



## Third Quarter 2008 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 September 30, 2008 and December 31, 2007 and its Consolidated Statements of Income for the quarters and nine months ended September 30, 2008 and 2007 (collectively, the "consolidated financial statements"). The consolidated financial statements which follow this financial commentary are unaudited.

**Statement of condition.** Total assets increased from \$6.08 billion as of December 31, 2007 to \$6.42 billion as of September 30, 2008. Loans and leases, net of deferred fees, as of September 30, 2008 were \$4.56 billion compared to \$4.21 billion as of December 31, 2007. Total deposits as of September 30, 2008 were \$5.28 billion compared to \$5.02 billion as of December 31, 2007.

**Net income.** For the nine months ended September 30, 2008, consolidated net income was \$39.89 million compared to \$41.42 million for the nine months ended September 30, 2007. Increases in net interest income and noninterest income were offset by increases in noninterest expense and provision for loan and lease losses.

Net income for the quarter ended September 30, 2008 was \$13.83 million compared to \$15.37 million for the quarter ended September 30, 2007. Increases in net interest income and noninterest income were offset by increases in noninterest expense and provision for loan and lease losses.

The components of net income are discussed in more detail in the sections below labeled net interest income, allowance and provision for loan and lease losses, noninterest income and noninterest expense.

**Net interest income.** Net interest income increased by \$2.99 million during the third quarter, or by 5.59%, from \$53.55 million to \$56.54 million. The increase in net interest income was primarily due to average earning asset growth. Average earning assets grew by 7.13% from \$5.45 billion as of September 30, 2007 to \$5.84 billion as of September 30, 2008. Net interest margin decreased from 3.89% for the quarter ended September 30, 2007 to 3.85% for the quarter ended September 30, 2008. The net interest margin improved by 17 basis points over the second quarter of 2008. The improvement was primarily due to deposit costs declining at a faster pace than loan yields.

**Allowance and provision for loan and lease losses.** While Bancorporation experienced some decline in credit quality trends during the quarter as noted below, its overall credit quality remains stable and compares favorably to peer institutions and the overall banking industry.

Provision expense increased by \$3.82 million during the third quarter primarily due to an increase in loan growth during the third quarter of 2008 versus the third quarter of 2007 and a \$4.47 million increase in net charge-offs.

The allowance ratio increased from 1.22% as of September 30, 2007 to 1.28% as of September 30, 2008. The increase in the ratio was due to an uptick in the net charge-off and nonaccrual loan ratios.

The net charge-off ratio was .47% and .08% for the quarters ended September 30, 2008 and 2007, respectively, and was .30% and .13% for the nine months ended September 30, 2008 and 2007, respectively. The ratio of nonaccrual loans to total loans increased from .17% at September 30, 2007 to .41% as of September 30, 2008. Net charge-offs totaled \$838 thousand during the third quarter of 2007 compared to \$5.30 million during the third quarter of 2008.

**Noninterest income.** Noninterest income increased by \$3.14 million during the third quarter, or by 16.68%, from \$18.84 million to \$21.99 million. The most significant components of the change in noninterest income were a \$1.51 million increase in gain on sale of investment securities and a \$1.45 million increase in service charges on deposits.

The \$1.51 million increase in gain on sale of investment securities was due to the sale of securities in the third quarter of 2008 in order to reposition the investment portfolio. The \$1.45 million increase in service charges on deposits was primarily due to increases in overdraft fee income.

**Noninterest expense.** Noninterest expense increased by \$4.81 million during the quarter, or by 10.46%, from \$45.95 million to \$50.75 million. The most significant components of the change in noninterest expense were a \$2.67 million increase in salaries and employee benefits and a \$1.35 million increase in other noninterest expense. The increase in other noninterest expense was primarily due to a \$620 thousand increase in FDIC premiums (this increase is impacting the overall banking industry) and a \$411 thousand increase in advertising expense.

**Dividends.** The Board of Directors of Bancorporation declared a quarterly common stock dividend of \$ 0.35 per share for shareholders of record as of November 14, 2008, payable November 28, 2008.

First Citizens Bancorporation, Inc. is a three-bank financial holding company headquartered in Columbia, South Carolina, with \$6.42 billion in total consolidated assets as of September 30, 2008.

FIRST CITIZENS BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION - UNAUDITED

(Dollars in thousands)

