First Citizens Bancorporation, Inc.

2009

Notice of Annual Meeting

Annual Report to Shareholders

First Citizens Bancorporation, Inc.

1230 Main Street
Columbia, South Carolina 29201

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of First Citizens Bancorporation, Inc. will be held at 2:00 p.m. on Thursday, April 22, 2010, in the 9th floor Board Room of the First Citizens Center located at 1230 Main Street, Columbia, South Carolina.

The purposes of the meeting are:

(1) ***Election of Directors*:** To elect 13 directors for one-year terms; and

(2) ***Other Business*:** To transact any other business properly presented for action at the meeting.

Only shareholders of record at the close of business on Monday, March 1, 2010, are entitled to notice of and to vote at the meeting.

The persons named below have been nominated by the Board of Directors for election at the Annual Meeting as directors of First Citizens Bancorporation, Inc. ("Bancorporation"). All of the nominees currently serve as a director of Bancorporation and are presented for re-election. Each nominee has been nominated for a term of one year or until his resignation, retirement, death, removal, or disqualification, or until his respective successor has been duly elected and qualified:

C. H. Ames, J. B. Apple, P. M. Bristow, D. E. Dukes, J. E. Furman, Jr., M. C. Garner, Jr., R. B. Haynes, W. E. Haynes, L. M. Henderson, F. B. Holding, K. B. Marsh, A. H. McIntyre, and C. S. McLaurin III.

On page 45 of this document, additional information on the nominees presented for re-election to the Board of Directors is presented for your consideration.

All shareholders and proxy holders should be prepared to present photo identification to attend and vote at the meeting. If you are not a shareholder of record but hold your shares through a broker, trustee or nominee, you should provide proof of beneficial ownership on the record date noted above in the form of either an account statement or statements that shows your ownership of shares on the record date, or a letter from your broker, trustee or nominee confirming the number of shares you owned on the record date.

If you are unable to attend, you are entitled under South Carolina law to appoint a proxy holder to attend the meeting and vote for you. To reduce the potential for confusion about complying with the legal requirements for voting by proxy, we have prepared a form of proxy that we believe will satisfy those requirements if completed properly and signed by the shareholder of record. This form does not include any suggested names of proxy holders and we are not recommending or asking you to name anyone associated with Bancorporation's management or Board of Directors as proxy holder. You will need to make your own decision about whether to appoint a proxy holder and who to appoint, and make your own arrangements with the proxy holder.

If you have any questions concerning the annual meeting or would like to obtain a copy of a proxy appointment form, please contact our Corporate Secretary, Melissa A. Mendenall, by telephone at (803) 931-1320, by mail at 1230 Main Street, Columbia, South Carolina 29201, or by e-mail at *lisa.mendenall@firstcitizensonline.com.*

By Order of the Board of Directors

/s/ Melissa A. Mendenall

Melissa A. Mendenall
Corporate Secretary

First Citizens Bancorporation, Inc.

2009

Annual Report to Shareholders

To Our Shareholders:

While 2009 was another challenging year for the banking industry, First Citizens was able to increase our total assets to $8.44 billion, grow our deposit base and significantly strengthen our capital ratios. Our talented team of associates and solid financial performance continue to position us well for future growth and to meet the challenges 2010 will present.

Highlighted below are a few of First Citizens' key accomplishments in 2009:

- We achieved net income of just over $101 million.
- We continued to expand our banking franchise through highly successful de novos in markets along the South Carolina coast and in Augusta. We also have demonstrated our long-term commitment to communities like Clemson, Rock Hill, Camden and North Charleston by completely rebuilding or significantly renovating branches in these already-established markets.
- First Citizens entered into loss sharing agreements with the Federal Deposit Insurance Corporation ("FDIC") on September 25, 2009 to purchase substantially all of the assets and assume the majority of liabilities of Georgian Bank, the second-largest Atlanta-based bank with five full-service banking offices and over $2 billion in assets. Entering the Atlanta market is a continuation of First Citizens' current expansion strategy in Georgia.
- In October 2009, we successfully converted and integrated Merchants & Farmers Bank into First Citizens Bank.
- The Mortgage division did a great job originating the largest volume of loans in our history.
- We revamped our consumer credit processes and made significant strides in collections to adequately address non-performing loans and charge-offs.
- Core bank earnings performance was solid. While charge-offs increased, growth in net interest income and noninterest income exceeded noninterest expense growth.
- Adjusted for assets covered by loss sharing agreements with the FDIC, credit quality ratios continue to be significantly better than our peer group's.

Please join us for the Annual Meeting of Shareholders on April 22, 2010. Attached to this letter is a notice regarding our 2010 Annual Meeting and a copy of the 2009 Audited Consolidated Financial Statements. Details about the meeting are more fully described in the notice.

Given our solid partnership with you—our valued shareholders—and the dedication of our leadership team and associates, we will continue to strive for success in 2010 despite what appears to be another difficult banking environment. I look forward to seeing you at the annual meeting and appreciate your ongoing support of First Citizens.

Sincerely,

/s/ Jim B. Apple

Jim B. Apple
Chairman and Chief Executive Officer

REPORT OF MANAGEMENT

Statement of Management's Responsibilities

The management of First Citizens Bank and Trust Company, Inc. (the "Bank") is responsible for preparing the Bank's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income (call report); and for complying with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of the Bank has assessed the Bank's compliance with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2009. Based upon its assessment, management has concluded that the Bank complied with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2009.

Management's Assessment of Internal Control Over Financial Reporting

The Bank's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., the call report. The Bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Bank's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income (call report), as of December 31, 2009, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework.* Based upon its assessment, management has concluded that, as of December 31, 2009, the Bank's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income (call report), is effective based on the criteria established in *Internal Control—Integrated Framework.*

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income (call report), as of December 31, 2009, has been audited by Dixon Hughes PLLC, an independent public accounting firm, as stated in their report dated March 17, 2010.

March 17, 2010

/s/ Jim B. Apple

Jim B. Apple
Chief Executive Officer

/s/ Craig L. Nix

Craig L. Nix
Chief Financial Officer

DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Independent Auditors' Report

To the Board of Directors
First Citizens Bancorporation, Inc.
Columbia, South Carolina

We have audited the accompanying consolidated statements of condition of First Citizens Bancorporation, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Citizens Bancorporation, Inc. and subsidiaries as of December 31, 2009 and 2008 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 2 to the consolidated financial statements, effective January 1, 2009, First Citizens Bancorporation, Inc. changed its method of accounting and reporting for business combinations as a result of adopting new accounting guidance.

Dixon Hughes PLLC

Charlotte, North Carolina
March 17, 2010

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	As of December 31,	
	2009	2008
	(dollars in thousands, except per share data)	
ASSETS		
Cash and due from banks	$ 174,439	$ 140,720
Interest bearing balances with other banks	537,420	20,090
Federal funds sold	—	189,953
Investment securities:		
Held-to-maturity, at amortized cost (fair value of $9,490 in 2009 and $9,780 in 2008)	9,433	9,664
Available-for-sale, at fair value	1,288,920	1,141,701
Total investment securities	1,298,353	1,151,365
Loans and leases not covered under FDIC loss sharing agreements	4,705,296	5,026,848
Less: Allowance for loan losses	(89,187)	(72,381)
Net loans and leases not covered under FDIC loss sharing agreements	4,616,109	4,954,467
Loans covered under FDIC loss sharing agreements, net of allowance for loan losses of $836	871,917	—
Net loans and leases	5,488,026	4,954,467
Other real estate owned:		
Not covered under FDIC loss sharing agreements	17,314	9,425
Covered under FDIC loss sharing agreements	83,667	—
Premises and equipment, net	228,383	235,866
Interest receivable	26,318	29,095
Intangible assets	22,671	27,425
Goodwill	179,712	179,887
FDIC receivable for loss sharing agreements	288,214	—
Other assets	92,351	84,670
Total assets	$8,436,868	$7,022,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand	$1,180,313	$ 918,468
Time and savings	6,024,404	4,877,472
Total deposits	7,204,717	5,795,940
Securities sold under agreements to repurchase	254,452	342,463
Short-term borrowings	3,154	8,293
Long-term debt	308,492	296,527
Other liabilities	47,875	63,115
Total liabilities	7,818,690	6,506,338
Commitments and contingencies (Note 16)		
Stockholders' equity		
Preferred stock (Note 14)	3,105	3,105
Non-voting common stock—$5.00 par value, authorized 1,000,000; 30,256 and 31,228 issued and outstanding at December 31, 2009 and at December 31, 2008, respectively	151	156
Voting common stock—$5.00 par value, authorized 2,000,000; 817,424 and 817,424 issued and outstanding at December 31, 2009 and December 31, 2008, respectively	4,087	4,087
Surplus	65,081	65,081
Undivided profits	538,850	439,396
Accumulated other comprehensive income, net of deferred taxes of $3,830 at December 31, 2009 and $2,585 at December 31, 2008	6,904	4,800
Total stockholders' equity	618,178	516,625
Total liabilities and stockholders' equity	$8,436,868	$7,022,963

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Year ended December 31,	
	2009	2008
	(dollars in thousands, except per share data)	
INTEREST INCOME:		
Interest and fees on loans	$313,208	$302,287
Interest on investment securities:		
Taxable	30,189	42,272
Non-taxable	503	345
Interest on interest bearing balances with other banks	893	61
Federal funds sold	51	7,095
Total interest income	344,844	352,060
INTEREST EXPENSE:		
Interest on deposits	79,637	111,163
Interest on securities sold under agreements to repurchase	832	4,071
Interest on borrowings	18,433	15,158
Total interest expense	98,902	130,392
Net interest income	245,942	221,668
Provision for loan losses	74,556	31,685
Net interest income after provision for loan losses	171,386	189,983
NONINTEREST INCOME:		
Service charges on deposits	46,912	44,467
Commissions and fees from fiduciary activities	9,680	8,870
Mortgage income	12,685	6,728
Bankcard discount and fees	9,405	8,805
Gain on sale of investment securities	3,918	2,241
Other-than-temporary impairment write-down on investment securities	(4,110)	—
Gain on Georgian Bank transaction	107,903	—
Other income related to FDIC loss sharing agreements	14,950	—
Other	10,896	11,315
Total noninterest income	212,239	82,426
NONINTEREST EXPENSE:		
Salaries and employee benefits	114,435	105,293
Data processing fees	19,486	18,050
Net occupancy expense	17,325	15,295
FDIC deposit insurance expense	11,676	2,307
Furniture and equipment expense	11,359	12,052
Bankcard processing fees	11,249	10,867
Amortization expense	7,156	7,418
Other	31,405	32,046
Total noninterest expense	224,091	203,328
Income before income tax expense	159,534	69,081
Income tax expense	58,514	24,427
Net income	$101,020	$ 44,654
Net income per common share	$ 118.91	$ 52.37
Weighted average common shares outstanding	848,125	849,421

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Number of Common Stock Shares	Preferred Stock	Non-Voting Common Stock	Voting Common Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income	Total Stock-holders' Equity
	(dollars in thousands, except per share data)							
Balance at December 31, 2007	851,299	$3,105	$169	$4,087	$65,081	$397,289	$17,240	$486,971
Comprehensive income:								
Net income	—	—	—	—	—	44,654	—	44,654
Other comprehensive income:								
Change in net unrealized gain on investment securities available-for-sale, net of taxes of $789	—	—	—	—	—	—	1,466	
Reclassification adjustment for gains on securities available-for-sale included in net income, net of taxes of $784	—	—	—	—	—	—	(1,457)	9
Change related to employee benefit plans, net of taxes of $6,703	—	—	—	—	—	—	(12,449)	(12,449)
Total comprehensive income								32,214
Reacquired non-voting common stock	(2,647)	—	(13)	—	—	(1,192)	—	(1,205)
Common stock dividends ($1.40 per share)	—	—	—	—	—	(1,189)	—	(1,189)
Preferred stock dividends	—	—	—	—	—	(166)	—	(166)
Balance at December 31, 2008	848,652	$3,105	$156	$4,087	$65,081	$439,396	$ 4,800	$516,625
Comprehensive income:								
Net income	—	—	—	—	—	101,020	—	101,020
Other comprehensive income:								
Change in net unrealized losses on investment securities available-for-sale, net of taxes of $174	—	—	—	—	—	—	330	
Reclassification adjustment for impairment losses, net of taxes of $1,422	—	—	—	—	—	—	(2,688)	
Reclassification adjustment for gains on securities available-for-sale included in net income, net of taxes of $1,356	—	—	—	—	—	—	(2,562)	(4,920)
Change related to employee benefit plans, net of taxes of $3,520	—	—	—	—	—	—	7,024	7,024
Total comprehensive income								103,124
Reacquired non-voting common stock	(972)	—	(5)	—	—	(212)	—	(217)
Common stock dividends ($1.40 per share)	—	—	—	—	—	(1,188)	—	(1,188)
Preferred stock dividends	—	—	—	—	—	(166)	—	(166)
Balance at December 31, 2009	847,680	$3,105	$151	$4,087	$65,081	$538,850	$ 6,904	$618,178

