First Citrus Bancorporation

President's Letter to Shareholders

March 10, 2017

Dear Shareholder:

With a bevy of tailwinds, community bank stocks are returning as the investment of choice. We see the combination of our steepening earnings trajectory, expanding core deposit market, and shrinking competitor base, potentially transforming our stock into one of the most lucrative investments for the future.

2016 Financial Statistics, Operating Performance and Shareholder Highlights

- *Earnings per share growth of 54% to $.77;*
- *Asset growth of 17% to $312,000,000;*
- *Revenue growth of 13% to $12,550,000;*
- *Loan portfolio growth of 14% to $253,100,000;*
- *Core deposit growth of 18% to $215,000,000;*
- *Total deposit growth of 19% to $249,334,000;*
- *Non-interest income growth of 70% to $1,093,000;*
- *Return on equity growth of 54% to 5.9%;*
- *Net income growth of 54% to $1,275,000;*
- *Book value per share growth of 5.9% to $14.19.*

The reward for the less than 5% of Tampa Bay banks that successfully managed through *The Great Recession* was the opportunity to live and thrive again. With earnings levels and interest rates rising, taxes and regulatory expense likely lessening, dividends resuming and barriers to entry remaining, round one is over.

Our management discussion and analysis begins with a review of our 2016 operating performance, intermittently touching on our 2017 budget. Then we will connect market shifts and competitive forces that can impact our stock.

We will also elaborate on capital plans as they pertain to dividends, shareholder liquidity and secondary offerings; concluding with a summary of our value proposition.

In 2016, we eclipsed $300 million in assets. In 2017, we're budgeting 15% asset growth to $360 million, and forecast surpassing $400 million in assets the next year. Over the last six years, the most recurring question asked of me was, "Can banks survive below $1 billion in assets?" While the answer is yes, that doesn't mean there aren't valuable efficiency gains with quality asset growth.

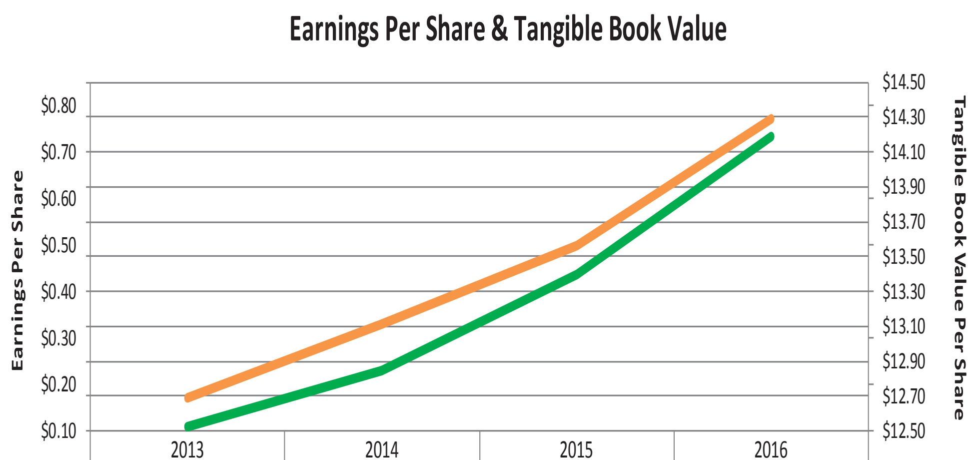
Strategically, we began pivoting to offense a little more than two years ago, planning an organic growth campaign that would double the size of your Company to $500 million in 2019. Properly executed, which is the real work that must never be taken for granted, our business plan would produce sustainable low double-digit percentage shareholder returns as "the new norm" in a stable economy.

I'm pleased to report that we are largely on track with our business plan. In 2016, assets grew 17%, or $46,000,000, to $312,000,000. Loans and core deposits grew to $253,000,000 and $215,000,000 respectively, also ahead of plan. Year-over-year profits increased 54% to $1,275,000.

We are making great strides on the non-interest income front, thanks to our new small business lending division, which grew 70% to $1,093,000. Though lagging peer in non-interest income, I'm confident that gap will soon close.

For the third consecutive year, earnings per share growth exceeded 50%, increasing 54% to $.77 in 2016. Adjusting for the 5% stock dividend in 2016, book value increased 5.9% to $14.19. Incidentally, we are projecting earnings per share growth to exceed 50% in 2017 as well.

After reviewing our earnings trends in the chart below, I believe you will understand why we forecast another record year for profits in 2017.



	2013	2014	2015	2016
TBV	$12.52	$12.85	$13.40	$14.19
EPS	$0.17	$0.33	$0.50	$0.77

Adjusted for 2016 5% stock dividend

Hopefully, you will agree with me that our balance sheet growth and profit trajectory are quite exciting. However, they are lagging indicators of operating performance. The most important work this year resides on the culture front re-casting our Credo; a genuine leading indicator of operating performance.

