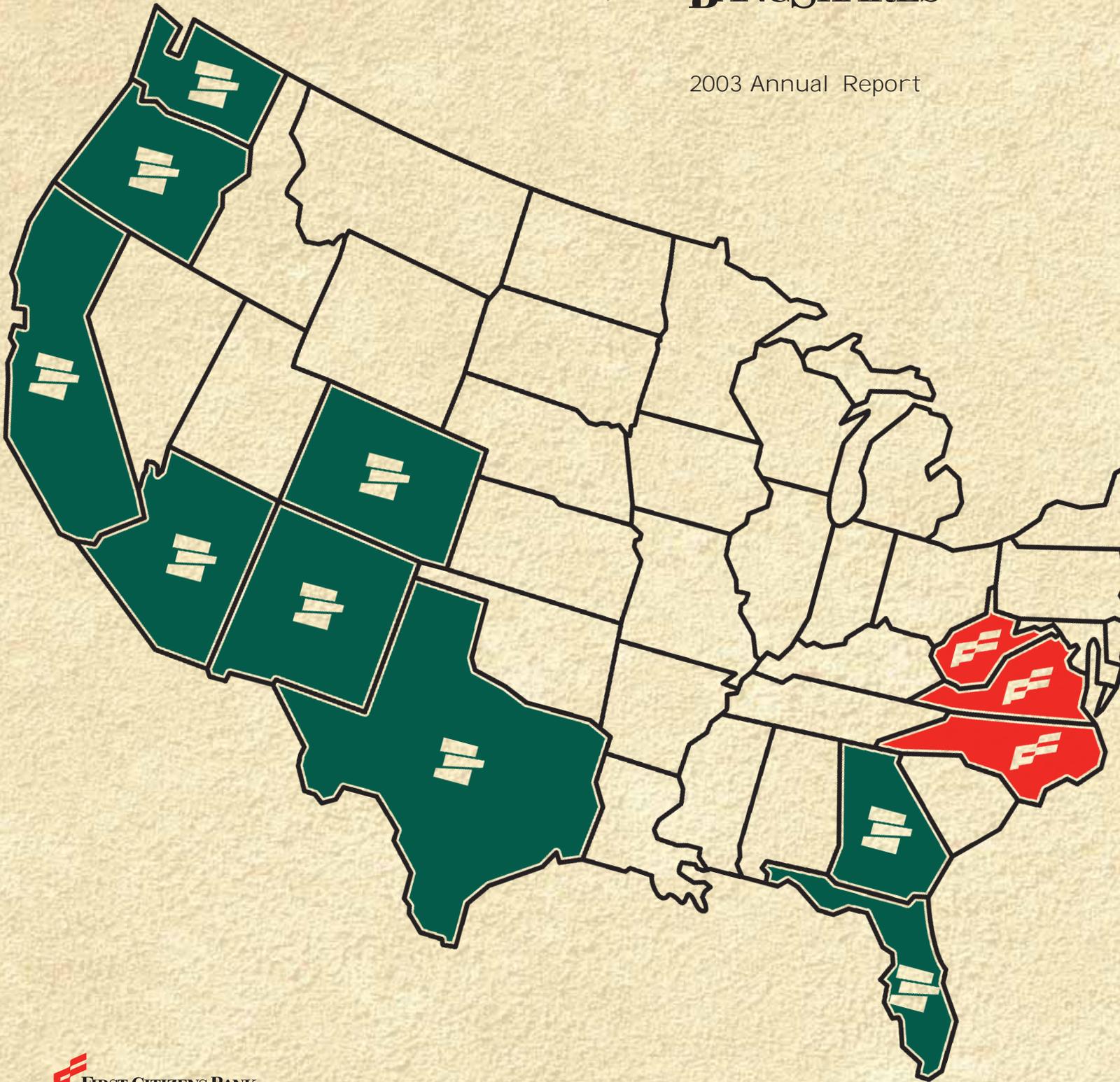




**FIRST CITIZENS
BANCSHARES**

2003 Annual Report

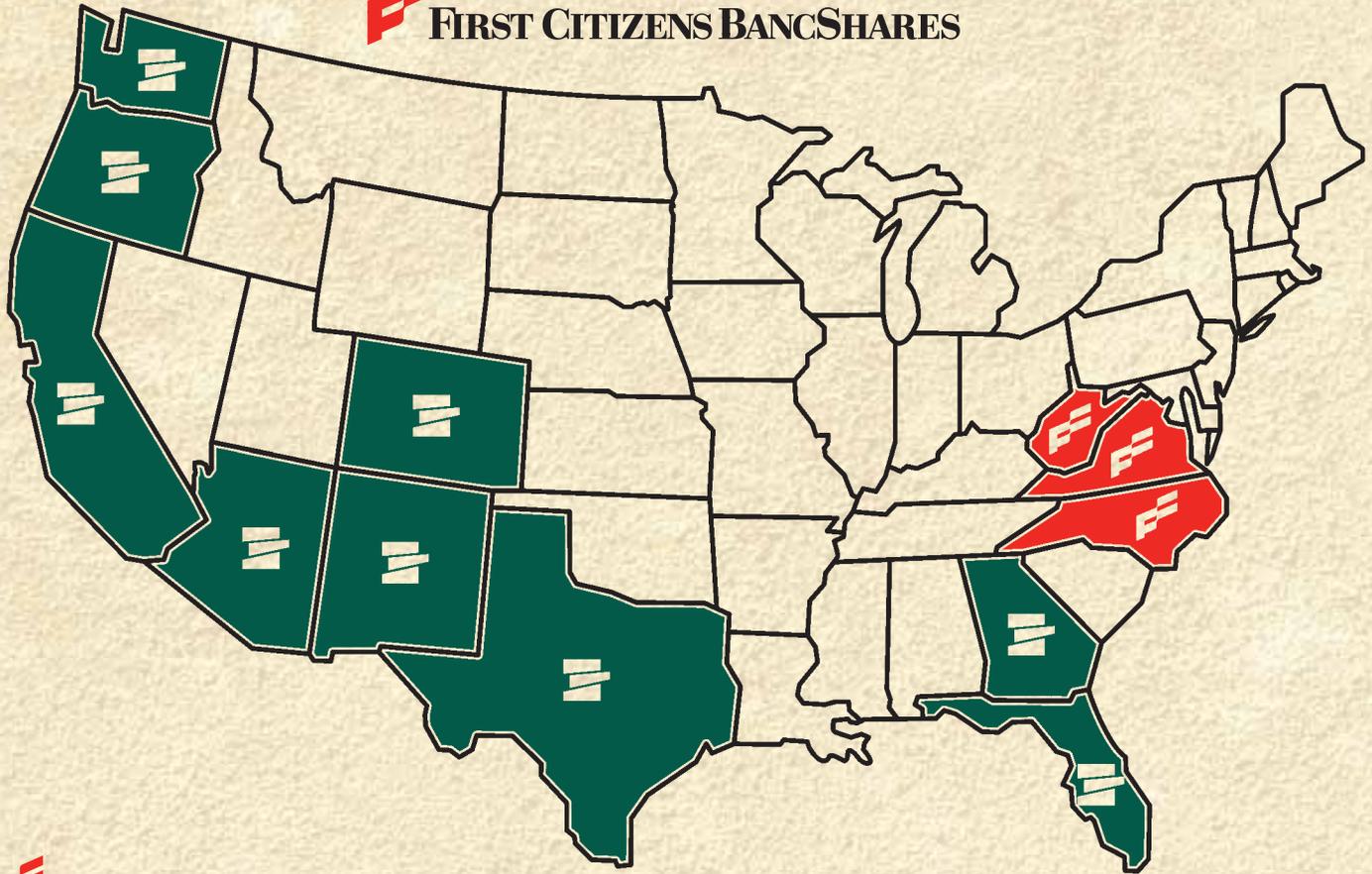


FIRST CITIZENS BANK

IronStone Bank 



FIRST CITIZENS BANCSHARES



FIRST CITIZENS BANK

North Carolina
 Albemarle
 Angier
 Apex
 Archdale
 Arden
 Asheville
 Atkinson
 Atlantic Beach
 Banner Elk
 Bayboro
 Beaufort
 Benson
 Bethlehem
 Beulaville
 Biltmore Forest
 Bladenboro
 Blowing Rock
 Boone
 Boonville
 Brevard
 Bryson City
 Buies Creek
 Bunn
 Burgaw
 Burnsville
 Camp Lejeune
 Canton
 Cape Carteret
 Carolina Beach
 Cary
 Chapel Hill
 Charlotte
 Cherokee
 Cherry Point