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year ended December 31,	
	2009	2008
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 101,020	$ 44,654
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	74,556	31,685
Depreciation and amortization	27,270	29,313
Net amortization of premiums and discounts on investment securities	7,043	2,083
Accretion of discount on long-term debt	101	101
Deferred income tax expense (benefit)	34,051	(7,979)
Gain on sales of premises and equipment	(152)	(309)
Gain on acquisition of Georgian Bank	(107,903)	—
Change in FDIC receivable for loss sharing agreements	(8,904)	—
Decrease in interest receivable	2,777	3,705
Decrease in interest payable	(5,275)	(4,249)
Origination of mortgage loans held-for-sale, net of principal collected	(596,686)	(417,302)
Proceeds from sales of mortgage loans held-for-sale	589,978	424,934
Gain on sale of mortgage loans held-for-sale	(10,443)	(6,535)
Gain on sale of investment securities	(3,918)	(2,241)
Other-than-temporary impairment write-down on investments securities	4,110	—
Accretion of fair market value adjustments related to acquisitions	(3,791)	—
Increase in other assets	(14,200)	(19,486)
Loss on sale of other real estate owned	2,607	84
Proceeds from sale of other real estate owned	13,966	2,464
(Decrease) increase in other liabilities	(12,414)	14,448
Net cash provided by operating activities	93,793	95,370
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in non-covered loans and leases	265,609	(323,454)
Net decrease in covered loans and leases	42,735	—
Calls, maturities and prepayments of investment securities held-to-maturity	6,573	7,317
Proceeds from sales of investment securities held-to-maturity	3,301	—
Purchases of investment securities held-to-maturity	(9,708)	(3,093)
Proceeds from maturities and calls of investment securities available-for-sale	715,975	489,641
Proceeds from sales of investment securities available-for-sale	224,287	165,231
Purchases of investment securities available-for-sale	(976,540)	(644,576)
Proceeds from sales of premises and equipment	373	680
Purchases of premises and equipment	(10,239)	(20,352)
Increase in covered other real estate owned	(1,100)	—
Decrease in intangible assets	175	5
Net increase in investment in Federal Home Loan Bank stock	(8,615)	(5,247)
Net cash received from acquisitions	74,544	—
Purchase of institutions, net of cash acquired	—	(53,927)
Net cash provided (used) in investing activities	327,370	(387,775)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	123,951	169,010
(Decrease) increase in short term borrowings and securities under agreements to repurchase	(107,936)	20,825
Net (repayments) advances of Federal Home Loan Bank advances	(73,464)	41,985
Repayment of long-term debt	(1,047)	(11,390)
Dividends paid	(1,354)	(1,355)
Acquisition of common stock	(217)	(1,205)
Net cash (used) provided by financing activities	(60,067)	217,870
Net increase (decrease) in cash and due from banks	361,096	(74,535)
Cash and due from banks at beginning of year	350,763	425,298
Cash and due from banks at end of year	$ 711,859	$ 350,763
CASH PAYMENTS FOR:		
Interest	$ 104,192	$ 134,640
Income taxes	20,694	26,953
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Transfer of covered and non-covered loans to other real estate	75,216	9,834
Unrealized securities (losses)gains	(4,920)	9
Acquisitions:		
Assets acquired	1,500,130	800,546
Liabilities assumed	(1,392,227)	(668,352)
Net assets acquired	$ 107,903	$ 132,194

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES (“Bancorporation”)
FIRST CITIZENS BANCORPORATION, INC. (“Parent”)
FIRST CITIZENS BANK AND TRUST COMPANY, INC. AND SUBSIDIARIES (“First Citizens”)
THE EXCHANGE BANK OF SOUTH CAROLINA, INC. (“Exchange”)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

Nature of Operations:

First Citizens Bancorporation, Inc. is a two-bank financial holding company whose principal subsidiaries are First Citizens Bank and Trust Company, Inc. (“First Citizens” or “the Bank”) and The Exchange Bank of South Carolina, Inc. (“Exchange”). Merchants and Farmers Bank of Comer, Georgia (“Merchants”) was merged into First Citizens on October 16, 2009. First Citizens and Exchange are sometimes referred to collectively as the “Banks” herein.

Founded in 1964, First Citizens offers a complete array of commercial and retail banking services through its 168 offices in 105 communities in South Carolina and 21 offices in 17 communities in Georgia. The Bank provides a full range of financial services including deposit acceptance, corporate cash management, discount brokerage, IRA plans, trust services and secured and unsecured loans. Trust services provides estate planning, estate and trust administration, IRA trust and personal investment, and pension and profit sharing administration. The Bank also originates and services mortgage loans and provides financing for small businesses.

Effective June 1, 2008, Merchants was acquired by Bancorporation. Merchants is headquartered in Comer, Georgia. The purpose of this acquisition was to expand Bancorporation’s banking presence in Georgia. Merchants was merged into First Citizens on October 16, 2009.

Effective November 1, 2008, Community Bankshares, Inc. (“CBI”) was acquired and merged into First Citizens. CBI was a bank holding company headquartered in Orangeburg, South Carolina, and was the parent company of Community Resource Bank, N.A. The purpose of this acquisition was to expand First Citizens’ banking presence in the Orangeburg, Fairfield, Richland, Florence and Sumter markets.

Wateree Life Insurance Company (“Wateree”), a wholly-owned subsidiary of Wateree Enterprises, Inc., is incorporated as a stock life insurance company domiciled in South Carolina. Wateree Enterprises, Inc. is a wholly-owned subsidiary of First Citizens. Wateree writes credit life insurance through its affiliation with the Banks.

Founded in 1932, Exchange is a community-oriented financial institution that offers a variety of financial services through its four branches in Williamsburg and Georgetown counties in South Carolina. Exchange provides traditional commercial and consumer banking services with its principal activities taking demand and time deposits and making secured and unsecured loans.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of Bancorporation and those subsidiaries that are majority-owned by Bancorporation and over which Bancorporation exercises control. In consolidation, all significant intercompany accounts and transactions have been eliminated. Assets held by the Bank in trust or in other fiduciary capacities are not assets of the Bank and are not included in the accompanying consolidated financial statements.

Bancorporation evaluates variable interests in entities for which voting interests are not an effective means of identifying controlling financial interests. Variable interests are those in which the value of the interest changes with the fair value of the net assets of the entity exclusive of variable interests. If the results of the evaluation indicate the existence of a primary beneficiary and the entity does not effectively disperse risks among the parties involved, that primary beneficiary is required to consolidate the entity. Likewise, Bancorporation standards require the deconsolidation of an entity if the evaluation indicates the requirements for consolidation are not met. Bancorporation has variable interests in certain entities including low-income housing partnership interests and trust preferred securities, none of which were required to be consolidated.

Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, determination of fair values of acquired assets and assumed liabilities, loss estimates related to acquired loans and other real estate owned which are covered under loss sharing agreements with the Federal Deposit Insurance Corporation ("FDIC"), valuation of goodwill and intangible assets, benefit plan obligations and related expenses, and income tax related items.

Acquisitions:

Effective January 1, 2009, Bancorporation adopted new US GAAP which requires the acquisition method of accounting, formerly referred to as the purchase method, be used for all business combinations. An acquirer must be identified for each business combination, and the acquisition date is the date the acquirer achieves control. US GAAP requires the acquirer to recognize the fair value of assets acquired, liabilities assumed, and any controlling interest in the acquiree at the acquisition date as well as recognize either goodwill or a gain from a bargain purchase. In addition, acquisition-related costs and restructuring costs are recognized as period expenses as incurred.

As discussed in Note 2, First Citizens purchased substantially all the assets and assumed substantially all the liabilities of Georgian Bank ("Georgian") headquartered in Atlanta, Georgia on September 25, 2009. The Georgian transaction was completed with the assistance of the FDIC, which had been appointed Receiver of Georgian by its state banking authority immediately prior to consummation. First Citizens entered into loss sharing agreements with the FDIC which govern how losses on certain of the acquired assets will be split between the FDIC and First Citizens. The loss sharing agreements are discussed in the "Receivable from FDIC for Loss Sharing Agreements" section outlined in Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements. The acquired assets and assumed liabilities of Georgian were measured at estimated fair value. Management made significant estimates and exercised significant judgment in accounting for the Georgian transaction. Management judgmentally stratified the loan portfolio based on similar risk characteristics and engaged an independent third party to estimate collateral values, calculate expected cash flows, and derive loss factors to measure fair values for loans. Other real estate owned acquired through foreclosure was valued based upon pending sales contracts or appraised values, adjusted for current market conditions. Management used quoted or current market prices to determine the fair value of investment securities, short term borrowings and long-term obligations that were assumed from Georgian.

Goodwill and Other Intangible Assets:

Goodwill represents the cost in excess of the fair value of net assets acquired in transactions considered business combinations and is not amortized but is assessed for impairment. Goodwill recorded in purchase acquisitions is subject to periodic impairment tests requiring estimates of fair value. Bancorporation reviews goodwill for impairment at least once annually and whenever events or circumstances indicate the carrying value may not be recoverable. An impairment would be indicated if the carrying value of goodwill exceeds its fair value. Bancorporation recorded no impairment charges related to its goodwill in 2009 or 2008. Other intangible assets consist primarily of core deposit intangibles, which represent the excess of the fair value of deposits acquired over their carrying values and are amortized over the period in which Bancorporation expects to derive benefit from the deposits. Intangible assets other than goodwill, which are determined to have finite lives, are amortized over the period benefited, generally five to fifteen years and are periodically reviewed for reasonableness. The recoverability of other intangibles is evaluated if events or circumstances indicate possible impairment.

Investment Securities:

Bancorporation defines held-to-maturity securities as debt securities that management has the positive intent and ability to hold to maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums and accretion of discounts. Available-for-sale securities are defined as equity securities and debt securities not classified as trading securities or held-to-maturity securities. Available-for-sale securities are recorded at fair value with unrealized holding gains and losses, net of deferred taxes, presented as a separate component of stockholders' equity in accumulated other comprehensive income. Bancorporation determines the appropriate classification of debt securities at the time of purchase.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale equity securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. For debt securities, an impairment loss is recognized in earnings only when (1) Bancorporation intends to sell the debt security; (2) it is more likely than not that Bancorporation will be required to sell the security before recovery of its amortized cost basis or (3) Bancorporation does not expect to recover the entire amortized cost basis of the security. In situations where Bancorporation intends to sell or when it is more likely than not that Bancorporation will be required to sell the security, the entire impairment loss must be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in stockholders' equity as a component of other comprehensive income, net of deferred taxes.

In estimating other-than-temporary impairment losses, management considers: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of Bancorporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Bancorporation recorded $4,110 in other-than-temporary impairment losses related to its investment portfolio primarily equity securities in 2009 and none in 2008. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Receivable from FDIC for Loss Sharing Agreements:

Under a typical loss sharing agreement with the FDIC, the FDIC agrees to cover 80 percent of losses from a first loss tranche up to a stated threshold on assets covered by the loss sharing agreement and 95 percent of losses incurred that exceed the stated threshold. A receivable from the FDIC is recorded based on the estimated losses on the covered loans and other real estate owned acquired based on this formula. The receivable is recorded at the present value of the estimated cash flows at the date of the respective acquisition and will be reviewed and updated prospectively as loss estimates related to covered loans and other real estate acquired through foreclosure change. Most third party expenses on real estate and covered loans are covered under the loss sharing agreements and the cash flows from the reimbursable portion are included in the estimate of cash flows.

First Citizens does not expect that losses will exceed the stated threshold on the Georgian transaction.

Loans and the Allowance for Loan Losses:

Loans are recorded at their principal amount outstanding, net of deferred loan fees and costs. Interest is accrued and recognized in operating income based upon the principal amount outstanding. Loan origination fees and direct loan origination costs are deferred and amortized over the estimated lives of the related loans as an adjustment to yield.

