

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
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FILER

**FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA INC**

CIK: **708848** | IRS No.: **570738665** | State of Incorporation: **SC** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-11172** | Film No.: **94528214**  
SIC: **6022** State commercial banks

Business Address  
1230 MAIN ST  
COLUMBIA SC 29201  
8037333456

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

Commission File Number 0-11172

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA, INC.  
(Exact name of registrant as specified in its charter)

State of South Carolina 57-0738665  
State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

1230 Main Street  
Columbia, South Carolina 29201  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:  
(803) 733-3456

NO CHANGE (Former name or former address, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [ X ] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1994
Voting Common Stock, \$5.00 Par Value	892,813 Shares
Non-voting Common Stock, \$5.00 Par Value	52,720 Shares

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PART I - FINANCIAL INFORMATION  
Item 1. Financial Statements

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET - UNAUDITED (dollars in thousands)

	March 31, 1994 (Unaudited)	December 31, 1993	March 31, 1993 (Unaudited)
<b>ASSETS</b>			
Cash and due from banks:			
Noninterest-bearing	\$72,461	\$96,442	\$75,017
Interest-bearing	14,700	14,950	15,450
Total cash and due from banks	<u>87,161</u>	<u>111,392</u>	<u>90,467</u>
Investment securities:			
Held-to-maturity	480,184	467,977	458,184
Available-for-sale	9,958		
Total securities	490,142	<u>467,977</u>	<u>458,184</u>
Federal funds sold	10,800	23,600	

Gross loans and discounts				
Real estate - construction	20,161	18,952	21,144	
Real estate - mortgage	516,214	509,314	470,350	
Installment	250,929	253,874	236,593	
Commercial, financial and agricultural	93,528	98,863	91,954	
Less: Unearned interest			(4)	
Less: Reserve for loans losses	(18,114)	(18,061)	(16,807)	
Net loans and discounts	862,718	862,942	803,230	
Premises and equipment	36,424	36,853	38,483	
Other real estate owned	286	410	481	
Interest income accrued, not collected	9,563	10,651	10,165	
Intangible assets	13,767	14,584	17,043	
Other assets	12,859	14,169	12,623	
TOTAL ASSETS	\$1,523,720	\$1,518,978	\$1,454,276	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Demand	\$201,385	\$208,606	\$184,631	
Time and savings	1,142,249	1,127,760	1,115,336	
Total deposits	1,343,634	1,336,366	1,299,967	
Federal funds purchased and securities sold under repurchase agreements	60,116	71,206	48,378	
Subordinated notes and term loan	14,150	14,400	15,150	
Other liabilities	14,958	12,769	16,251	
TOTAL LIABILITIES	1,432,858	1,434,741	1,379,746	
Stockholders' Equity:				
Preferred stock	3,282	3,282	3,300	
Non-voting common stock - \$5.00 par value, authorized 1,000,000; issued and outstanding March 31, 1994, December 31, 1993 and March 31, 1993 - 52,720	264	264	264	
Voting common stock - \$5.00 par value, authorized 2,000,000; issued and outstanding March 31, 1994, December 31, 1993 and March 31, 1993 - 892,813	4,464	4,464	4,464	
Surplus	55,000	55,000	40,000	
Undivided profits	27,852	21,227	26,502	
TOTAL STOCKHOLDERS' EQUITY	90,862	84,237	74,530	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,523,720	\$1,518,978	\$1,454,276	

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FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF INCOME - UNAUDITED (dollars in thousands, except per share amounts)

			Three Months Ended	Increase
			March 31,	(Decrease)
			1994	1993
Interest income and fees:				
Loans	\$18,101	\$18,314	(\$213)	
United States Government obligations	4,793	6,058	(1,265)	
Tax exempt securities	629	388	241	

