First Citizens Bancorporation, Inc.

2011

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 26, 2012, 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 14 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 5, 2012, 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, F. B. Holding, R.R. Hoppe, F.L. Keels, K. B. Marsh, A. H. McIntyre, and C. S. McLaurin III.

On page 54 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.

2011

Annual Report to Shareholders

To Our Shareholders:

On behalf of the Board of Directors and your management team, I am pleased to report that First Citizens had another successful year in 2011. As you know, we have been in a period filled with unprecedented challenges and 2011 was no different. However, as I look back on the past three years, I am pleased with the performance of our associates. We have been a source of stability for our customers and have continued to win new households and business relationships. In addition, we have built our capital position to historically high levels. To recognize your loyalty and support during this challenging period, we recently paid a $2.00 per share special cash dividend in addition to the quarterly dividend.

Across the bank, we have talented leaders; we are performing well financially; we are investing in our organic growth; and we are committed to building high performing lines of business. The following significant accomplishments achieved by your company in 2011 exhibit the progress we're making in terms of adding to our long-term earnings and growth opportunities:

- Achieved $50.78 million in net income.
- Experienced 16.11% growth in December monthly average core checking account balances.
- Posted excellent financial results in our ancillary lines of business including mortgage, brokerage, trust, bankcard and sales finance.
- Experienced a reduction in credit losses; the bank's net charge-off ratio improved from .86% in 2010 to .76% in 2011 (excludes loss share entities). Ratios for both years were well below our national peer group.
- Registered significant improvement during the year in our regulatory capital ratios remaining "well-capitalized". The bank's total capital ratio increased from 16.11% in 2010 to 18.60% in 2011 and the leverage ratio increased from 8.09% to 9.09%.
- Entered into loss sharing agreements with the Federal Deposit Insurance Corporation ("FDIC") on June 3, 2011 to purchase substantially all of the assets and assume the majority of liabilities of Atlantic Bank & Trust, headquartered in Charleston, S.C., with three full-service banking offices and approximately $178 million in assets.
- Continued to leverage the bank's scalable and portable loss share administration process to ensure success in meeting contractual requirements of the FDIC for failed bank purchases.
- Closed $450 million in mortgage loans in the bank's Mortgage Division.
- Achieved a record year in the bank's Capital Management Group in terms of both revenue and net income, while generating more than $71 million in new assets under management.

Please join us for the Annual Meeting of Shareholders on April 26, 2012. Attached to this letter is a notice regarding our 2012 Annual Meeting and a copy of the 2011 Audited Consolidated Financial Statements. Details about the meeting are more fully described in the notice.

As we look forward, we see great opportunities for our company, and our management team is fully engaged in pursuing them. We appreciate our partnership with you as we continue to execute on our strategic plan in 2012.

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 Bancorporation, Inc. (the "Company") is responsible for preparing the Company'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 Consolidated Financial Statements for Bank Holding Companies (form FR Y-9 C); 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 Company has assessed the Company'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, 2011. Based upon its assessment, management has concluded that the Company 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, 2011.

Management's Assessment of Internal Control Over Financial Reporting

The Company'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., form FR Y-9 C. The Company'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 Company; (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 Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company'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 Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (form FR Y-9 C), as of December 31, 2011, 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, 2011, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (form FR Y-9 C), 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 Consolidated Financial Statements for Bank Holding Companies (form FR Y-9 C), as of December 31, 2011, has been audited by Dixon Hughes Goodman LLP, an independent public accounting firm, as stated in their report dated March 16, 2012.

March 16, 2012

/s/ Jim B. Apple

Jim B. Apple
Chief Executive Officer

/s/ Craig L. Nix

Craig L. Nix
Chief Financial Officer

DIXON HUGHES GOODMAN LLP
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 (the "Company") as of December 31, 2011 and 2010, 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 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, 2011 and 2010 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.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 16, 2012

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

	As of December 31, 2011	As of December 31, 2010
	(dollars in thousands, except per share data)	
ASSETS		
Cash and due from banks	$ 183,632	$ 172,351
Interest bearing balances with other banks	1,151,966	994,696
Investment securities:		
Held-to-maturity, at amortized cost (fair value of $9,525 in 2011 and $9,362 in 2010)	9,489	9,344
Available-for-sale, at fair value	1,566,051	1,443,534
Total investment securities	1,575,540	1,452,878
Loans and leases not covered under FDIC loss sharing agreements	4,134,347	4,386,379
Less: Allowance for loan losses	(70,970)	(82,033)
Net loans and leases not covered under FDIC loss sharing agreements	4,063,377	4,304,346
Loans covered under FDIC loss sharing agreements, net of allowance for loan losses of $0 in 2011 and $83 in 2010	438,907	523,222
Net loans and leases	4,502,284	4,827,568
Other real estate owned:		
Not covered under FDIC loss sharing agreements	42,050	45,987
Covered under FDIC loss sharing agreements	54,373	117,150
Premises and equipment, net	235,612	233,787
Interest receivable	17,914	21,519
Intangible assets	17,301	19,632
Goodwill	188,107	184,953
FDIC receivable for loss sharing agreements	108,469	249,369
Other assets	76,647	105,833
Total assets	$8,153,895	$8,425,723
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand	$1,487,112	$1,269,177
Time and savings	5,388,797	5,915,031
Total deposits	6,875,909	7,184,208
Securities sold under agreements to repurchase	253,688	248,446
Long-term debt	208,694	208,593
Other liabilities	75,106	94,555
Total liabilities	7,413,397	7,735,802
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred stock (Note 13)	3,098	3,104
Non-voting common stock—$5.00 par value, authorized 1,000,000; 28,447 issued and outstanding at December 31, 2011 and at December 31, 2010	142	142
Voting common stock—$5.00 par value, authorized 2,000,000; 816,424 and 817,424 issued and outstanding at December 31, 2011 and December 31, 2010, respectively	4,082	4,087
Surplus	65,081	65,081
Undivided profits	654,424	605,500
Accumulated other comprehensive income, net of deferred taxes of $7,105 at December 31, 2011 and $6,652 at December 31, 2010	13,671	12,007
Total stockholders' equity	740,498	689,921
Total liabilities and stockholders' equity	$8,153,895	$8,425,723

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,	
	2011	2010
	(dollars in thousands, except per share data)	
INTEREST INCOME:		
Interest and fees on loans	$276,797	$324,624
Interest on investment securities:		
Taxable	23,383	20,774
Non-taxable	235	380
Interest on interest bearing balances with other banks	3,166	2,440
Total interest income	303,581	348,218
INTEREST EXPENSE:		
Interest on deposits	33,940	66,393
Interest on securities sold under agreements to repurchase	903	797
Interest on borrowings	12,757	14,671
Total interest expense	47,600	81,861
Net interest income	255,981	266,357
Provision for loan losses	23,558	56,856
Net interest income after provision for loan losses	232,423	209,501
NONINTEREST INCOME:		
Service charges on deposits	41,931	45,022
Commissions and fees from fiduciary activities	12,339	11,043
Mortgage income	7,743	12,778
Bankcard discount and fees	11,751	10,403
Gain on sale of investment securities	1,507	2,867
Other-than-temporary impairment on equity securities	(1,179)	(398)
Other income related to FDIC loss sharing agreements	12,788	50,634
Loss on sale of other real estate owned	(2,853)	(1,045)
Other	12,245	12,423
Total noninterest income	96,272	143,727
NONINTEREST EXPENSE:		
Salaries and employee benefits	126,117	127,972
Data processing fees	22,759	20,335
Net occupancy expense	18,130	18,471
Professional services	8,541	7,468
FDIC deposit insurance expense	7,687	12,184
Furniture and equipment expense	10,280	11,041
Bankcard processing fees	13,836	12,407
Amortization expense	2,427	5,398
Other real estate expense	10,061	3,267
Other	30,664	27,729
Total noninterest expense	250,502	246,272
Income before income tax expense	78,193	106,956
Income tax expense	27,416	38,350
Net income	$ 50,777	$ 68,606
Net income per common share	$ 59.91	$ 80.87
Weighted average common shares outstanding	844,884	846,292

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, 2009	847,680	$3,105	$151	$4,087	$65,081	$538,850	$ 6,904	$618,178
Comprehensive income:								
Net income	—	—	—	—	—	68,606	—	68,606
Other comprehensive income:								
Change in net unrealized gains on investment securities available-for-sale, net of taxes of $3,949	—	—	—	—	—	—	7,128	—
Reclassification adjustment for impairment losses included in net income, net of taxes of $142	—	—	—	—	—	—	256	—
Reclassification adjustment for gains on securities available-for-sale included in net income, net of taxes of $1,022	—	—	—	—	—	—	(1,845)	5,539
Change related to employee benefit plans, net of taxes of $448	—	—	—	—	—	—	(436)	(436)
Total comprehensive income								73,709
Reacquired preferred stock	—	(1)	—	—	—	—	—	(1)
Reacquired non-voting common stock	(1,809)	—	(9)	—	—	(605)	—	(614)
Common stock dividends ($1.40 per share)	—	—	—	—	—	(1,185)	—	(1,185)
Preferred stock dividends	—	—	—	—	—	(166)	—	(166)
Balance at December 31, 2010	845,871	$3,104	$142	$4,087	$65,081	$605,500	$12,007	$689,921
Comprehensive income:								
Net income	—	—	—	—	—	50,777		50,777
Other comprehensive income:								
Change in net unrealized gains on investment securities available-for-sale, net of taxes of $3,370	—	—	—	—	—	—	5,810	—
Reclassification adjustment for impairment losses included in net income, net of taxes of $433	—	—	—	—	—	—	746	—
Reclassification adjustment for gains on securities available-for-sale included in net income, net of taxes of $553	—	—	—	—	—	—	(954)	5,602
Change related to employee benefit plans, net of taxes of $2,267	—	—	—	—	—	—	(3,938)	(3,938)
Total comprehensive income								52,441
Reacquired preferred stock	—	(6)	—	—	—	(5)	—	(11)
Reacquired voting common stock	(1,000)	—	—	(5)	—	(500)	—	(505)
Common stock dividends ($1.40 per share)	—	—	—	—	—	(1,183)	—	(1,183)
Preferred stock dividends	—	—	—	—	—	(165)	—	(165)
Balance at December 31, 2011	844,871	$3,098	$142	$4,082	$65,081	$654,424	$13,671	$740,498