The precepts affirmed in our Credo are the inputs that drive the quality of financial results we require as professionals and shareholders. Our Credo espouses how we go about our business as community bankers embodying the qualitative traits that underpin our culture; upholding the sanctity of the client. Externally, this plays out with an intensified focus on activities that drive speed-to-market and operational flexibility, internally our mantra is always safety & soundness!

Why are we bullish on First Citrus Bancorporation? Geography, regulation, economy, and interest rates are the external drivers that routinely influence financial institutions. There are more tailwinds today supporting the community banking model than at any other time since our inception in 1999.

Florida’s demographics are stable or steadily improving. The tri-county deposit market is at an all-time high[1], while the number of community banks is at an all-time low as GDP growth over the next couple of years is anticipated to be as good as or better than it has been in a decade. As new agency heads are appointed to lead the Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and Federal Reserve in the ensuing 18 months, we look forward to a less onerous regulatory cost structure. Throw in some tax relief and the opportunity to create meaningful shareholder wealth is no longer the moonshot it was eight years ago.

Despite our upbeat outlook, we know economic conditions and competitive forces can quickly change. The worst loans are often made in the best of times. The free-falling Florida real estate market of The Great Recession that began in September 2008 is forever etched in our memory.

Reflecting on our balance sheet from 2008, we were fortunate that our loan portfolio only grew a scant 1% in contrast to peer Tampa Bay Community Banks which averaged over 120%[2]. However, the real moat around our capital was dug two years earlier, trimming loan production 43% from 2006 to 2007.

Since that period, the biggest impediments to community bank soundness paradoxically are the regulatory agencies themselves. To put this in context, the United States banking industry held $16.6 trillion in assets in 2016[3]. Aggregating the assets of every bank in the country below $1 billion sums $1.2 trillion, a mere 7% of the industry. Yet the bank regulatory agencies direct 75% of their supervisory and examination resources to 7% of industry assets.

We are long overdue and look forward to a commonsensical rebalancing of bank regulations. Deployment of supervisory and examination resources should be commensurate with asset size and complexity; empowering talented examiners to exercise judgment during field assignments as well.

At this point, we don’t know how the new world order of bank supervision will operate; whether they’ll extinguish burdensome regulation and preserve prudent regulation, or vice versa.

---

[1] FDIC Summary of deposits - June 30, 2016; Hillsborough, Pinellas & Pasco Counties
[2] Federal Financial Institutions Examination Council 2009 UBPR - Tampa Bay Community Bank Peer Group
[3] ICBA – FDIC as of June 30, 2016

Succession risk is a serial threat to Florida community banks and contributing to an accelerated rate of consolidation. Your management team is uniquely positioned as the most tenured and youngest of any Tampa Bay bank. Capitalizing on the succession vacuum underpins our organic growth strategy.

The cyber security threat is here to stay and can attack without warning. Fintech cannot be ignored either, however we perceive it more as an opportunity to cement client relationships than a disintermediation threat; perhaps more of a disruptor for the payments system and core processors than banks.

We are investing more in technology and excited to unveil our latest suite of retail banking products this spring. Included is an automated feature enabling new and existing clients to seamlessly transfer accounts from other institutions in under 10 minutes! Soon it will be even easier for the 30% of shareholders who haven't made the switch yet, to grow their investment by entrusting us with your total deposit relationship.

You may have heard we have a full complement of Personal and Business Mobile Banking products too. We are making inroads in social media with a First Citrus Facebook Page and even have our own YouTube channel.

You may recall in last year's report, we discussed enhancing shareholder liquidity. Many shareholders may not be aware that First Citrus Bancorporation, (ticker symbol FCIT) is listed on the OTC Markets. The OTC Markets foster transparency for your benefit and can serve as a spring board to the NASDAQ. As of this writing, the most recent trade on the OTC Markets was $18.00 per share, a 25% premium to our $14.37 book value.

We feel one of the best ways to grow our Company is for our clients to own us. Nearly 70% of our shareholders are clients, however about 80% of our clients are not shareholders. Because the scale benefits on the organic front are so apparent, we feel it is the ideal time to leverage our financial services platform more dynamically by providing clients an opportunity to partner in our future.

As such, capital planning is playing a leading role in the boardroom. On the investor relations front, you are beginning to hear more about our Company because First Citrus has one of the best stories in Florida banking and the risk management track record to back it up.

Last month, our Board of Directors declared a special $.10 per share cash dividend in recognition of our steepening earnings trajectory. Their sense of optimism about our future is apparent.

Another breakout year of operating performance is forecasted for 2017. We are living in a very bold period of change and opportunity; possibly at the forefront of an economic boom while the costs of asset growth are dramatically declining.

On behalf of your Board, Advisory Boards and management team, I'd like to express appreciation to our outstanding Associates and clients, but especially to our shareholders, for your continued trust and confidence. The game is just beginning and we believe the best is yet to come!

Sincerely,

John M. Barrett
President and
Chief Executive Officer