Clayton
 Clemmons
 Clinton
 Coats
 Columbus
 Concord
 Conway
 Cornelius
 Denver
 Dobson
 Dunn
 Durham
 Eden
 Elizabeth City
 Elizabethtown
 Enka-Candler
 Fairview
 Fayetteville
 Fletcher
 Forest City
 Fort Bragg
 Franklin
 Franklinton
 Fuquay-Varina
 Garner
 Marion
 Marshall
 Marshville
 Matthews
 Greensboro
 Greenville
 Grifton
 Hampstead
 Havelock
 Hayesville
 Hazelwood
 Henderson

Hendersonville
 Henrietta
 Hickory
 High Point
 Highlands
 Hildebran
 Hookerton
 Hope Mills
 Hudson
 Huntersville
 Indian Trail
 Jacksonville
 Kernersville
 King
 Kinston
 Knightdale
 Lansing
 Leicester
 Lenoir
 Lincolnton
 Littleton
 Louisburg
 Madison
 Maiden
 Marion
 Marshall
 Marshville
 Matthews
 Maysville
 Mills River
 Mint Hill
 Monroe
 Mooresville
 Morehead City
 Morgan's Corner

Morganton
 Mount Airy
 Murphy
 New Bern
 Newland
 Newport
 Newton
 Newton Grove
 North Wilkesboro
 Oak Island
 Oriental
 Peachtree
 Pilot
 Pilot Mountain
 Pinehurst
 Pineville
 Pink Hill
 Pisgah Forest
 Pittsboro
 Pope Air Force Base
 Princeton
 Raleigh
 Reidsville
 Research Triangle Park
 Richlands
 Roanoke Rapids
 Robbinsville
 Roseboro
 Rural Hall
 Rutherford College
 Saluda
 Sanford
 Selma
 Shallotte
 Smithfield

Sneads Ferry
 Snow Hill
 Southern Pines
 Southport
 Sparta
 Spring Hope
 Stanleyville
 Statesville
 Stedman
 Sunbury
 Swansboro
 Sylva
 Taylorsville
 Tryon
 Valdese
 Walnut Cove
 Warrenton
 Washington
 Waynesville
 Weaverville
 Weldon
 Wendell
 West Jefferson
 Whiteville
 Wilkesboro
 Williamston
 Wilmington
 Wilson
 Winston-Salem
 Winterville
 Zebulon

Georgia
 Alpharetta
 Atlanta
 Duluth
 Dunwoody
 Kennesaw
 Lawrenceville
 Marietta
 Norcross
 Roswell
 Sandy Springs
 Snellville
 Suwanee
 Woodstock

Florida
 Bonita Springs
 Cape Coral
 Fort Lauderdale
 Fort Myers
 Jacksonville
 LaBelle
 Naples
 Ponte Vedra Beach

Texas
 Austin

Arizona
 Fountain Hills*
 Scottsdale

California
 La Jolla
 Mission Viejo
 Newport Beach
 Rancho Santa Margarita
 Sacramento
 San Diego

Colorado
 Denver*

New Mexico
 Albuquerque*
 Santa Fe*

Oregon
 Portland*

Washington
 Seattle**

COMMUNITIES WE SERVE



DELIVERY CHANNELS

Branch Network

First Citizens Bank:
 337 branches in North Carolina,
 Virginia and West Virginia

IronStone Bank:
 45 branches in Georgia, Florida, Texas,
 Arizona, California, Colorado*, New
 Mexico*, Oregon* and Washington**

Online Banking

firstcitizens.com
 ironstonebank.com

ATM Network

449 ATMs

Customer Contact Center

1-888-FC Direct (First Citizens Bank)
 1-866-IB Direct (IronStone Bank)

* Offices to open in 2004 ** Applied for regulatory approval in 2004

FROM THE CHAIRMAN

March 22, 2004

Dear Shareholder:

In 2003, First Citizens BancShares forged ahead with important franchise growth and an unwavering commitment to broaden customer relationships through improved business lines, processes and service.

I am especially proud of our efforts to expand and strengthen our company. The momentum we are building with IronStone Bank and Atlantic States Bank can be attributed to hard work, talented associates and, most important, the strong foundation of First Citizens Bank.

First Citizens' tradition of financial soundness, devotion to service excellence and history of success form a powerful combination that is helping us leverage the potential we have in our footprint now and in the future.

Maintaining Safety and Soundness

First Citizens' financial position reflects our disciplined approach to balance sheet liquidity and focus on strong asset quality. Although the extreme low interest rate environment in 2003 had a negative impact on earnings, we did not waver from our fundamental financial strategies.

Net income in 2003 was \$75.2 million compared to \$92.8 million for 2002, a decrease of \$17.6 million or 18.9 percent. The decline in net income reflects a significant reduction in net interest income as well as the impact of the large investment in expanding our Atlantic States Bank franchise. The expansion strategy will continue to adversely affect our earnings for the foreseeable future. However, we believe our strategy enhances opportunities for revenue growth and builds value for our company in the long term.

Per share income for 2003 totaled \$7.19, compared to \$8.85 for 2002. The annualized return on average equity was 7.54 percent in 2003, compared to 10.03 percent for 2002.

Net interest income for 2003 decreased \$20.2 million or 5.3 percent from 2002. During 2003, the unfavorable impact of lower interest rates more than offset the benefit of growth among interest-earning assets. The taxable-equivalent net yield on interest-earning assets fell from 3.63 percent in 2002 to 3.32 percent in 2003. Noninterest expense increased \$33.1 million or 7.6 percent during 2003, the result of higher personnel expenses and higher equipment and occupancy costs related to new branches.

Noninterest income increased \$24.0 million or 10.8 percent during 2003, due primarily to improved cardholder and merchant services income, higher mortgage income and a \$5.7 million nonrecurring gain on the sale of branch offices. The provision for loan losses was \$24.2 million in 2003, compared to \$26.6 million in 2002, an 8.9 percent reduction. The decline was the result of lower levels of net charge-offs. Net charge-offs were \$17.8 million and \$21.1 million during 2003 and 2002, a reduction of \$3.3 million or 15.8 percent during 2003. Net charge-offs equaled 0.23 percent of average loans outstanding during 2003, compared to 0.29 percent for 2002.

During the year, we devoted extensive resources to strengthening corporate governance processes in response to new requirements under the Sarbanes-Oxley Act. Our focus on governance is nothing new for our company. First Citizens has always operated with integrity, and we will continue to reflect the highest standards of accountability.