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, 2011	2010
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 50,777	$ 68,606
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	23,558	56,856
Depreciation and amortization	23,779	24,614
Net amortization of premiums and discounts on investment securities	3,812	5,674
Accretion of discount on long-term debt	101	101
Deferred income tax (benefit) expense	(16,112)	46,484
Loss (gain) on sales of premises and equipment	37	(620)
Decrease in FDIC receivable for loss sharing agreements	155,431	45,070
Decrease in interest receivable	3,605	4,799
Decrease in interest payable	(3,193)	(3,944)
Origination of mortgage loans held-for-sale, net of principal collected	(450,531)	(535,114)
Proceeds from sales of mortgage loans held-for-sale	462,789	504,009
Gain on sale of mortgage loans held-for-sale	(10,470)	(9,737)
Gain on sale of investment securities	(1,507)	(2,867)
Other-than-temporary impairment on investments securities available-for-sale	1,179	398
Net accretion of fair market value adjustments related to acquisitions	(7,478)	(11,228)
Decrease (increase) in other assets	19,451	(18,218)
Loss on sale of non-covered other real estate owned	2,853	1,045
Write-down of non-covered other real estate owned	9,302	2,349
Gain on sale of covered other real estate owned	(3,501)	(15,397)
Write-down of covered other real estate owned	39,347	47,889
(Decrease) increase in other liabilities	(251)	3,929
Net cash provided by operating activities	302,978	214,698
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of covered other real estate owned	72,019	88,991
Proceeds from sale of non-covered other real estate owned	24,581	11,728
Net decrease in non-covered loans and leases	181,987	277,901
Decrease in covered loans and leases	160,184	229,491
Calls, maturities and prepayments of investment securities held-to-maturity	6,250	3,000
Purchases of investment securities held-to-maturity	(6,541)	(3,045)
Proceeds from maturities and calls of investment securities available-for-sale	949,759	625,187
Proceeds from sales of investment securities available-for-sale	255,570	61,502
Purchases of investment securities available-for-sale	(1,321,469)	(801,392)
Proceeds from sales of premises and equipment	538	1,242
Purchases of premises and equipment	(18,787)	(23,180)
Increase in intangible assets	(1,500)	(458)
Decrease in investment in Federal Home Loan Bank stock	6,337	2,215
Net cash received (paid) from acquisitions	56,515	(8,747)
Net cash provided in investing activities	365,443	464,435
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(491,457)	(112,390)
Increase (decrease) in securities sold under agreements to repurchase	3,542	(6,435)
Net repayments of Federal Home Loan Bank advances	(10,091)	(100,000)
Repayment of short-term borrowings	—	(3,154)
Dividends paid	(1,348)	(1,351)
Acquisition of preferred stock	(11)	(1)
Acquisition of common stock	(505)	(614)
Net cash used by financing activities	(499,870)	(223,945)
Net increase in cash and due from banks	168,551	455,188
Cash and due from banks at beginning of year	1,167,047	711,859
Cash and due from banks at end of year	$ 1,335,598	$1,167,047
CASH PAYMENTS FOR:		
Interest	$ 50,793	$ 85,785
Income taxes	31,164	10,057
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Transfer of covered and non-covered loans to other real estate	77,142	197,375
Unrealized securities gains, net of tax	5,602	5,539
Acquisitions:		
Assets acquired	192,265	90,563
Liabilities assumed	(195,288)	(95,804)
Net assets acquired	$ (3,023)	$ (5,241)

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")

Acquisitions:

Bancorporation accounts for all business combinations under the acquisition method of accounting. 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 Williamsburg First National Bank ("WFNB") headquartered in Kingstree, South Carolina on July 23, 2010 and Atlantic Bank and Trust ("AB&T") headquartered in Charleston, South Carolina on June 3, 2011. These transactions were completed with the assistance of the FDIC, which had been appointed Receiver by the applicable 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 "FDIC Receivable 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 these transactions were measured at estimated fair value. Management made significant estimates and exercised significant judgment in accounting for these transactions. 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 in these transactions.

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 2011 or 2010. 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 would be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss would 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 $1,179 and $398 in 2011 and 2010, respectively, in other-than-temporary impairment losses related primarily to its equity securities portfolio. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans and Leases:

Bancorporation's accounting methods for loans differ depending on whether the loans are originated or acquired as a result of a business acquisition.

Originated Loans and Leases

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 earnings 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.

Bancorporation classifies all loans and leases past due when the payment of principal and interest based upon contractual terms is greater than 30 days delinquent. Charge-offs on commercial loans are recorded when available information confirms the loan is not fully collectible and the loss is reasonably quantifiable. Consumer loans are subject to mandatory charge-off at a specified delinquency date consistent with regulatory guidelines.

Acquired Loans

Acquired loans are recorded at fair value at the date of acquisition. The fair values of loans with evidence of credit deterioration (acquired impaired loans) are recorded net of a non-accretable difference and, if appropriate, a liquidity discount (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 as a reduction of 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 which reduces the carrying amount of acquired loans. 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. If expected cash flows to be collected on acquired impaired loans cannot be reasonably estimated, the accretable yield will be recognized when cash payments are received or when the loan is transferred to other real estate owned.

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. 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.

Nonaccrual Loans, Impaired Loans and Restructured Loans:

The accrual of interest is generally discontinued, except for installment and credit card loans, when substantial doubt exists as to the collectability 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, respectively. 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.

Impaired loans also include loans that Bancorporation may elect to formally restructure due to the weakening credit status of a borrower such that the restructuring may facilitate a repayment plan that minimizes the potential losses that Bancorporation may have to otherwise incur. Some restructured loans continue as accruing loans after restructuring due to the borrower not being past due, adequate collateral valuations supporting the restructured loans and/or the cash flows of the underlying business appearing adequate to support the restructured debt service.

Allowance for Loan Losses:

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 and consumer 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 and reflected in the financial results in the period in which these factors and other relevant considerations indicate that loss levels may vary from previous estimates.

Accounting standards require the presentation of certain disclosure information at the portfolio segment level, which represents the level at which an entity develops and documents a systematic methodology to determine its allowance for loan losses. Bancorporation concluded that its loan and lease portfolio comprises three broad portfolio segments: commercial, retail, and covered and other acquired loans. The commercial portfolio segment primarily includes commercial real estate and commercial and industrial loans ("C&I") loans. The commercial segment is segregated into pools based on the internal credit grade assigned to each borrower. The retail portfolio segment includes first and second mortgage loans secured by one-to-four-family residential properties, home equity lines of credit, sales finance, and other consumer loans, and are grouped by homogenous loan pools based on similar risk characteristics. Historical loss rates are applied to each identified commercial and retail loan pool, and are adjusted for current trends and economic conditions to estimate the allowance for loans losses. The covered and other acquired loan portfolio segment represents loans acquired in FDIC-assisted and other transactions. If expected cash flows decline subsequent to the acquisition date based on an analysis of estimated cash flows, an allowance for loan losses is established on these loans.

The following provides an overall assessment of Bancorporation's underwriting risks and related portfolio segments:

Bancorporation has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a periodic basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing credit risk associated with fluctuations in economic conditions. Bancorporation maintains an independent loan review function that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management and the Board of Directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as Bancorporation's policies and procedures.

Commercial

Commercial real estate loans are generally made by Bancorporation to business entities and are secured by properties in South Carolina and Georgia. Repayment of commercial real estate loans often depends on the successful operations and income stream of the borrowers, and commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. Bancorporation's underwriting criteria for commercial real estate loans include maximum loan-to-value ratios, debt coverage ratios, secondary sources of repayment, guarantor requirements, net worth requirements and quality of cash flow.

Bancorporation's C&I loans are generally limited to terms of five years or less. Management typically collateralizes these loans with a lien on commercial real estate or with a lien on business assets and equipment. Management also generally requires the personal guarantee of the business owner. C&I loans may also involve relatively large loan balances to single borrowers or groups of related borrowers, with the repayment of such loans typically dependent on the successful operation and income stream of the borrower.

Retail

Bancorporation originates first and second mortgage loans secured by one-to-four-family residential properties primarily located in South Carolina and Georgia. Management currently originates mortgages at all branch locations, but utilizes a centralized processing location to reduce the underwriting risk. Bancorporation originates both fixed rate and adjustable rate one-to-four-family residential mortgage loans. Fixed rate conforming loans are generally originated for resale into the secondary market on a servicing retained basis.

The majority of Bancorporation's non-mortgage loans include home equity lines of credit, auto loans and various installment loans. Consumer loans tend to have a higher credit risk than residential mortgage loans because they may be secured by depreciable assets, or may be unsecured. Bancorporation's consumer lending generally follows accepted industry standards which includes credit scores and debt to income ratios. Bancorporation also offers home equity lines of credit as a complement to one-to-four-family residential mortgage lending. The underwriting standards applicable to home equity credit lines are similar to those for one-to-four-family residential mortgage loans, except for slightly more stringent debt-to-income and credit score requirements.

Covered Loans

Covered loans are generally consistent with the classes of loans within the commercial and retail segments discussed above. Since these loans were acquired from the FDIC, they were underwritten by other institutions with weaker lending standards. Therefore, there is a risk that the loans were not adequately supported by the paying capacity of the borrower or the values of underlying collateral at the time of origination. These loans were recorded at fair value at the date of acquisition which includes an adjustment for credit deterioration (non-accretable difference) and for the timing of cash flows (accretable yield). To the extent that the expected cash flows have decreased since the acquisition date, Bancorporation establishes an allowance for loan losses.

