



Second Quarter 2009 Financial Commentary - Unaudited

The following financial commentary is intended to provide an executive summary of First Citizens Bancorporation's ("Bancorporation") Consolidated Statements of Condition as of June 30, 2009 and December 31, 2008 and Consolidated Statements of Income for the quarters and six months ended June 30, 2009 and 2008 (collectively, the "consolidated financial statements"). The financial commentary below and the consolidated financial statements which follow are unaudited.

Performance Highlights

- Bancorporation achieved net income of \$6.59 million during the second quarter despite recognizing a \$3.23 million industry-wide FDIC special assessment and increasing its allowance for loan losses ratio.
- The second quarter net charge-off ratio was .57%, up from .52% in the first quarter.
- While management continued to proactively focus on credit quality management during the quarter, nonaccrual loans increased due to continued economic weakness, particularly in the housing and real estate markets.
- Management added to its allowance for loan losses by increasing the allowance ratio from 1.50% to 1.61% during the quarter.
- Compared to the first quarter, lower deposit costs boosted net interest income and led to improved net interest margin.
- Mortgage refinancing activity continued to be strong during the quarter contributing to strong noninterest income.

Statement of Condition. Total assets increased from \$7.02 billion as of December 31, 2008 to \$7.10 billion as of June 30, 2009. Loans and leases, net of deferred fees, as of June 30, 2009 were \$4.86 billion compared to \$5.03 billion as of December 31, 2008. Total deposits as of June 30, 2009 were \$5.90 billion compared to \$5.80 billion as of December 31, 2008. Demand deposit and money market accounts contributed to most of the deposit growth.

The decline in loans during the first six months of 2009 was primarily related to softer loan demand for both business and consumer loans. However, as noted in the "Noninterest income" section below, mortgage refinancing activity on loans sold into the secondary market continued to be strong during the quarter as mortgage rates remained at historically low levels.

Consolidated Operating Results and Asset Quality. The following tables represent Bancorporation's condensed operating results and asset quality trends for the current quarter, the prior quarter and the comparable quarter in the prior year. The following section labeled "Financial Commentary for the quarter and six months ended June 30, 2009" provides an analysis of our financial results. See the "Consolidated Statements of Income" attached to this commentary for more detailed income statements.

Condensed Consolidated Statements of Income - Unaudited
(dollars in thousands)

	<u>2Q'09</u>	<u>1Q'09</u>	<u>2Q'08</u>
Net interest income	\$ 57,528	\$ 55,386	\$ 53,365
Provision for loan losses	11,329	7,961	5,179
Net interest income after provision for loan losses	46,199	47,425	48,186
Noninterest income	21,791	22,146	20,042
Noninterest expense	57,797	53,188	51,008
Income before income tax expense	10,193	16,383	17,220
Income tax expense	3,604	5,793	6,251
Net income	\$ 6,589	\$ 10,590	\$ 10,969

Asset Quality Ratios:

Net charge-off ratio-quarter to date*	0.57%	0.52%	0.27%
Nonaccrual loans to total loans	1.65%	1.22%	0.33%
Nonperforming assets to total assets	1.48%	1.21%	0.35%
Allowance ratio	1.61%	1.50%	1.28%

* Annualized

Financial Commentary for the quarter and six months ended June 30, 2009

Net income and asset quality trends

Net income for the quarter ended June 30, 2009 was \$6.59 million, a decline from \$10.97 during the comparable quarter in 2008. The most significant factors contributing to the decline were a \$6.15 million increase in provision expense and a \$3.23 million charge related to a special assessment levied on the banking industry by the FDIC to increase its Deposit Insurance Fund.

For the comparable quarters, provision expense increased due to an increase in the net charge-off ratio from .27% to .57% which represented an increase in net charge-off dollars from \$2.98 million to \$7.01 million. The most significant component of the increase in net charge-offs related to an increase in losses on commercial and consumer real estate loans located in the coastal areas of South Carolina.

The allowance ratio increased from 1.28% at June 30, 2008 to 1.61% at June 30, 2009 due to the increase in net charge-offs and an increase in nonaccrual loans. Nonaccrual loans to total loans increased from .33% at June 30, 2008 to 1.65% at June 30, 2009. The increase in nonaccrual loans was primarily driven by commercial and consumer real estate loans that have been adversely impacted by broad economic conditions, particularly among the coastal regions of South Carolina. Bancorporation analyzed a majority of its nonaccrual loans for specific reserves on a loan-by-loan basis based on management's evaluation of the exposure for each credit and has included the results in its allowance calculation.