Other securities and federal funds sold	398	400	(2)		
				<u>23,921</u>	<u>25,160</u>
					<u>(1,239)</u>
Interest expense:					
Deposits	8,346	9,486	(1,140)		
Short-term borrowings	495	379	116		
Long-term borrowings	256	269	(13)		
				<u>9,097</u>	<u>10,134</u>
					<u>(1,037)</u>
Net interest income	14,824	15,026	(202)		
Provision for loan losses	298	975	(677)		
Net interest income after provision for loan losses	14,526	14,051	475		
Noninterest income:					
Service charges on deposit accounts	2,519	2,533	(14)		
Fees for other customer services	1,102	1,208	(106)		
Investment securities transactions	0	0	0		
Other	861	791	70		
				<u>4,482</u>	<u>4,532</u>
					<u>(50)</u>
Noninterest expense:					
Salaries and employee benefits	6,947	6,596	351		
Net occupancy expense of premises	561	632	(71)		
Furniture and equipment expense	390	436	(46)		
Depreciation expense	1,066	998	68		
Amortization of intangibles	918	850	68		
Other	5,136	4,315	821		
				<u>15,018</u>	<u>13,827</u>
					<u>1,191</u>
Income before income taxes and cumulative effect	3,990	4,756	(766)		
Applicable income taxes	1,289	1,820	(531)		
Income before cumulative effect of a change in accounting principle	2,701	2,936	(235)		
Cumulative effect on prior years (to December 31, 1992) of changing to a different method of accounting for income taxes	0	221	(221)		
Net Income	\$2,701	\$3,157	(\$456)		
Per share amounts:					
Earnings per common share:					
Income before cumulative effect of a change in accounting principle	\$2.81	\$3.06	(\$0.25)		
Cumulative effect on prior years (to December 31, 1992) of changing to a different method of accounting for income taxes	0.00	0.23	(0.23)		
Net income	\$2.81	\$3.29	(\$0.48)		
Weighted average common shares outstanding	945,533	945,533	0		

	Non- Voting Common Stock	Voting Common Stock	Pre- ferred Stock	Surplus	Undi- vided Profits	Total Stock- holders' Equity
Balance at December 31, 1992	\$3,300	\$264	\$4,464	\$40,000	\$23,388	\$71,416
Net income					3,157	3,157
Preferred stock dividends					(43)	(43)
Balance at March 31, 1993	3,300	264	4,464	40,000	26,502	74,530
Net income					9,847	9,847
Preferred stock dividends					(129)	(129)
Transfer to surplus				15,000	(15,000)	0
Reacquired preferred stock	(18)				7	(11)
Balance at December 31, 1993	3,282	264	4,464	55,000	21,227	84,237
Net income					2,701	2,701
Preferred stock dividends					(43)	(43)
Net unrealized gains on securities available- for-sale - net of taxes					3,967	3,967
Balance at March 31, 1994	\$3,282	\$264	\$4,464	\$55,000	\$27,852	\$90,862

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FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED (dollars in thousands)

	Three Months Ended March 31,	
	1994	1993
Cash Flows From Operating Activities:		
Net income	\$2,701	\$3,157
Adjustments to reconcile net income to net cash cash provided by operating activities:		
Provision for loan losses	298	974
Depreciation and amortization	1,984	1,848
Amortization/accretion of investment securities	152	429
Deferred income tax benefit	188	543
Gain on sales of premises and equipment	(23)	(1)
Decrease in interest income accrued, not collected	1,088	1,301
Decrease in accrued interest payable	(136)	(800)
Originations of loans held for resale	(13,141)	(9,093)
Proceeds from sales of loans		

held for resale	15,544	8,914	
Gains on sales of loans held for resale	(89)	(103)	
Increase in other assets	(1,014)	(1,497)	
Increase in other liabilities	2,189	1,257	
Other operating activities	(62)	4	
Net Cash Provided By Operating Activities	-----	-----	
	9,679	6,933	
Cash Flows From Investing Activities:			
Net increase in loans	(2,388)	(11,331)	
Proceeds from maturities of investment securities	122,085	24,526	
Purchases of investment securities	(138,299)	(24,207)	
Increase in federal funds sold	(10,800)	(23,600)	
Proceeds from sales of premises and equipment	111	3	
Purchases of premises and equipment	(730)	(3,246)	
Net (increase) decrease in other real estate owned	124	(166)	
Net (increase) decrease in intangible assets	102	(419)	
Net Cash Used In Investing Activities	-----	-----	
	(29,795)	(38,440)	
Cash Flows From Financing Activities:			
Net increase in deposits	7,268	16,842	
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(11,090)	2,976	
Maturities of subordinated notes and term loan	(250)	(250)	
Cash dividends paid	(43)	(43)	
Net Cash Provided By Financing Activities	-----	-----	
	(4,115)	19,525	
Decrease in cash and cash equivalents	(24,231)	(11,982)	
Cash and cash equivalents at beginning of year	111,392	102,449	
			-----
Cash and cash equivalents at March 31	\$87,161	\$90,467	
Supplemental disclosures of cash flow information:			
Interest paid	\$9,233	\$10,934	
Income taxes paid	\$160	\$150	