In many lending transactions, collateral is obtained to provide an additional measure of security. Generally, the cash flow and earning power of the borrower represent the primary source of repayment and collateral is considered as an additional safeguard on an acceptable credit risk. The need for collateral is determined on a case-by-case basis after considering the current and prospective creditworthiness of the borrower, terms of the lending transaction and economic conditions.

The accrual of interest is generally discontinued, except for installment and credit card loans, when substantial doubt exists as to the collectibility of principal and interest or when a loan is 90 days past due as to interest or principal unless the loan is both adequately secured and in the process of collection. Generally, accrual of income on unsecured installment loans is discontinued and the loans are charged off after a delinquency of 120 days and 180 days for secured loans and credit card loans. Loans secured by real estate remain in accrual status until foreclosure is consummated, unless impairment is evident, in which case they are placed in nonaccrual status and written down accordingly.

Loans are considered impaired if, based on current information and events, it is probable that Bancorporation will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans is based on either the fair value of the underlying collateral, the present value of the future cash flows discounted at the historical effective interest rate stipulated in the loan agreement, or the estimated market value of the loan. In measuring the fair value of the collateral, management uses a comparison to the recent selling price of similar assets, which is consistent with those that would be utilized by unrelated third parties.

Acquired loans are recorded at fair value at the date of acquisition. The fair values of loans with evidence of credit deterioration (impaired loans) are recorded net of a non-accretable difference and, if appropriate, an accretable yield. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is the nonaccretable difference, which is included in the carrying amount of acquired loans. The accretable yield is derived by discounting the cash flows expected to be collected to present value. The difference between the present value of the expected cash flows and the undiscounted expected cash flows is the accretable yield. The accretable yield is recognized in interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

Subsequent decreases to the expected cash flows will generally result in a provision for loan losses and an increase in the allowance for loans losses. For acquired loans covered under loss sharing agreements with the FDIC (“Covered Loans”), a proportional adjustment is made to the FDIC receivable for the estimated amount to be reimbursed with a corresponding amount recorded as noninterest income in the Consolidated Statements of Income. Subsequent increases to the expected cash flows result in a reversal of the provision for loan losses to the extent of prior charges, or a reclassification of the difference from nonaccretable difference to accretable yield. Credit losses on acquired performing loans are estimated based on an analysis of the performing portfolio. Such estimated credit losses are recorded as a non-accretable difference in a manner similar to purchased impaired loans.

Covered Loans are reported exclusive of expected reimbursement cash flows from the FDIC. Covered Loans which are more than 90 days past due with respect to interest or principal, unless they are well secured and in the process of collection, and other Covered Loans on which full recovery of principal and interest is in doubt, are placed on nonaccrual status. Under FDIC loss sharing agreements, up to 90 days of accrued interest on Covered Loans is reimbursable. Payments received are applied against the principal balance of the loans until such time as full collection of the remaining recorded balance is expected.

The allowance for loan losses is management’s estimate of probable credit losses inherent in Bancorporation’s loan portfolio at the balance sheet date. Bancorporation determines the allowance for loan losses based on an ongoing estimation process. This estimation process is inherently subjective, as it requires material estimates, including the amounts and timing of cash flows expected to be received on impaired loans and losses incurred as of the balance sheet date in Bancorporation’s loan portfolio. Those estimates may be susceptible to significant change. Increases to the allowance for loan losses are made by charges to the provision for loan losses. Loans deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

The allowance is the accumulation of various components that are calculated based on an independent estimation process. All components of the allowance for loan losses represent estimates based on certain observable data that management believes are most reflective of the underlying credit losses being estimated. This evaluation includes credit quality trends, recent loan loss experience, collateral type, loan volumes, seasoning of the loan portfolio, the findings of internal credit quality assessments and results from external bank regulatory examinations. All impaired commercial loans in excess of a defined threshold are analyzed for specific reserves on a loan-by-loan basis based on management's evaluation of the exposure for each credit, the current payment status of the loan and the value of any underlying collateral.

While management uses the best information available to establish the allowance for loan losses, future adjustments may become necessary if conditions differ substantially from the assumptions used in making the estimates. In addition, regulatory examiners may require adjustments to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels may vary from previous estimates.

Mortgage Banking Activities:

Mortgage loans held-for-sale are stated at the lower of aggregate cost or market, net of discounts and deferred loan fees. Mortgage loans held-for-sale were $25,521 and $19,200 as of December 31, 2009 and 2008, respectively, and are included in loans in the Consolidated Statements of Condition. Nonrefundable origination fees and costs and discount points collected at loan closing are deferred and recognized in mortgage income at the time of sale of the mortgage loans. Gain or loss on the sale of mortgage loans is recognized based upon the difference between the selling price and the carrying amount of the mortgage loans sold.

Other fees earned during the loan origination process are also included in net gain or loss on sales of mortgage loans. Gain or loss on the sale of mortgage loans is a component of mortgage income in the Consolidated Statements of Income.

Bancorporation uses mandatory forward and "best efforts" commitments to protect its mortgage loans held for sale from interest rate risk from the time of origination to the time of sale. These commitments are carried on the Consolidated Statements of Condition at fair market value. Unfunded residential mortgage loan commitments for loans to be sold are also accounted for at fair market value. These fair market value adjustments are included in mortgage income in the Consolidated Statements of Income and were insignificant as of and for the years ended December 31, 2009 and 2008.

After a transfer of loans held-for-sale to a third party under a sale contract (when control has been surrendered), Bancorporation recognizes the mortgage servicing rights ("MSRs") it retains and derecognizes the loans held-for-sale. The initial value of the MSR is included as a component of gain on sale within mortgage income. Any other related financial assets and liabilities would be recognized at that point as well. Currently, all transfers of loans held-for-sale are accounted for as sales of those loans as control over those loans is surrendered to a third party.

MSRs are included in intangible assets in the Consolidated Statements of Condition. The amount capitalized represents the discounted present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. Fair value is determined using analyses of discounted anticipated future net cash flows, considering estimates of loan prepayments, interest rates and other economic factors. The amortization method is used to measure each class of servicing asset. Amortization of MSRs is based on a method which approximates the proportion of current net servicing income to the total estimated net servicing income expected to be recognized over the average remaining lives of the underlying loans. Servicing income, net of related amortization expense, is included as a component of mortgage income in the Consolidated Statements of Income. For purposes of impairment evaluation and measurement, MSRs are stratified based on predominant risk characteristics of the underlying loans, primarily loan type, amortization type (fixed or adjustable), and note rate. To the extent that the carrying value of the MSRs exceeds fair value by individual stratum, a valuation allowance is established which may be adjusted in the future as the value of MSRs increases or decreases. Changes in the valuation allowance are recognized as a component of mortgage income in the Consolidated Statements of Income. Bancorporation's portfolio of loans serviced for third parties was $1,497,441 and $1,278,116 at December 31, 2009 and 2008, respectively. Loans serviced for third parties are not included as assets in the accompanying consolidated financial statements.

Premises and Equipment:

Bank premises and equipment are reported at cost less accumulated depreciation. Depreciation is included in noninterest expense over the estimated useful lives of the assets (generally fifteen to forty years for buildings and improvements, and three to ten years for furniture and equipment). Leasehold improvements are capitalized and amortized to noninterest expense over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter. Depreciation and amortization are calculated using straight-line methods. Maintenance, repairs and minor improvements are included in noninterest expense as incurred. Major improvements are capitalized. Gains or losses upon retirement or other dispositions are included in other noninterest income in the Consolidated Statements of Income.

Other Real Estate Owned:

Other real estate owned consists of real property acquired through foreclosure. At the time of foreclosure, other real estate owned is carried at the current fair value of the property, less estimated selling costs. Subsequent to foreclosure, gains or losses on the sales or the periodic revaluation of other real estate owned are credited or charged to noninterest expense. Net costs of maintaining and operating foreclosed properties are expensed as incurred.

Other real estate owned acquired through foreclosure covered under loss sharing agreements with the FDIC are carried at the current fair value, less estimated selling costs, exclusive of expected reimbursement cash flows from the FDIC. Subsequent adjustments to the estimated recoverable value of covered other real estate owned result in a reduction of covered other real estate owned, and a charge to other noninterest expense in the Consolidated Statements of Income, and an increase in the FDIC receivable for the estimated amount to be reimbursed, with a corresponding amount recorded as other noninterest income in the Consolidated Statements of Income. Any remaining accretable yield upon transfer of a loan into other real estate owned is recognized as interest income in the Consolidated Statements of Income.

Securities Sold Under Agreements to Repurchase:

Securities sold under agreements to repurchase represent overnight borrowings with the Banks' customers and are secured by investment securities. The terms of the repurchase agreements may require Bancorporation to provide additional collateral if the fair value of the securities underlying the borrowings declines during the term of the agreement.

Income Taxes:

Bancorporation recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies by jurisdiction and entity in making this assessment.

Statement of Cash Flows:

For purposes of the Consolidated Statements of Cash Flows, Bancorporation has defined cash on hand, amounts due from banks, interest bearing balances with other banks and federal funds sold as cash and cash equivalents.

Earnings Per Share:

Earnings per share are computed by dividing net income less preferred dividends noted in the Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income by the weighted average number of voting and non-voting common shares outstanding. The premium or discount paid on redemption of preferred stock is treated as dividends on preferred stock and is included in the determination of net income available for common stockholders. As Bancorporation has no dilutive securities, there is no difference between basic and diluted earnings per share.

Comprehensive Income:

Comprehensive income consists of net income for the period, unrealized gains and losses on investment securities available-for-sale and the net unrecognized prior service costs and actuarial losses relating to Bancorporation's pension plan, net of deferred income taxes.

Segment Information:

US GAAP requires that certain entities disclose information about products and services provided by operating segments, geographic areas and major customers, differences between the measurements used in reporting segment information and those used in the entity's general-purpose financial statements, and changes in the measurement of segment amounts from period to period.

Operating segments are components of an entity about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources in evaluating performance. Bancorporation has determined that its one operating segment is providing general financial services to customers located in South Carolina and eight contiguous counties in Georgia. The various products are those generally offered by community banks and the allocation of resources is based on the overall performance of the institution versus individual branches or products.

Changes in Accounting Principles and Effects of New Accounting Pronouncements:

Under the new fair value standards, Bancorporation considers internal assumptions when measuring fair value in cases where relevant observable data does not exist, how observable market information in inactive markets should be considered when measuring fair value, and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available to measure fair value. In cases where there is an inactive market, more reliance may be placed upon the use of management's internal assumptions (a Level 3 fair value measurement), but regardless of the valuation technique, Bancorporation should include the appropriate risk adjustments that market participants would make for nonperformance and liquidity risks.

Effective January 1, 2009, Bancorporation adopted new standards related to acquisition accounting for all business combinations and for an acquirer to be identified for each business combination. The new standards improves the comparability of the information about business combinations provided in financial reports and is applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. See Note 2 for disclosures related to the acquisition of Georgian.

In June 2009, FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, establishing the FASB Accounting Standards Codification (the "ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities. This pronouncement was effective for financial statements issued for interim and annual periods ending after September 15, 2009.

Companies must consider events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. For the financial statements and footnotes included herein, subsequent events occurring prior to the date of the issuance of these consolidated financial statements have been considered. See Note 20 for management's evaluation of subsequent events.

NOTE 2—FEDERALLY ASSISTED ACQUISITION OF GEORGIAN BANK ASSETS AND LIABILITIES

On September 25, 2009, First Citizens purchased substantially all the assets and assumed substantially all the liabilities of Georgian from the FDIC, as Receiver of Georgian. Georgian operated five commercial banking branches in and around the Atlanta, Georgia area. The FDIC took Georgian under receivership upon its closure by the Georgia Department of Banking and Finance. First Citizens and the FDIC entered into loss sharing agreements regarding future losses incurred on loans and other real estate acquired through foreclosure existing at the acquisition date. Under the terms of the loss sharing agreements, there is no reimbursement by the FDIC until net losses reach $326,991. The FDIC will reimburse First Citizens for 80 percent of net losses incurred between $326,991 and $853,000, and 95 percent of net losses exceeding $853,000. The term for loss sharing on residential real estate loans is ten years, while the term for loss sharing on non-residential real estate loans is five years with respect to losses and eight years with respect to the recoveries. As a result of the loss sharing agreements with the FDIC, First Citizens recorded a receivable of $279,310 at the time of acquisition. First Citizens identified $61,032 in net losses to submit to the FDIC under such loss sharing agreements during the period from the acquisition date through December 31, 2009.

