

First Florida Bank

A subsidiary of

First Florida Bancorp

For 12 Months Ended

Dec 31, 2017 Dec 31, 2016 % Change

Earnings and Performance Ratios

Net income	\$ 3,565,000	\$ 2,817,000	
Earnings per common share	\$0.47	\$0.43	
Return on average assets	0.92%	0.81%	
Return on average equity	8.89%	8.43%	
Net interest margin	3.33%	3.12%	
Fee income ratio	19.23%	17.53%	
Efficiency ratio	63.39%	68.71%	

Period-End Balances

Total Assets	\$390,638,000	\$361,952,000	7.93%
Securities	124,437,000	104,335,000	19.27%
Loans and leases	208,753,000	186,630,000	11.85%
Deposits	345,165,000	321,422,000	7.39%
Shareholders' Equity	45,148,000	40,094,000	12.61%

Selected Capital Information

Book value per common share	\$6.23	\$5.69	9.49%
Tier 2 capital ratio	12.95%	12.79%	1.251%
Leverage capital ratio	12.16%	11.92%	2.01%

Asset Quality Ratios

Nonperforming assets to total assets	0.23%	0.66%	
Nonperforming loans to average loans	0.21%	1.37%	
Net charge-offs to average loans	0.21%	0.23%	

To Our Valued Shareholders:

FOURTH QUARTER 2017 RESULTS

We are extremely pleased to report record earnings performance at First Florida Bank for 2017. Earnings growth was mainly attributed to increased loan production and increased non-interest income. We extended our operating margins and continued to monitor operating overhead, as we enhanced our franchise value.

As of December 31, 2017, Earnings reflected \$3,565,000 compared to net income of \$2,817,000 in 2016, an increase of \$748,000 or 26.5% from a year earlier. Year ending net income was materially impacted by adjustments caused by the 2017 Tax Cuts and Job Act (a detailed description is addressed in the 2017 Notables section). Earnings per share reflected \$0.47 in 2017, versus \$0.43 in 2016. Return on Assets and Return on Equity, benchmarks for accepted performance, reflected 0.92% and 8.89%, respectively.

Our Net Interest Margin increased to 333 basis points, an increase of 21 basis points from a year earlier or 6.7% for the 2017. Our efficiency ratio continued to reflect a positive trend by arriving at 63.39% versus 68.71% in 2016. Total Assets increased to \$390,638,000 as of December 31, 2017, an increase of \$29,000,000, or 7.93%, over 2016. Securities, our secondary source of earnings and liquidity, increased to \$124,437,000 or 19.27% from the prior year. Loans, our major source of earning assets, arrived at \$208,753,000, an increase \$22,000,000 or 11.85%. Deposits, our primary source of growth and funding, arrived at \$345,165,000, an increase of \$24,000,000 or 7.39%.

Shareholder Equity reflected \$45,148,000 (adjusted for FASB 115) as of December 31, 2017, representing an increase of \$5,000,000, or 12.61%, over the same period one year earlier. Book Value as of December 31, 2017, represented \$6.23 per share. Tier One and Tier Two Capital arrived at 12.16% and 12.95%, respectively, at the conclusion of the fourth quarter. Both ratios are well in excess of regulatory minimums.

CREDIT QUALITY

Credit quality continues to reflect Peer group ranges. Non-Performing Assets to Total Assets decreased to 0.23% as of December 31, 2017, from a year earlier of 0.66%. Non-Performing Loans to Average Loans decreased to 0.21% as of December 31, 2017 from 1.37% a year earlier. Net Charge-Offs to Average Loans reflected 0.21%, representing a slight decrease from 2016 at 0.23%. Delinquencies continue to reflect below Peer Group ranges.

2017 NOTABLES

As mentioned previously, in December of 2017 First Florida Bank was required by the passage of the "2017 Tax Cuts and Job Act" to address our balance sheet deferred tax assets and liabilities. As a result of this new law, the corporate tax rate was adjusted from 34% to 21%. Under Generally Accepted Accounting Principles, the effect of the rate change on the value of deferred tax assets and liabilities is recorded against earnings in the year of enactment. We therefore charged 2017 earnings in the amount of \$519,000. While this negatively impacted 2017 earnings, it will have a positive effect on earnings over the long term.

As a special note, should you desire to review the complete fourth quarter Call Report, please visit the URL site <https://cdr.ffiec.gov/public/ManageFacsimiles.aspx>. Upon opening the site, select UBPR (Uniform Bank Performance Report) and input First Florida Bank cert# 58370, a complete data base of our operations is available. The December 31, 2017 Call Report should be posted by month end.

On behalf of your Board of Directors, Senior Management and our loyal colleagues, our sincere appreciation for your business and support.

Sincerely,

Frank B. Burge, Chairman/CEO