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FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The foregoing financial statements are unaudited; however, in the opinion of Management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of financial statements have been included. A summary of Bancorporation's significant accounting policies is set forth in Note 1 to the Consolidated Financial Statements in Bancorporation's Annual Report on Form 10-K for 1993. The significant accounting policies used during the current quarter are unchanged from those disclosed in the 1993 Annual Report.

INCOME TAXES:

Effective January 1, 1993, Bancorporation adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." The adoption of SFAS 109 changes Bancorporation's method of accounting for income taxes from the deferred method (APB 11) to an asset and liability approach. Previously Bancorporation deferred the past tax effects of timing differences between financial reporting and taxable income. The asset and

liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. Further, SFAS 109 requires a valuation allowance be provided against deferred tax assets unless management considers it more likely than not that such assets will be realized. Based on current facts and circumstances, management believes that deferred tax assets are reasonably assured of realization and, accordingly, does not believe that a valuation allowance is necessary. The cumulative benefit to Bancorporation's results of operations from the implementation of the new accounting standard was \$221,000.

Deferred tax assets and liabilities recorded pursuant to SFAS 109 are composed of the following at (dollars in thousands):

	March 31, 1994	March 31, 1993
Provision for loan losses in excess of amount deductible for taxes	\$6,231	\$5,660
Tax amortization of core deposit premium less than book	157	
Other, net	562	863
		-----
Gross deferred tax asset	6,950	6,523
Book depreciation over tax	(461)	(536)
Interest income, accretion of bond discount and expenses recognized for books not taxed until realized	(225)	(123)
Deferred income and expense items recognized in differing accounting periods	(447)	(335)
Pension plan	(695)	(540)
Net unrealized gains on securities available-for-sale	(2,136)	
Other	(101)	(553)
Gross deferred tax liability	(4,065)	(2,087)
		-----
Net deferred tax asset	\$2,885	\$4,436

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#### PART I - FINANCIAL INFORMATION

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

###### SUMMARY:

First Citizens Bancorporation reported net income of \$2,701,000 for the first quarter of 1994 a 14% decrease from the \$3,157,000 for the first quarter a year ago. The downturn in earnings is attributed to the decline in net interest margin and interest spreads, along with increased cost of operations.

Average loans net of unearned interest for the first quarter of 1994 increased \$67,343,000 or 8.26% over the first quarter of 1993, with a yield of 8.36% for the first quarter of 1994. Average taxable and non-taxable investment securities for the first quarter of 1994 increased by \$5,247,000 or 1.14% from the first quarter of 1993, with a taxable equivalent yield of 5.00% for the first quarter of 1994.

Noninterest income declined slightly by \$50,000 or 1.10% for the first quarter of 1994 as compared to the same period in 1993. Noninterest expense for the first quarter of 1994 increased \$1,191,000 or 8.61% as compared to the same period in 1993. The increase was primarily due to increased salary, wage and employee benefit costs and overall operating expenses.

Net income per common share for the three months ended March 31, 1994

decreased 14.59% to \$2.81, as compared to \$3.29 for the first quarter of 1993.

Book value per common share for the three months ended March 31, 1994 increased 22.97% to \$92.63, as compared to \$75.33 for the first quarter of 1993.

As illustrated in the following table, Tier 1 capital was 8.81% at March 31, 1994 as compared to 7.54% at March 31, 1993. Total risk based capital was 11.25% at March 31, 1994 as compared to 10.13% at March 31, 1993. The risk based capital ratios were calculated using the 1992 Final Rules as defined by Federal regulators.