During the second quarter, net income declined by \$4.00 million compared to the first quarter. The decline was primarily driven by a \$3.37 million increase in provision expense and the FDIC special assessment discussed above. Management continued to aggressively build its allowance for loan losses during the quarter (increased from 1.50% to 1.61%) due to higher than historical net charge-offs and an increase in nonaccrual loans. Nonaccrual loans increased from 1.22% of total loans at March 31, 2009 to 1.65% at June 30, 2009.

For the six months ended June 30, 2009, consolidated net income was \$17.18 million, down from \$26.06 million for the six months ended June 30, 2008. Increases in net interest income and noninterest income were partially offset by increases in provision for loan losses and noninterest expense. See further discussion of the net income components in the sections that follow.

Net interest income

Net interest income increased by \$4.16 million, or by 7.80% over the second quarter of 2008. The increase was due to average earning asset growth, partially offset by a decline in the net interest margin. Average earning assets for the second quarter of 2009 grew by 11.71% or by \$681.67 million over the comparable quarter in 2008. The increase in average earning assets was primarily due to the Community Bankshares, Inc. ("CBI") acquisition consummated on November 1, 2008.

For the comparable quarters, net interest margin decreased from 3.67% to 3.54%. For the comparable six month periods ending June 30, the net interest margin declined by 19 basis points. The decreases for both periods were primarily attributable to declines in the yield on loans and investment securities, partially offset by a decline in deposit costs.

While net interest margin declined for the comparable second quarters and six month periods ended June 30, net interest margin improved during the second quarter of 2009

over the first quarter of 2009 from 3.41% to 3.54%. The improvement was primarily attributable to a decline in deposit costs while loan yields remained flat.

Noninterest income

Noninterest income increased by \$1.75 million, or by 8.73% over the second quarter of 2008. The most significant components of the change were a \$1.37 million increase in mortgage income and a \$559 thousand increase in service charges on deposits. The increase in mortgage income was related to increased mortgage refinancing activity as mortgage interest rates remained at historically low levels. Noninterest income increased for the comparable six month periods ended June 30 for similar reasons.

Noninterest expense

Noninterest expense increased by \$6.79 million, or by 13.31% over the second quarter of 2008. The most significant components of the change were a \$4.10 million increase in other noninterest expense and a \$1.26 million increase in salaries and employee benefits expense. A majority of the increase in salaries and employee benefits was related to the CBI acquisition discussed in the “Net interest income” section above. The increase in other noninterest expense was primarily related to a \$4.64 million increase in FDIC premiums which included the \$3.23 million FDIC special assessment in the second quarter of 2009. The increase in FDIC premiums and the special assessment are impacting the overall banking industry as the FDIC restores its Deposit Insurance Fund which has been depleted due to bank failures across the country.

Noninterest expense for the six months ended June 30, 2009 increased by \$11.85 million over the comparable period in 2008. The increase was primarily due to a \$6.05 million increase in other noninterest expense and a \$2.86 million increase in salaries and employee benefits. Of the \$6.05 million increase in other noninterest expense, \$5.51 million related to the increase in FDIC premiums and the special assessment discussed in the previous paragraph. Salaries and employee benefits increased due to the same reason discussed in the previous paragraph.

Management continues to proactively manage its noninterest expense. A significant portion of the increase in our noninterest expense through the first six months and during the second quarter of 2009 related to 2008 acquisitions and the special FDIC assessment discussed throughout this financial commentary.

Dividend. The Board of Directors of Bancorporation declared a quarterly common stock dividend of \$ 0.35 per share for shareholders of record as of August 14, 2009, payable August 28, 2009.

First Citizens Bancorporation, Inc. is a three-bank financial holding company headquartered in Columbia, South Carolina, with \$7.10 billion in total consolidated assets as of June 30, 2009.