FDIC Receivable for Loss Sharing Agreements:

The FDIC Receivable for loss sharing agreements is measured separately from the related covered loans and other real estate owned acquired as it is not contractually embedded in the assets covered by the loss sharing agreements and is not transferable should the assets be sold. A receivable from the FDIC is recorded based on the estimated losses on the covered loans and other real estate owned acquired using the applicable loss share percentages and the estimated true-up payment at the expiration of the loss sharing agreements. The receivable is recorded at the present value of the estimated cash flows at the date of the respective acquisition and is reviewed and updated prospectively as loss estimates related to covered loans and other real estate acquired through foreclosure change. Most third party expenses on other real estate owned and loans are covered under the loss sharing agreements and the cash flows from the reimbursable portion are included in the estimate of cash flows. Post-acquisition adjustments to the FDIC Receivable are offset by noninterest income.

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 $44.96 million and $55.66 million as of December 31, 2011 and 2010, 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, 2011 and 2010.

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 $1.77 billion and $1.66 billion at December 31, 2011 and 2010, 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 disposition 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 or in lieu of foreclosure. At the time of acquisition, other real estate owned is carried at the current fair value of the property, less estimated selling costs. Subsequent to acquisition, gains or losses on sale are recorded to noninterest income and the periodic revaluation of other real estate owned are credited or charged to noninterest expense. Net costs of maintaining and operating acquired properties are expensed as incurred.

Other real estate owned acquired through foreclosure or in lieu of 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 declines to the estimated recoverable value of covered other real estate owned result in a reduction of covered other real estate owned and an increase in the FDIC Receivable for the estimated amount to be reimbursed, both amounts recorded as 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 noninterest income in the Consolidated Statements of Income.

Securities Sold Under Agreements to Repurchase:

Securities sold under agreements to repurchase represent overnight borrowings with the Bank's 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 and interest bearing balances with other banks 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.

	As of December 31, 2011	2010
Unrealized gains on investment securities available-for-sale, net of taxes	$ 34,231	$ 28,630
Funded status of defined benefit plan, net of taxes	(20,560)	(16,623)
Total	**$13,671**	**$12,007**

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 18 communities 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:

In February 2010, the FASB issued an update to the accounting standard for disclosure of fair value measurements, requiring additional fair value measurement disclosures including the amount of and reasons for transfers in and out of Level 1 and Level 2 fair value measurements and changes the requirement to disclose purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements to a gross basis rather than a net basis. In addition, this update clarifies that the level of disaggregation required for existing fair value disclosures should be provided for each class of assets and liabilities. Disclosures about inputs and valuation techniques should be disclosed for Level 2 and Level 3 fair value measurements. This guidance was effective for Bancorporation for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in the Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on Bancorporation's financial position and results of operations; however, it increased the amount of disclosures in the notes to the consolidated financial statements.

In July 2010, the FASB issued an update to the accounting standards for disclosures associated with credit quality and the allowance for loan losses. This standard requires additional disclosures related to the allowance for loan losses with the objective of providing financial statement users with greater transparency about an entity's loan loss reserves and overall credit quality. Additional disclosures include showing on a disaggregated basis the aging of receivables, credit quality indicators, and troubled debt restructures with its effect on the allowance for loan losses. The disclosures as of the end of a reporting period are effective for interim and annual periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this standard did not have a material impact on Bancorporation's financial position and results of operations; however, it increased the amount of disclosures in the notes to the consolidated financial statements.

In December 2010, the FASB issued an update to the accounting standards regarding the disclosure of supplementary pro forma information for business combinations. This update provides clarification regarding the acquisition date that should be used for reporting the pro forma financial information disclosures required by existing accounting guidance when comparative financial statements are presented. This update also requires entities to provide a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly attributable to the business combination. This guidance will be effective for Bancorporation prospectively for business combinations for which the acquisition date is on or after October 1, 2011 and early adoption was permitted. The adoption of this standard did not have a material impact on the Bancorporation's financial position and results of operations.

In April 2011, the FASB issued an update to the accounting standards to provide additional guidance to assist creditors in determining whether a restructuring is a troubled debt restructuring ("TDR"). The provisions of this update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring the impairment of newly identified receivables as a result of applying this guidance, an entity should apply the provisions prospectively for the first annual period beginning on or after June 15, 2011. The information required to be disclosed regarding TDRs within the new credit quality disclosures will now be required for annual periods beginning on or after June 15, 2011 as well. The adoption of this standard did not have a material impact on Bancorporation's financial position and results of operations; however, it increased the amount of disclosures in the notes to the consolidated financial statements.

In May 2011, the FASB issued an update to the accounting standards for amendments to achieve common fair value measurements and disclosure requirements in US GAAP and International Financial Reporting Standards ("IFRS"). This update, which is a joint effort between the FASB and the International Accounting Standards Board ("IASB"), amends existing fair value measurement guidance to converge the fair value measurement guidance in US GAAP and IFRS. This update clarifies the application of existing fair value measurement requirements, changes certain principles in existing guidance and requires additional fair value disclosures. The update permits measuring financial assets and liabilities on a net credit risk basis, if certain criteria are met, increases disclosure surrounding company determined market prices (Level 3) financial instruments, and also requires the fair value hierarchy disclosure of financial assets and liabilities that are not recognized at fair value in the financial statements, but are included in disclosures at fair value. This update is effective for annual periods beginning after December 15, 2011. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

In June 2011, the FASB issued an update to the accounting standard that amends existing guidance regarding presentation of the of net income and other comprehensive income by allowing only two options: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. Also, items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements and are effective for the fiscal years beginning after December 15, 2011. In December 2011, the FASB issued an update to the accounting standard that indefinitely defers the effective date for the requirement to present the reclassification of items from comprehensive income to net income. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

In September 2011, the FASB issued an update to the accounting standards relating to testing goodwill for impairment. This guidance allows companies to waive comparing the fair value of a reporting unit to its carrying amount in assessing the recoverability of goodwill if, based on qualitative factors, it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. This update will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

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 19 for management's evaluation of subsequent events.

NOTE 2—FEDERALLY ASSISTED ACQUISITIONS

On July 23, 2010, First Citizens purchased substantially all the assets and assumed substantially all the liabilities of WFNB from the FDIC, as Receiver of WFNB. WFNB operated five banking branches located in the cities of Kingstree, Hemingway, and Florence, South Carolina. First Citizens and the FDIC entered into loss sharing agreements regarding future losses (including certain expenses) incurred on loans and other real estate acquired through foreclosure existing at the acquisition date. The FDIC will reimburse First Citizens for 80 percent of net losses incurred on covered loans and other real estate acquired.

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 $6,225 at the time of acquisition. The receivable was discounted by $280 for the expected timing of receipt of cash flows. As of December 31, 2011 and 2010, First Citizens identified $2,970 and $535, respectively, in net losses to submit to the FDIC under such loss sharing agreements since the acquisition date.

The WFNB Purchase and Assumption Agreement between First Citizens and the FDIC includes a true-up payment at the end of year 10. On July 23, 2020, the true-up measurement date, First Citizens is required to make a true-up payment to the FDIC equal to 50 percent of the excess, if any, of (i) 20 percent of the intrinsic loss estimate of $14 million, less (ii) the sum of (a) 25 percent of the asset discount, plus (b) 20 percent of the cumulative loss share payments plus (c) 3.50 percent of total covered assets at the closing of WFNB. Current projections suggest no true-up payment will be payable under the WFNB loss sharing agreements. This estimate is subject to change over the term of the agreements.

On June 3, 2011, First Citizens purchased substantially all of the assets and assumed substantially all of the liabilities of AB&T from the FDIC, as Receiver of AB&T. AB&T operated three banking branches located in the cities of Charleston and Myrtle Beach, South Carolina and Savannah, Georgia. First Citizens and the FDIC entered into loss sharing agreements regarding future losses (including certain expenses) incurred on loans and other real estate acquired through foreclosure existing at the acquisition date. The FDIC will reimburse First Citizens for 80 percent of net losses incurred on covered loans and other real estate acquired.

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 $14,531 at the time of acquisition. The receivable was discounted by $612 for the expected timing of receipt of cash flows. As of December 31, 2011, First Citizens identified $3,417 in net losses to submit to the FDIC under such loss sharing agreements since the acquisition date.

The AB&T Purchase and Assumption Agreement between First Citizens and the FDIC includes a true-up payment at the end of year 10. On August 14, 2021, the true-up measurement date, First Citizens is required to make a true-up payment to the FDIC equal to 50 percent of the excess, if any, of (i) 20 percent of the intrinsic loss estimate of $37.82 million, less (ii) the sum of (a) 25 percent of the asset discount, plus (b) 20 percent of the cumulative loss share payments plus (c) 3.50 percent of total covered assets at the closing of AB&T. Current projections estimate a true-up payment of $312 payable under the AB&T loss sharing agreements. This estimate is subject to change over the term of the agreements.

The acquisitions of WFNB and AB&T were accounted for under the acquisition method of accounting. The statement of net assets acquired and goodwill are presented in the following tables. As explained in the explanatory notes that accompany the following tables, 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, 2011, First Citizens purchased from the FDIC two of the branch buildings and certain furniture and equipment previously owned by WFNB. The total purchase price of $878 was based on fair market value indicated by current appraisals.

At December 31, 2011, First Citizens purchased from the FDIC two of the branch buildings and certain furniture and equipment previously owned by AB&T. The total purchase price of $2,219 was based on fair market value indicated by current appraisals.

(Dollars in thousands)

The Consolidated Statements of Condition includes goodwill of $5,241 that resulted from the WFNB acquisition. The amount of goodwill is equal to the excess of the fair value of the recorded liabilities assumed over the fair value of assets acquired.

The following table presents the assets acquired and liabilities assumed, as recorded by WFNB on the acquisition date and as adjusted for purchase accounting adjustments.