The acquisition of Georgian was accounted for under the acquisition method of accounting. The statement of net assets acquired and the resulting bargain purchase gain are presented in the following table. As explained in the explanatory notes that accompany the following table, the purchased assets and assumed liabilities were recorded at their respective acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date if additional information regarding the closing date fair values become available.

At December 31, 2009, First Citizens had agreed to purchase from the FDIC three of the branch buildings and certain furniture and equipment previously owned by Georgian Bank. The total purchase price of $15,935 was based on the fair market value provided by current appraisals.

(Dollars in thousands)

Noninterest income includes a bargain purchase gain of $107,903 that resulted from the acquisition. The amount of the gain is equal to the excess of the fair value of the recorded assets over the fair value of liabilities assumed.

	As recorded by Georgian	Fair value adjustments		As recorded by First Citizens
Assets:				
Cash and due from banks	$ 31,147	$ —		$ 31,147
Federal funds sold	43,397	—		43,397
Investment securities, at fair value	125,404	—		125,404
Loans and leases	1,781,282	(801,797)	**a**	979,485
Premises and equipment	54	—		54
Other real estate owned	67,153	(35,340)	**b**	31,813
FDIC receivable for loss sharing agreements	—	279,310	**c**	279,310
Other assets	9,520	—		9,520
Total assets	$2,057,957	$(557,827)		$1,500,130
Liabilities:				
Deposits:				
Noninterest-bearing	$ 779,950	$ —		$ 779,950
Interest-bearing	497,642	4,336	**d**	501,978
Total deposits	1,277,592	4,336		1,281,928
Securities sold under agreements to repurchase	19,925	—		19,925
Long-term debt	82,000	5,925	**e**	87,925
Other liabilities	2,449	—		2,449
Total liabilities	1,381,966	10,261		1,392,227
Excess of assets acquired over liabilities assumed	$ 675,991			
Aggregate fair value adjustments		$(568,088)		
Gain on acquisition of Georgian				$ 107,903

Explanation of fair value adjustments:

a – Adjustment reflects the fair value adjustments based on First Citizens' evaluation of the acquired loan portfolio.

b – Adjustment reflects the estimated OREO losses based on First Citizens' evaluation of the acquired OREO portfolio.

c – Adjustment reflects the estimated fair value of payments First Citizens will receive from the FDIC under the loss sharing agreements.

d – Adjustment arises since the rates on interest-bearing deposits are higher than rates available on similar deposits as of the acquisition date.

e – Adjustment arises since the rates on long-term obligations are higher than rates available on similar borrowings as of the acquisition date.

Results of operations for Georgian prior to the acquisition date are not included in the income statement. Due to the significant amount of fair value adjustments, the resulting accretion of those fair value adjustments and the coverage resulting from the FDIC loss sharing agreements, historical results of Georgian are not relevant to Bancorporation's results of operations. Therefore, no pro forma information is presented.

(Dollars in thousands)

Accounting standards adopted in the current year prohibit carrying over an allowance for loan losses for acquired loans. However, the fair value adjustments recorded on the loan portfolio at the date of acquisition take into consideration estimated losses inherent in the loan portfolio.

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of acquired impaired loans and other acquired loans as of the acquisition date are provided as follows:

	Impaired	Non-impaired	Total Covered Loans
Loans covered by loss sharing agreements:			
Contractual principal payments receivable	$986,243	$782,880	$1,769,123
Less:			
Estimate of contractual principal not expected to be collected (non-accretable difference)	531,976	126,244	658,220
Liquidity discount (accretable yield)	68,700	71,753	140,453
Fair value of loans acquired	$385,567	$584,883	$ 970,450

Because First Citizens could not reasonably estimate cash flows expected to be collected on the impaired loans, the accretable yield is only recognized when cash payments are received. The accretable yield for non-impaired loans will be recognized based on a level yield basis over the life of the loans as it represents cash flows expected to be collected.

On the day the Georgian transaction was consummated, First Citizens recorded a net FDIC receivable of $279,310, representing FDIC indemnification under loss sharing agreements for covered loans and other real estate owned. The receivable was discounted by $16,444 for the expected timing of receipt of cash flows.

NOTE 3—ACQUISITIONS

On June 1, 2008, Bancorporation acquired 100% of the outstanding shares of Merchants. As a result of this acquisition, Bancorporation expects to gain market share in Madison County, Georgia. Merchants was merged into First Citizens on October 16, 2009.

Bancorporation paid $3,828.13 per share in cash and notes for 9,600 shares of Merchants' common stock for an aggregate purchase price of $36,750. The breakdown of the purchase price was $21,750 paid in cash and $15,000 of 10 year Bancorporation subordinated notes at an interest rate of 8.00%. The purchase price resulted in $15,813 in goodwill and $1,608 in core deposit intangible. The core deposit intangible is being amortized over 74 months using straight-line amortization.

On November 1, 2008, First Citizens acquired 100% of the outstanding shares of CBI, parent of Community Resource Bank, N.A. As a result of this acquisition, First Citizens expects to gain market share in Orangeburg, Fairfield, Richland, Florence and Sumter counties.

First Citizens paid $21.00 per share in cash for 4,544,968 shares of CBI's common stock for an aggregate purchase price of $95,444. The purchase price resulted in $51,630 in goodwill and $6,907 in core deposit intangible. The core deposit intangible is being amortized over 72 months using straight-line amortization.

Goodwill recorded on both of these acquisitions will not be amortized, but instead evaluated for impairment at least annually. First Citizens also incurred $486 of incremental costs that were capitalized into goodwill related to these acquisitions. Any future write-down of goodwill and the amortization of intangible assets are not deductible for tax purposes.

(Dollars in thousands)

The following table summarizes the fair value of assets acquired and liabilities assumed at the date of the acquisitions of Merchants and CBI:

	Merchants	CBI	Combined
Cash and due from banks	$ 24,227	$ 39,522	$ 63,749
Investment securities	30,888	72,438	103,326
Loans and leases, net	94,358	429,252	523,610
Premises and equipment, net	3,574	14,958	18,532
Goodwill	15,813	51,630	67,443
Other intangible assets	1,608	6,907	8,515
Other assets	5,126	10,245	15,371
Total assets acquired	175,594	624,952	800,546
Deposits	135,252	474,525	609,777
Short-term borrowings	—	7,712	7,712
Federal Home Loan Bank advances	2,000	42,966	44,966
Other liabilities	1,592	4,305	5,897
Total liabilities assumed	138,844	529,508	668,352
Net assets acquired	**$ 36,750**	**$ 95,444**	**$132,194**

As part of the CBI acquisition on November 1, 2008, Bancorporation identified $13,957 in impaired loans. The carrying amount of these loans was reduced to $10,578 on November 1, 2008, representing a non-accretable difference of $3,379. At December 31, 2009 and 2008, the carrying value of these loans had been reduced to $5,357 and $10,060, respectively.

NOTE 4—CASH AND DUE FROM BANKS

The Bank is required to maintain reserve balances with the Federal Reserve or in vault cash. As of December 31, 2009, the required balance was $88,155 compared to $78,465 as of December 31, 2008. Of the required balance, $78,354 and $73,465 was met by vault cash and $9,801 and $5,000 was met with deposits at the Federal Reserve at December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, approximately $12,125 and $11,125, respectively, in cash and due from bank balances was restricted as to use as compensating balances with other financial institutions.

(Dollars in thousands)

NOTE 5—INVESTMENT SECURITIES

The cost and the estimated fair value of investment securities held-to-maturity and available-for-sale at December 31 along with gross unrealized gains and losses determined on an individual security basis are presented below.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-maturity at December 31, 2009:				
U. S. government treasuries and agencies	$ 9,433	$ 57	$ —	$ 9,490
Total	$ 9,433	$ 57	$ —	$ 9,490
Held-to-maturity at December 31, 2008:				
U. S. government treasuries and agencies	$ 9,339	$ 107	$ —	$ 9,446
Obligations of states and political subdivisions	265	4	—	269
FNMA, GNMA and FHLMC mortgage backed securities	60	5	—	65
Total	$ 9,664	$ 116	$ —	$ 9,780
Available-for-sale at December 31, 2009:				
U.S. government treasuries and agencies	$ 929,562	$ 3,498	$ 569	$ 932,491
Corporate bonds issued under the Temporary Liquidity Guarantee Program	116,263	949	—	117,212
FNMA, GNMA and FHLMC mortgage backed securities	163,125	2,317	1,489	163,953
Obligations of states and political subdivisions	10,882	192	55	11,019
Corporate bonds	19,393	345	733	19,005
Equity securities	6,281	31,744	486	37,539
Other	7,847	168	314	7,701
Total	$1,253,353	$39,213	$3,646	$1,288,920
Available-for-sale at December 31, 2008:				
U.S. government treasuries and agencies	$ 974,128	$16,777	$ 83	$ 990,822
Corporate bonds issued under the Temporary Liquidity Guarantee Program	20,587	95	—	20,682
FNMA, GNMA and FHLMC mortgage backed securities	57,280	1,635	148	58,767
Obligations of states and political subdivisions	14,837	156	186	14,807
Corporate bonds	11,005	—	1,853	9,152
Equity securities	10,644	30,062	2,366	38,340
Other	10,129	146	1,144	9,131
Total	$1,098,610	$48,871	$5,780	$1,141,701

Investments in corporate bonds issued under the Temporary Liquidity Guarantee Program represent debt securities that were issued by various financial institutions backed by the full faith and credit of the United States of America. The guarantee for these securities is triggered when an issuer defaults on a scheduled payment. Investments in corporate bonds and equity securities are primarily concentrated in the financial institutions industry.

(Dollars in thousands)

The following table provides maturity information for investment securities at December 31, 2009:

	2009	
	Cost	Estimated Fair Value
Investment securities held-to-maturity maturing in:		
One year or less	$ 3,046	$ 3,072
One through five years	6,387	6,418
Five to 10 years	—	—
Over 10 years	—	—
Total investment securities held-to-maturity	$ 9,433	$ 9,490
Investment securities available-for-sale maturing in:		
One year or less	$ 422,530	$ 424,757
One through five years	633,218	634,788
Five to 10 years	20,680	21,054
Over 10 years	170,644	170,782
Equity securities	6,281	37,539
Total investment securities available-for-sale	$1,253,353	$1,288,920

Securities with unrealized losses at December 31, 2009 were as follows:

	Less than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies	$ 561	$181,100	$ 8	$ 239
FNMA, GNMA and FHLMC mortgage backed securities	1,402	102,654	87	246
Obligations of states and political subdivisions	49	2,662	6	531
Corporate bonds	200	941	533	5,433
Equity securities	—	—	486	960
Other	—	—	314	1,434
Total securities with unrealized losses	$2,212	$287,357	$1,434	$8,843

Securities with unrealized losses at December 31, 2008 were as follows:

	Less than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies	$ 83	$28,502	$ —	$ —
FNMA, GNMA and FHLMC mortgage backed securities	2	198	147	4,135
Obligations of states and political subdivisions	186	5,113	— *	197
Corporate bonds	1,193	7,523	659	1,372
Equity securities	733	1,520	1,634	1,549
Other	1,070	1,826	73	554
Total securities with unrealized losses	$3,267	$44,682	$2,513	$7,807

* Gross unrealized losses less than $1

(Dollars in thousands)

At December 31, 2009, Bancorporation had 30 investments having a continuous unrealized loss position for more than 12 months. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of securities fluctuate. The turmoil and illiquidity in the financial markets during 2009 increased market yields on securities as a result of credit spreads widening. Bancorporation has the intent and ability to hold these securities until maturity and has reviewed them for OTTI in accordance with the accounting policies outlined in Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements. Bancorporation recorded $3,860 in OTTI write-downs related to equity securities once it was determined that recovery of the original purchase price was unlikely. Bancorporation recorded a $250 OTTI write-down related to one available-for-sale debt security.

Proceeds from the sale of available-for-sale investments were $224,287 and $165,231 in 2009 and 2008, respectively. Gross realized gains were $3,827 and $2,275 in 2009 and 2008, respectively. Gross realized losses were $0 and $34 in 2009 and 2008, respectively. Gross realized gains related to the call of available-for-sale investments were $52 in 2009. Gross realized gains related to the sell of held to maturity investments were $39 in 2009.

Investment securities with an amortized cost of $977,407 and $883,306 at December 31, 2009 and 2008, respectively, were pledged to secure public deposits as collateral for securities sold under agreements to repurchase and for other purposes as required by law.

