

FIRST CITIZENS BANCSHARES INC /DE/
Form 10-Q
May 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014
or

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

Commission File Number: 001-16715

First Citizens BancShares, Inc.
(Exact name of Registrant as specified in its charter)

Delaware 56-1528994
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

4300 Six Forks Road, Raleigh, North Carolina 27609
(Address of principle executive offices) (Zip code)
(919) 716-7000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files) Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of ‘accelerated filer’ and ‘large accelerated filer’ in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class A Common Stock—\$1 Par Value—8,586,058 shares
Class B Common Stock—\$1 Par Value—1,032,883 shares
(Number of shares outstanding, by class, as of May 7, 2014)

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PART I

Item 1. Financial Statements (Unaudited)

First Citizens BancShares, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, unaudited)

	March 31, 2014	December 31, 2013
Assets		
Cash and due from banks	\$543,471	\$533,599
Overnight investments	1,161,469	859,324
Investment securities available for sale	5,676,237	5,387,703
Investment securities held to maturity	782	907
Loans held for sale	53,361	47,271
Loans and leases:		
Acquired	1,270,818	1,029,426
Originated	12,200,226	12,104,298
Allowance for loan and lease losses	(222,942)	(233,394)
Net loans and leases	13,248,102	12,900,330
Premises and equipment	878,850	876,522
Other real estate owned:		
Covered under loss share agreements	41,855	47,081
Not covered under loss share agreements	44,504	36,898
Income earned not collected	49,668	48,390
FDIC loss share receivable	74,784	93,397
Goodwill	127,140	102,625
Other intangible assets	4,390	1,247
Other assets	250,384	263,797
Total assets	\$22,154,997	\$21,199,091
Liabilities		
Deposits:		
Noninterest-bearing	\$5,627,868	\$5,241,817
Interest-bearing	13,135,677	12,632,249
Total deposits	18,763,545	17,874,066
Short-term borrowings	617,794	511,418
Long-term obligations	440,300	510,769
FDIC loss share payable	111,339	109,378
Other liabilities	117,189	116,785
Total liabilities	20,050,167	19,122,416
Shareholders' Equity		
Common stock:		
Class A - \$1 par value (11,000,000 shares authorized; 8,586,058 shares issued and outstanding at March 31, 2014 and December 31, 2013)	8,586	8,586
Class B - \$1 par value (2,000,000 shares authorized; 1,032,883 shares issued and outstanding at March 31, 2014 and December 31, 2013)	1,033	1,033
Surplus	143,766	143,766
Retained earnings	1,968,039	1,948,558
Accumulated other comprehensive loss	(16,594)	(25,268)
Total shareholders' equity	2,104,830	2,076,675

Total liabilities and shareholders' equity	\$22,154,997	\$21,199,091
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See accompanying Notes to Consolidated Financial Statements.

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Table of ContentsFirst Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Income

(Dollars in thousands, except per share data, unaudited)	Three months ended March 31		
	2014	2013	
Interest income			
Loans and leases	\$ 161,034	\$ 211,763	
Investment securities interest and dividend income	11,748	8,484	
Overnight investments	612	357	
Total interest income	173,394	220,604	
Interest expense			
Deposits	6,825	10,313	
Short-term borrowings	585	704	
Long-term obligations	5,053	4,705	
Total interest expense	12,463	15,722	
Net interest income	160,931	204,882	
Provision (credit) for loan and lease losses	(1,903) (18,606)
Net interest income after provision for loan and lease losses	162,834	223,488	
Noninterest income			
Cardholder services	11,832	11,071	
Merchant services	13,521	12,486	
Service charges on deposit accounts	14,440	14,999	
Wealth management services	14,880	14,515	
Fees from processing services	4,861	5,619	
Other service charges and fees	3,944	3,766	
Mortgage income	955	3,788	
Insurance commissions	3,287	2,980	
ATM income	1,202	1,168	
Adjustments to FDIC loss share receivable	(12,349) (24,053)
Other	4,608	11,174	
Total noninterest income	61,181	57,513	
Noninterest expense			
Salaries and wages	79,874	76,119	
Employee benefits	20,100	25,019	
Occupancy expense	20,425	18,809	
Equipment expense	18,791	18,946	
FDIC insurance expense	2,636	2,666	
Foreclosure-related expenses	5,410	4,305	
Other	43,794	48,491	
Total noninterest expense	191,030	194,355	
Income before income taxes	32,985	86,646	
Provision for income taxes	10,619	31,061	
Net income	\$ 22,366	\$ 55,585	
Average shares outstanding	9,618,941	9,618,985	
Net income per share	\$ 2.33	\$ 5.78	

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsFirst Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

(Dollars in thousands, unaudited)	Three months ended March 31	
	2014	2013
Net income	\$22,366	\$55,585
Other comprehensive income (loss)		
Unrealized gains and losses on securities:		
Change in unrealized securities gains (losses) arising during period	11,899	(1,476)
Tax effect	(4,643) 565
Total change in unrealized gains and losses on securities, net of tax	7,256	(911)
Change in fair value of cash flow hedges:		
Change in unrecognized loss on cash flow hedges	719	815
Tax effect	(278) (322)
Total change in unrecognized loss on cash flow hedges, net of tax	441	493
Change in pension obligation:		
Reclassification adjustment for losses included in income before income taxes	1,599	4,304
Tax effect	(622) (1,685)
Total change in pension obligation, net of tax	977	2,619
Other comprehensive income	8,674	2,201
Total comprehensive income	\$31,040	\$57,786

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsFirst Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands, unaudited)	Class A Common Stock	Class B Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2012	\$ 8,588	\$ 1,033	\$ 143,766	\$ 1,792,726	\$ (82,106)	\$ 1,864,007
Net income	—	—	—	55,585	—	55,585
Other comprehensive income, net of tax	—	—	—	—	2,201	2,201
Repurchase of 1,973 shares of Class A common stock	(2)	—	—	(319)	—	(321)
Cash dividends (\$0.30 per share)	—	—	—	(2,891)	—	(2,891)
Balance at March 31, 2013	\$ 8,586	\$ 1,033	\$ 143,766	\$ 1,845,101	\$ (79,905)	\$ 1,918,581
Balance at December 31, 2013	\$ 8,586	\$ 1,033	\$ 143,766	\$ 1,948,558	\$ (25,268)	\$ 2,076,675
Net income	—	—	—	22,366	—	22,366
Other comprehensive income, net of tax	—	—	—	—	8,674	8,674
Cash dividends (\$0.30 per share)	—	—	—	(2,885)	—	(2,885)
Balance at March 31, 2014	\$ 8,586	\$ 1,033	\$ 143,766	\$ 1,968,039	\$ (16,594)	\$ 2,104,830

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsFirst Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(Dollars in thousands, unaudited)	Three months ended March 31	
	2014	2013
OPERATING ACTIVITIES		
Net income	\$22,366	55,585
Adjustments to reconcile net income to cash provided by operating activities:		
Provision (credit) for loan and lease losses	(1,903) (18,606
Deferred tax (benefit) expense	(4,512) 7,733
Change in current taxes payable	40,710	31,625
Depreciation	17,684	17,994
Change in accrued interest payable	(1,062) (2,700
Change in income earned not collected	(1,278) 411
Gain on sale of processing services, net	—	(4,085
Origination of loans held for sale	(67,862) (117,981
Proceeds from sale of loans held for sale	64,009	121,523