

# First Florida Bank

A subsidiary of

# First Florida Bancorp

## For 12 Months Ended

Dec 31, 2016      Dec 31, 2015      % Change

### Earnings and Performance Ratios

Net income	\$ 2,817,000	\$ 2,735,000	
Earnings per common share	\$0.43	\$0.43	
Return on average assets	0.81%	0.90%	
Return on average equity	8.43%	8.86%	
Net interest margin	3.12%	3.18%	
Fee income ratio	17.53%	21.96%	
Efficiency ratio	68.71%	67.26%	

### Period-End Balances

Total Assets	\$361,952,000	\$303,691,000	19.18%
Securities	104,335,000	97,862,000	6.61%
Loans and leases	186,630,000	164,501,000	13.45%
Deposits	321,422,000	265,016,000	21.28%
Shareholders' Equity	40,094,000	33,415,000	19.99%

### Selected Capital Information

Book value per common share	\$5.69	\$5.26	8.17%
Tier 2 capital ratio	12.79%	12.36%	3.48%
Leverage capital ratio	11.92%	11.36%	4.93%

### Asset Quality Ratios

Nonperforming assets to total assets	0.66%	0.16%	
Nonperforming loans to average loans	1.37%	0.32%	
Net charge-offs to average loans	0.23%	0.11%	

To Our Valued Shareholders:

#### FOURTH QUARTER / FISCAL 2016 RESULTS

First Florida Bank's performance in 2016 remained relatively flat compared to our results of last year. Compression of our net interest margin primarily effected 2016 earnings. Start up costs associated with two of our new profit centers, additionally impacted earnings for the year.

As of December 31, 2016, earnings arrived at \$2,817,000 compared to net earnings of \$2,735,000 in 2015, an incremental increase of \$82,000 or 3.0% from a year earlier. Earnings per share reflected \$0.43 versus \$0.43 in 2015. Return on Assets and Return on Equity, benchmarks for accepted performance, reflected 0.81% and 8.43%, respectively.

Our Net Interest Margin decreased to 312 basis points from 318 basis points, a decrease of 6 basis point from a year earlier. Total Assets increased to \$361,952,000 as of December 31, 2016, a gain of \$58,000,000 or 19.18% over 2015. Securities, our secondary source of earnings and liquidity, increased to \$104,335,000 or 6.61% from the prior year. Loans, our major source of earning assets, arrived at \$186,630,000, an increase of 13.45%. Deposits, our primary source of growth and funding, arrived at \$321,422,000, an increase of \$56,000,000 or 21.28%.

Shareholder Equity reflected \$40,094,000 (adjusted for FASB 115) as of December 31, 2016, representing an increase of \$7,000,000 or 19.99% over the same period one year earlier. Book Value, as of December 31, 2016, represented \$5.69 per share. Tier One and Tier Two Capital arrived at 11.92% and 12.79%, respectively, at the conclusion of the fourth quarter. Both ratios are well in excess of regulatory minimums.

#### CREDIT QUALITY

Credit quality weakened due to liquidation factors. Nonperforming Assets to Total Assets increased to 0.66% as of

December 31, 2016, from a year earlier of 0.16%. Nonperforming Loans to Average Loans increased slightly to 1.37% as of December 31, 2016 from 0.32% a year earlier. Net charge-offs to average loans reflected 0.23%. Delinquencies continue to arrive substantially below Peer Group ranges.

#### 2016 NOTABLES

First Florida Bank experienced a few significant accomplishments in 2016. We were excited to open a Loan Production Office, our first location in Panama City Beach, in the first quarter. This new addition will assist us in diversifying our earnings for future periods. Second, we expanded our Raymond James and Associates/First Florida Wealth Group franchise to the Escambia county market. We anticipate this strategic move will add volume to our unit in 2017. Your Board also instituted a partnership with BancList to provide a platform to buy/sell First Florida Bancorp, Inc. stock in 2017. Indications reflect the service has been well received. Lastly, we opened our fifth branch in the Freeport market in December. We believe Freeport demographics point to an expanding housing market to service South Walton County and the Destin employment markets.

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, 2016 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