Building a Promising Western Franchise

IronStone Bank is one of our company's great stories.

In 2002, we launched IronStone as a division of Atlantic States Bank. It started with three offices in Austin, Texas.

In 2003, the bank moved forward on a strategic path west with two new offices in Scottsdale, Ariz., and six locations in California: San Diego, Sacramento, La Jolla, Mission Viejo, Newport Beach and Rancho Santa Margarita. During the year, we also announced new markets in Denver, Colo.; Albuquerque and Santa Fe, N.M.; and Solana Beach, Calif. And 2004 brought regulatory approval to open in Portland Ore., and an application for entry into Seattle, Wash.

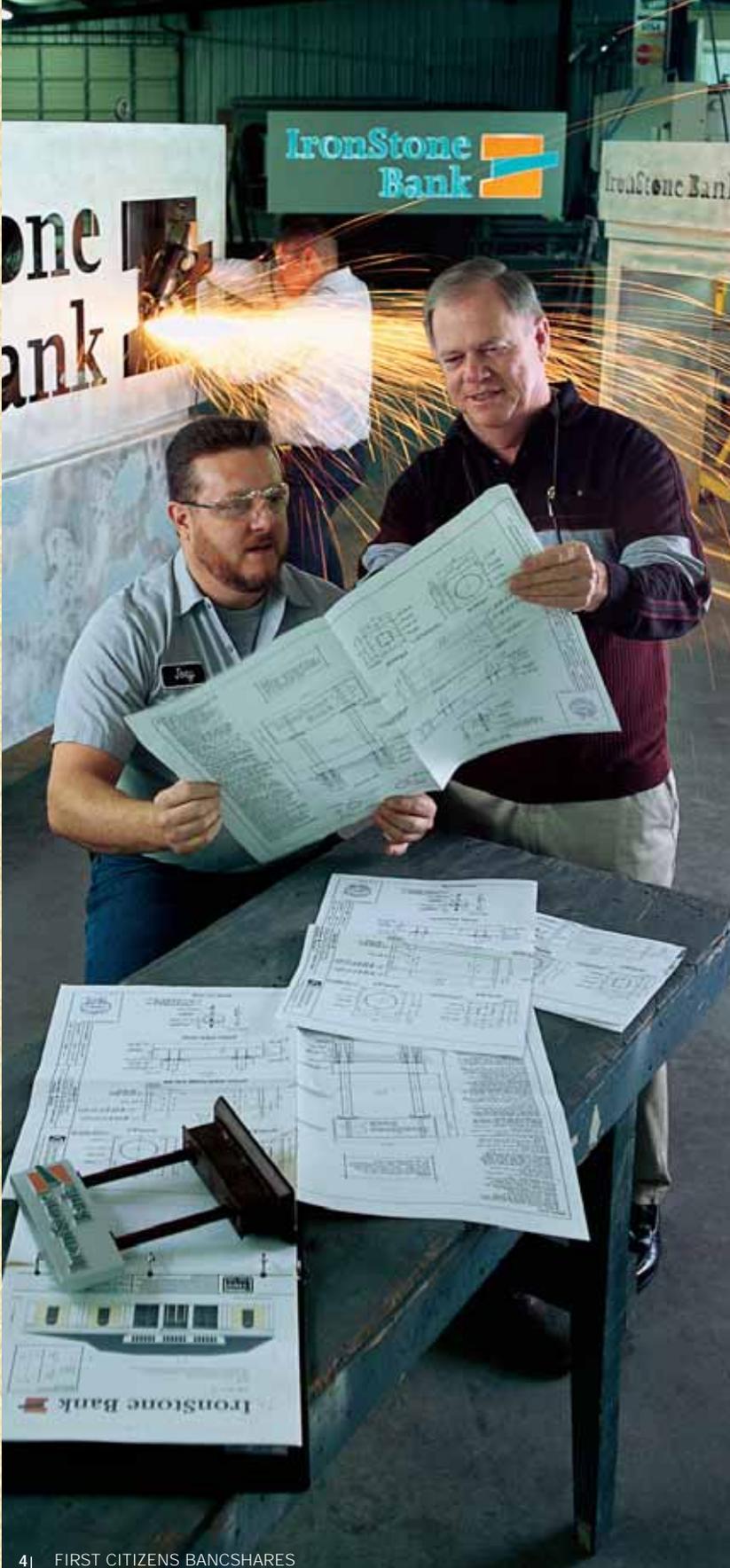


After only six months in business, IronStone Bank was named one of the top three banks in La Jolla, Calif. Financial Services Manager Michael Becker delivers the Bank's brand of exemplary service to business customer Susana Diaz.



First Citizens is constructing a new Richmond office in Short Pump Town Center, one of Virginia's premier retail and business corridors.

Our expanded geographic reach prompted a decision to change Atlantic States Bank's name to IronStone Bank. Wayne Burton (right), president of Burton Electric Signs Inc. in Mount Airy, N.C., and employees Robin Edwards (left) and Joey Sawyers (center) manage production of the new IronStone Bank signs for our Georgia and Florida markets.



The most exciting part of the story is the promise of IronStone Bank.

The IronStone Bank strategy is to locate in robust markets of the Western United States where we can draw from the strengths of diverse economies to build value for our entire franchise. We are hiring experienced local bankers who possess solid knowledge of their communities and can deliver the exemplary service that has been First Citizens' hallmark.

IronStone's strong focus on business banking is creating a niche in our new markets and generating profitable relationships that are driving growth in all of our product segments. The long-term outlook for IronStone is outstanding. Deposits and loans are growing.

Already, the public is taking note of what IronStone Bank has to offer. After only six months in business, IronStone's office in La Jolla, Calif., was voted among the top three banks by readers of the local newspaper.

Our expanded geographic reach across the United States prompted our decision to change Atlantic States Bank's name to IronStone Bank. The IronStone name symbolizes our straightforward, rock-solid approach to banking and resonates so strongly with people in our new markets that we are confident it will serve our Atlantic States franchise well. The conversion of the IronStone Bank name in Georgia and Florida will occur in March 2004. We are working hard to ensure that our customers understand that this is a name change only, and we pledge no disruption to the superior service we deliver.

Strengthening Our Presence

In 2003, we strengthened our business offerings through a new subsidiary, acquisitions and expanded delivery channels.

New Subsidiary

Our new First Citizens Bank subsidiary is Neuse Financial Services Inc. The agency provides title insurance to personal mortgage and home equity borrowers. The main benefit for customers is a streamlined loan approval process with quicker turnaround times. In 2004, Neuse Financial Services will expand its offering of title insurance for commercial and small business customers.

Acquisitions

We acquired Avery County Bank in Newland, N.C., assuming \$54.4 million in deposits. Martha Guy and her family had owned Avery County Bank for 90 years.

In June, we completed the acquisition of a First Virginia Bank-Hampton Roads office in Emporia, Va.

We believe our new customers in these communities will benefit from First Citizens' commitment to service, stability and many convenient delivery channels.

Branches

Our company now operates 382 branch offices in eight states.

Aside from the new IronStone Bank offices highlighted earlier, we opened seven new First Citizens and Atlantic States branches in 2003 and embarked on significant new construction. Noteworthy among those projects: a 10,000 square-foot office in Richmond. Our landmark building in this capital city is located in one of Virginia's premier retail and business corridors. We plan to open the office in the fourth quarter of this year.