NOTE 6—LOANS AND LEASES

Loans and leases, net of deferred fees and costs, not covered by loss sharing agreements are presented as follows:

	As of December 31,	
	2009	2008
Loans not covered by loss sharing agreements:		
Real estate—mortgage	$2,096,171	$2,211,503
Real estate—commercial	1,059,474	1,072,530
Real estate—construction, land development, and other land	406,327	517,163
Commercial, financial and agricultural	403,112	445,332
Loans to individuals for household, family and other personal expenditures	537,819	589,521
Lease financing	64,006	62,249
Other loans	138,387	128,550
Loans and leases not covered, net	$4,705,296	$5,026,848

(Dollars in thousands)

Loans and leases, net of deferred fees and costs, covered by loss sharing agreements consisted of impaired loans and non-impaired loans and are presented as follows:

	As of December 31, 2009		
	Impaired	Non-Impaired	Total Covered Loans
Loans covered by loss sharing agreements:			
Real estate—mortgage	$ 21,052	$ 41,459	$ 62,511
Real estate—commercial	41,780	136,076	177,856
Real estate—construction, land development, and other land	342,478	35,842	378,320
Commercial, financial and agricultural	40,939	186,275	227,214
Loans to individuals for household, family and other personal expenditures	3,329	16,601	19,930
Lease financing	—	6,912	6,912
Other loans	—	10	10
Loans and leases, net	449,578	423,175	872,753
Less: Allowance for covered loan losses	836	—	836
Total covered loans and leases, net	$448,742	$423,175	$871,917

The change in the gross carrying value of impaired loans covered by loss sharing agreements for the year ended December 31, 2009 was as follows:

	Impaired Loans
Balance, December 31, 2008	$ —
Fair value of acquired impaired loans covered under loss sharing agreements	385,567
Loans classified to nonaccrual since acquisition date	108,960
Reductions since acquisition date resulting from repayments, write-offs and foreclosures	(44,949)
Balance, December 31, 2009	$449,578

Loans that were considered impaired at December 31, 2009 and 2008 held by Bancorporation are summarized below:

	December 31,	
	2009	2008
Impaired Loans:		
Covered under loss sharing agreements	$449,578	$ —
Not covered under loss sharing agreements	97,885	44,749
Total	$547,463	$44,479
Specific reserves related to impaired loans not covered under loss sharing agreements	$ 3,401	$ 2,171
Impaired loan balances not covered under loss sharing agreements	50,378	23,817
Accruing loans past due 90 days or more at year end	20,644	11,314
Average investment in impaired loans during the year covered under loss sharing agreements	89,916	—
Average investment in impaired loans during the year not covered by loss sharing agreements	73,410	17,679

(Dollars in thousands)

At December 31, 2009 and 2008, Bancorporation did not have any significant loans for which terms had been modified in troubled debt restructurings. Interest income which would have been recorded pursuant to the original terms of nonaccrual loans was not significant for any of the years presented.

NOTE 7—ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses related to loans not covered under the FDIC loss sharing agreements is summarized as follows:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Balance at beginning of year	$ 72,381	$ 52,748
Loans charged off	(51,713)	(22,116)
Recoveries on loans previously charged off	2,355	1,575
Provision for loan losses	66,164	31,685
Allowance for loans acquired in purchase transactions	—	8,489
Balance at end of year	$ 89,187	$ 72,381

Activity in the allowance for loan losses related to loans covered under the FDIC loss sharing agreements for the year ended December 31, 2009 was as follows:

Balance, December 31, 2008	$ —
Provision for loan losses charged to operations	8,392
Loans charged off	(7,556)
Recoveries on loans previously charged off	—
Balance, December 31, 2009	$ 836

Bancorporation recognized $6.52 million in provision expense to recognize the decline in expected cash flows since the acquisition date on certain covered loans and upon transfer of certain covered loans to other real estate owned, offset by $5.22 million in noninterest income to recognize an increase in the FDIC receivable. Use of the accretable yield to absorb all or a portion of the adjustment to expected cash flows resulted in the recognition of $6.70 million in noninterest income, offset by an increase in the FDIC receivable.

Bancorporation recognized $1.87 million in provision expense to recognize the decline in expected cash flows since the acquisition date on executed short sales or incurred charge-offs on certain covered loans, offset by $1.49 million in noninterest income to recognize an increase in the FDIC receivable. Use of the accretable yield to absorb all or a portion of the adjustment to the proceeds received or the amount charged-off resulted in the recognition of $739 thousand in noninterest income, offset by an increase in the FDIC receivable.

(Dollars in thousands)

NOTE 8—PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	As of December 31, 2009	2008
Land	$ 89,943	$ 87,530
Buildings and improvements	185,799	184,000
Furniture and equipment	63,751	65,756
Leasehold improvements	1,496	1,535
Construction in progress	2,365	5,342
Total	343,354	344,163
Less: Accumulated depreciation and amortization	(114,971)	(108,297)
Total premises and equipment	$ 228,383	$ 235,866

Provisions for depreciation and amortization included in noninterest expense were $17,555 and $17,733 for the years ended December 31, 2009 and 2008, respectively.

Bancorporation has entered into various noncancellable operating leases for land and buildings used in its operations. The leases expire over the next eight years, and most contain renewal options from 1 to 20 years. Certain leases provide for periodic rate negotiation or escalation. The leases generally provide for payment of property taxes, insurance and maintenance costs by Bancorporation. Rental expense, including month-to-month leases, reported in net occupancy expense in the Consolidated Statements of Income was $1,904 and $1,053 for the years ended December 31, 2009 and 2008, respectively. Bancorporation recognized rental income of $3,735 and $4,065 for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, future minimum rental commitments under noncancellable operating leases that have a remaining life in excess of one year are summarized as follows:

2010	$1,167
2011	1,123
2012	878
2013	516
2014	371
2015 and thereafter	589
Total minimum obligation	$4,644

(Dollars in thousands)

NOTE 9—GOODWILL AND OTHER INTANGIBLES

Goodwill

In accordance with US GAAP, no goodwill amortization was recorded for the years ended December 31, 2009 and 2008. Goodwill is tested for impairment on an annual basis to determine if the fair value of the reporting unit is below its carrying amount. Bancorporation completed its annual impairment analysis during the fourth quarter of 2009 and determined there was no impairment of goodwill. Changes in the carrying amount for goodwill for the year ended December 31, 2009 are as follows:

Balance at January 1, 2008	$112,444
Merchants acquisition	15,813
CBI acquisition	51,630
Balance at December 31, 2008	$179,887
Adjustments related to prior year acquisitions	(175)
Balance at December 31, 2009	$179,712

The changes in the carrying amounts of core deposit and other intangibles and mortgage servicing rights for the years ended December 31, 2009 and 2008 were as follows:

	Core Deposit and Other Intangibles	Mortgage Servicing Rights*	Total
Balance at December 31, 2007	$18,090	$ 9,899	$ 27,989
Amortization	(7,418)	(4,162)	(11,580)
Merchants acquisition	1,608	—	1,608
CBI acquisition	6,907	—	6,907
Purchase price adjustments	(5)	—	(5)
Servicing rights originated	—	2,506	2,506
Balance at December 31, 2008	$19,182	$ 8,243	$ 27,425
Amortization	(7,156)	(2,559)	(9,715)
Servicing rights originated	—	4,961	4,961
Balance at December 31, 2009	$12,026	$10,645	$ 22,671

* Valuation allowance for MSRs was $2,006 and $2,631 as of December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the fair market values of MSRs were $10,741 and $8,381, respectively. Contractually specified mortgage servicing fees, late fees and ancillary fees earned for the year ended December 31, 2009 and 2008 were $4,973 and $4,462, respectively. These amounts are included in mortgage income in the Consolidated Statements of Income.

Amortization expense on core deposit intangibles was $7,156 and $7,418 for the years ended December 31, 2009 and 2008, respectively. The amortization expense related to mortgage servicing rights, included as a reduction of mortgage income in the Consolidated Statements of Income, was $2,559 and $4,162 for the years ended December 31, 2009 and 2008, respectively. Amortization expense was reduced by a net recapture of mortgage servicing rights impairment of $624 for the year ended December 31, 2009. Amortization expense included impairment of $2,323 for the year ended December 31, 2008.

(Dollars in thousands)

Key economic assumptions used to value mortgage servicing rights as of December 31, 2009 were as follows:

Weighted-average remaining life	3.24 years
Weighted-average discount rate	8.97%
Weighted-average prepayment speed	23.42%
Weighted-average coupon	5.55%

Bancorporation projects the following aggregate amortization expense based on existing core deposit and other intangibles for each of the next five years:

For the year ended December 31:

2010	5,368
2011	2,242
2012	1,754
2013	1,550
2014	1,112

NOTE 10—FEDERAL HOME LOAN BANK STOCK

First Citizens is a member of the Federal Home Loan Bank of Atlanta ("FHLB"). As a condition of membership, First Citizens purchased capital stock of the FHLB. The capital stock cannot be sold as long as First Citizens is a member of the FHLB. The amount of the investment will increase or decrease based upon the level of borrowings from the FHLB as well as First Citizens asset size. Due to the redemptive provisions of the FHLB, this stock is carried at cost and approximates fair value. As of December 31, 2009 and December 31, 2008, an investment in FHLB of $24,800 and $16,185, respectively, is reflected in other assets in the Consolidated Statements of Condition.

NOTE 11—DEPOSITS

Deposits and related interest expense are summarized as follows:

	Deposits December 31,		Interest Expense For the Year Ended December 31,	
	2009	2008	2009	2008
Demand	$1,180,313	$ 918,468	$ —	$ —
NOW accounts	1,530,214	1,267,650	3,756	8,701
Money market accounts	1,505,651	935,320	16,064	18,621
Savings	338,048	312,075	983	2,201
Time	2,650,491	2,362,427	58,834	81,640
Total	$7,204,717	$5,795,940	$79,637	$111,163

Time deposits with a minimum denomination of one hundred thousand dollars totaled $976,993 and $695,339 at December 31, 2009 and 2008, respectively.

(Dollars in thousands)

At December 31, 2009 the scheduled maturities of time deposits were:

2010	$2,267,854
2011	228,552
2012	118,080
2013	14,258
2014	17,464
Thereafter	4,283
Total time deposits	$2,650,491

NOTE 12—INCOME TAXES

As of December 31, 2009, Bancorporation had no unrecognized tax benefits related to federal or state income tax matters. It is Bancorporation's policy to recognize any accrued interest and penalties related to unrecognized tax benefits in tax expense.

The components of consolidated income tax expense are as follows:

	For the Year Ended December 31,	
	2009	2008
Current:		
Federal	$18,496	$30,306
State	5,967	2,100
	24,463	32,406
Deferred—Federal	34,051	(7,979)
Total income tax expense	$58,514	$24,427

The significant components of Bancorporation's deferred tax assets and liabilities, which are included in other liabilities (2009) and other assets (2008) in the Consolidated Statements of Condition, are as follows:

	As of December 31,	
	2009	2008
Deferred tax assets:		
Allowance for loans losses	$33,049	$26,491
Employee benefits	3,793	3,293
Book depreciation over tax	3,785	4,221
Amortization—intangibles	4,798	4,545
Employee benefits plans adjustment	8,977	12,497
Other	6,815	6,432
Total deferred tax assets	61,217	57,479
Deferred tax liabilities:		
Pension costs	10,483	10,346
Mark-to-market of available-for-sale securities	12,478	15,082
Deferred acquisition gain	40,952	—
Other	2,866	2,646
Total deferred tax liabilities	66,779	28,074
Net deferred tax (liability) asset	$ (5,562)	$29,405

(Dollars in thousands)

Bancorporation has no valuation allowance for deferred tax assets based on management's belief that it is more likely than not that the deferred tax assets will be realized.

Total income tax expense differs from the amount of income tax determined by applying the U. S. statutory federal income tax rate (35%) to pretax income as a result of the following differences:

	For the Year Ended December 31,	
	2009	**2008**
Tax expense at statutory rate	$55,837	$24,178
Increase (decrease) in taxes resulting from:		
Non-taxable interest	(900)	(800)
State income taxes, net of federal income tax benefit	3,878	1,343
Other, net	(301)	(294)
Total income tax expense	$58,514	$24,427

Years 2006 through 2009 are subject to audit by Federal and State tax authorities.

