

First Citrus Bancorporation serving the Tampa Bay area of Florida using Forward-Looking Business Indicators and Historical Financial Statements To help Small Business receive needed Loans and achieve Success**John Barrett
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Lynn Fosse, Senior Editor
CEOCFO Magazine****CEOCFO: Mr. Barrett, would you tell us about First Citrus Bancorporation?**

Mr. Barrett: First Citrus Bancorporation, Inc., which recently began trading on the (OTCPink: FCIT), is the sole shareholder of First Citrus Bank (FCB). FCB specializes in financing small, locally-owned businesses throughout greater Tampa Bay. Because small business moves quickly, our niche is to engage clients face-to-face, commonly making qualitative forward-looking judgments, in delivering growth capital at the local level to executives and entrepreneurs. This often results in a higher level of understanding and awareness of our client's needs as well as aids in gaining a clearer read on the business owner's managerial skill set. Thus, we often validate forward-looking business indicators in contrast to singularly relying on financial statements, which in actuality, are lagging indicators of operating performance. The market accepts the way we do business and this approach has served us well in downturns too. During the Great Recession, our loan portfolio paid and performed better than any other bank in west central Florida. A couple of years ago we reignited our organic growth campaign and coming off consecutive years of 45 to 50% growth in profits. We expect to build upon these trends in 2017. We have a good level of clarity as to "why" people do business with First Citrus Bank. Our competitive advantage hinges on speed-to-market and operational flexibility in delivering growth capital to small businesses, nonprofits, professionals, and commercial real estate principles; empowering free enterprise to flourish at the local level. We are passionate about this mission and actually quite proud knowing that our bankers really are making a difference. We help people build their businesses and grow their families; what more can make a difference? Our company recruits heavily on shared core values and we are very serious about this. First Citrus bankers genuinely care about the people we serve at a fundamental level. Our small business niche is critically important to job creation and being able to consider both qualitative and quantitative data into our credit delivery framework; we feel this enables us to be of greater value in meeting our clients' needs.

CEOCFO: Did you understand from the beginning that was the best way to look at things or did you develop this approach over time?

Mr. Barrett: I didn't understand it the way I can articulate it today. But I did experience the opposite approach as a teenager seeking growth capital for my lawn business. By the time I was 16, I saved enough money as a janitor to buy a

pick-up truck and take an ad in the Tampa Tribune; Jack's Lawn Service: (Had to be a banker because I sure wasn't going to make it in marketing) As we grew, we needed more mowing equipment. So, I drove my truck and trailer to this out-of-state bank on South Dale Mabry in Tampa, waltzed on in wearing a baseball cap, tank top, blue jean cut-offs and grass-stained white Converse high-tops. Before I could even begin a conversation about a business loan, their body language was showing me the exit door. In fairness to the out-of-state bankers, it wouldn't have been improbable to have a strong B.O. from pushing a mower! So while I didn't understand it the way I can articulate it today, I was still chastened. I could go on and on about the lack of access to growth capital that small business owners face every day; even though they are the everyday unsung heroes in our economy. At my core, this is why I'm so passionate about community banking and lending money at the local level; to help remedy these injustices. Maybe, if I had talked to a community banker, I could have shown him my existing equipment and calendar filled with addresses for lawn maintenance, hence, recurring revenue. In hindsight, I'm glad things worked out this way as I've come to value working in air-conditioning.

And we are fulfilling that mission on a broader scale every year! Last quarter we surpassed \$300 million in assets, on pace to eclipse \$400 million in 2018, half a billion in 2019. We are on-the-grow!

CEOCFO: *Would you tell us about the communities you serve?*

Mr. Barrett: We serve the Greater Tampa Bay tri-county market of Hillsborough, Pinellas, Pasco. That does not mean we will not do business in Tennessee or Arizona, but it is a single-digit percentage of our loan portfolio and it is for an existing client that is here in Tampa with operations in another geography; that is on the loan side. On the deposit side, we serve everyone in terms of individuals and small businesses. On the loan side, we have always been focused on meeting that small business lending niche where they oftentimes get overlooked by the money centers in the larger banks because it is a less profitable use of their capital to deploy bankers with MBA's on a \$500,000 operating line of credit. Often times, small businesses are relegated to an insular credit scoring model based on some arcane algorithm; not necessarily the best approach to deliver capital to growing businesses. I feel we, as an industry, outsource our core client and shareholder responsibility when relying on credit scoring models in commercial lending.

