold to other lenders, including agencies of the U. S. government. Certain of these loans are conveyed with recourse creating off-balance sheet risk with regard to the collectibility of the loan. At December 31, 2001 and 2000, however, the Bank had no loans sold.

NOTE 18 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 19 - DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

INVESTMENT SECURITIES

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

LOANS RECEIVABLE

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

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

DEPOSIT LIABILITIES

Demand Deposits

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

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, 2001 and 2000.

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:

	2001		**2000**	
	Carrying	Fair	Carrying	Fair
Financial Assets	Amount	Value	Amount	Value
	(In thousands)			
Cash and cash equivalents	$ 31,183	$ 31,183	$ 23,927	$ 23,927
Investment securities	104,274	104,307	103,094	103,015

Loans

369,026

340,959

Less: Allowance for loan losses

(4,015)

(3,763)

Loans, net of allowance

365,011

377,781

337,196

329,573

Accrued interest receivable

3,848

3,848

5,596

5,596

<u>Financial Liabilities</u>

Deposits

403,508

405,909

371,854

373,051

Short-term borrowings

17,827

17,827

34,174

34,174

Long-term debt

63,075

78.386

43,429

41,474

Other liabilities

3,772

3,772

3,800

3,800

Unrecognized Financial Instruments

Commitments to extend credit

65,140

65,140

56,860

56,860

Standby letters of credit

1,032

1,032

1,761

1,761

NOTE 20 - COMMITMENTS AND CONTINGENCIES

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

NOTE 21 - MERGERS AND ACQUISITIONS

First Citizens National Bank and White & Associates began the process of forming a credit life insurance company during 1998. During the year ended December 31, 1999, the credit life insurance company was chartered. Operating results for the year ended December 31, 2001, were a profit of $17,213.

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

NOTE 22 - 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 23 - 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 24 - 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 $8,000,000. Advances under this line of credit will be used for purposes of capital infusion or other liquidity needs of the parent company. Interest on the outstanding balance will be payable quarterly at a variable rate per annum. The variable rate of interest shall be 100 basis points below First Tennessee's Base Rate. At December 31, 2001, First Citizens Bancshares, Inc. had no indebtedness on this line of credit.

NOTE 23 - AMOUNTS RECEIVABLE FROM RELATED PARTIES

Year Ended December 31, 2001
(In thousands)

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

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Year Ended December 31, 200

0

(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)

$ 8,

627

$

6,614

$ 6,383

$ -0-

$

8,858

$ -0-

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Aggregate indebtedness

to First Citizens

National Bank of

Directors and Executive Officers

Of First Citizens

National Bank (26)

$ 8,627

$

6,614

$

6,383

$ -0-

$

8,858

$ -0-

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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.

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 19, 2002, in the sections entitled Voting Securities and Election of Directors and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Officers, Directors and principal shareholders of the holding company (and their associates) have deposit accounts and other transactions with First Citizens National Bank. These relationships are covered in detail on page 12 of the Proxy Statement under "Certain Relationships and Related Transactions" and incorporated herein by reference. Additional information concerning indebtedness to Bancshares and First Citizens by Directors and/or their affiliates is included herein under Part III, Note 25 - "Amounts Receivable from Certain Persons".

SIGNATURES

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

First Citizens Bancshares, Inc.
(Registrant)

Date: March 15, 2002

/s/ STALLINGS LIPFORD
CHAIRMAN
First Citizens National Bank
(Principal Subsidiary)

Date: March 15, 2002

/s/ JEFF AGEE
EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER
First Citizens National Bank
(Principal Subsidiary)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the indicated capacities on March 1

5, 2002.

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