NOTE 13—SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings

Bancorporation had no advances outstanding from the FHLB with maturities of one year or less as of December 31, 2009 and $7,300 as of December 31, 2008. FHLB advances represent borrowings from the FHLB pursuant to a line of credit collateralized by a blanket lien on qualifying loans secured by first mortgages on 1-4 family residences, home equity lines of credit, multi-family real estate, and commercial real estate. Advances have various maturity dates, terms and repayment schedules with fixed or variable rates of interest, payable monthly on maturities of one year or less and payable quarterly on maturities over one year. These advances and advances in the long-term debt section were collateralized by qualifying loans held by First Citizens. Total qualifying loans of First Citizens available to pledge to the FHLB for advances and letters of credit at December 31, 2009 were approximately $449,000. Additional borrowings are available by pledging additional collateral and purchasing additional stock in the FHLB. The advances are subject to prepayment penalties and convertible advances are subject to call at the option of the FHLB.

As of December 31, 2009 and 2008, there were $3,154 and $993, respectively, of subordinated notes payable due within the next twelve months.

(Dollars in thousands)

Long-term debt

Components of long-term debt as of December 31 were as follows:

	2009	2008
Guaranteed Preferred Beneficial Interest in Bancorporation's Junior Subordinated Deferrable Interest Debenture 8.25%, due March 15, 2028	$ 51,547	$ 51,547
Guaranteed Preferred Beneficial Interest in Bancorporation's Junior Subordinated Deferrable Interest Debenture Floating Rate (2.50% as of December 31, 2009), due June 15, 2034	51,547	51,547
Guaranteed Preferred Beneficial Interest in Junior Subordinated Deferrable Interest Debenture Floating Rate acquired through the CBI acquisition (3.13% as of December 31, 2009), due April 7, 2034	10,310	10,310
	113,404	113,404
Subordinated notes payable:		
7.75% maturing April 1, 2010 (issued by First Citizens)	—	3,208
8.00% maturing April 1, 2013 (issued by First Citizens)	5,620	5,620
6.80% maturing April 1, 2015	74,468	74,367
8.00% maturing June 1, 2018	15,000	15,000
	95,088	98,195
Other debt:		
Federal Home Loan Bank Advances	100,000	84,928
Total long-term debt	$308,492	$296,527

Principal amounts due for the next five years on long-term debt at December 31, 2009 are: 2010—$3,154; 2011—$100,000; 2012—none; 2013—$5,620; and 2014—none.

At December 31, 2009, First Citizens had one fixed rate FHLB advance with an interest rate of 1.44% maturing on September 26, 2011. At December 31, 2009, there were no advances which were subject to call provisions at the option of the FHLB. At December 31, 2008, First Citizens had multiple advances with a weighted average rate of 3.73%.

FCB/SC Capital Trust I, a statutory business trust ("Cap Trust I") created by Bancorporation, had outstanding at December 31, 2009, $50,000 (par value) of 8.25% Capital Securities which will mature on March 15, 2028. The balance of the securities can be prepaid, subject to regulatory approval, in whole or part at any time on or after March 15, 2008. Additionally, Cap Trust I has issued $1,547 in liquidation amount of its Common Securities, which constitute all of its outstanding Common Securities to Bancorporation.

FCB/SC Capital Trust II, a statutory business trust ("Cap Trust II") created by Bancorporation, had outstanding at December 31, 2009, $50,000 (par value) of floating rate Capital Securities based on 3 month LIBOR plus 2.25% which resets quarterly. The principal assets of Cap Trust II will mature on June 15, 2034. The balance of the securities can be prepaid, subject to regulatory approval, in whole or part at any time on or after June 15, 2009. Additionally, Cap Trust II has issued $1,547 in liquidation amount of its Common Securities, which constitute all of its outstanding Common Securities to Bancorporation.

The Capital Securities and the Common Securities of Cap Trust I and Cap Trust II are included in Tier 1 capital for regulatory capital adequacy purposes. The obligations of Bancorporation with respect to the issuance of the Capital Securities and the Common Securities constitute a full and unconditional guarantee by Bancorporation of the Trust's obligations with respect to the Capital Securities and Common Securities. Subject to certain exceptions and limitations, Bancorporation may elect from time to time to defer subordinated debenture interest payments, which would result in a deferral of distribution payments on the related Capital Securities or Common Securities.

SCB Capital Trust I, a statutory business trust ("SCB Cap Trust I") acquired in the CBI acquisition by First Citizens, had outstanding at December 31, 2009, $10,000 (par value) of floating rate Capital Securities based on 3 month LIBOR plus 2.80% which resets quarterly. The principal assets of SCB Cap Trust I will mature on April 7, 2034. The balance of the securities can be prepaid, subject to regulatory approval, in whole or part at any time on or after April 7, 2009. Additionally, SCB Cap Trust I has issued $310 in liquidation amount of its Common Securities, which constitute all of its outstanding Common Securities to First Citizens.

The Capital Securities and the Common Securities of SCB Cap Trust I are included in Tier 1 capital for regulatory capital adequacy purposes. The obligations of First Citizens with respect to the issuance of the Capital Securities and the Common Securities constitute a full and unconditional guarantee by First Citizens of the Trust's obligations with respect to the Capital Securities and Common Securities. Subject to certain exceptions and limitations, First Citizens may elect from time to time to defer subordinated debenture interest payments, which would result in a deferral of distribution payments on the related Capital Securities or Common Securities.

NOTE 14—STOCKHOLDERS' EQUITY

Each share of voting common and voting preferred stock is entitled to one vote on all matters on which stockholders vote. In certain cases, South Carolina law provides for class voting of shares and for voting rights for non-voting shares. Holders of shares of non-voting common stock have no right to vote on any matter on which stockholders are entitled to vote except in such instances as South Carolina law may require that they vote as a class, in which event, holders of non-voting shares have one vote for each share. In all other respects, holders of non-voting common stock have the same rights, privileges and limitations (including lack of preemptive rights) as holders of voting common stock. Dividend rights of each series of preferred stock are cumulative, and upon liquidation, each preferred stockholder is entitled to payment of par value or call amount for each share owned before any distribution to holders of common stock.

Holders of Series C preferred stock are entitled to be paid, when declared by the Board of Directors, cash dividends (the "regular dividend") at the rate of $2.00 per share annually, payable quarterly. In addition to such regular dividends, holders of Series C preferred stock are entitled to be paid when declared by the Board of Directors, a special dividend (the "special dividend") in December of each year in which the regular dividend per share paid on Series C preferred stock is less than twice the amount per share paid by Bancorporation on its common shares. The special dividend shall be that amount per share which equals the difference between the regular dividend paid per share on the Series C preferred stock during such year and twice the amount of cash dividends per share paid on the common stock during such year.

Series A, B, and F preferred stock may be redeemed by Bancorporation, at its option, at par or stated value. Series C, Series E, and G preferred stock may be redeemed by Bancorporation, at its option, at a call price of $100, $200 and $50 per share, respectively. Series E preferred stock has no par value and is considered non-voting. Par value, number of shares authorized and outstanding, and dividends paid for each series of redeemable preferred stock at December 31, 2009 and 2008 follows:

		2009			2008		
Series	Par Value	Authorized And Outstanding	Amount	Cash Dividend Per Share (1)	Authorized And Outstanding	Amount	Cash Dividend Per Share (1)
		(dollars in thousands, except per share and par value data)					
A	$ 50	6,490	$ 324	$ 2.50	6,490	$ 324	$2.50
B	50	11,810	591	2.50	11,810	591	2.50
C	20	5,819	117	2.80	5,819	117	2.80
E	N/A	498	100	10.00	498	100	10.00
F	50	31,365	1,567	2.50	31,365	1,567	2.50
G	N/A	8,113	406	2.50	8,113	406	2.50
			$3,105			$3,105	

(1) The cash dividend amounts represent annual dividend payments which are paid on a quarterly basis.

Under South Carolina law, Bancorporation is authorized to pay dividends such as are declared by its Board of Directors subject to certain legal and regulatory restrictions. The Bank and Exchange are subject to dividend limitations mandated by the South Carolina State Board of Financial Institutions. Prior to the merger of Merchants into First Citizens on October 16, 2009, Merchants was subject to dividend limitations mandated by the Georgia Department of Banking and Finance.

NOTE 15—EMPLOYEE BENEFITS

The Bank has a noncontributory defined benefit pension plan (the "Plan") which covers substantially all of its employees. On July 19, 2007, First Citizens' Board of Directors approved an amendment to the Plan to provide that any employee who is hired or rehired on or after September 1, 2007 will not be eligible to participate in the Plan. Retirement benefits under the Plan are based on an employee's length of service and highest average annual compensation for five consecutive years during the last ten years of employment. Contributions to the Plan are based upon the projected unit credit actuarial funding method and are limited to the amounts that are currently deductible for tax reporting purposes. Employees had to be employed by the Bank for at least one year to participate in the Plan. The employees fully vest in the Plan after five years of service. The Bank uses a December 31 measurement date for this Plan.

(Dollars in thousands)

The following table details the changes both in the actuarial present value of the projected pension benefit obligation and in the Plan's assets, presents the funded status of the Plan at each year end and identifies the related amounts recognized and unrecognized in Bancorporation's Consolidated Statements of Condition. The table also presents the weighted-average assumptions used to determine the benefit obligation at each year end.

	December 31, 2009	December 31, 2008
Change in benefit obligation:		
Benefit obligation at beginning of year	$82,284	$77,057
Service cost	3,529	3,601
Interest cost	4,834	4,507
Actuarial (loss) gain	(3,948)	1,359
Reduction in liability related to approved Plan amendment	—	(1,735)
Benefits paid	(2,665)	(2,505)
Benefit obligation at end of year	$84,034	$82,284

The accumulated benefit obligation was $73,942 and $69,074 at December 31, 2009 and 2008, respectively. These accumulated benefit obligations differ from the projected benefit obligations above in that they reflect no assumptions about future compensation levels.

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 71,193	$ 82,369
Actual return on plan assets	9,763	(13,671)
Employer contribution	5,000	5,000
Benefits paid	(2,665)	(2,505)
Fair value of plan assets at end of year	$ 83,291	$ 71,193
Funded status at end of year (recognized as other liabilities in the Consolidated Statements of Condition)	$ (743)	$(11,091)
Accumulated other comprehensive loss, excluding income taxes:		
Actuarial loss	$(26,550)	$(37,267)
Less prior service cost	1,388	1,561
Accumulated other comprehensive loss, excluding income taxes	$(25,162)	$(35,706)
Weighted-average assumptions used to determine benefit obligations, end of year:		
Discount rate	6.25%	6.00%
Rate of future compensation increases	4.00%	4.00%

(Dollars in thousands)

Expected Cash Flows

Information regarding the expected cash flows for the Plan is as follows:

Employer Contributions	
2010 (expected)	$ 5,000
Expected Benefit Payments	
2010	$ 2,391
2011	2,594
2012	2,669
2013	2,977
2014	3,234
2015—2019	22,548
Expected Amortization in 2010 (to be included in net periodic pension cost):	
Amortization of loss	$ 1,825
Amortization of prior service costs	(173)

The following table details the components of pension expense recognized in Bancorporation's Consolidated Statements of Income:

	For the Year Ended December 31,	
	2009	2008
Service costs	$ 3,529	$ 3,600
Interest costs	4,834	4,507
Expected return on plan assets	(5,831)	(6,897)
Recognized net actuarial loss	2,836	1,213
Amortization of prior service costs	(173)	(173)
Net pension expense	$ 5,195	$ 2,250

Bancorporation used the following weighted-average assumptions in determining the net pension expense for the years ended December 31, 2009 and 2008:

	2009	2008
Discount rate	6.00%	5.75%
Rate of future compensation increases	4.00%	4.00%
Expected long-term return on plan assets	8.00%	8.00%

The following table presents the percentage allocation of Plan assets by investment category at December 31, 2009 and 2008:

	2009	2008
Equity securities	49.3%	41.5%
Debt securities	40.1%	37.3%
Cash and equivalents	10.6%	21.2%
Total	100.00%	100.00%

The investment policy for this Plan establishes an asset allocation whereby fixed income securities including cash and cash equivalents should comprise no less than 50% of Plan assets and whereby equity securities should not exceed 50% of

(Dollars in thousands)

Plan assets. Because the investment policy grants a 5% of Plan market value variance when assessing overall asset allocation percentage, equity securities can comprise up to 55% of Plan assets before action is required. Equity securities include $1,710 and $1,254 of Cap Trust I's Capital Securities and $3,392 and $2,863 of Bancorporation's common stock as of December 31, 2009 and 2008, respectively.