|   | September 30,<br>2008 | December 31,<br>2007 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>                                     |                       |                      |
| Cash and due from banks                           | \$ 182,031            | \$ 206,571           |
| Investment securities                             | 1,045,365             | 1,061,174            |
| Federal funds sold                                | 219,221               | 218,727              |
| Loans and leases, net                             | 4,558,288             | 4,205,277            |
| Less: Allowance for loan and lease losses         | (58,171)              | (52,748)             |
| <b>Net loans and leases</b>                       | <b>4,500,117</b>      | <b>4,152,529</b>     |
| Premises and equipment, net                       | 220,972               | 215,086              |
| Interest receivable                               | 28,232                | 28,307               |
| Intangible assets                                 | 24,511                | 27,989               |
| Goodwill  | 127,915               | 112,444              |
| Other assets                                      | 75,355                | 56,401               |
| <b>Total assets</b>                               | <b>\$ 6,423,719</b>   | <b>\$ 6,079,228</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                       |                      |
| <b>LIABILITIES</b>                                |                       |                      |
| Deposits:   |                       |                      |
| Demand  | \$ 874,295            | \$ 829,364           |
| Time and savings                                  | 4,409,396             | 4,187,789            |
| Total deposits                                    | 5,283,691             | 5,017,153            |
| Securities sold under agreements to repurchase    | 319,707               | 313,926              |
| Short-term borrowings                             | 5,400                 | 11,250               |
| Long-term debt                                    | 256,594               | 202,908              |
| Other liabilities                                 | 41,232                | 47,020               |
| <b>Total liabilities</b>                          | <b>5,906,624</b>      | <b>5,592,257</b>     |
| <b>STOCKHOLDERS' EQUITY</b>                       |                       |                      |
| Preferred stock                                   | 3,105                 | 3,105                |
| Common stock                                      | 4,243                 | 4,256                |
| Surplus   | 65,081                | 65,081               |
| Undivided profits                                 | 434,973               | 397,289              |
| Accumulated other comprehensive income            | 9,693                 | 17,240               |
| <b>Total stockholders' equity</b>                 | <b>517,095</b>        | <b>486,971</b>       |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 6,423,719</b>   | <b>\$ 6,079,228</b>  |

**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<br>September 30, |                 | For the nine months ended<br>September 30, |                 |
|--|--|-----------------|--|-----------------|
|  | 2008                                   | 2007            | 2008                                       | 2007            |
| <b>Interest income:</b>                                    |  |                 |  |                 |
| Interest and fees on loans                                 | \$75,434                               | \$77,159        | \$223,776                                  | \$223,412       |
| Interest on investment securities:                         |  |                 |  |                 |
| Taxable  | 10,046                                 | 12,326          | 32,113                                     | 37,871          |
| Non-taxable  | 109                                    | 42              | 209  | 141             |
| Federal funds sold   | 1,301                                  | 4,679           | 6,750                                      | 14,898          |
| <b>Total interest income</b>                               | <b>86,890</b>                          | <b>94,206</b>   | <b>262,848</b>                             | <b>276,322</b>  |
| <b>Interest expense:</b>                                   |  |                 |  |                 |
| Interest on deposits                                       | 25,613                                 | 33,078          | 85,668                                     | 97,934          |
| Interest on securities sold under agreements to repurchase | 1,114                                  | 3,583           | 3,629                                      | 11,010          |
| Interest on borrowings                                     | 3,621                                  | 3,994           | 10,802                                     | 11,993          |
| <b>Total interest expense</b>                              | <b>30,348</b>                          | <b>40,655</b>   | <b>100,099</b>                             | <b>120,937</b>  |
| Net interest income  | 56,542                                 | 53,551          | 162,749                                    | 155,385         |
| Provision for loan losses                                  | 6,064                                  | 2,240           | 14,316                                     | 4,400           |
| Net interest income after<br>provision for loan losses     | 50,478                                 | 51,311          | 148,433                                    | 150,985         |
| <b>Noninterest income:</b>                                 |  |                 |  |                 |
| Service charges on deposits                                | 11,738                                 | 10,290          | 32,694                                     | 28,630          |
| Commissions and fees from<br>fiduciary activities          | 2,162                                  | 2,066           | 6,663                                      | 5,440           |
| Mortgage income  | 1,613                                  | 2,006           | 7,077                                      | 5,860           |
| Bankcard discount and fees                                 | 2,348                                  | 2,368           | 6,695                                      | 6,564           |
| Gain (loss) on sale of investment securities               | 1,505                                  | -               | 2,159                                      | (1,479)         |
| Other  | 2,620                                  | 2,113           | 8,785                                      | 6,327           |
| <b>Total noninterest income</b>                            | <b>21,986</b>                          | <b>18,843</b>   | <b>64,073</b>                              | <b>51,342</b>   |
| <b>Noninterest expense:</b>                                |  |                 |  |                 |
| Salaries and employee benefits                             | 26,460                                 | 23,787          | 78,131                                     | 69,834          |
| Net occupancy expense                                      | 3,818                                  | 3,689           | 11,048                                     | 11,670          |
| Furniture and equipment expense                            | 2,959                                  | 2,701           | 8,847                                      | 8,331           |
| Bankcard fees  | 2,928                                  | 2,775           | 8,254                                      | 7,994           |
| Data processing fees                                       | 4,481                                  | 4,198           | 13,391                                     | 12,302          |
| Amortization expense                                       | 1,793                                  | 1,829           | 5,438                                      | 5,485           |
| Other  | 8,314                                  | 6,969           | 24,777                                     | 21,481          |
| <b>Total noninterest expense</b>                           | <b>50,753</b>                          | <b>45,948</b>   | <b>149,886</b>                             | <b>137,097</b>  |
| Income before income tax expense                           | 21,711                                 | 24,206          | 62,620                                     | 65,230          |
| Income tax expense   | 7,881                                  | 8,835           | 22,731                                     | 23,809          |
| <b>Net income</b>  | <b>\$13,830</b>                        | <b>\$15,371</b> | <b>\$39,889</b>                            | <b>\$41,421</b> |
| Net income per common share                                | \$ 16.25                               | \$ 18.00        | \$ 46.80                                   | \$ 48.45        |
| Weighted average common shares<br>outstanding              | 848,652                                | 851,674         | 849,679                                    | 852,464         |