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**FIRST CITIZENS
 NATIONAL BANK**

Unbelievably Good

CEOCFO Magazine

A Customer Centric Focus and Implementation of the Latest Technologies Giving First Citizens National Bank an Edge in Attracting Tennessee Customers



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UNBELIEVABLY GOOD... STAY SMALL AND INTIMATE NO MATTER HOW BIG WE GET"- Jeff Agee

Interview conducted by:
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CEOCFO: Mr. Agee, "Just Unbelievably Good", is the tagline for First Citizens National Bank. What is the philosophy?

Mr. Agee: Our core philosophy in this bank is to hire the right teammates, first of all. Second, we are very big on creating a customer centric environment with our customers. We feel once we execute on those two things, and a lot of actions feed those two sectors that I just alluded to, then our by-products will reward the shareholders, which will receive a really nice shareholder return.

CEOCFO: What does customer centric look like day-to-day?

Mr. Agee: We have quite a few barometers that measure this. However, it is just good core fundamental common sense, the way I look at it. When a customer comes in, they should be able to say after their experience, "Wow, that was awesome! They really do care about me; they know who I am; they know about my family; they are part of the community and this experience was unbelievably good!" Obviously, in today's environment, especially with Gen X and the Millennials, our technology and our electronic channels of business must be robust and state of the art. Mobile banking and online banking are critical for our long term success.

CEOCFO: How do you vet some of the mobile products? How do you ensure all tech meets your customers' needs?

Mr. Agee: That is called listening to your customers and making sure you have peer groups, focus study groups and that you meet with the customers. You listen to their feedback. Then, also, we set up teammate focus studies and listen to them. We have a "Think Tank" group of resourceful young teammates that come together and get creative and innovative with our website and our electronic modes of business. They really give us good input on how that should look and how we should do things. I am in my mid-fifties and I love the new technology, but my perspective is a little different and not as innovative as most of the younger generation. They are just on top of this! They are better than most of us when it comes to technology. Therefore, we listen to our teammates. We get on the front end of trying to be innovative and creative, strategically, and then again, listening to the customers and having focus groups on internal and external needs.

CEOCFO: Would you tell us a little bit about the geographic range for First Citizens?

Mr. Agee: First Citizens is in all three sectors of the great state of Tennessee. Most of our assets are in West Tennessee. However, we do have about one hundred and fifty million dollars in Middle Tennessee, two hundred and seventy five million dollars in East Tennessee and the rest of the \$1.7 billion in West Tennessee.

CEOCFO: *Do you see changes? Do you see additions throughout Tennessee? What is the plan?*

Mr. Agee: The State of Tennessee is like most states. We are seeing consolidation take place and really think that regulation is driving consolidation. Regulations are making our bellies get fat, or efficiency ratio to trend higher. I just made a point to a CPA group this past week that we are hiring so much to be defensive. In baseball, we have always heard that good pitching and good defense wins. I hope that is the case in banking, because we are investing so much into being defensive. Therefore, smaller banks are looking to partner up with larger banks because the efficiency ratio is going to be critical, long term, in the banking arena. Most of us are trying to get in the fifty percentile efficiency range. Again, however, regulations are driving the quantity of banks down. That is factual and we know that is the trend.

CEOCFO: *Once you hire the people do they know what the regulations require? Is it somewhat feasible to interpret them or is it not only that you need so many more people, but is there an ambiguity that comes into play as well?*

Mr. Agee: We have existing teammates that are very good, for example, with compliance, BSA, fraud and audit. First Citizens has a good core infrastructure. However, with all of these incremental regulations coming out, our long-term teammates are also having to learn all the new regulations, as are the regulators. It is a process that all of us are trying to learn. Therefore, yes, the new teammates we are hiring have to be educated materially with all of this, and our existing teammates are having to learn new things. That is because banking and regulations have changed so quickly over the last five years!

CEOCFO: *Would you tell us a bit about the range of services you offer and perhaps what you might want to add to the mix?*

Mr. Agee: We offer the core banking products and services. We are also in the insurance business, which is a great producer for our company. We were a full brokered dealer with investment products, but, because of regulations and so on, we just outsourced our investment services. Those products and services are still offered, but are now outsourced to LPL. First Citizens is in the trust business, which is a very good, incremental, non-interest income revenue stream for us. We are also in the mortgage arena. Now, as far as looking at other sources of income, we are constantly looking.

CEOCFO: *Is the merger with Southern Heritage complete?*

Mr. Agee: Our conversion took place 9-30-16. Judy Long, President and COO, has led the project team on a slow, methodical conversion process. We do something a little different in acquisitions. We make sure that we are cautious and protect the market value. For example, Southern Heritage is five to six hours away. We wanted to make sure the community embraced our philosophy, our culture and our teammates, first and foremost, as much as our teammates, customers and shareholders have embraced our culture and philosophy. Then after we do that, we slowly integrate a few things. We even have converted some things previous to the core system conversion that is taking place this weekend. We take small steps, so it will not be so painful in one weekend. We do not go in and eliminate teammates. It has been two years since we acquired Southern Heritage, and we have just converted them at year two. The retention of teammates and customers has been positive.