Bancorporation's pension investment committee establishes investment policies and strategies and regularly monitors the performance of the funds. Bancorporation's investment strategy with respect to pension assets is to invest the assets in accordance with ERISA and fiduciary standards. The long-term primary objectives for the Plan are to provide for a reasonable amount of long-term growth of capital, without undue exposure to risk, and to provide investment results that meet or exceed the Plan's expected long-term rate of return.

The weighted average expected long-term rate of return on Plan assets represents the average rate of return expected to be earned on Plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, Bancorporation considers the actual historical and current returns on Plan assets. Using this reference information, Bancorporation develops forward-looking return expectations for the Plan.

The Plan was amended to provide that any employee who is hired or rehired on or after September 1, 2007 will not be eligible to participate in the Plan. In addition, all current participants as of the Plan amendment were eligible to irrevocably opt out of accruing further benefits in the Plan in order to participate in an enhanced contributory savings plan discussed below. Participants who did not elect the enhanced contributory savings plan will continue to accrue benefits in the Plan and the existing contributory savings plan.

Bancorporation has a contributory savings plan covering employees who elected to participate prior to September 1, 2007. Bancorporation matches 100% of the employees' contribution of up to 3% of compensation and 50% of the employees' contribution over 3% but not to exceed 6% of compensation. The matching funds contributed by Bancorporation are 100% vested immediately.

Bancorporation has an enhanced contributory savings plan covering employees hired or rehired on or after September 1, 2007 and which provided for benefits beginning January 1, 2008. Bancorporation matches 100% of the employees' contributions of up to 6% of compensation and has historically contributed a profit sharing contribution equal to 3% of a participant's compensation regardless of whether the participant is making contributions. The matching funds contributed by Bancorporation are 100% vested immediately.

Under both of the foregoing savings plans, Bancorporation has the discretion to change, amend, or forego the described contributions subject to compliance with applicable tax requirements.

Matching contributions provided by Bancorporation were $4,420 and $4,412 for the years ended December 31, 2009, and 2008, respectively, and are included in salaries and employee benefits in the Consolidated Statements of Income.

The fair values of pension plan assets carried at December 31, 2009 by asset category are as follows:

	Fair Value at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Equity securities	$41,051	$41,051	$ —	$ —
Debt securities	33,418	—	33,418	—
Cash equivalents	8,822	8,822	—	—
Total pension plan assets	$83,291	$49,873	$33,418	$ —

(Dollars in thousands)

NOTE 16—COMMITMENTS, CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Financial instruments with off-balance sheet risk include commitments to extend credit, standby letters of credit and commitments on mortgage loans held for resale. Generally, Bancorporation charges a fee to the customer to extend these commitments as part of its normal banking activities. These fees are initially deferred and included in loans in the Consolidated Statements of Condition. Ultimately, such fees are recorded as an adjustment to yield over the life of the loan or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.

A summary of the significant financial instruments with off-balance sheet risk follows:

	Contract Amount at December 31,	
	2009	**2008**
Commitments to extend credit	$1,237,732	$1,283,599
Letters of credit and financial guarantees	22,153	22,275
Total	$1,259,885	$1,305,874

Commitments to extend credit are agreements to lend to a borrower as long as there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. Bancorporation evaluates each borrower's credit worthiness on a case-by-case basis using the same credit policies for on-balance sheet financial instruments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. The type of collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income producing property.

Letters of credit and financial guarantees are conditional commitments issued by Bancorporation to guarantee the performance of a borrower to a third party. As of December 31, 2009, Bancorporation had issued $22,153 in such guarantees predominantly for terms of one year or less and represent the maximum exposure under such instruments. These guarantees are primarily issued to support public and private borrowing arrangements. The evaluations of credit worthiness, consideration of need for collateral, and credit risk involved in issuing letters of credit are essentially the same as that involved in extending loans to borrowers.

Most of Bancorporation's business activity is with customers located in South Carolina. A significant economic downturn in South Carolina could have a material adverse impact on the operations of Bancorporation. As of December 31, 2009, Bancorporation had no other significant concentrations of credit risk in the loan portfolio.

Bancorporation is a defendant in litigation arising out of normal banking activities. In the opinion of management and Bancorporation's counsel, the ultimate resolution of these matters will not have a material effect on Bancorporation's financial condition or results of operations.

NOTE 17—RELATED PARTY TRANSACTIONS

Bancorporation has, and expects to have in the future, transactions in the ordinary course of business with its directors, officers, principal stockholders and their associates on substantially the same terms (including interest rates and collateral on loans) as those prevailing for comparable transactions with others. However, subject to the completion of length of service requirements and credit approval, all employees are eligible to receive reduced interest rates on extensions of credit. The transactions do not involve more than the normal risk of collectibility.

(Dollars in thousands)

Aggregate balances and activity related to extensions of credit to officers, directors and their associates were as follows:

	December 31, 2009
Balance at beginning of year	$4,392
New loans and additions	499
Payments and other deductions	(339)
Balance at end of year	$4,552

First-Citizens Bank & Trust Company, Raleigh, North Carolina ("FCBNC") is the wholly-owned subsidiary of First Citizens BancShares, Inc. ("BancShares"). Bancorporation's Vice Chairman is a director and executive officer of BancShares and FCBNC. Bancorporation has a contract with FCBNC for the purpose of outsourcing data processing and other services to include item processing, deposits, loans, general ledger and statement rendering functions. Total expenses paid under this contract as well as reimbursements to FCBNC for services provided by Bancorporation's Vice Chairman were $20,482 and $19,819 for the years ended December 31, 2009 and 2008, respectively. Investment securities available-for-sale includes an investment in FCBNC with a carrying value of $35,062 and $33,343 at December 31, 2009 and 2008, respectively. Bancorporation also has a correspondent banking relationship with FCBNC, which also acts as an investment custodian**.** Fees paid for this service were minimal for the years ended December 31, 2009 and 2008.

NOTE 18—FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2009 and December 31, 2008. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The carrying amounts and estimated fair values of Bancorporation's financial instruments are as follows:

	December 31, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 711,859	$ 711,859	$ 350,763	$ 350,763
Investment securities	1,298,353	1,298,410	1,151,365	1,151,481
Loans not covered by loss sharing agreements	4,616,109	4,580,996	4,954,467	4,883,513
Loans covered by loss sharing agreements	871,917	871,832	—	—
Interest receivable	26,318	26,318	29,095	29,095
FDIC receivable for loss sharing agreements	288,214	288,214	—	—
Federal Home Loan Bank stock	24,800	24,800	16,185	16,185
Financial liabilities:				
Deposits	7,204,717	7,211,481	5,795,940	5,817,357
Securities sold under agreements to repurchase	254,452	254,452	342,463	342,463
Short-term borrowings	3,154	3,154	8,293	8,336
Interest payable	12,454	12,454	17,729	17,729
Long-term debt	308,492	267,289	296,527	221,806

It is Bancorporation's policy to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the Consolidated Statements of Condition.

Following is a description of the methods and assumptions used to estimate the fair value of each class of Bancorporation's financial instruments:

Short-term financial instruments:

Short-term financial instruments are valued at their carrying amounts reported in the Consolidated Statements of Condition, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash and cash equivalents, short-term investments, interest receivable and interest payable.

Investment securities:

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

Loans not covered under FDIC loss sharing agreements:

For mortgage loans held for resale, fair value is estimated using the quoted market prices for securities backed by similar loans. The fair value of loans is estimated by discounting the expected future cash flows using Bancorporation's current interest rates at which loans would be made to borrowers with similar credit risk. Fair value estimates also consider the impact of liquidity discounts appropriate as of the measurement date.

Loans covered under FDIC loss sharing agreements:

The fair value of loans covered under the FDIC loss sharing agreements is based on recent external appraisals. If recent appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information.

FDIC receivable for loss sharing agreements:

The fair value for the FDIC receivable for loss sharing agreements approximates carrying value.

Federal Home Loan Bank stock:

The fair value for FHLB stock approximates carrying value, based on the redemptive provisions of the Federal Home Loan Bank.

Deposits:

Deposits with no defined maturity such as demand deposits, NOW, Money Market accounts and savings accounts have a fair value equal to the amount payable on demand at the reporting date, i.e., their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow that applies current interest rates to a schedule of aggregated expected maturities.

Securities sold under agreements to repurchase:

Securities sold under agreements to repurchase are valued at their carrying amounts reported in the Consolidated Statements of Condition, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

Short-term borrowings:

Short-term borrowings are based on discounted cash flows using the current market rate.

Long-term debt:

Rates currently available to Bancorporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Commitments to extend credit and standby letters of credit:

The fair values of commitments to extend credit and standby letters of credit are generally based upon fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The estimated fair value of Bancorporation's commitments to extend credit and standby letters of credit is nominal.

Bancorporation groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair values. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques included use of discounted cash flow models and similar techniques.

Among Bancorporation's assets and liabilities, investment securities available for sale are reported at their fair values on a recurring basis. Bancorporation reports no liabilities at their fair values on a recurring basis.

(Dollars in thousands)

For assets carried at fair value, the following table provides fair value information as of December 31, 2009:

	Fair Value at December 31, 2009	Fair value measurements at December 31, 2009		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value				
Investment securities available-for-sale:				
U.S. government treasuries and agencies	$ 932,491	$932,491	$ —	$—
Corporate bonds issued under the Temporary Liquidity Guarantee Program	117,212	—	117,212	—
FNMA, GNMA and FHLMC mortgage backed securities	163,953	—	163,953	—
Obligations of states and political subdivisions	11,019	—	11,019	—
Corporate bonds	19,005	—	19,005	—
Equity securities	37,539	37,539	—	—
Other	7,701	—	7,110	591
Total investment securities available-for-sale	$1,288,920	$970,030	$318,299	$591

For assets carried at fair value, the following table provides fair value information as of December 31, 2008:

	Fair Value at December 31, 2008	Fair value measurements at December 31, 2008		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value				
Investment securities available-for-sale:				
U.S. government treasuries and agencies	$ 990,822	$ 990,821	$ —	$—
Corporate bonds issued under the Temporary Liquidity Guarantee Program	20,682	—	20,682	—
FNMA, GNMA and FHLMC mortgage backed securities	58,767	—	58,767	—
Obligations of states and political subdivisions	14,807	—	14,807	—
Corporate bonds	9,152	—	9,152	—
Equity securities	38,340	38,340	—	—
Other	9,131	—	8,308	824
Total investment securities available-for-sale	$1,141,701	$1,029,161	$111,716	$824

(Dollars in thousands)

For those investment securities available for sale with fair values that are determined by reliance on significant unobservable inputs, the following table identifies factors causing the change in fair value from January 1, 2009 to December 31, 2009:

	Investment securities available-for-sale with fair values based on significant unobservable inputs
Beginning balance, January 1, 2009	$ 824
Total unrealized gains included in other comprehensive income	17
OTTI write-down	(250)
Ending balance, December 31, 2009	$ 591

Fair value measurement of investment securities available-for-sale is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing modes or other model-based valuation techniques such as present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities included those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in an active over-the-counter markets and money market funds. Level 2 securities included mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Some assets and liabilities are carried at fair value on a nonrecurring basis. Loans held for sale are carried at the lower of aggregate cost or fair value and are therefore carried at fair value only when fair value is less than the asset cost. Certain impaired loans, other real estate owned and mortgage servicing rights are also carried at fair value. Bancorporation reports no liabilities at their fair values on a nonrecurring basis. For assets carried at fair value on a nonrecurring basis, the following table provides fair value information as of December 31, 2009:

		Fair value measurements at December 31, 2009 using:		
	Fair Value at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage loans held for resale	$25,521	$—	$25,521	$ —
Mortgage servicing rights	6,783	—	—	6,783
Impaired loans:				
Not covered by loss sharing agreements	15,172	—	—	15,172
Covered by loss sharing agreements	11,173	—	—	11,173
Total impaired loans	26,345	—	—	26,345
Other real estate owned not covered by loss sharing agreements	941	—	—	941

(Dollars in thousands)

For assets carried at fair value on a nonrecurring basis, the following table provides fair value information as of December 31, 2008:

		Fair value measurements at December 31, 2008 using:		
	Fair Value at December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage loans held for resale	$19,200	$—	$19,200	$ —
Mortgage servicing rights	8,112	—	—	8,112
Impaired loans not covered by loss sharing agreements	26,042	—	—	26,042

The values of mortgage loans held for resale are based on prices observed for similar pools of loans, appraisals provided by third parties and prices determined based on terms of investor purchase commitments.