“So our value proposition is clear. We’re coming off another year of double digit earnings growth in the midst of an environment where the number of competitors has been cut in half while the market has tripled in size. I can’t recall a time when the barriers to entry in the banking business have been higher. FCIT stock is the only stock I own and frankly, the only stock I want to own. Florida’s economy is back and Tampa Bay’s local economy is arguably the most diverse in the state. We are less prone to international market swings and volatility that other regions contend with. All of these things that I’m saying, well I haven’t been able to say in over ten years. Is it good to be a First Citrus Banker? No, it’s an absolutely fabulous time to be a First Citrus Banker!” - John Barrett

CEOCFO: *How do storms play into how you conduct your banking business and how you are able to work with your customers on special needs which develop as you are in an area that is more subject to weather than most?*

Mr. Barrett: That's a really thoughtful enterprise risk question. Statistically, if you go back over the last decade, it's not Florida that gets hammered with hurricanes; it's more the mid-Atlantic states. Of course back in 2005, it wasn't the coastline of Florida that got clobbered; it was the middle of the state. Many insurers reacted by exiting the market or excluding windstorm damage in policy renewals. Today, it is available and our borrowers can access and obtain coverage. Binding coverage may delay a closing if there is a known tropical storm or hurricane that is pending that could potentially materialize in our market but outside of that, we have been financing businesses, and commercial real estate going on three decades, and the Tampa Bay area has been very fortunate to not have had any material impact in our market, thus far.

CEOCFO: *Who is your typical customer?*

Mr. Barrett: Our typical customer on the loan side of the bank is usually between 35 and 65. They are entrepreneurial, often have an affinity for commercial real estate and intrinsically have a high need to build or grow something. Our clients need and deserve a peer professional who genuinely understands their goals and can contribute towards their success. We bank numerous doctors, accountants and attorneys, in addition to architects, engineers and contractors. In Florida, real estate has such a pronounced multiplier effect in our economy; it would be hard for a bank to have a seat at the table without a presence in the construction industry. At the end of the day, we serve numerous non-profits, contractors, professionals and other entrepreneurs. On the deposit side are the businesses that we finance as well as their personal deposit relationships of the principles that we bank, their families and the employees that work in their companies. As our company evolves the retail side of the bank inherently will expand. Most of our deposits are general individual accounts but the largest source of our lowest cost of funds are those business operating accounts.

CEOCFO: *What is the competitive landscape in terms of community banks?*

Mr. Barrett: When we started our company back in 1999, there were around 330 banks based in Florida. Fast-forward to today, Florida is down to less than 130 banks. When we started our company back in 1999, the deposit market was less than \$10 billion in Hillsborough County; today it's over \$30 billion. So our value proposition is clear. We're coming off another year of double digit earnings growth in the midst of an environment where the number of competitors has been cut in half while the market has tripled in size. I can't recall a time when the barriers to entry in the banking business have been higher. FCIT stock is the only stock I own and frankly, the only stock I want to own. Florida's economy is back and Tampa Bay's local economy is arguably the most diverse in the state. We are less prone to international market swings and volatility that other regions contend with. All of these things that I'm saying, well I haven't been able to say in over ten years. Is it good to be a First Citrus Banker? No, it's an absolutely fabulous time to be a First Citrus Banker! All business is cyclical and if you believe as I do, we are at the precipice of a long-awaited opportunity to take our company to the next level. So we've loaded up on human capital in our market and we are leveraging capital prudently so we can deliver the type of returns that our clients and shareholders deserve.

