

First Citrus Bancorporation

May 2018

Dear Shareholder,

This time last year, we shared that the combination of a burgeoning deposit market and a shrinking competitor base was steepening our earnings trajectory, potentially transforming our stock into one of the most lucrative investments in the future. Due to the recent passage of the Tax Cuts and Jobs Act (tax reform), our outlook has become even more bullish.

2017 Financial Statistics, Operating Performance, and Shareholder Highlights

- *Earnings per share growth of 90% to \$1.46;*
- *Asset growth of 15% to \$358,400,000;*
- *Revenue growth of 29% to \$16,159,000;*
- *Loan portfolio growth of 13% to \$286,342,000;*
- *Core deposit growth of 16% to \$250,000,000;*
- *Total deposit growth of 16% to \$287,934,000;*
- *Noninterest income growth of 102% to \$2,209,000;*
- *Return on equity growth of 64% to 9.7%;*
- *Net income growth of 97% to \$2,513,000;*
- *Book value per share growth of 12% to \$15.94.*

We begin this year's report by reviewing our 2017 operating performance, elaborating on opportunities and priorities. Next, we'll share our views on the state and local economy, industry trends, fiscal policy shifts, and how you should continue to benefit with a reiteration of our shareholder value proposition.

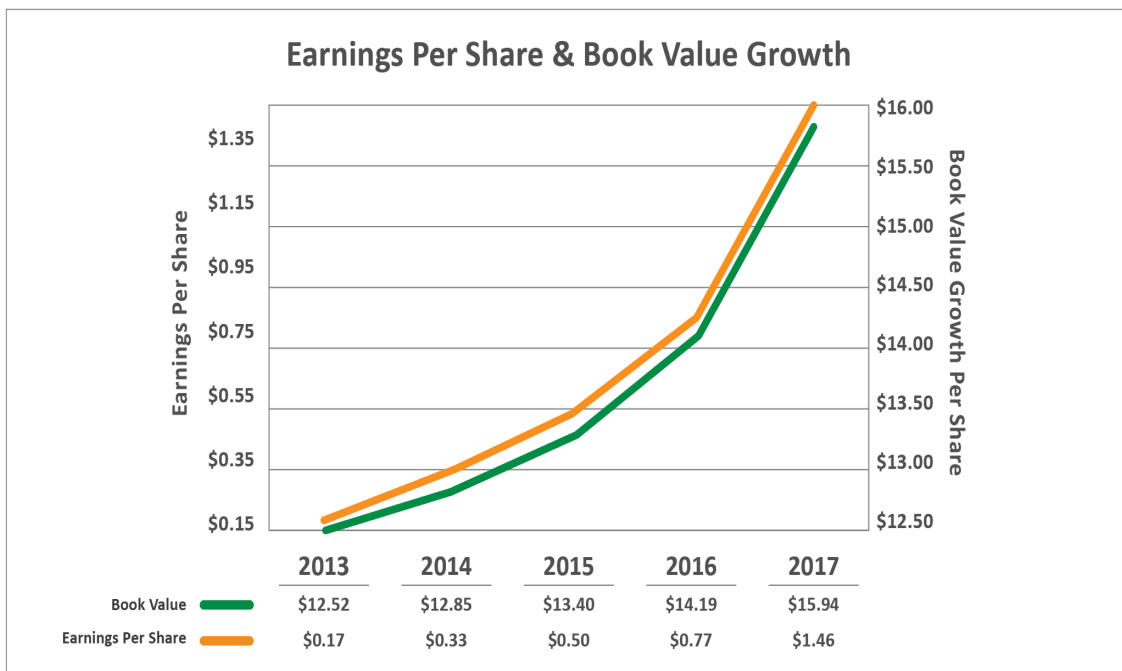
In 2017, we posted our fourth consecutive year of double-digit percentage increases in assets, loans, deposits, and most notably, profits. Total assets grew 15% to \$358 million while total deposits grew 16% to \$288 million. Acquiring low-cost deposits (checking accounts) is our number one priority. Synergy from the retail and business bankers' collaborative fueled a 26% increase in checking account deposits, which grew to \$95 million.

Last year, we enjoyed record loan production, surpassing \$100 million in new loans as the portfolio grew 13% to \$286 million.

Noninterest income was markedly higher, increasing 102% to \$2.2 million. Driving this improvement is our SBA 7a program, which provides growth capital to Tampa Bay Area businesses.

Net income growth was stout, up 97% to \$2.5 million, while cash dividends doubled. Your Company’s financial performance is constantly improving and our 2018 budget reflects this.

Another 2017 highlight was our successful secondary offering. Since we haven’t raised equity in over a decade, it was gratifying to receive many new subscriptions from our client rolls and continued demand from existing shareholders who are clients too.



What does this mean to you as a shareholder in First Citrus Bancorporation? It means the market value of your investment grew 60% last year to \$21.10 on the OTCMarkets (OTC Pink: [FCIT](#)). It means for the fourth consecutive year, earnings per share growth exceeded 50%, growing 90%, to \$1.46 per share. It means we project assets to surpass \$400 million in 2018 and record profits will continue. It means you should feel very good about your investment in First Citrus Bancorporation.

It’s not every day that the primary drivers determining the financial destinies of community banks: geography, regulation, the economy, and interest rates, uniformly align in our favor. I know of no industry that will benefit more from comprehensive tax reform than banking. State and local income taxes will no longer be deductible on personal returns. This change should foster a stable influx of residents from states with oppressive tax climates.