	July 23, 2010			
	As recorded by WFNB	**Fair value adjustments**		**As recorded by First Citizens**
Assets:				
Cash and due from banks	$ 17,056	$ —		$ 17,056
Investment securities, at fair value	36,151	—		36,151
Loans covered under FDIC loss sharing agreements	62,170	(10,441)	**a**	51,729
Loans not covered under FDIC loss sharing agreements	3,403	(78)	**a**	3,325
Other real estate owned	1,717	(331)	**b**	1,386
FDIC receivable for loss sharing agreements	—	6,225	**c**	6,225
Intangible assets	—	458	**d**	458
Other assets	494	—		494
Total assets	**$120,991**	**$ (4,167)**		**$116,824**
Liabilities:				
Deposits:				
Noninterest-bearing	$ 33,517	$ —		$ 33,517
Interest-bearing	61,030	617	**e**	61,647
Total deposits	94,547	617		95,164
Securities sold under agreements to repurchase	429	—		429
Other liabilities	211	—		211
Total liabilities	**95,187**	**617**		**95,804**
Excess of assets acquired over liabilities assumed	**$ 25,804**			
Aggregate fair value adjustments		**$ (4,784)**		
Cash paid to the FDIC				**$ (26,261)**
Goodwill on acquisition of WFNB				**$ 5,241**

(Dollars in thousands)

The Consolidated Statements of Condition includes goodwill of $3,023 that resulted from the AB&T acquisition. The amount of goodwill is equal to the excess of the fair value of the recorded liabilities assumed over the fair value of assets acquired.

The following table presents the assets acquired and liabilities assumed, as recorded by AB&T on the acquisition date and as adjusted for purchase accounting adjustments.

	June 3, 2011			
	As recorded by AB&T	Fair value adjustments		As recorded by First Citizens
Assets:				
Cash and due from banks	$ 32,110	$ —		$ 32,110
Investment securities, at fair value	4,395	—		4,395
Loans covered under FDIC loss sharing agreements	133,075	(23,677)	**a**	109,398
Loans not covered under FDIC loss sharing agreements	2,939	(99)	**a**	2,840
Other real estate owned	3,182	(629)	**b**	2,553
FDIC receivable for loss sharing agreements	—	14,531	**c**	14,531
Intangible assets	—	1,369	**d**	1,369
Other assets	2,033	—		2,033
Total assets	**$177,734**	**$ (8,505)**		**$169,229**
Liabilities:				
Deposits:				
Noninterest-bearing	$ 140,580	$ —		$ 140,580
Interest-bearing	42,810	—		42,810
Total deposits	183,390	—		183,390
Securities sold under agreements to repurchase	1,700	—		1,700
Long-term debt	10,024	67	**f**	10,091
Other liabilities	107	—		107
Total liabilities	**195,221**	**67**		**195,288**
Excess of assets acquired over liabilities assumed	**$ 17,487**			
Aggregate fair value adjustments		**$ (8,572)**		
Cash received from the FDIC				**$ 23,036**
Goodwill on acquisition of AB&T				**$ 3,023**

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 reflects core deposit intangible on deposits acquired as of the acquisition date.

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

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

(Dollars in thousands)

Results of operations for WFNB and AB&T prior to the acquisition date are not included in the consolidated statements of income. 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 WFNB and AB&T are not relevant to Bancorporation's results of operations. Therefore, no pro forma information is presented.

Accounting standards prohibit carrying over an allowance for loan losses on 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.

NOTE 3—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, 2011, the required balance was $100,952 compared to $100,837 as of December 31, 2010. Of the required balance, $89,570 and $83,611 was met by vault cash and $11,382 and $17,226 was met with deposits at the Federal Reserve at December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, approximately $11,075 and $11,425, respectively, in cash and due from bank balances was restricted as to use as compensating balances with other financial institutions.

NOTE 4—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 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-maturity at December 31, 2011:				
U. S. government treasuries and agencies	$ 9,489	$ 36	$ —	$ 9,525
Total	**$ 9,489**	**$ 36**	**$ —**	**$ 9,525**
Held-to-maturity at December 31, 2010:				
U. S. government treasuries and agencies	$ 9,344	$ 18	$ —	$ 9,362
Total	**$ 9,344**	**$ 18**	**$ —**	**$ 9,362**
Available-for-sale at December 31, 2011:				
U.S. government treasuries and agencies	$ 1,027,159	$ 3,293	$ 176	$ 1,030,276
Corporate bonds issued under the Temporary Liquidity Guarantee Program	25,032	213	—	25,245
GNMA, FNMA and FHLMC mortgage-backed securities	435,681	15,712	377	451,016
Obligations of states and political subdivisions	5,521	167	8	5,680
Corporate bonds	12,023	269	366	11,926
Equity securities	4,875	34,201	1	39,075
Other	2,733	100	—	2,833
Total	**$1,513,024**	**$53,955**	**$ 928**	**$1,566,051**
Available-for-sale at December 31, 2010:				
U.S. government treasuries and agencies	$ 961,354	$ 3,516	$ 222	$ 964,648
Corporate bonds issued under the Temporary Liquidity Guarantee Program	70,432	889	—	71,321
GNMA, FNMA and FHLMC mortgage-backed securities	330,643	5,389	2,771	333,261
Obligations of states and political subdivisions	8,852	135	80	8,907
Corporate bonds	16,182	262	217	16,227
Equity securities	6,167	37,422	159	43,430
Other	5,729	171	160	5,740
Total	**$1,399,359**	**$47,784**	**$3,609**	**$1,443,534**

(Dollars in thousands)

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.

The following table provides maturity information for investment securities at December 31, 2011. Mortgage-backed and equity securities are shown separately as they are either not due at a single maturity date or have no maturity date.

	2011	
	Cost	Estimated Fair Value
Investment securities held-to-maturity maturing in:		
One year or less	$ 5,550	$ 5,573
One through five years	3,939	3,952
Five to 10 years	—	—
Over 10 years	—	—
Total investment securities held-to-maturity	**$ 9,489**	**$ 9,525**
Investment securities available-for-sale maturing in:		
One year or less	$ 446,844	$ 448,114
One through five years	582,153	583,748
Five to 10 years	5,442	5,506
Over 10 years	38,029	38,592
GNMA, FNMA and FHLMC mortgage-backed securities	435,681	451,016
Equity securities	4,875	39,075
Total investment securities available-for-sale	**$1,513,024**	**$1,566,051**

Securities with unrealized losses at December 31, 2011 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	$ 176	$ 170,627	$ —	$ —
GNMA, FNMA and FHLMC mortgage-backed securities	188	29,956	189	6,849
Obligations of states and political subdivisions	8	157	—	—
Corporate bonds	107	4,158	259	2,569
Equity securities	—	—	1	187
Total securities with unrealized losses	**$479**	**$204,898**	**$449**	**$9,605**

(Dollars in thousands)

Securities with unrealized losses at December 31, 2010 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	$ 222	$ 114,902	$ —	$ —
GNMA, FNMA and FHLMC mortgage-backed securities	2,475	119,498	296	6,950
Obligations of states and political subdivisions	—	—	80	1,962
Corporate bonds	—	—	217	5,555
Equity securities	2	187	157	974
Other	—	—	160	1,179
Total securities with unrealized losses	**$2,699**	**$234,587**	**$910**	**$16,620**

At December 31, 2011, Bancorporation had 16 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. Bancorporation has the intent and ability to hold these securities until maturity and has reviewed them for other than temporary impairment ("OTTI") in accordance with the accounting policies outlined in Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements. During 2011, Bancorporation recorded $983 and $196 in OTTI write-downs related to other investments and equity securities; respectively, once it was determined that recovery of the original purchase price was unlikely.

Proceeds from the sale of available-for-sale investments were $255,570 and $61,502 in 2011 and 2010, respectively. Gross realized gains (losses) on sales and calls of available-for-sale investments were as follows:

	2011	2010
Gross realized gains of sales of available-for-sale investments	$ 2,220	$ 1,812
Gross realized losses of sales of available-for-sale investments	(714)	(24)
Gross realized gains of calls of available-for-sale investments	1	1,090
Gross realized losses of calls of available-for-sale investments	—	(11)
Total	**$1,507**	**$2,867**

Investment securities with an amortized cost of $1.15 billion and $1.24 billion at December 31, 2011 and 2010, 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 5—LOANS AND LEASES

Loans and leases, net of deferred fees and costs, were as follows:

	As of December 31,	
	2011	2010
Real estate—mortgage	$ 1,878,381	$ 1,961,030
Real estate—commercial	1,006,547	1,040,983
Real estate—construction, land development, and other land	257,763	339,316
Commercial, financial and agricultural	301,542	355,745
Loans to individuals for household, family and other personal expenditures	523,328	498,748
Lease financing	53,243	55,202
Other loans	113,543	135,355
Loans and leases not covered, net	4,134,347	4,386,379
Covered loans, net	438,907	523,222
Total loans and leases, net	**$4,573,254**	**$4,909,601**

(Dollars in thousands)

Covered loans represent loans acquired from the FDIC subject to one of the loss sharing agreements.