We introduced a smaller branch prototype in Raleigh, N.C., in 2003, with similar offices to open in Morganton, N.C., and Roanoke, Va., in 2004. The new branches are located near high-growth residential and business developments and complement our nearby traditional bank offices. The smaller buildings feature multiple drive-through lanes and other express design elements to increase customers' convenience, yet are less expensive to build and staff.

Other Delivery Channels

First Citizens' extensive reach through our branch network and other customer delivery channels reflects our commitment to serving people and businesses on their terms. We continue to experience strong customer usage online, through our Customer Contact Center and at our ATMs.

Our use of technology always has the customer in mind. We redesigned our public Web site in 2003 with special attention to extending our brand online. We also increased our online product offerings to further strengthen customer relationships.

First Citizens' Customer Contact Center logged an impressive seven million calls in 2003. Telephone representatives fielded more than one million calls, and the rest were handled by our automated system. The Contact Center's focus on cross-selling generated impressive mortgage and retail product sales.

Our ATM network provides easy access to financial services at more than 400 locations. We continue to locate new machines in strategic locations that enhance customer convenience and the First Citizens brand. They include off-premise ATMs at military bases, college campuses, malls and other commercial sites where we can reach large numbers of people.

Executing a Successful Customer Strategy

In last year's annual report I discussed our focus on building relationships by continually improving our customers' ability to move seamlessly among our business lines. In 2003, we continued to integrate and strengthen retail, business and wealth management services to heighten our competitive advantage.

We sharpened our company's strategic focus and issued a clear statement of vision: *to help our customers achieve a lifetime of success*. Each of our business segments is working together to deliver on our vision by broadening customer relationships, expanding product offerings and improving overall financial performance.

Retail

During the year we reinvigorated our retail strategy to sharpen our focus on personal banking. The renewed strategy encompasses sales training and tools to help associates proactively attract financially active customers, retain existing customers and deepen relationships as our customers' needs evolve.

To assist our sales force, we invested heavily in a new branch automation system that puts comprehensive customer, product and service information at associates' fingertips. Called MAX!, the system automates account opening, loan application and transaction functions, producing faster and better customer information, which allows associates more time to focus on building relationships.

Business

We continued to position our company for growth and profitability from our strong partnerships with the medical and professional markets and people who own their own businesses.

Commercial loan growth was solid despite a weak economy. Cash management experienced healthy growth in 2003, and factoring further emerged as a promising product offering.

We also listened to our customers and took steps to expand Business Online Banking to better serve their needs. Customers now have access to tiered pricing and other enhancements to help



First Citizens' new branch automation system provides bankers comprehensive product and service information to broaden customer relationships. Doug Sprecher, branch channel manager, demonstrates MAX! for teller Sonia Patrick of Wilmington, N.C.



We believe we will be the best business bank through our strong partnerships with the medical and professional markets and people who own their own businesses. In Charlottesville, Va., Market Executive Lou Farina (right) discusses the needs of Dr. Larry Brannon's dental practice.

with more complex business banking needs. And in December, we introduced a product for smaller companies called netAccess, which features check images and credit card information.

We provided greater convenience for customers by introducing a no-monthly-fee Visa Business Check Card. The cards are more widely accepted by merchants than traditional business checks and offer business owners numerous advantages.

Our emphasis on business banking also prompted significant improvements in credit support in 2003. We announced organizational changes in commercial credit that will expedite centralized credit decisions and upgrade regional credit shops to better support customers and the bankers who serve them.

First Citizens' commitment to the business community won positive recognition from the U.S. Small Business Administration (SBA). In 2003, the SBA named us one of the top "small business friendly" banks in the country.

Business relationships drive growth in every area of our company. Through our continued focus on this important segment, we believe we will be the best business bank in the markets we serve.

Wealth Management Services

Wealth Management Services increased its presence across our franchise.

In 2003, we added Private Client Group and Trust offices in high-potential markets. We enjoyed impressive new business growth in private banking, investor services, estate and trust management and life insurance services.

We see tremendous opportunities in managing and delivering customized investment solutions to individuals and the institutional marketplace. We will continue to expand our investment product offerings and enhance our focus on tailoring solutions to meet specific client objectives.

Our coordinated, high-touch approach to helping clients preserve, manage and maximize their wealth puts us in a solid position for strong revenue growth.

Building our Brand

In 2003, we continued to invest in and build awareness of our "do something amazing" brand.

In May, we launched an advertising campaign designed to show that we recognize the extraordinary potential in our customers' lives.

In 2004, new television, radio and print advertising will promote our brand to the business, medical and professional communities. The ads will highlight our track record of building success-

ful, long-term relationships based on our time-honored values of honesty, trust and integrity.

Developing a Superior Team

To deliver on our vision and corporate initiatives, we must set the highest expectations for ourselves.

We are working to further align our sales and support staffs so that everyone is performing at exceptional levels.

We are also investing considerable time and resources to develop the talents of our associates so that they can experience long-term success with our company. People development is key to our recruiting and retention strategies.

The strength of our company is derived from the many contributions of management and our associates. Together we are making considerable progress.

We also want to recognize our corporate directors for their leadership and welcome H. Lee Durham Jr. and Ralph K. Shelton who were appointed in 2003. And we express sincere appreciation to Dr. Talbert Shaw who retired from the Board at year's end.

Leveraging a Strong Foundation

We remain excited about the future.

Although many of our markets will face continued challenges, especially in the area of job growth, the economy is showing positive signs of improvement. While we may see some modest increase in interest rates, they are expected to stay at historic low levels and will continue to adversely impact our earnings.

We are guarded about our short-term earnings outlook. But our strategic objectives, strong balance sheet and investments in new technology and expansion strongly position us for greater success in attracting and retaining customers across our franchise. These customer relationships have built our company in the past and will continue to build it in the years to come.

We have more than a century of financial experience and nearly 5,000 talented associates as partners in our journey forward.

We are just getting started. There is no end to what we can accomplish.