The four most important words in business are: “Management makes the difference!” New leadership in the U.S. Treasury is focused on stemming surreal bank compliance costs inherited from their predecessors. We also expect incoming leadership at the FDIC, OCC, and Federal Reserve to implement a more logical approach to regulation that directs supervisory and enforcement resources at levels commensurate with size, risk, and complexity. This isn’t any different than the way we run First Citrus Bank, but it’s the opposite of how the aforementioned agencies have enforced regulations for the past decade.

Combine the aforementioned noninterest expense savings of regulatory reform, the economic tailwinds of tax reform, relatively lower funding costs from competitor consolidation, and higher earning asset yields from moderately rising interest rates, and you too can see why we believe the future is bright.

How is the economy doing across the state? The Florida Chamber of Commerce forecasts our state’s GDP to surpass \$1 trillion in 2018, which is commensurate with the economic output of Saudi Arabia¹. Florida is the 18th largest economy in the world, continues to lead the nation in population growth, and GDP growth is forecast to exceed 4% next year.

In Hillsborough County, unemployment is a scant 3.4%, compared to 10.1% just six years earlier². During this same period, the average home price climbed 98% to \$298,000³.

Despite our upbeat outlook, sometimes strong economies can overheat and lead to imbalances that go subtly unnoticed. In this business, it’s all about the balance sheet, and not implausible that we’re exiting the cycle where average balance sheets produce above-average results; cue the out-of-state rivals.

This is the time in the cycle when the margin for error can get quite low. More out-of-market institutions will continue opening offices in Tampa Bay and purchasing market share to gain visibility. Competition will intensify in the scrum for growth.

Let’s not forget the drain on every taxpayer in America from the Grand Canyon of loopholes; credit unions. Their share of wallet perennially expands much faster than banks. Credit union charters require that they limit field of membership. But, with over 110 million customers and \$1 trillion in assets⁴, they really don’t.

Right now, you’re probably asking yourself, “How can I help my favorite investment in my portfolio grow even more?” I’m delighted you asked! All you have to do is move all your checking accounts and money market deposits to your favorite bank, First Citrus! Then tell all your friends to do the same!

¹ 2018 01 09 Tampa Bay Times Article - Richard Danielson

² December 2017 Economic Indicators - Tampa Hillsborough Economic Development Corporation

³ Ibid

⁴ National Credit Union Association

Switching banks has never been easier! Just email us at partnerschecking@firstcitrus.com and we will take care of you like no else can! Our powerful new suite of depository services is integrated with the latest mobile technology and surcharge-free ATMs across the Southeast too.

Recently, I was asked what I'm most proud of. That's easy, our culture. This is the social glue that creates fabulous client experiences. Any individual who is passionate about learning and serving others can flourish in our Company! Our bankers are empowered to share their many gifts with clients and one another as well. We call this *The First Citrus Way*.



Our culture is embodied in our Credo, which begins with eight simple words: “We believe in the sanctity of the client.” When I see First Citrus bankers making a difference in the lives of our clients, I feel especially proud. But when I come across a First Citrus Banker selflessly supporting another, I am inspired. Because when living our Credo internally, the clients benefit even more.

What a difference a few short years make. Today, the stocks to own are clearly community banks in growth markets with local management teams that have a track record of success. I am fortunate to serve with the best team of banking professionals I've ever worked with. Your Board and management team keep raising the bar and you're constantly seeing more evidence of that. Maybe that's why First Citrus Bancorporation was ranked the third best performing regional bank stock in the Southeast for the past five years⁵.

On behalf of your Board and management team, I want to extend my deep appreciation to our associates for their passion to serve. But, I especially want to welcome our new shareholders and thank our existing ones too for your commitment and moving all your checking accounts to First Citrus Bank.

Sincerely,



John M. Barrett
President and
Chief Executive Officer

⁵ April 2018, The Brown Book, BSP Regional Bank Data - S&P Global Market Intelligence

FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share amounts)

INCOME DATA	12/31/2017	12/31/2016	Percent Change
Total revenue	\$ 15,926	12,550	27%
Net interest income	11,639	9,857	18%
Provision for loan losses	480	217	121%
Noninterest income	2,209	1,093	102%
Noninterest expense	9,260	8,756	6%
Income tax expense	1,595	702	127%
Net income	\$ 2,513	1,275	97%

BALANCE SHEET DATA

Total loans	\$ 286,719	253,149	13%
Allowance for loan losses	2,601	2,312	13%
Securities and other investments	2,029	2,219	(9%)
Bank-owned life insurance	5,363	5,188	3%
Earning assets	344,978	298,076	16%
Total assets	358,449	312,996	15%
Noninterest bearing deposits	69,440	59,231	17%
Total deposits	286,874	248,530	15%
Shareholders' equity	30,643	23,386	31%

SHARE DATA

Earnings per share - basic*	\$ 1.46	.77	90%
Book value per share*	15.94	14.19	12%
Tangible book value per share*	15.94	14.19	12%

*adjusted for 5% stock dividend paid in 10/17/2016

PERFORMANCE RATIOS¹

Return on assets	.83%	.51%
Return on equity	9.66%	5.76%
Net interest margin	3.91%	3.90%
Efficiency ratio	64.73%	76.97%
Allowance for loan losses to loans	.91%	.91%
Non-performing loans to total loans	1.18%	1.56%
Tier 1 Capital (to average assets)	8.97%	8.88%
Risk based Capital	10.78%	10.45%

¹ Source: FFIEC 2016 - 2017 UBPR - First Citrus Bank