Bancorporation evaluated acquired loans for impairment. Acquired loans with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered impaired. The carrying value of all acquired impaired and non-impaired loans and leases as of December 31, 2011 and 2010 are included in the tables below. As of December 31, 2011 and 2010, all loans presented below were covered under loss share agreements:

	As of December 31, 2011		
	Acquired Impaired Loans	Acquired Non-impaired Loans	Total
Real estate—mortgage	$ 40,965	$ 67,663	$ 108,628
Real estate—commercial	159,659	99,950	259,609
Real estate—construction, land development, and other land	264,407	19,623	284,030
Commercial, financial and agricultural	69,420	53,336	122,756
Loans to individuals for household, family and other personal expenditures	4,216	6,832	11,048
Lease financing	577	1,431	2,008
Other loans	—	—	—
Loans and leases, gross	539,244	248,835	788,079
Less:			
Estimate of contractual principal not expected to be collected (non-accretable difference)	304,807	25,469	330,276
Allowance for loan losses on covered loans	—	—	—
Liquidity discount (accretable yield)	13,351	5,545	18,896
Total carrying value of acquired loans	**$221,086**	**$217,821**	**$438,907**

	As of December 31, 2010		
	Acquired Impaired Loans	Acquired Non-impaired Loans	Total
Real estate—mortgage	$ 38,106	$ 50,199	$ 88,305
Real estate—commercial	147,546	96,957	244,503
Real estate—construction, land development, and other land	380,039	20,791	400,830
Commercial, financial and agricultural	126,732	119,234	245,966
Loans to individuals for household, family and other personal expenditures	5,711	13,391	19,102
Lease financing	352	4,290	4,642
Other loans	—	10	10
Loans and leases, gross	698,486	304,872	1,003,358
Less:			
Estimate of contractual principal not expected to be collected (non-accretable difference)	398,387	43,805	442,192
Allowance for loan losses on covered loans	83	—	83
Liquidity discount (accretable yield)	23,889	13,972	37,861
Total carrying value of acquired loans	**$276,127**	**$247,095**	**$ 523,222**

(Dollars in thousands)

The change in the contractual principal outstanding for all acquired impaired and non-impaired loans and leases for the year ended December 31, 2011 were as follows:

	Acquired Impaired Loans	Acquired Non-impaired Loans
Balance, December 31, 2010	$ 698,486	$ 304,872
Contractual principal outstanding of covered loans acquired in 2011	34,047	99,028
Reductions resulting from repayments, charge-offs and foreclosures	(193,289)	(155,065)
Balance, December 31, 2011	**$539,244**	**$248,835**

The change in the liquidity discount (accretable yield) for all acquired impaired and non-impaired loans and leases for the year ended December 31, 2011 were as follows:

	Acquired Impaired	Acquired Non-impaired	Total
Balance, December 31, 2010	$ 23,889	$13,972	$ 37,861
Liquidity discount recorded on covered loans acquired in 2011	1,370	3,609	4,979
Loan accretion	—	(9,017)	(9,017)
Payoffs of loans	(871)	(3,286)	(4,157)
Reclass from non-accretable to accretable difference	—	1,683	1,683
Reclass from accretable to non-accretable difference	(11,037)	(1,416)	(12,453)
Balance, December 31, 2011	**$13,351**	**$ 5,545**	**$18,896**

The change in the estimate of contractual principal not expected to be collected (non-accretable difference) for all acquired impaired and non-impaired loans and leases for the year ended December 31, 2011 were as follows:

	Acquired Impaired	Acquired Non-impaired	Total
Balance, December 31, 2010	$ 398,387	$ 43,805	$ 442,192
Estimate of contractual principal not expected to be collected (non-accretable difference) on covered loans acquired in 2011	11,089	7,609	18,698
Reclass from non-accretable to accretable difference	—	(1,683)	(1,683)
Reclass from accretable to non-accretable difference	11,037	1,416	12,453
Reductions resulting from repayments, charge-offs, and foreclosures	(115,706)	(25,678)	(141,384)
Balance, December 31, 2011	**$304,807**	**$25,469**	**$330,276**

At December 31, 2011 and 2010 none of the acquired loans were classified as nonperforming assets due to the application of the accretable yield method. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, may be available to be recognized on purchased loans. However, in accordance with the acquired loan policy relating to acquired impaired loans, no accretable yield has been accreted into income to date, as the expected cash flows cannot be reasonably estimated due to continued deterioration in the expected cash flows of the acquired impaired loan portfolio.

(Dollars in thousands)

Nonaccrual loans, excluding impaired acquired loans, were as follows:

	As of December 31,	
	2011	2010
Real estate—mortgage	$ 56,711	$ 41,785
Real estate—commercial	40,169	33,619
Real estate—construction, land development, and other land	25,299	31,104
Commercial, financial and agricultural	2,118	2,989
Loans to individuals for household, family and other personal expenditures	566	1,209
Lease financing	98	69
Other loans	575	541
Total	**$125,536**	**$111,316**

Average impaired loans, excluding acquired impaired loans, were as follows:

	For the Year Ended December 31,	
	2011	2010
Real estate—mortgage	$ 50,429	$ 38,384
Real estate—commercial	39,255	32,474
Real estate—construction, land development, and other land	28,928	28,395
Commercial, financial and agricultural	2,818	4,035
Loans to individuals for household, family and other personal expenditures	563	279
Lease financing	537	1,024
Other loans	537	1,357
Total	**$123,067**	**$105,948**

The amount of interest that has been recognized as income on impaired loans for the years presented was not material.

NOTE 6—ALLOWANCE FOR LOAN LOSSES

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

	For the Year Ended December 31,	
	2011	2010
Balance at beginning of year	$ 82,033	$ 89,187
Loans charged off	(38,397)	(43,934)
Recoveries on loans previously charged off	6,321	5,123
Provision for loan losses	21,013	31,657
Balance at end of year	**$70,970**	**$82,033**

(Dollars in thousands)

Roll-forward and allocation of the allowance for loan losses on loans not covered under FDIC loss sharing agreements as of December 31, 2011 were as follows:

	Commercial		Retail				
	Commercial Real Estate	C&I	1-4 Family Real Estate	Sales Finance	Home Equity Line of Credit	Consumer	Total
Roll-forward of allowance for loan losses:							
Balance at December 31, 2010	$ 33,581	$ 6,011	$ 17,109	$ 1,539	$ 14,045	$ 9,748	$ 82,033
Loans charged off	12,391	1,648	12,508	836	6,187	4,827	38,397
Recoveries on loans previously charged off	2,235	806	1,544	292	298	1,146	6,321
Provision for loan losses	(1,428)	(1,903)	14,565	417	5,091	4,271	21,013
Balance at December 31, 2011	**$ 21,997**	**$ 3,266**	**$ 20,710**	**$ 1,412**	**$ 13,247**	**$ 10,338**	**$ 70,970**
Allocation of allowance for loan losses:							
Allowance for loan losses related to loans collectively evaluated for impairment	$ 18,839	$ 3,027	$ 20,086	$ 1,412	$ 13,247	$ 9,009	$ 65,620
Allowance for loan losses related to loans individually evaluated for impairment	3,158	239	624	—	—	1,329	5,350
Balance at December 31, 2011	**$ 21,997**	**$ 3,266**	**$ 20,710**	**$ 1,412**	**$ 13,247**	**$ 10,338**	**$ 70,970**
Loans evaluated for impairment in allowance for loan losses:							
Loans collectively evaluated for impairment	$ 1,180,377	$ 391,854	$ 1,067,557	$ 424,523	$ 589,588	$ 410,022	$ 4,063,921
Loans individually evaluated for impairment	54,908	4,234	1,421	—	698	9,165	70,426
Balance at December 31, 2011	**$1,235,285**	**$396,088**	**$1,068,978**	**$424,523**	**$590,286**	**$419,187**	**$4,134,347**

Roll-forward and allocation of the allowance for loan losses on loans not covered under FDIC loss sharing agreements as of December 31, 2010 were as follows:

	Commercial		Retail				
	Commercial Real Estate	C&I	1-4 Family Real Estate	Sales Finance	Home Equity Line of Credit	Consumer	Total
Roll-forward of allowance for loan losses:							
Balance at December 31, 2009	$ 31,150	$ 4,684	$ 22,685	$ 2,134	$ 17,333	$ 11,201	$ 89,187
Loans charged off	14,254	3,312	12,193	928	7,399	5,848	43,934
Recoveries on loans previously charged off	1,248	781	1,193	133	345	1,423	5,123
Provision for loan losses	15,437	3,858	5,424	200	3,766	2,972	31,657
Balance at December 31, 2010	**$ 33,581**	**$ 6,011**	**$ 17,109**	**$ 1,539**	**$ 14,045**	**$ 9,748**	**$ 82,033**
Allocation of allowance for loan losses:							
Allowance for loan losses related to loans collectively evaluated for impairment	$ 30,254	$ 6,011	$ 16,754	$ 1,539	$ 14,045	$ 9,748	$ 78,351
Allowance for loan losses related to loans individually evaluated for impairment	3,327	—	355	—	—	—	3,682
Balance at December 31, 2010	**$ 33,581**	**$ 6,011**	**$ 17,109**	**$ 1,539**	**$ 14,045**	**$ 9,748**	**$ 82,033**
Loans evaluated for impairment in allowance for loan losses:							
Loans collectively evaluated for impairment	$ 1,322,321	$ 450,344	$ 1,108,255	$ 389,648	$ 643,657	$ 426,415	$ 4,340,640
Loans individually evaluated for impairment	40,107	1,170	4,462	—	—	—	45,739
Balance at December 31, 2010	**$1,362,428**	**$451,514**	**$1,112,717**	**$389,648**	**$643,657**	**$426,415**	**$4,386,379**

(Dollars in thousands)

Activity in the allowance for loan losses related to loans covered under FDIC loss sharing was as follows:

	For the Year Ended December 31,	
	2011	2010
Balance at beginning of year	$ 83	$ 836
Loans charged off	(3,736)	(25,952)
Recoveries on loans previously charged off	1,108	—
Provision for loan losses	2,545	25,199
Balance at end of year	**$ —**	**$ 83**

Bancorporation recognized $2,545 in provision expense for the decline in expected cash flows since the acquisition date on certain covered loans, upon transfer of certain covered loans to other real estate owned, and executed short sales or incurred charge-offs on certain covered loans. Use of the accretable yield to absorb all or a portion of the adjustment to expected cash flows, the proceeds received, or the amount charged-off resulted in the recognition of $9,493 in noninterest income, offset by an increase in the FDIC receivable.

As part of the ongoing monitoring of the credit quality of Bancorporation's loan portfolio, management tracks certain credit quality indicators including the level of classified loans, net charge-offs, and the general economic conditions in its market areas.

Bancorporation utilizes a risk grading matrix to assign a risk grade to each of its loans. An asset may be subject to a split classification whereby two or more portions of the same asset are given separate classifications. A description of the general characteristics of the risk grades are as follows:

Pass—A pass rated loan is not adversely classified because it does not display any of the characteristics for adverse classification.