Sincerely,



Lewis R. Holding
Chairman of the Board

INDEPENDENT AUDITORS' REPORT

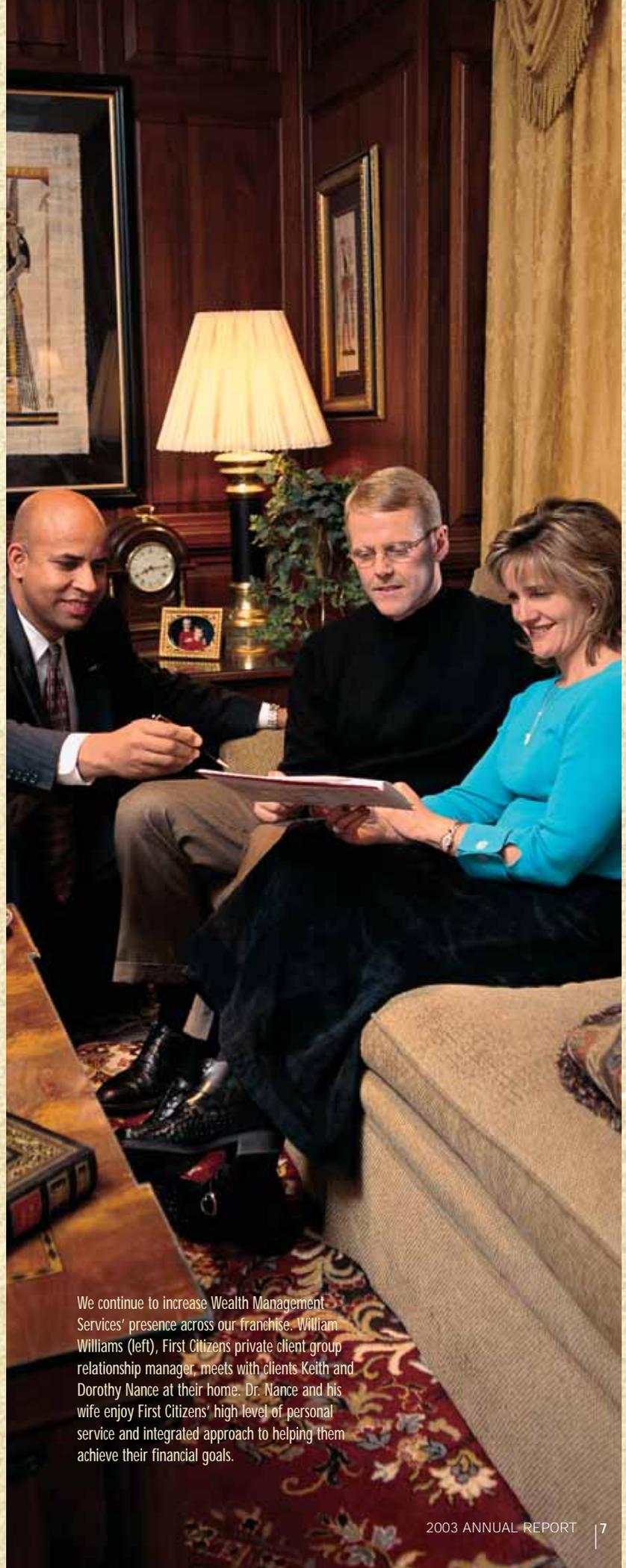
The Board of Directors and Shareholders First Citizens BancShares, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of First Citizens BancShares, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003 (not presented herein); and in our report dated February 20, 2004, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note A to those consolidated financial statements, effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, and Statement of Financial Accounting Standards No. 147, *Acquisitions of Certain Financial Institutions*.

In our opinion, the information set forth in the accompanying consolidated condensed balance sheets and statements of income (included on pages 8 and 9 herein) is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Raleigh, North Carolina
February 20, 2004



We continue to increase Wealth Management Services' presence across our franchise. William Williams (left), First Citizens private client group relationship manager, meets with clients Keith and Dorothy Nance at their home. Dr. Nance and his wife enjoy First Citizens' high level of personal service and integrated approach to helping them achieve their financial goals.

CONSOLIDATED CONDENSED BALANCE SHEETS

First Citizens BancShares, Inc. and Subsidiaries

| | December 31 | |
|--|---------------------|---------------------|
| <i>(thousands, except share data)</i> | 2003 | 2002 |
| Assets | | |
| Cash and due from banks | \$790,168 | \$811,657 |
| Overnight investments | 294,405 | 623,570 |
| Investment securities held to maturity (fair value of \$1,233,388 in 2003 and \$2,437,105 in 2002) | 1,226,717 | 2,417,583 |
| Investment securities available for sale (cost of \$1,225,133 in 2003 and \$107,349 in 2002) | 1,242,730 | 121,653 |
| Loans | 8,326,598 | 7,620,263 |
| Less reserve for loan losses | 119,357 | 112,533 |
| Net loans | 8,207,241 | 7,507,730 |
| Premises and equipment | 539,616 | 507,267 |
| Income earned not collected | 41,929 | 46,959 |
| Other assets | 217,102 | 195,471 |
| Total assets | \$12,559,908 | \$12,231,890 |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing | \$2,178,897 | \$1,857,576 |
| Interest-bearing | 8,532,435 | 8,582,044 |
| Total deposits | 10,711,332 | 10,439,620 |
| Short-term borrowings | 430,191 | 462,627 |
| Long-term obligations | 289,277 | 253,409 |
| Other liabilities | 99,803 | 108,943 |
| Total liabilities | 11,530,603 | 11,264,599 |
| Shareholders' Equity | | |
| Common stock: | | |
| Class A - \$1 par value (11,000,000 shares authorized; 8,758,670 shares issued for 2003; 8,794,669 shares issued for 2002) | 8,759 | 8,794 |
| Class B - \$1 par value (2,000,000 shares authorized; 1,677,675 shares issued for 2003; 1,678,625 shares issued for 2002) | 1,678 | 1,678 |
| Surplus | 143,766 | 143,766 |
| Retained earnings | 864,470 | 804,397 |
| Accumulated other comprehensive income | 10,632 | 8,656 |
| Total shareholders' equity | 1,029,305 | 967,291 |
| Total liabilities and shareholders' equity | \$12,559,908 | \$12,231,890 |

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

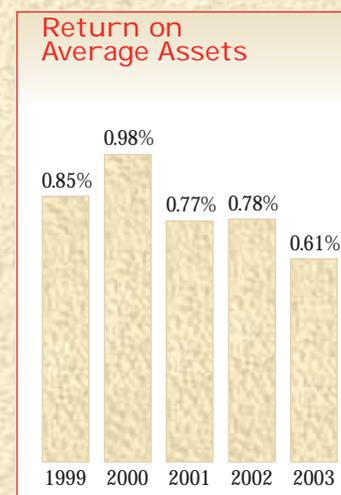
First Citizens BancShares, Inc. and Subsidiaries

| <i>(thousands, except share and per share data)</i> | Year Ended December 31 | | |
|--|------------------------|------------|------------|
| | 2003 | 2002 | 2001 |
| INTEREST INCOME | | | |
| Loans | \$444,639 | \$490,526 | \$566,592 |
| Investment securities: | | | |
| U. S. Government | 59,350 | 94,794 | 117,608 |
| State, county and municipal | 184 | 203 | 263 |
| Dividends | 1,345 | 1,673 | 2,288 |
| Total investment securities interest and dividend income | 60,879 | 96,670 | 120,159 |
| Overnight investments | 4,959 | 8,973 | 28,676 |
| Total interest income | 510,477 | 596,169 | 715,427 |
| INTEREST EXPENSE | | | |
| Deposits | 124,789 | 187,906 | 310,752 |
| Short-term borrowings | 2,795 | 4,528 | 20,643 |
| Long-term obligations | 20,953 | 21,584 | 15,115 |
| Total interest expense | 148,537 | 214,018 | 346,510 |
| Net interest income | 361,940 | 382,151 | 368,917 |
| Provision for loan losses | 24,187 | 26,550 | 24,134 |
| Net interest income after provision for loan losses | 337,753 | 355,601 | 344,783 |
| NONINTEREST INCOME | | | |
| Service charges on deposit accounts | 78,273 | 75,870 | 70,066 |
| Cardholder and merchant services income | 55,321 | 49,387 | 44,399 |
| Commission-based income | 23,947 | 21,967 | 19,774 |
| Fees from processing services | 20,590 | 18,929 | 17,452 |
| Trust income | 15,005 | 14,897 | 15,114 |
| Mortgage income | 15,469 | 11,605 | 11,645 |
| ATM income | 9,005 | 9,205 | 9,552 |
| Other service charges and fees | 14,463 | 14,744 | 13,896 |
| Gain on sale of mortgage servicing rights | — | — | 300 |
| Gain on sale of branches | 5,710 | — | — |
| Securities gains (losses) | 309 | (1,081) | 7,189 |
| Other | 5,844 | 4,772 | 5,256 |
| Total noninterest income | 243,936 | 220,295 | 214,643 |
| NONINTEREST EXPENSE | | | |
| Salaries and wages | 199,703 | 186,756 | 180,288 |
| Employee benefits | 45,958 | 42,199 | 35,715 |
| Occupancy expense | 42,430 | 38,316 | 35,584 |
| Equipment expense | 50,436 | 45,406 | 40,861 |
| Other | 126,561 | 119,676 | 129,237 |
| Total noninterest expense | 465,088 | 432,353 | 421,685 |
| Income before income taxes | 116,601 | 143,543 | 137,741 |
| Income taxes | 41,414 | 50,787 | 50,805 |
| Net income | \$75,187 | \$92,756 | \$86,936 |
| PER SHARE INFORMATION | | | |
| Net income available to common shareholders | \$7.19 | \$8.85 | \$8.27 |
| Cash dividends | 1.10 | 1.00 | 1.00 |
| Weighted average shares outstanding | 10,452,523 | 10,478,843 | 10,507,289 |