Disclaimer Regarding “Forward-Looking Statements”

Statements in this financial commentary relating to our plans, strategies, financial performance and trends, projections of results of specific activities or investments, our expectations or beliefs about future events or results, and other statements that are not descriptions of historical facts, are "forward-looking statements" and are inherently subject to risks and uncertainties. Our actual results could differ materially from those we currently anticipate and describe in those statements due to a number of factors. Forward-looking statements may be identified by terms such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "forecasts," "potential" or "continue," or similar terms or the negative of these terms, or other statements concerning opinions or judgments of our management about future events. Factors that could influence the accuracy of forward-looking statements include, but are not limited to, pressures on our earnings, capital and liquidity resulting from current and future conditions in the credit and capital markets, the financial success or changing strategies of our customers, actions of government regulators, the level of market interest rates, and changes in general economic conditions and real estate values in our banking markets (particularly changes that affect our loan portfolio, the abilities of our borrowers to repay their loans, and the values of collateral for our loans). Although we believe the expectations reflected in the forward-looking statements are reasonable, they represent our management's judgments only as of the date they are made, and we cannot guarantee future results, levels of activity, performance or achievements. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. All forward-looking statements attributable to us are expressly qualified in their entirety by the cautionary statements in this paragraph. We have no obligation, and do not intend, to update these forward-looking statements.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION - UNAUDITED

(Dollars in thousands)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 180,067	\$ 140,720
Interest bearing balances with other banks	342,967	20,090
Investment securities	1,221,473	1,151,365
Federal funds sold	8,382	189,953
Loans and leases, net	4,859,286	5,026,848
Less: Allowance for loan and lease losses	(78,146)	(72,381)
Net loans and leases	4,781,140	4,954,467
Premises and equipment, net	230,955	235,866
Interest receivable	25,203	29,095
Intangible assets	24,620	27,425
Goodwill	179,890	179,887
Other assets	104,598	94,095
Total assets	\$ 7,099,295	\$ 7,022,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 994,814	\$ 918,468
Time and savings	4,910,062	4,877,472
Total deposits	5,904,876	5,795,940
Securities sold under agreements to repurchase	311,344	342,463
Short-term borrowings	17,401	8,293
Long-term debt	284,955	296,527
Other liabilities	55,932	63,115
Total liabilities	6,574,508	6,506,338
STOCKHOLDERS' EQUITY		
Preferred stock	3,105	3,105
Common stock	4,240	4,243
Surplus	65,081	65,081
Undivided profits	455,789	439,396
Accumulated other comprehensive income	(3,428)	4,800
Total stockholders' equity	524,787	516,625
Total liabilities and stockholders' equity	\$ 7,099,295	\$ 7,022,963

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

Quarter-to-date and Year-to-date Actual

(Dollars in thousands, except per share data)

	For the quarter ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Interest income:				
Interest and fees on loans	\$73,392	\$73,092	\$147,537	\$148,342
Interest on investment securities:				
Taxable	7,857	10,561	16,980	22,040
Non-taxable	129	61	274	100
Interest on interest bearing balances with other banks	222	11	419	27
Federal funds sold	6	2,043	47	5,449
Total interest income	81,606	85,768	165,257	175,958
Interest expense:				
Interest on deposits	19,682	27,987	43,360	60,056
Interest on securities sold under agreements to repurchase	216	1,009	513	2,515
Interest on borrowings	4,180	3,407	8,470	7,180
Total interest expense	24,078	32,403	52,343	69,751
Net interest income	57,528	53,365	112,914	106,207
Provision for loan losses	11,329	5,179	19,289	8,252
Net interest income after provision for loan losses	46,199	48,186	93,625	97,955
Noninterest income:				
Service charges on deposits	11,371	10,812	22,137	20,955
Commissions and fees from fiduciary activities	2,246	2,406	4,352	4,501
Mortgage income	3,384	2,012	7,473	5,464
Bankcard discount and fees	2,393	2,297	4,569	4,348
Gain on sale of investment securities	76	92	602	655
Other	2,321	2,423	4,804	6,164
Total noninterest income	21,791	20,042	43,937	42,087
Noninterest expense:				
Salaries and employee benefits	27,633	26,377	54,535	51,671
Net occupancy expense	4,365	3,482	8,681	7,229
Furniture and equipment expense	2,745	2,916	5,987	5,889
Bankcard fees	2,998	2,648	5,642	5,326
Data processing fees	4,804	4,542	9,624	8,910
Amortization expense	1,934	1,820	4,010	3,646
Other	13,318	9,223	22,507	16,462
Total noninterest expense	57,797	51,008	110,986	99,133
Income before income tax expense	10,193	17,220	26,576	40,909
Income tax expense	3,604	6,251	9,397	14,850
Net income	\$6,589	\$10,969	\$17,179	\$26,059
Net income per common share	\$ 7.72	\$ 12.87	\$ 20.16	\$ 30.56
Weighted average common shares outstanding	848,037	849,194	848,284	850,197