Special Mention—A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the Bank's credit position at a future date. Special mention loans should include loans where repayment is highly probable, but timeliness of repayment is uncertain due to unfavorable developments. Special Mention loans are not adversely classified and do not expose Bancorporation to sufficient risk to warrant adverse classification. Loans that could be included in this category include loans that have potential credit weaknesses that could evolve into well-defined weaknesses. Special Mention is not used to identify a loan that has as its sole weakness credit data exceptions or collateral documentation exceptions that are not material to the timely repayment of the loans.

Substandard—A substandard loan is inadequately protected by current sound worth and paying capacity of the borrower or of collateral pledged. Substandard loans have a well-defined weakness or well-defined weaknesses that jeopardize the liquidation of the debt. Loans in this category are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected. Substandard loans have sufficient risk to warrant an adverse classification. The main characteristic of a substandard loan is the loss of the primary source of repayment, generally cash flow, and the reliance on collateral for repayment.

Doubtful—A loan classified doubtful possesses all the characteristics of substandard loans with the addition that full collection is improbable based on existing facts, values, and conditions. Possibility of loss is high; however, due to important or reasonably specific pending factors that may work to the loan's advantage, a precise indication of estimated loss is deferred until a more exact status can be determined. The Doubtful classification is not to be used to defer the full recognition of an expected loss.

(Dollars in thousands)

Loss—That portion of an asset classified Loss is considered uncollectible and of such little value that its continuance as an asset, without establishment of a specific valuation allowance or charge-off is not warranted. This classification does not necessarily mean that an asset has absolutely no recovery or salvage value; but rather, it is not practical or desirable to defer writing off a basically worthless asset (or portion) even though partial recovery may be affected in the future.

The risk grades of the loan portfolio not covered under FDIC loss sharing agreements as of December 31, 2011 were as follows:

	Commercial		Retail				
	Commercial Real Estate	**C&I**	**1-4 Family Real Estate**	**Sales Finance**	**Home Equity Line of Credit**	**Consumer**	**Total**
Pass	$ 1,061,775	$ 376,761	$ 933,157	$ 423,034	$ 542,697	$ 413,274	$ 3,750,698
Special Mention	47,864	7,704	66,903	113	30,980	3,130	156,694
Substandard	125,646	11,623	68,730	1,376	16,609	2,738	226,722
Doubtful	—	—	—	—	—	28	28
Loss	—	—	188	—	—	17	205
Total	**$1,235,285**	**$396,088**	**$1,068,978**	**$424,523**	**$590,286**	**$419,187**	**$4,134,347**

The risk grades of the loan portfolio not covered under FDIC loss sharing agreements as of December 31, 2010 were as follows:

	Commercial		Retail				
	Commercial Real Estate	**C&I**	**1-4 Family Real Estate**	**Sales Finance**	**Home Equity Line of Credit**	**Consumer**	**Total**
Pass	$ 1,148,077	$ 429,254	$ 961,197	$ 384,623	$ 589,786	$ 420,592	$ 3,933,529
Special Mention	68,493	9,795	55,187	1,122	23,817	2,629	161,043
Substandard	145,858	12,465	96,233	3,892	30,054	3,156	291,658
Doubtful	—	—	1	11	—	—	12
Loss	—	—	99	—	—	38	137
Total	**$1,362,428**	**$451,514**	**$1,112,717**	**$389,648**	**$643,657**	**$426,415**	**$4,386,379**

An aging analysis of past due loans not covered under FDIC sharing agreements as of December 31, 2011 were as follows:

	30-89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Current**	**Total Loans and Leases, Excluding Covered Loans**	**90 Days Or More Past Due and Still Accruing**
Commercial real estate	$ 10,969	$ 33,858	$ 44,827	$ 1,190,458	$ 1,235,285	$ 10
C&I	841	1,752	2,593	393,495	396,088	—
1-4 Family real estate	18,690	35,014	53,704	1,015,274	1,068,978	3,276
Sales finance	2,719	295	3,014	421,509	424,523	81
Home equity line of credit	4,412	7,237	11,649	578,637	590,286	7,237
Consumer	6,091	10,693	16,784	402,403	419,187	1,057
Total	**$43,722**	**$88,849**	**$132,571**	**$4,001,776**	**$4,134,347**	**$11,661**

(Dollars in thousands)

An aging analysis of past due loans not covered under FDIC sharing agreements as of December 31, 2010 were as follows:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans and Leases, Excluding Covered Loans	90 Days Or More Past Due and Still Accruing
Commercial real estate	$ 4,995	$ 65,713	$ 70,708	$ 1,291,720	$ 1,362,428	$ 93
C&I	641	9,770	10,411	441,103	451,514	2,483
1-4 Family real estate	21,239	36,834	58,073	1,054,644	1,112,717	6,241
Sales finance	1,016	259	1,275	388,373	389,648	259
Home equity line of credit	4,550	4,639	9,189	634,468	643,657	4,639
Consumer	9,534	9,919	19,453	406,962	426,415	2,103
Total	**$41,975**	**$127,134**	**$169,109**	**$4,217,270**	**$4,386,379**	**$15,818**

Covered loans have been excluded from this aging analysis because they are covered by FDIC loss sharing agreements, and their related allowance is determined by loan pool performance due to the application of the accretion method.

The following tables provide information on impaired loans, excluding acquired impaired loans:

	As of December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans, excluding acquired impaired loans, with no related allowance recorded:			
Commercial real estate	$ 38,397	$ 46,096	$ —
C&I	2,090	2,642	—
1-4 family real estate	797	808	—
Home equity line of credit	698	698	—
Sales finance	—	—	—
Consumer	2,777	2,777	—
Subtotal	$ 44,759	$ 53,021	$ —
Impaired loans, excluding acquired impaired loans ,with related allowance recorded:			
Commercial real estate	$ 48,523	$ 59,570	$ 5,098
C&I	3,654	4,536	327
1-4 family real estate	47,230	58,633	2,634
Home equity line of credit	—	—	—
Sales finance	216	216	1
Consumer	11,958	12,547	1,577
Subtotal	$ 111,581	$ 135,502	$ 9,637
Total	**$156,340**	**$188,523**	**$9,637**

(Dollars in thousands)

	As of December 31, 2010		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans, excluding acquired impaired loans, with no related allowance recorded:			
Commercial real estate	$ 27,631	$ 33,459	$ —
C&I	1,170	1,268	—
1-4 family real estate	2,631	3,853	—
Home equity line of credit	—	—	—
Sales finance	—	—	—
Consumer	—	—	—
Subtotal	$ 31,432	$ 38,580	$ —
Impaired loans, excluding acquired impaired loans ,with related allowance recorded:			
Commercial real estate	$ 42,293	$ 53,340	$ 4,016
C&I	8,740	9,283	116
1-4 family real estate	31,291	40,132	1,140
Home equity line of credit	359	359	8
Sales finance	173	173	1
Consumer	5,263	5,371	111
Subtotal	$ 88,119	$ 108,658	$ 5,392
Total	**$119,551**	**$147,238**	**$5,392**

The tables above include $85,914 and $73,812, of impaired loans that were not individually evaluated at December 31, 2011 and December 31, 2010, respectively, because these loans did not meet the Bank's threshold for individual impairment evaluation. The recorded allowance above includes $4,287 and $1,710 related to these loans that were not individually evaluated at December 31, 2011 and December 31 2010, respectively.

At December 31, 2011, Bancorporation had 228 loans totaling $68,976 that were identified as troubled debt restructurings ("TDR's") and considered impaired. Two of these loans had unfunded commitments totaling $241.

At December 31, 2011 Bancorporation had $32,505 in loans that were accruing interest under the terms of troubled debt restructurings.

(Dollars in thousands)

The following table presents a breakdown of the types of concessions made by loan class for TDR's for the year ended December 31, 2011. The type labeled "Multiple concessions" primarily includes loans modified through a combination of below market interest rates and extended payment terms.

	12 months ended December 31, 2011		
	Number of loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Below market interest rate:			
Commercial real estate	—	$ —	$ —
C&I	—	—	—
1-4 Family real estate	21	3,170	3,171
Sales finance	—	—	—
Home equity line of credit	1	47	47
Consumer	2	2,488	2,488
Subtotal	24	$ 5,705	$ 5,706
Extended payment terms:			
Commercial real estate	31	$ 12,730	$ 12,741
C&I	5	3,278	3,278
1-4 Family real estate			

(Dollars in thousands)

The following table presents loans that were modified as troubled debt restructurings within the previous 12 months and for which there was a payment default for the year ended December 31, 2011.

	12 months ended December 31, 2011	
	Number of loans	Recorded Investment
Below market interest rate:		
Commercial real estate	—	$ —
C&I	—	—
1-4 Family real estate	4	985
Sales finance	—	—
Home equity line of credit	—	—
Consumer	2	2,497
Subtotal	6	$ 3,482
Extended payment terms:		
Commercial real estate	5	$ 2,607
C&I	—	—
1-4 Family real estate	2	1,073
Sales finance	—	—
Home equity line of credit	—	—
Consumer	—	—
Subtotal	7	$ 3,680
Multiple concessions:		
Commercial real estate	—	$ —
C&I	—	—
1-4 Family real estate	3	349
Sales finance	—	—
Home equity line of credit	—	—
Consumer	1	16
Subtotal	4	$ 365
Total	**17**	**$7,527**

If a restructured loan defaults after being restructured, the loan is liquidated or charged off.

As of December 31, 2011 there were no TDR's identified under the new requirements of ASU 2011-02 that would not have been otherwise identified.

NOTE 7—PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	As of December 31,	
	2011	2010
Land	$ 94,590	$ 93,380
Buildings and improvements	204,644	200,323
Furniture and equipment	57,587	62,643
Leasehold improvements	1,613	1,717
Construction in progress	4,452	1,655
Total	362,886	359,718
Less: Accumulated depreciation and amortization	(127,274)	(125,931)
Total premises and equipment	**$235,612**	**$233,787**

(Dollars in thousands)

Provisions for depreciation and amortization included in noninterest expense were $16,391 and $17,154 for the years ended December 31, 2011 and 2010, respectively.