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Components of Capital (dollars in thousands):

		1994	March 31, 1993
Stockholders' Equity:			
Preferred stock	\$ 3,282	\$ 3,300	
Common stock	4,728	4,728	
Surplus	55,000	40,000	
Undivided profits	27,852	26,502	
Total stockholders' equity	90,862	74,530	
Reserve for possible loan losses	18,114	16,807	
Total primary capital	108,976	91,337	
Long-term debt qualifying as secondary capital	14,150	15,150	
		-----	-----
Total capital	\$123,126	\$106,487	
Tier I leverage ratio	5.07	4.30	
Risk based capital ratio total	11.29	10.13	
Tier I	8.81	7.54	
Tier II	2.44	2.59	

NET INTEREST INCOME:

Net interest income on a taxable equivalent basis was \$15,261,000 for the first quarter of 1994, a decrease of .38% from the \$15,319,000 for the comparable period in 1993.

The following table presents the components, fully taxable, of net interest income for the first quarter of 1994 and 1993:

Net Interest Income (dollars in thousands):

		Three Months Ended March 31,	
		1994	1993
Total interest income	\$23,921	\$25,160	
Total interest expense	9,097	10,134	
Net interest income	14,824	15,026	
Tax equivalent adjustment to interest income	437	293	
Net interest income (taxable equivalent yield at 65% for 1994 and 66% for 1993)	----- \$15,026	----- \$15,319	

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Taxable Equivalent Rate/Volume Variance Analysis (dollars in thousands)

		Three Months Ended March 31			
				Interest	
Average Balance		Rev./Exp.		Yield	
1994	1993	1994	1993	1994	1993



Interest-earning assets:							
Loans, net of unearned interest	\$882,709	\$815,366	\$18,201	\$18,407	8.36%	9.16%	
Taxable investment securities	413,366	434,865	4,849	6,108	4.69%	5.62%	
Non-taxable investment securities	50,326	23,580	967	588	7.69%	9.97%	
Federal funds sold	18,199	18,246	140	135	3.12%	3.00%	
Other earning assets	14,711	15,478	201	215	5.54%	5.63%	
Total interest-earning assets	-----	-----	-----	-----			
	1,379,311	1,307,535	24,358	25,453	7.14%	7.87%	

Noninterest-earning assets:							
Cash and due from banks	75,947	75,535					
Premises and equipment	36,710	36,738					
Other, less reserve for loan losses	22,798	24,807					
Total noninterest-earning assets	135,455	137,080					
		-----	-----				
TOTAL ASSETS	\$1,514,766	\$1,444,615					

Interest-bearing liabilities:							
Deposits	\$1,142,408	\$1,113,102	8,346	9,486	2.96%	3.46%	
Federal funds purchased and securities sold under agreements to repurchase	65,850	53,372	495	379	3.05%	2.88%	
Long-term debt	14,184	15,186	256	269	7.22%	7.09%	
Total interest-bearing liabilities	-----	-----	-----	-----			
	1,222,442	1,181,660	9,097	10,134	3.02%	3.48%	

Noninterest-bearing liabilities:							
Demand deposits	192,117	174,163					
Other liabilities	14,615	15,600					
		-----	-----				
		206,732	189,763				

Stockholders' equity	85,592	73,192					
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-----	-----	-----	-----			
	\$1,514,766	\$1,444,615	9,097	10,134			

Net interest income			\$15,261	\$15,319			
Interest income to earning assets					7.14%	7.87%	
Interest expense to earning assets					2.67%	3.14%	

Net interest income  
to earning assets

4.46% 4.72%

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			Change Due To		Increase
			Rate	Volume	(Decrease)
Interest-earning assets:					
Loans, net of unearned interest	(\$6,372)	\$6,166	(\$206)		
Taxable investment securities	(51)	(1,208)	(1,259)		
Non-taxable investment securities	(2,289)	2,668	379		
Federal funds sold	6	(1)	5		
Other earning assets	29	(43)	(14)		
Total interest-earning assets	----- (8,676)	----- 7,581	----- (1,095)		
Interest-bearing liabilities:					
Deposits	(2,153)	1,013	(1,140)		
Federal funds purchased and securities sold under agreements to repurchase	(243)	359	116		
Long-term debt	58	(71)	(13)		
Total interest-bearing liabilities	----- (2,338)	----- 1,301	----- (1,037)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	----- (2,338)	----- 1,301	----- (1,037)		
Net interest income	(\$6,338)	\$6,280	(\$58)		

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RESERVE FOR POSSIBLE LOAN LOSSES:

The reserve at March 31, 1994 was \$18,114,000 or 2.05% of total loans as compared to \$16,807,000 or 2.05% of total loans at March 31, 1993.