Bancorporation does not record loans at fair value on a recurring basis. However, from time to time a loan is considered impaired and a specific reserve is established or the loan is partially charged off. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with applicable accounting guidance. The fair value of impaired loans is estimated using either the collateral value or by the discounted present value of the expected cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investment in such loans. At December 31, 2009, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with Bancorporation's standards, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, Bancorporation records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, Bancorporation records the impaired loan as nonrecurring Level 3.

Other real estate owned includes certain foreclosed assets that are measured and reported at fair value using Level 3 inputs for valuations based on nonobservable criteria.

The fair values of MSRs are determined by using models which depend on estimates of prepayment rates, the weighted average lives, and the weighted average coupon rate of the MSRs. See Note 8 for more information on MSRs.

NOTE 19—CAPITAL MATTERS

Bancorporation and its banking subsidiaries are 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 Bancorporation and its banking subsidiaries' consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Bancorporation and its banking subsidiaries must meet specific capital guidelines that involve quantitative measures of Bancorporation and its banking subsidiaries' assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Bancorporation and its banking subsidiaries' capital amounts and classifications are 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 Bancorporation and its banking subsidiaries to maintain minimum amounts and ratios of Total and Tier I capital to risk weighted assets, and of Tier I capital to average assets (leverage ratio). Management believes, as of December 31, 2009, that Bancorporation and its banking subsidiaries meet all capital adequacy requirements to which it is subject.

(Dollars in thousands)

To be categorized as "well-capitalized", Bancorporation and its banking subsidiaries must maintain minimum Total risk-based and Tier I risk-based ratios as set forth in the table below. As seen below, Bancorporation and its banking subsidiaries are considered to be "well-capitalized" institutions per regulatory definitions. There are no conditions or events subsequent to December 31, 2009 that management believes would change the capital amounts and ratios presented below for Bancorporation, Bank and Exchange.

	Actual		Required For Capital Adequacy Purposes		Required To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
	As of December 31, 2009					
Total capital to risk weighted assets:						
Bancorporation	$691,407	14.09%	$392,698	8.00%	$490,873	10.00%
Bank	653,720	13.54	386,258	8.00	482,822	10.00
Exchange	20,940	31.69	5,286	8.00	6,608	10.00
Tier I capital to risk weighted assets:						
Bancorporation	536,794	10.94	196,349	4.00	294,524	6.00
Bank	589,584	12.21	193,129	4.00	289,693	6.00
Exchange	20,110	30.43	2,643	4.00	3,965	6.00
Tier I capital to average assets:						
Bancorporation	536,794	6.50	330,116	4.00	412,646	5.00
Bank	589,584	7.28	323,920	4.00	404,900	5.00
Exchange	20,110	17.53	4,589	4.00	5,736	5.00
	As of December 31, 2008					
Total capital to risk weighted assets:						
Bancorporation	$585,124	12.19%	$384,038	8.00%	$480,048	10.00%
Bank	522,666	11.34	368,831	8.00	461,038	10.00
Exchange	20,502	27.60	5,944	8.00	7,430	10.00
Merchant and Farmers	22,314	19.99	8,930	8.00	11,162	10.00
Tier I capital to risk weighted assets:						
Bancorporation	430,377	8.97	192,019	4.00	288,029	6.00
Bank	459,670	9.97	184,415	4.00	276,623	6.00
Exchange	19,572	26.34	2,972	4.00	4,458	6.00
Merchant and Farmers	20,930	18.75	4,465	4.00	6,697	6.00
Tier I capital to average assets:						
Bancorporation	430,377	6.47	265,989	4.00	332,487	5.00
Bank	459,670	7.24	253,849	4.00	317,311	5.00
Exchange	19,572	16.78	4,665	4.00	5,832	5.00
Merchant and Farmers	20,930	13.40	6,249	4.00	7,812	5.00

NOTE 20—SUBSEQUENT EVENTS

The Board of Directors of Bancorporation declared a quarterly common stock dividend of $ 0.35 per share for shareholders of record as of February 12, 2010, payable February 26, 2010.

Management has evaluated subsequent events through March 17, 2010, which is the date the financial statements were available to be issued, and there were no subsequent events to disclose or recognize except as noted above.

(Dollars in thousands)

NOTE 21—BANCORPORATION (PARENT COMPANY INFORMATION ONLY)

Bancorporation's principal asset is its investments in its wholly-owned subsidiaries, the Bank and Exchange, and its principal source of income is dividends from the Banks. As discussed in Note 14, the Bank and Exchange have dividend limitations regulated by the applicable state regulatory agencies.

Bancorporation's condensed Statements of Condition and the related condensed Statements of Income and of Cash Flows are as follows:

STATEMENTS OF CONDITION

	As of December 31,	
	2009	2008
Assets:		
Cash	$ 5,045	$ 4,870
Investments in subsidiaries	775,556	673,340
Investments securities	37,539	38,890
Other assets	7,378	7,447
Total assets	$825,518	$724,547
Liabilities and stockholders' equity:		
Long-term debt	$192,563	$193,454
Other liabilities	14,777	14,468
Stockholders' equity	618,178	516,625
Total liabilities and stockholders' equity	$825,518	$724,547

STATEMENTS OF INCOME

	For the Year Ended December 31,	
	2009	2008
Income:		
Dividends received from banking subsidiaries	$ 8,800	$26,850
Other	518	783
	9,318	27,633
Expenses:		
Interest	12,367	13,047
Other	4,357	629
	16,724	13,676
(Loss) Income before equity in undistributed earnings of subsidiaries and income taxes	(7,406)	13,957
Equity in undistributed earnings of the subsidiaries and associated companies	102,721	26,138
Income before income taxes	95,315	40,095
Applicable income tax benefit	(5,705)	(4,559)
Net income	$101,020	$44,654

(Dollars in thousands)

STATEMENTS OF CASH FLOWS

	2009	2008
Cash flows from operating activities:		
Net income	$ 101,020	$ 44,654
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in undistributed earnings of the subsidiaries and associated companies	(102,721)	(26,138)
Accretion of discount on investment securities	—	(23)
Gain on sale of investment securities	(90)	(85)
Decrease (increase) in other assets	69	(1,141)
Other-than-temporary impairment	3,630	—
Decrease in other liabilities	(1,093)	(358)
Net cash provided by operating activities	815	16,909
Cash flows from investing activities:		
Proceeds on calls and sales of available-for-sale securities	1,823	2,112
Investments in subsidiaries	—	(37,122)
Net cash provided (used) in investing activities	1,823	(35,010)
Cash flows from financing activities:		
(Decrease) increase in long-term debt, net	(992)	15,000
Acquisition of common and preferred stock	(217)	(1,205)
Cash dividends paid	(1,355)	(1,355)
Other, net	101	100
Net cash (used) provided in financing activities	(2,463)	12,540
Net increase (decrease) in cash	175	(5,561)
Cash at beginning of year	4,870	10,431
Cash at end of year	$ 5,045	$ 4,870
Supplemental disclosure of cash flows information:		
Interest paid	$ 12,259	$ 12,901

INFORMATION ON DIRECTORS NOMINATED TO BE ELECTED AT THE ANNUAL MEETING OF SHAREHOLDERS

Name and age (1)	Positions with First Citizens Bancorporation, Inc.	Year first elected (2)	Principal occupation, business experience, and location
Carmen Holding Ames (3)(4) 41	Director	1992	Homemaker, Raleigh, NC
Jim B. Apple 57	Chairman, President, and Chief Executive Officer; First Citizens Bank's Chairman and Chief Executive Officer	1993	Executive officer of First Citizens Bancorporation, Inc. and First Citizens Bank, Columbia
Peter M. Bristow (3) 44	Executive Vice President and Chief Operating Officer; First Citizen Bank's President and Chief Operating Officer	1999	Executive officer of First Citizens Bancorporation, Inc. and First Citizens Bank, Columbia
David E. Dukes 51	Director	2001	Attorney; managing partner, Nelson Mullins Riley & Scarborough, LLP. (law firm), Columbia
J. Earle Furman, Jr. 62	Director	2006	Managing member, NAI Earle Furman LLC (commercial real estate), Greenville
M. Craig Garner, Jr. 61	Director	2004	Attorney; shareholder, McNair Law Firm P.A. (law firm), Columbia
Robert B. Haynes (5) 64	Director	1972	Chairman, Vice President and Secretary, C. W. Haynes and Company, Inc. (real estate investment), Columbia
Wycliffe E. Haynes (5) 66	Director	1972	Vice President and Treasurer, C. W. Haynes and Company, Inc. (real estate investment), Columbia
Lewis M. Henderson 56	Director	1996	Senior member, Henderson & Associates (certified public accountants) since 1999; previously, partner with Tourville, Simpson & Henderson (certified public accountants), Columbia
Frank B. Holding (3)(4) 81	Vice Chairman	1970	Executive Vice Chairman, First Citizens BancShares, Inc. and First-Citizens Bank & Trust Company, Raleigh, NC (6)
Kevin B. Marsh 54	Director	2004	President and Chief Operating Officer, South Carolina Electric & Gas Company (2006 to current); Senior Vice President of Finance, Treasurer, and Controller (2006-1996), SCANA Corporation (energy based holding company) ; President and Chief Operating Officer, PSNC Energy (2001 to 2003), Columbia
Allen H. McIntyre 53	Director	2006	Consultant, Greenville
Charles S. McLaurin III 71	Director	2001	Semi-retired; formerly employed by First Citizens Bank from 1964 to 2004; served as Executive Vice President of First Citizens Bank from 1995 to 2004; currently serves as consultant to and Vice Chairman of The Exchange Bank of South Carolina, Inc., Kingstree

(1) Each of our directors also serves as a director of First Citizens Bank, Mr. McLaurin also serves as director of The Exchange Bank of South Carolina, Inc.

(2) "First elected" refers to the year in which each individual first became one of our directors or, if prior to our organization in 1982, a director of First Citizens Bank.

(3) Mr. Holding is Ms. Ames' uncle and Mr. Bristow's father-in-law.

(4) Certain of our directors also serve as directors of publicly held companies. Ms. Ames and Mr. Holding serve as directors of First Citizens BancShares, Inc., Raleigh, NC, and Mr. Holding also serves as a director of Southern BancShares (N.C.), Inc., Mount Olive, NC.

(5) Mr. R Haynes and Mr. W. Haynes are brothers.

(6) First Citizens Bancorporation, Inc. is affiliated with First Citizens BancShares, Inc. and First-Citizens Bank & Trust Company through common control relationships.

FIRST CITIZENS BANCORPORATION, INC. CURRENT BOARD OF DIRECTORS

(Directors of First Citizens Bank and Trust Company, Inc. are identical to those of First Citizens Bancorporation, Inc.)

Carmen H. Ames

Jim B. Apple[1]

Peter M. Bristow[1]

David E. Dukes[3]

J. Earle Furman, Jr.

M. Craig Garner, Jr.[2]

Robert B. Haynes

Wycliffe E. Haynes[1,3]

Lewis M. Henderson[1,2]

Frank B. Holding[1]

Kevin B. Marsh[2,3]

Allen H. McIntyre[1]

Charles S. McLaurin, III[1]

John H. Terrell, III

[1] Member of the Executive Committee, First Citizens Bancorporation and First Citizens Bank

[2] Member of the Audit Committee, First Citizens Bancorporation and First Citizens Bank

[3] Member of the Compensation Committee, First Citizens Bank

FIRST CITIZENS BANCORPORATION EXECUTIVE OFFICERS

Jim B. Apple
Chairman/Chief Executive Officer/President

Frank B. Holding
Vice Chairman

Peter M. Bristow
Executive Vice President/Chief Operating Officer

Craig L. Nix
Executive Vice President/Chief Financial Officer/Treasurer

Melissa A. Mendenall
Corporate Secretary

Jay D. Weir
Executive Vice President/Chief Risk Officer

Press releases and quarterly earnings information are located on the First Citizens Bank and Trust Company, Inc. website at *www.firstcitizensonline.com/.* If you are a shareholder and do not have access to the internet and would like for us to mail copies of press releases and quarterly earnings information to you, please contact our corporate secretary, Melissa A. Mendenall, by telephone at (803) 931-1320, by mail at 1230 Main Street, Columbia, South Carolina 29201, or by e-mail at *lisa.mendenall@firstcitizensonline.com* also file detailed quarterly call reports with our primary regulators that are available on the internet. Reports for the Company are available at *www.ffiec.gov/.* Reports for the Banks are available at *www.fdic.gov/.*

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]