Bancorporation has entered into various noncancellable operating leases for land and buildings used in its operations. The leases expire over the next seven years, and most contain renewal options from 1 to 10 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 $1,806 and $2,030 for the years ended December 31, 2011 and 2010, respectively. Bancorporation recognized rental income of $3,843 and $3,676 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011, future minimum rental commitments under noncancellable operating leases that have a remaining life in excess of one year are summarized as follows:

2012	$ 1,221
2013	874
2014	799
2015	457
2016	158
2017 and thereafter	127
Total minimum obligation	**$3,636**

NOTE 8—GOODWILL AND OTHER INTANGIBLES

In accordance with US GAAP, no goodwill amortization was recorded for the years ended December 31, 2011 and 2010. 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 2011 and determined there was no impairment of goodwill. Changes in the carrying amount for goodwill for the year ended December 31, 2011 were as follows:

Balance at January 1, 2010	$ 179,712
WFNB transaction (previously discussed in Note 2)	5,241
Balance at December 31, 2010	$ 184,953
AB&T transaction (previously discussed in Note 2)	3,023
Adjustment related to prior year acquisition	131
Balance at December 31, 2011	**$188,107**

(Dollars in thousands)

The changes in the carrying amounts of core deposit and other intangibles and mortgage servicing rights for the years ended December 31, 2011 and 2010 were as follows:

	Core Deposit and Other Intangibles	Mortgage Servicing Rights*	Total
Balance at December 31, 2009	**$12,026**	**$10,645**	**$22,671**
Amortization	(5,398)	(2,062)	(7,460)
WFNB transaction (previously discussed in Note 2)	458	—	458
Servicing rights originated	—	3,963	3,963
Balance at December 31, 2010	**$ 7,086**	**$12,546**	**$19,632**
Amortization	(2,427)	(4,961)	(7,388)
AB&T transaction (previously discussed in Note 2)	1,369	—	1,369
Servicing rights originated	—	3,688	3,688
Balance at December 31, 2011	**$ 6,028**	**$11,273**	**$17,301**

* Valuation allowance for MSRs was $2,640 and $786 as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the fair market values of MSRs were $11,647 and $14,925, respectively. Contractually specified mortgage servicing fees, late fees and ancillary fees earned for the year ended December 31, 2011 and 2010 were $5,921 and $5,258, respectively. These amounts are included in mortgage income in the Consolidated Statements of Income.

Amortization expense on core deposit intangibles was $2,427 and $5,398 for the years ended December 31, 2011 and 2010, respectively. The amortization expense related to mortgage servicing rights, included as a reduction of mortgage income in the Consolidated Statements of Income, was $4,961 and $2,062 for the years ended December 31, 2011 and 2010, respectively. Amortization expense included impairment of $1,854 for the year ended December 31, 2011. Amortization expense was reduced by a net recapture of mortgage servicing rights impairment of $1,220 for the year ended December 31, 2010.

Key economic assumptions used to value mortgage servicing rights as of December 31, 2011 were as follows:

Weighted-average remaining life	2.86 years
Weighted-average discount rate	7.01%
Weighted-average prepayment speed	25.58%
Weighted-average coupon	4.98%

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:

2012	2,021
2013	1,817
2014	1,378
2015	267
2016	267

(Dollars in thousands)

NOTE 9—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, 2011 and December 31, 2010, an investment in FHLB of $16,248 and $22,585, respectively, is reflected in other assets in the Consolidated Statements of Condition.

NOTE 10—DEPOSITS

Deposits and related interest expense are summarized as follows:

	Deposits December 31,		Interest Expense For the Year Ended December 31,	
	2011	2010	2011	2010
Demand	$ 1,487,112	$ 1,269,177	$ —	$ —
NOW accounts	1,720,378	1,784,607	4,383	6,662
Money market accounts	1,694,638	1,699,887	6,994	15,930
Savings	398,875	360,065	518	967
Time	1,574,906	2,070,472	22,045	42,834
Total	**$6,875,909**	**$7,184,208**	**$33,940**	**$66,393**

Time deposits with a minimum denomination of one hundred thousand dollars totaled $514,333 and $656,459 at December 31, 2011 and 2010, respectively.

At December 31, 2011 the scheduled maturities of time deposits were:

2012	$ 1,210,271
2013	281,093
2014	36,166
2015	25,828
2016	21,548
Total time deposits	**$1,574,906**

NOTE 11—INCOME TAXES

As of December 31, 2011, 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,	
	2011	2010
Current:		
Federal	$ 41,667	$(11,215)
State	1,861	3,081
	43,528	(8,134)
Deferred—Federal	(16,112)	46,484
Total income tax expense	**$27,416**	**$38,350**

(Dollars in thousands)

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

	As of December 31,	
	2011	2010
Deferred tax assets:		
Allowance for loans losses	$ 16,681	$ 14,891
Employee benefits	18,243	15,357
Other reserves	6,121	4,413
Amortization—intangibles	5,387	6,745
Book depreciation over tax	4,505	6,253
Other	5,062	3,019
Total deferred tax assets	**55,999**	**50,678**
Deferred tax liabilities:		
Deferred acquisition gain	54,735	69,817
Mark-to-market of available-for-sale investments	18,796	15,547
Pension costs	14,494	13,353
Mortgage servicing rights	3,393	2,622
Other	4,119	4,007
Total deferred tax liabilities	**95,537**	**105,346**
Net deferred tax liability	**$(39,538)**	**$ (54,668)**

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,	
	2011	2010
Tax expense at statutory rate	$ 27,368	$ 37,435
Increase (decrease) in taxes resulting from:		
Non-taxable interest	(854)	(1,020)
State income taxes, net of federal income tax benefit	1,718	2,343
Other, net	(816)	(408)
Total income tax expense	**$27,416**	**$38,350**

Years 2008 through 2011 are subject to audit by Federal and State tax authorities.

NOTE 12—SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings

Bancorporation had no advances outstanding from the FHLB as of December 31, 2011 or December 31, 2010. FHLB advances are 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. Total qualifying loans of First Citizens available to pledge to the FHLB for advances and letters of credit at December 31, 2011 were approximately $296,099. Additional borrowings are available by pledging additional collateral and purchasing additional stock in the FHLB. Advances are subject to prepayment penalties and convertible advances are subject to call at the option of the FHLB.

(Dollars in thousands)

Long-term debt

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

	2011	2010
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 (2.80% as of December 31, 2011), due June 15, 2034	51,547	51,547
Guaranteed Preferred Beneficial Interest in Junior Subordinated Deferrable Interest Debenture Floating Rate (3.25% as of December 31, 2011), due April 7, 2034	10,310	10,310
	113,404	113,404
Subordinated notes payable:		
8.00% maturing April 1, 2013 (issued by First Citizens)	5,620	5,620
6.80% maturing April 1, 2015	74,670	74,569
8.00% maturing June 1, 2018	15,000	15,000
	95,290	95,189
Total long-term debt	**$208,694**	**$208,593**

Principal amounts due for the next five years on long-term debt at December 31, 2011 are: 2012—none; 2013—5,620; 2014—none; 2015—$74,670; and 2016—none.

FCB/SC Capital Trust I, a statutory business trust ("Cap Trust I") created by Bancorporation, had outstanding at December 31, 2011, $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 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, 2011, $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 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 by First Citizens in an acquisition, had outstanding at December 31, 2011, $10,000 (par value) of floating rate Capital Securities based on 3 month LIBOR plus 2.85% 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 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.

Subordinated notes issued in 2005 are unsecured obligations of Bancorporation and are junior to existing and future senior indebtedness and obligations to depositors and general or secured creditors.

NOTE 13—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, 2011 and 2010 follows:

		2011			2010		
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	5,458	110	2.80	5,769	116	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
			$3,098			**$3,104**	

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

(Dollars in thousands)

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 is subject to dividend limitations mandated by the South Carolina State Board of Financial Institutions.

NOTE 14—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.

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,	
	2011	**2010**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 93,715	$ 84,034
Service cost	3,305	3,075
Interest cost	5,020	5,044
Actuarial gain	3,164	4,770
Benefits paid	(3,500)	(3,208)
Benefit obligation at end of year	**$101,704**	**$93,715**

(Dollars in thousands)

The accumulated benefit obligation was $91,348 and $83,876 at December 31, 2011 and 2010, 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, 2011	For the Year Ended December 31, 2010
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 99,582	$ 83,291
Actual return on plan assets	3,395	9,499
Employer contribution	5,000	10,000
Benefits paid	(3,500)	(3,208)
Fair value of plan assets at end of year	**$104,477**	**$ 99,582**
Funded status at end of year (recognized as other assets in the Consolidated Statements of Condition)	$ 2,773	$ 5,867
Accumulated other comprehensive loss, excluding income taxes:		
Actuarial loss	$ (33,291)	$ (27,261)
Less prior service cost	1,040	1,214
Accumulated other comprehensive loss, excluding income taxes	**$ (32,251)**	**$(26,047)**
Weighted-average assumptions used to determine benefit obligations, end of year:		
Discount rate	5.25%	5.50%
Rate of future compensation increases	3.00%	3.00%

Expected Cash Flows

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

Employer Contributions	
2012 (expected)	$ 5,000
Expected Benefit Payments	
2012	$ 3,478
2013	3,599
2014	3,872
2015	4,101
2016	4,312
2017—2021	27,242

Expected Amortization in 2012 (to be included in net periodic pension cost):

Amortization of loss	$ 2,538
Amortization of prior service costs	(173)

(Dollars in thousands)

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

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Service costs	$ 3,305	$ 3,075
Interest costs	5,020	5,044
Expected return on plan assets	(8,104)	(7,070)
Recognized net actuarial loss	1,842	1,631
Amortization of prior service costs	(173)	(173)
Net pension expense	**$ 1,890**	**$ 2,507**

Bancorporation used the following weighted-average assumptions in determining the net pension expense for the years ended December 31, 2011 and 2010:

	2011	2010
Discount rate	5.50%	6.25%
Rate of future compensation increases	3.00%	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, 2011 and 2010:

	2011	2010
Equity securities	50.9%	50.1%
Debt securities	32.4%	34.9%
Cash and equivalents	16.7%	15.0%
Total	100.00%	100.00%

The fair values of pension plan assets carried at December 31, 2011 by asset category are as follows:

	Fair Value at December 31, 2011	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	$ 53,160	$ 53,160	$ —	$ —
Debt securities	33,846	—	33,846	—
Cash equivalents	17,471	17,471	—	—
Total	**$104,477**	**$70,631**	**$33,846**	**$ —**

(Dollars in thousands)

The fair values of pension plan assets carried at December 31, 2010 by asset category are as follows:

	Fair Value at December 31, 2011	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	$ 49,934	$ 49,934	$ —	$ —
Debt securities	34,742	—	34,742	—
Cash equivalents	14,906	14,906	—	—
Total	**$99,582**	**$64,840**	**$34,742**	**$ —**

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 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. Debt securities include $1,796 and $1,919 of Cap Trust I's Capital Securities and equity securities include $3,311 and $4,119 of Bancorporation's common stock as of December 31, 2011 and 2010, 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.