CEOCFO: *How do you keep in touch with the teller at a branch who is experiencing things first hand that you may not get to do or the executives may not get to experience?*

Mr. Agee: I am a big believer in the old Sam Walton way of being in touch with your teammates. I personally visit every single branch. We have twenty-four now. Excluding maybe newly hired teammates, I know every one of their names. I visit the branches, and it is extremely important that I stay in tune with that. There are a few branches that are very, very hard for me to visit more frequently than some others, because of the distance and I cannot piggyback a visit off of a board meeting somewhere. However, one of my personal business goals every single year is to visit all branches and go in there and not talk mainly business, but go in and talk from a caring, personal standpoint. That is very important on my list. Again, I have read and learned that from Mr. Sam Walton.

CEOCFO: *What is the competitive landscape, particularly with community banks?*

Mr. Agee: Community banking is very competitive. I have been in this business thirty-four years and I can tell you that every single year when you go through the SWOT analysis, one of the threats is competition. It has intensified every year. It is probably more competitive than ever, because the economy is not robust. In my opinion, we have been in a slow mode since at least 2007. This equates to the supply of business being less, especially from the lending side, with the demand side being strong. However, community bankers are our toughest competitors.

CEOCFO: *How do you attract new business? Do you do much advertising?*

Mr. Agee: It is a package deal. We obviously depend on our branding very much. We depend on hiring the best teammates. I believe that is because you can have the fanciest marketing and you can have the fanciest equipment and

technology, but if you do not have the right teammates, you cannot execute. Therefore, we get the right teammates and we brand really hard in the markets. We are extremely involved and deeply rooted in our communities. For example, when you are working side by side with someone in Rotary or Kiwanis and they need a loan or want to open an account, they can say, "I know them! I am in the club with them" or "I see them when we are at a school activity". We depend on a full array of marketing strategies to promote First Citizens.

CEOCFO: *Is your 125 year history important these days?*

Mr. Agee: We think it is. We believe our communities think that. It shows stability and strength. Our bank did not go under during the great depression nor did we take TARP and have some of the negative issues that some other banks had in this past great recession. We had double digit shareholder return and return on equity during those bad times. We weathered some of those storms. We are more of a conservative bank. I think it adds strength and it brands us a little differently by having the strong history.

CEOCFO: *First Citizens has been recognized in top rankings for Best Places to Work and top percentile of community banks. You have been recognized as a Healthy Place to Work. Would you tell us about that one?*

Mr. Agee: Health and wellness are very much a big part of our culture and strategic planning here. I would say that over the last eleven years we have invested a lot of money, time and effort. Every year we add health and wellness action plans to our strategic plan. It is personally a major goal of mine every year to compound our penetration percentages in this bank to become a more health and wellness type of company. We are humbly proud of those efforts. Our executive team is personally committed to health and wellness. We coach our executive teams on living a balanced life approach and lifestyle, which is driven mainly, in our eyes, from spiritual, physical, mental, financial and family aspects. Not always in that order. Everybody has a different order. However, I can tell you that the health and wellness piece is a big part of the physical side. We entice our teammates that if you take this seriously, it will equip you to be better at work, at home and in everything you do. If you embrace it, it will pay dividends to you in the long term. It is so important to us here and it is large part of this culture.

CEOCFO: *Would you tell us about community involvement, particularly with scattered branches? How are choices made on where you help and what types of help do you provide?*

Mr. Agee: It is becoming more of a challenge. The bigger you get, the harder it is to allocate the resources. However, as First Citizens grows into a \$2 billion company or greater, we still want to be small and intimate in the customers' eyes, teammates' eyes and community's eyes. That is extremely important to us. Therefore, yes, that is a challenge. However, we continue to invest quite a bit of our teammates' time, especially in the communities, as much as we can. I admit that where our home office is, we really pound the community hard. Anything big that is going on, you can count on First Citizens being at the table, time-wise, teammate-wise and money-wise. In our smaller markets, we obviously are still involved, but we cannot go to those levels that we do where most of our assets are. We are going to be involved everywhere, but again, where most of our assets are, that is pretty much the percentage of the money investments and that is how it is allocated.

CEOCFO: *Enthusiasm for what you do, for your bank, for your culture, just comes through loud and clear. How do you maintain that level? Why is it still exciting for you?*

Mr. Agee: I think you heard me reference the balanced lifestyle. Again, that is a formal coaching method that I personally apply to all of the executives that report to me. I do not look at their intimate details, but I ask them, "Are you attacking your balanced lifestyle?" To me, if you do that, you are going to be "fired up" on life! I am telling you, there is very seldom a day that I do not look forward to coming to this bank! Even on Sunday nights, I can hardly sleep, because I get to go to work formally Monday morning. You would think that after thirty-four years I would slow down a little bit, but it has compounded! The older I get the more I love it! I think it is part of our culture. The president of the bank, Judy Long, has probably got more energy than I do! It is competitive, but it is catching and it is a culture that feeds on itself and compounds. It entices every one of us to step up, because if you see your teammates, and especially the leaders that I am mainly around, giving one hundred and twenty percent, that makes me want to give one hundred and thirty percent. Therefore, I think it is the competitive, positive culture that we have and the love of life, as well as the balanced lifestyle of being spiritually connected, and the physical, the financial, the mental and the family aspects. Attacking every one of those sectors really makes us into better people.