For the three months ended March 31, 1994, the provision for possible loan losses was \$298,000, a decrease of 69.44% from the \$975,000 for the same period in 1993.

Net charge-offs were \$245,000 in the first quarter of 1994 which represented a decrease of 67.64% when compared to the \$757,000 reported for the comparable period of 1993.

Provision and Reserve for Loan Losses (dollars in thousands):

		Three Months Ended March 31,	
		1994	1993
Reserve for possible loan losses:			
Balance at beginning of period	\$18,061	\$16,589	
Provision charged to expense	298	975	
Charge-offs	(439)	(1,004)	
Recoveries	194	247	
Net chargeoffs	(245)	(757)	
Balance at end of period	\$18,114	\$16,807	
Ratios (annualized):			
Consolidated Net Charge-offs to:			
Average loans	.12	.36	
Loans at end of period	.12	.36	
Reserve for possible loan losses	5.40	18.00	

NONINTEREST INCOME AND EXPENSE:

Total noninterest income for the first quarter of 1994 was \$4,482,000, a decrease of 1.08% from the \$4,532,000 earned for the first quarter of 1993.

Total noninterest expense for the first quarter of 1994 was \$15,018,000, an increase of 8.62% when compared with \$13,827,000 for the same period a year ago.

The following table provides additional details of noninterest income and expense:

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Noninterest Income and Expense (dollars in thousands):

			Three Months Ended		Change	
			March 31, 1994	March 31, 1993	Amount	Percent
Noninterest income:						
Service charges on deposit accounts	\$2,519	\$2,533	(\$14)		-0.55%	
Commissions, service charges and fees	296	316	(20)		-6.33%	
Mortgage servicing	417	523	(106)		-20.27%	
Bankcard fees and discounts	389	368	21		5.71%	
All other	861	792	69		8.71%	
Total noninterest income	\$4,482	\$4,532	(\$50)		-1.10%	
Noninterest expense:						
Salaries and wages	\$5,972	\$5,280	\$692		13.11%	
Pension and other employee benefits	975	1,316	(341)		-25.91%	
Total staff expenses	6,947	6,596	351		5.32%	
Occupancy expense	829	907	(78)		-8.60%	
Furniture and equipment expense	1,187	1,157	30		2.59%	
Stationery and supplies	396	298	98		32.89%	
FDIC insurance assessments	741	803	(62)		-7.72%	
Telephone	329	314	15		4.78%	
Amortization of intangibles	918	850	68		8.00%	
Postage	173	310	(137)		-44.19%	
Professional services	454	193	261		135.23%	
Automated services	1,163	170	993		584.12%	
Bankcard	374	391	(17)		-4.35%	
All other	1,507	1,838	(331)		-18.01%	
Total noninterest expense	\$15,018	\$13,827	\$1,191		8.61%	

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Neither Registrant nor its subsidiary, First Citizens Bank and Trust Company, nor its subsidiaries, are a party to, nor is any of their property the subject of, any material or other pending legal proceeding, other than ordinary routine proceedings incidental to their business.

Item 2. Changes in Securities.

Not Applicable.

Item 3. Defaults upon Senior Securities.

Not Applicable.

Item 4. Submission of Matters to Vote of Security Holders.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

11 Statement Re Computation of Per Share Earnings

(b) No reports on Form 8-K were filed during the quarter ended  
March 31, 1994.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST CITIZENS BANCORPORATION  
OF SOUTH CAROLINA, INC.  
(Registrant)

Dated: May 11, 1994

Jay C. Case

Jay C. Case, Treasurer  
Chief Financial Officer

Dated: May 11, 1994

Jay C. Case

Jay C. Case, Treasurer  
Chief Financial Officer

ITEM 6. (a)

EXHIBIT 11

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY

Statement Re Computation of Per Share Earnings  
(dollars in thousands)

	Three Months Ended March 31,	
	1994	1993
Net income	\$2,701	\$3,157
Less: Preferred stock dividend requirements	43	43
Net income applicable to common stock	\$2,658	\$3,114
Weighted average common shares outstanding	945,533	945,533
Earnings per common share:		
Income before cumulative effect of a change in accounting principle	\$ 2.81	\$ 3.06
Cumulative effect on prior years (to December 31, 1992) of changing to a different method of accounting for income taxes	.00	.23
Net income	\$ 2.81	\$ 3.29