2003 FINANCIAL REPORT

Income Summary – Profitability Ratios and Per Share Data

| <i>(thousands, except share data and ratios)</i> | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|-----------|-----------|-----------|-----------|-----------|
| Summary of Operations | | | | | |
| Interest income | \$510,477 | \$596,169 | \$715,427 | \$708,170 | \$633,891 |
| Interest expense | 148,537 | 214,018 | 346,510 | 342,828 | 281,542 |
| Net interest income | 361,940 | 382,151 | 368,917 | 365,342 | 352,349 |
| Provision for loan losses | 24,187 | 26,550 | 24,134 | 15,488 | 11,672 |
| Net interest income after provision for loan losses | 337,753 | 355,601 | 344,783 | 349,854 | 340,677 |
| Noninterest income | 243,936 | 220,295 | 214,643 | 201,815 | 164,549 |
| Noninterest expense | 465,088 | 432,353 | 421,685 | 394,409 | 374,830 |
| Income before income taxes | 116,601 | 143,543 | 137,741 | 157,260 | 130,396 |
| Income taxes | 41,414 | 50,787 | 50,805 | 58,949 | 48,596 |
| Net income | \$75,187 | \$92,756 | \$86,936 | \$98,311 | \$81,800 |
| Net interest income, taxable equivalent | \$362,991 | \$383,494 | \$370,857 | \$368,190 | \$354,566 |
| Profitability Ratios (averages) | | | | | |
| Rate of return on: | | | | | |
| Total assets | 0.61% | 0.78% | 0.77% | 0.98% | 0.85% |
| Shareholders' equity | 7.54 | 10.03 | 10.26 | 12.88 | 11.79 |
| Dividend payout ratio | 15.30 | 11.30 | 12.09 | 10.73 | 12.99 |
| Per Share of Stock | | | | | |
| Net income | \$7.19 | \$8.85 | \$8.27 | \$9.32 | \$7.70 |
| Cash dividends | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 |
| Market price at December 31 (Class A) | 120.50 | 96.60 | 97.75 | 80.75 | 69.75 |
| Book value at December 31 | 98.63 | 92.36 | 84.42 | 77.04 | 68.68 |
| Tangible book value at December 31 | 87.51 | 81.73 | 73.78 | 65.76 | 58.13 |



2003 FINANCIAL SUMMARY

Average Balance Sheets

| <i>(thousands, except share data and ratios)</i> | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|---------------------|---------------------|---------------------|---------------------|--------------------|
| Assets | | | | | |
| Cash and due from banks | \$667,979 | \$669,770 | \$592,270 | \$476,929 | \$459,202 |
| Overnight investments | 460,529 | 563,345 | 735,686 | 410,522 | 331,284 |
| Investment securities | 2,585,376 | 2,610,622 | 2,196,473 | 1,618,584 | 1,908,300 |
| Loans | 7,886,948 | 7,379,607 | 7,105,915 | 6,955,772 | 6,399,114 |
| Interest-earning assets | 10,932,853 | 10,553,574 | 10,038,074 | 8,984,878 | 8,638,698 |
| Reserve for loan losses | (115,737) | (110,123) | (104,875) | (100,459) | (97,051) |
| Premises and equipment | 522,548 | 494,534 | 466,549 | 418,388 | 382,092 |
| Other assets | 238,197 | 235,484 | 243,841 | 225,861 | 239,833 |
| Total assets | \$12,245,840 | \$11,843,239 | \$11,235,859 | \$10,005,597 | \$9,622,774 |
| Liabilities and Shareholders' Equity | | | | | |
| Demand deposits | \$1,988,532 | \$1,671,489 | \$1,453,833 | \$1,351,515 | \$1,303,067 |
| Interest-bearing deposits | 8,445,249 | 8,335,909 | 7,951,495 | 7,039,405 | 6,802,376 |
| Total deposits | 10,433,781 | 10,007,398 | 9,405,328 | 8,390,920 | 8,105,443 |
| Short-term borrowings | 463,332 | 529,968 | 660,762 | 578,850 | 557,210 |
| Long-term obligations | 255,379 | 263,291 | 186,636 | 154,634 | 157,897 |
| Interest-bearing liabilities | 9,163,960 | 9,129,168 | 8,798,893 | 7,772,889 | 7,517,483 |
| Other liabilities | 96,770 | 117,705 | 135,759 | 117,807 | 108,665 |
| Total liabilities | 11,249,262 | 10,918,362 | 10,388,485 | 9,242,211 | 8,929,215 |
| Shareholders' equity | 996,578 | 924,877 | 847,374 | 763,386 | 693,559 |
| Total liabilities and shareholders' equity | \$12,245,840 | \$11,843,239 | \$11,235,859 | \$10,005,597 | \$9,622,774 |
| Shares outstanding | 10,452,523 | 10,478,843 | 10,507,289 | 10,551,607 | 10,625,457 |



FIRST CITIZENS BANCSHARES, INC.

Principal Subsidiaries

EXECUTIVE MANAGEMENT



Lewis R. Holding
Chairman of the Board



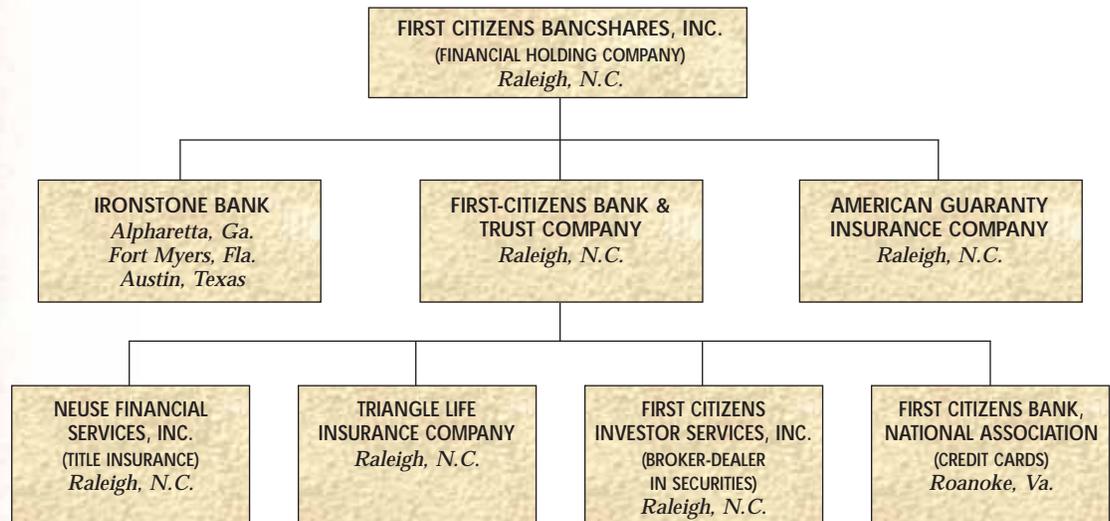
Frank B. Holding
Executive Vice Chairman of the Board



James B. Hyler, Jr.
Vice Chairman of the Board



Frank B. Holding, Jr.
President



OFFICERS AND DIRECTORS

General Officers

First Citizens BancShares, Inc.