(Dollars in thousands)

Matching contributions provided by Bancorporation were $5,691 and $5,399 for the years ended December 31, 2011, and 2010, respectively, and are included in salaries and employee benefits in the Consolidated Statements of Income.

NOTE 15—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,	
	2011	**2010**
Commitments to extend credit	$ 962,873	$ 1,097,386
Letters of credit and financial guarantees	19,718	26,739
Total	**$982,591**	**$1,124,125**

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, 2011, Bancorporation had issued $19,718 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, 2011, 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 16—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 collectability.

(Dollars in thousands)

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

	December 31, 2011
Balance at beginning of year	$ 4,017
New loans and additions	287
Payments and other deductions	(2,527)
Balance at end of year	$ 1,777

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 $23,352 and $22,003 for the years ended December 31, 2011 and 2010, respectively. Investment securities available-for-sale includes an investment in FCBNC with a carrying value of $37,338 and $40,713 at December 31, 2011 and 2010, 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, 2011 and 2010.

NOTE 17—FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2011 and December 31, 2010. 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, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$1,335,598	$1,335,598	$1,167,047	$1,167,047
Investment securities	1,575,540	1,575,576	1,452,878	1,452,896
Loans not covered by loss sharing agreements, net	4,063,377	4,114,907	4,304,346	4,361,599
Loans covered by loss sharing agreements	438,907	438,907	523,222	523,222
Interest receivable	17,914	17,914	21,519	21,519
FDIC receivable for loss sharing agreements	108,469	108,469	249,369	249,369
Federal Home Loan Bank stock	16,248	16,248	22,585	22,585
Financial liabilities:				
Deposits	6,875,909	6,883,210	7,184,208	7,194,915
Securities sold under agreements to repurchase	253,688	253,688	248,446	248,446
Interest payable	5,316	5,316	8,509	8,509
Long-term debt	208,694	181,888	208,593	175,636

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.

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 or valuations. 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. The fair value for loans covered under FDIC loss sharing agreements approximates their carrying value. Fair value estimates also consider the impact of liquidity discounts appropriate as of the measurement date.

FDIC receivable for loss sharing agreements:

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

Federal Home Loan Bank stock:

The fair value for FHLB stock approximates its 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, 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.

(Dollars in thousands)

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 include 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.

For assets carried at fair value, the following table provides fair value information as of December 31, 2011:

		Fair value measurements at December 31, 2011		
	Fair Value at December 31, 2011	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	$ 1,030,276	$ 999,748	$ 30,528	$ —
Corporate bonds issued under the Temporary Liquidity Guarantee Program	25,245	—	25,245	—
GNMA, FNMA and FHLMC mortgage-backed securities	451,016	—	451,016	—
Obligations of states and political subdivisions	5,680	—	5,680	—
Corporate bonds	11,926	—	11,926	—
Equity securities	39,075	39,075	—	—
Other	2,833	—	2,833	—
Total investment securities available-for-sale	**$1,566,051**	**$1,038,823**	**$527,228**	**$ —**

(Dollars in thousands)

For assets carried at fair value, the following table provides fair value information as of December 31, 2010:

		Fair value measurements at December 31, 2010		
	Fair Value at December 31, 2010	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	$ 964,648	$ 964,648	$ —	$ —
Corporate bonds issued under the Temporary Liquidity Guarantee Program	71,321	—	71,321	—
GNMA, FNMA and FHLMC mortgage-backed securities	333,261	—	333,261	—
Obligations of states and political subdivisions	8,907	—	8,907	—
Corporate bonds	16,227	—	16,227	—
Equity securities	43,430	43,430	—	—
Other	5,740	—	5,149	591
Total investment securities available-for-sale	$1,443,534	$1,008,078	$434,865	$ 591

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:

	Investment securities available-for-sale with fair values based on significant unobservable inputs
Beginning balance, January 1, 2010	$ 591
Total unrealized gains included in other comprehensive income	—
OTTI write-down	—
Balance at December 31, 2010	$ 591
Total unrealized gains included in other comprehensive income	—
OTTI write-down	(591)
Balance at December 31, 2011	$ —

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 models 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.

(Dollars in thousands)

NOTE 20—BANCORPORATION (PARENT COMPANY INFORMATION ONLY)

Bancorporation's principal asset is its investment in its wholly-owned subsidiary, the Bank, and its principal source of income is dividends from the Bank. As discussed in Note 13, the Bank has 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,	
	2011	2010
Assets:		
Cash	$ 4,480	$ 1,672
Investments in subsidiaries	896,752	845,784
Investment securities	39,995	43,336
Other assets	7,640	8,568
Total assets	**$948,867**	**$899,360**
Liabilities and stockholders' equity:		
Long-term debt	$ 192,765	$ 192,664
Other liabilities	15,604	16,775
Stockholders' equity	740,498	689,921
Total liabilities and stockholders' equity	**$948,867**	**$899,360**

STATEMENTS OF INCOME

	For the Year Ended December 31,	
	2011	2010
Income:		
Dividends received from banking subsidiaries	$ 11,650	$ 7,800
Other	374	370
	12,024	8,170
Expenses:		
Interest	11,975	11,987
Other	910	1,032
	12,885	13,019
Loss before equity in undistributed earnings of subsidiaries and income taxes	(861)	(4,849)
Equity in undistributed earnings of the subsidiaries and associated companies	47,259	69,028
Income before income taxes	46,398	64,179
Applicable income tax benefit	(4,379)	(4,427)
Net income	**$50,777**	**$68,606**

(Dollars in thousands)

STATEMENTS OF CASH FLOWS

	2011	2010
Cash flows from operating activities:		
Net income	$ 50,777	$ 68,606
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in undistributed earnings of the subsidiaries and associated companies	(47,259)	(69,028)
Accretion of discount on long-term debt	101	101
Decrease (increase) in other assets	928	(1,189)
Other-than-temporary impairment	196	398
Decrease in other liabilities	(71)	(107)
Net cash provided (used) by operating activities	4,672	(1,219)
Cash flows from investing activities:		
Purchase of available-for-sale securities	—	(188)
Net cash used by investing activities	—	(188)
Cash flows from financing activities:		
Acquisition of common and preferred stock	(516)	(615)
Cash dividends paid	(1,348)	(1,351)
Net cash used by financing activities	(1,864)	(1,966)
Net increase (decrease) in cash	2,808	(3,373)
Cash at beginning of year	1,672	5,045
Cash at end of year	$ 4,480	$ 1,672
Supplemental disclosure of cash flows information:		
Interest paid	$ 11,802	$ 11,819

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) 43	Director	1992	Homemaker, Raleigh, NC
Jim B. Apple 59	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) 46	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 53	Director	2001	Attorney; Partner, Nelson Mullins Riley & Scarborough, LLP. (law firm), Columbia
J. Earle Furman, Jr. 64	Director	2006	Chairman, NAI Earle Furman LLC (commercial real estate brokerage), Greenville
M. Craig Garner, Jr. 63	Director	2004	Attorney; shareholder, McNair Law Firm P.A. (law firm), Columbia
Robert B. Haynes (5) 66	Director	1972	Chairman, Vice President and Secretary, C. W. Haynes and Company, Inc. (real estate investment), Columbia
Wycliffe E. Haynes (5) 68	Director	1972	President and Treasurer, C. W. Haynes and Company, Inc. (real estate investment), Columbia
Frank B. Holding (3)(4) 83	Vice Chairman	1970	Executive Vice Chairman, First Citizens BancShares, Inc. and First-Citizens Bank & Trust Company, Raleigh, NC (6)
Robert R. Hoppe 60	Director	2011	Retired; previously, Partner, PricewaterhouseCoopers LLP (public accounting firm), Charlotte, NC
Floyd L. Keels 64	Director	2010	President and Chief Executive Officer, Santee Electric Cooperative Inc. (electric utilities), Kingstree
Kevin B. Marsh 56	Director	2004	Chairman and Chief Executive Officer, SCANA Corporation (public utility holding company), Cayce
Allen H. McIntyre 55	Director	2006	President, McIntyre Investments, LLC (consulting and real estate investments), Spartanburg
Charles S. McLaurin III 73	Director	2001	Retired; formerly employed by First Citizens Bank from 1964 to 2004; served as Executive Vice President of First Citizens Bank from 1995 to 2004, Dillon

(1) Each of our directors also serves as a director of First Citizens Bank.

(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; Mr. Holding also serves as a director of Southern BancShares (N.C.), Inc., Mount Olive, NC; and Mr. Marsh serves as director of SCANA Corporation, Cayce, SC.

(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]

Robert R. Hoppe[2]

Frank B. Holding[1]

Floyd L. Keels

Kevin B. Marsh[2, 3]

Allen H. McIntyre[1, 2, 3]

Charles S. McLaurin, III[1]

[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

Michael Otero
Senior Vice President/General Auditor

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 Bank are available at *www.fdic.gov/.*

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