Lewis R. Holding
Chairman of the Board

Frank B. Holding
Executive Vice Chairman of the Board

James B. Hyler, Jr.
Vice Chairman of the Board

Frank B. Holding, Jr.
President

Kenneth A. Black
Vice President and Treasurer

Alex G. MacFadyen, Jr.
Secretary

Board of Directors

First Citizens BancShares, Inc., First-Citizens Bank & Trust Company

John M. Alexander, Jr., Raleigh
President, General Manager and
Chief Operating Officer
Cardinal International Trucks, Inc.
(Truck Dealer)

Frank B. Holding, Smithfield
Executive Vice Chairman
of the Board
First Citizens Bank

Joseph T. Maloney, Jr., Fayetteville
Private Investor

Carmen Holding Ames, San Francisco
Former Assistant
Susan B. Bozeman Designs, Inc.
(Residential Interior Design)

Frank B. Holding, Jr., Raleigh
President
First Citizens Bank

Robert T. Newcomb, Raleigh
Chairman and President
Newcomb and Company
(Mechanical Contractors)

Victor E. Bell, III, Raleigh
Chairman and President
Marjan Ltd.
(Real Estate Investments)

Lewis R. Holding, Lyford Cay, Bahamas
Chairman of the Board
First Citizens Bank

Lewis T. Nunnelee, II, Wilmington
Chairman of the Board
Coastal Beverage Company, Inc.
(Wholesale Distributor)

George H. Broadrick, Charlotte
Chairman of the Executive
Committee and Consultant
First Citizens Bank

Charles B.C. Holt, Fayetteville
Director
Holt Oil Company, Inc.

C. Ronald Scheeler, Raleigh
Retired Managing Partner
Ernst & Young LLP

H. M. Craig, III, Stanley
Vice President and Director
Gaston County Dyeing Machine Co.
(Textile Machinery Manufacturer)

James B. Hyler, Jr., Raleigh
Vice Chairman of the Board
First Citizens Bank

Dr. Talbert O. Shaw, Raleigh
Retired President
Shaw University

H. Lee Durham, Jr., Charlotte
Retired Partner
PricewaterhouseCoopers LLP

Dr. Gale D. Johnson, Dunn
Retired Surgeon
Director, Health Affairs
Campbell University

Ralph K. Shelton, Greensboro
President and
Chief Executive Officer
Southeast Fuels, Inc.

Lewis M. Fetterman, Clinton
Chairman and Chief
Executive Officer
Super Soil Systems USA, Inc.
(Agribusiness)

Freeman R. Jones, Midland
President
EFC Corporation
(Real Estate Investments)

R.C. Soles, Jr., Tabor City
N.C. State Senator, Attorney and
Senior Partner
Soles, Phipps, Ray & Prince

Lucius S. Jones, Wendell
President, Chief Executive
Officer and Owner
United Realty and Construction
Company, Inc.

David L. Ward, Jr., New Bern
Attorney and Senior Member
Ward and Smith, P.A.

GENERAL INFORMATION

Shareholders' Meeting

The 2004 Annual Meeting of Shareholders will be held at the Raleigh Main Office, Lower Level, 239 Fayetteville Street Mall, Raleigh, N.C., at 1 p.m. on April 26, 2004. The proxy and proxy statement were mailed with the Annual Report to shareholders on or about March 22, 2004.

Stock

First Citizens BancShares Class A and Class B common stock are registered with the Securities and Exchange Commission. The Class A common stock is included in the Nasdaq National Market System, listed under the symbol FCNCA.

Financial Reports

To obtain a copy of First Citizens BancShares' Annual Report and Form 10-K, call 919-716-4055, write First Citizens Bank Corporate Communications, P.O. Box 27131, Raleigh, N.C. 27611-7131, or reach us through the "Contact" section on our Web site, firstcitizens.com.

The Annual Report will be available on the company's Web site in the "About Us" section.

Financial Information

Analysts, investors and others seeking financial information about First Citizens should contact Chief Financial Officer Kenneth A. Black at 919-716-7336.

News Media Information

News media representatives and others seeking general information should contact Senior Vice President Barbara Thompson, First Citizens Bank Corporate Communications, at 919-716-2716.

Equal Opportunity Employer

The policy of First Citizens is to hire well-qualified people to perform the many tasks necessary in providing high-quality service at reasonable cost. An integral part of this policy is to provide equal employment opportunity for all persons by administering recruitment, hiring, working conditions, benefits, privileges of employment, compensation, training, appointments for advancement including upgrading and promotion, transfers, relocations and terminations of employment including layoffs and recalls for all employees without discrimination because of race, color, creed, religion, national origin, gender, age, veteran status, disability or any other legally protected status.

Privacy

Maintaining the security and privacy of customer information is a top priority. Our customers can rest assured that we do not sell mailing lists or other customer information to outside companies. For our complete privacy notice, call toll free 877-654-2320 or visit our Web site, firstcitizens.com.

Customers continue to benefit from our sharpened retail strategy. Westinghouse branch associates in Charlotte, N.C., have the training and tools to help customers as their needs evolve. This approach allows us to develop deep relationships that will build our company for years to come.



COMMUNITY COMMITMENT

Our company's 106-year tradition of corporate citizenship encompasses philanthropy, leadership and volunteer support. We provide resources to

thousands of nonprofit and community initiatives. Our associates answer the call by donating their talent and time as board members, tutors, mentors and volunteers.

As a company, we target four key areas: education with a focus on financial literacy; economic and community development; arts and culture; and health and human services.

Education

First Citizens is a long-time champion of educational initiatives for students and adults, with a particular focus on financial literacy.

In Western North Carolina, we launched a financial literacy program during 2003 to help seventh- and eighth-grade members of the Eastern Band of Cherokee Indians prepare and plan for the future. In partnership with Junior Achievement of Western North Carolina, First Citizens associates visit classes at Cherokee Middle School to teach personal finance and basic economic concepts.

Our associates can be found volunteering in many school classrooms throughout our markets. To advance financial literacy, we regularly welcome children into our branches to learn about banking.

We also help teach adults and community groups about topics such as budgeting, saving and home ownership. In 2003, First Citizens mortgage bankers held seminars for first-time homebuyers in locations such as Raleigh and Durham, N.C., and Charlottesville, Lynchburg and Roanoke, Va.

As part of our focus on education, we fund and support numerous endowments and programs at colleges, universities and community colleges.

In North Carolina, we've partnered with Central Piedmont Community College and the City of Charlotte to sponsor the nine-month Business and Entrepreneurial Skills Training (BEST) program. BEST provides business owners in Mecklenburg County pro-

fessional training and counseling to meet the daily challenges of continuing to grow their companies.

Economic and community development

We invest in our communities to help them grow and prosper.

Some of the many economic and community development projects we support in North Carolina include a new recreation center in Whiteville and downtown revitalization in Greenville. Because of our leadership in the Johnston Memorial Hospital Foundation's capital campaign, the Medical Mall in Smithfield, N.C., named its conference center for First Citizens.

We're proud of our Community Reinvestment Act (CRA) efforts to help improve neighborhoods in cities and towns across our franchise. Our CRA initiatives posted record numbers of affordable mortgage loans in 2003.

One project in Pompano Beach, Fla., financed an 18-unit, two-story, affordable housing complex for qualified first-time low- to moderate-income purchasers. The bank partnered with local nonprofit Hawkins Homes Inc. and the City of Pompano Beach.

Arts and culture

The arts and culture play an important role in our quality of life, and we support a wide range of activities and initiatives in this area.

We've participated for years in the annual campaign for the United Arts Council of Raleigh and Wake County. Thanks to the generosity of our associates through voluntary workplace giving, First Citizens Bank is one of the organization's top financial contributors.

The annual Wet Paint Auction, hosted and coordinated by Atlantic States Bank, is quickly becoming a community tradition in Naples, Fla. Over three days, nearly 40 local and professional artists gather at locations around the city, painting scenes of picturesque Southwest Florida. About 225 art enthusiasts attended the first live auction in 2003 and bid on the "still wet" pieces of art, raising \$43,000 for the Mental Health Association of Collier County Foundation.

Our corporate support of the arts includes the loan of a historically significant painting to a national art gallery. The work, *The First Battle of the Puritans*, by 19th century artist Imogene Robinson Morrell, is currently featured at the National Museum of Women in the Arts in Washington, D.C. The painting was on display in the exhibition, *Enterprising Women: 250 Years of American Business*, and will remain at the museum for at least two years.



Eric Teal, chief investment officer for First Citizens' Capital Management Group, reads to children at the Boys Club of Wake County during the One Amazing Week volunteer event in our Raleigh headquarters market.



Bill Gutzwiller completes his painting of Naples Pier in Florida for the annual Wet Paint Auction. His "still wet" artwork was auctioned along with nearly 40 other pieces to benefit a local mental health foundation. Atlantic States Bank coordinated and hosted the growing annual event.



First Citizens has a proud history of serving our military communities. One symbol of this support is the "Freedom Tree," constructed from coastal crab-pot wire by a customer of the bank's Beaufort East branch in North Carolina. Teller Charlotte Schamanski uses a yellow ribbon to tie on a card that bears the name of someone deployed for duty in the Middle East.

Health and human services

Throughout the year, our bankers contribute tremendous time and talent to worthwhile causes that benefit the health and well being of our communities.

In 2003, associates from our corporate offices and Raleigh, Garner and Apex, N.C., branches participated in the Relay for Life to support the American Cancer Society. More than 100 family members and friends gathered to walk in memory of an associate who died of cancer earlier in the year.

First Citizens was honored for participation in two United Way campaign efforts. Associates in Buncombe County won a statewide honor, the 2003 Spirit of North Carolina Award. We also achieved regional recognition, receiving the organization's Chairman's Award of Excellence for Best Overall Performance in the Triangle area.

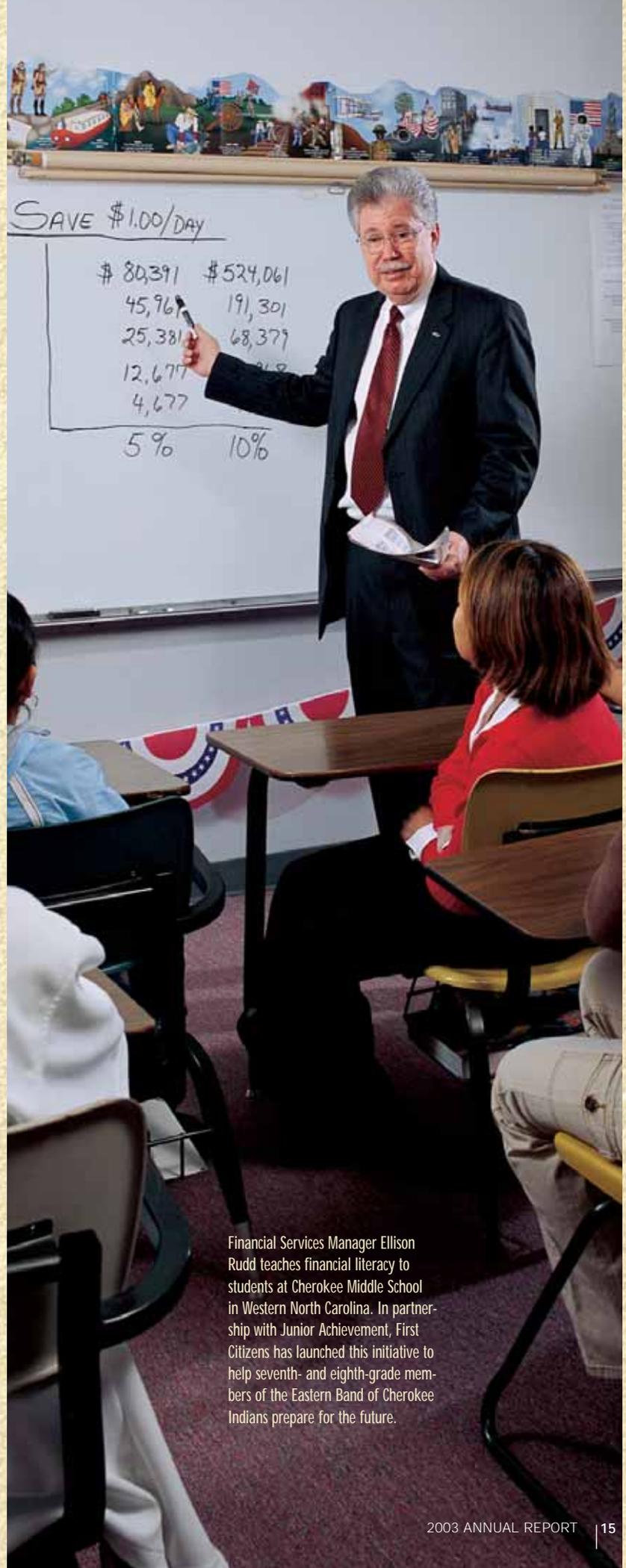
Our commitment to the people and places we serve means we continually seek new opportunities to support our neighbors in need.

In our Raleigh headquarters market, an effort called "One Amazing Week" brought together volunteer support for multiple local nonprofit organizations. More than 200 First Citizens associates, family members and friends packed food for the hungry, tutored school children, delivered meals to the homebound and cleaned up trash along our waterways. In total, they donated a remarkable 550 hours of service during the week-long period to the Food Bank of North Carolina, Boys & Girls Clubs, North Carolina Big Sweep, Meals on Wheels, Walk to Cure Diabetes, Kids Voting North Carolina/Wake County and Piedmont Council of Traditional Music (PineCone).

The devastation caused by Hurricane Isabel and job layoffs at Pillowtex and R.J. Reynolds brought hardship during the year to some North Carolina communities. To assist customers impacted by those events, we established special financial relief programs.

First Citizens has a long and proud history of serving our military communities. As our troops were deployed for the war in Iraq, we extended special banking services and consideration to military personnel and the installations we serve. We joined with the North Carolina Bankers Association and other banks to assist military families with extended child-care needs and to set up a toll-free number to help those experiencing financial difficulties. Our associates honored local troops by posting names of those deployed for duty or decorating branches with yellow ribbons.

At First Citizens, community involvement is a vital part of our company's culture. We're dedicated to corporate citizenship and making a positive difference in the cities and towns we call home.



Financial Services Manager Ellison Rudd teaches financial literacy to students at Cherokee Middle School in Western North Carolina. In partnership with Junior Achievement, First Citizens has launched this initiative to help seventh- and eighth-grade members of the Eastern Band of Cherokee Indians prepare for the future.



FIRST CITIZENS BANCSHARES