CEOCFO: *Did you recently announce a dividend?*

Mr. Barrett: We sure did! We did that on Friday and it is our fourth dividend that we have issued. It has taken us four years when started in 1999 to get to \$100 million in assets. What did we do? We issued a 10% stock dividend. It took us three years to get to \$200 million in assets. We issued another 10% stock dividend. The following year in 2007, we issued a \$1.00 per share cash dividend. It has taken us ten years to get to \$300 million. We are excited to show our appreciation to our shareholders and our company's dividend policy may have a more pronounced role as is typical for companies that are maturing and "on the grow." It is just another way to express our appreciation.

CEOCFO: *What is different when a client turns to First Citrus Bank?*

Mr. Barrett: Our model is for the transaction to be an outcome of understanding our clients business and being useful to their enterprise. We try to lead with value. At a recent board room luncheon with clients, one of the business owners described us by saying "we get in their heads" and understand them beyond a superficial transaction. You inherently can do a better job for clients face-to-face versus relegating them to an internet portal. The byproduct can spill into decisions that on paper may not be obvious just looking at the numbers. But this philosophy pays off quite well during hostile economic periods. If you stack ranked every single bank's loan portfolio from Naples Florida south of here to Dade City north of here, throughout the entire Great Recession (2008-2013), our loan portfolio was number-one in payment, performance, and had the lowest loss exposure than any other bank. I'm the first to admit some of this was just plain luck. But at the same time we aren't the type of bankers to impetuously over-leverage a business. There is no honor in over-lending a business because it can jeopardize the viability of the enterprise. I am a peddler; but I am a risk manager first. What does all of this mean if you are a client? It means that we will authentically straight shoot you in a "care-frontational" manner and say we don't think this financing makes sense for you; even when the history suggests otherwise. Conversely, the opposite holds true as well. We view banking as much of an art as it is a science.

CEOCFO: *Two of the three core values that are mentioned on your website are honor and professionalism. Are they so lacking in general that you feel a need to make a point of this? Why is it so important?*

Mr. Barrett: Correct. Values seemed to be lacking in the financial services arena over the past decade. The media seldom differentiated between community bankers, money-center bankers, and investment bankers when vilifying our industry for many years throughout the downturn. So the short answer unfortunately is yes. The good news is our industry reputation is on the mend. I do believe that professionalism has slipped somewhat in business overall. The reason our values are paramount is that our position or role in life does not define who we are as individuals. Serving in a leadership role certainly heightens one's obligations, but only an individual's values can define a person. We need that realism to be effective as leaders. I think that is significant. I think as an industry we need to do a better job of communicating and caring for our associates (employees) and clients. So we recruit for values and this is a big deal in our company. I believe the qualitative drives the quantitative. We look for bankers who find it noble to serve others and our values are the underpinnings to our continued track record of success. There is honor in expending tremendous effort in one's chosen profession; immense personal satisfaction too. Conversely, there is no honor in having something handed to you, thereby depriving a person of the satisfaction of earning. We love to work hard for our cause and our mission. We want to see our clients become more economically successfully. We get a lot of emotional fulfillment through a small role in that.

CEOCFO: *Are there services you would like to add to what you are currently offering?*

Mr. Barrett: Over time, we aim to provide funding at every stage in the food chain for small business capital. As our newly formed SBA-7a business line is more established, we'll look into asset-based lending, then factoring, perhaps mezzanine lending. Small businesses lack access to capital markets that large monolithic corporations can tap routinely. Can you imagine where our economy would be today if small businesses had access to capital through a merchant banking bank

subsidiary similar to Rothschild or Baring's Bank? It is a higher level of risk that doesn't belong in a bank charter, but a natural vertical for a bank holding company. However, that's not even a serious thought today because we have to do a super job of blocking and tackling in building billion-dollar balance sheet before having this conversation.

CEOCFO: Why choose *First Citrus* and, if anything, might people miss when they first look at *First Citrus Bank*?

Mr. Barrett: In some ways, we're probably an outlier compared to most Florida community banks. I say that is because over 40% of the banks in our market literally failed or were monetized through FDIC assisted transactions during the downturn. About 95% of the remaining 60% had to defensively recapitalize their balance sheet with out-of-market private equity to keep from being shut down; we did neither. Maybe we're a little more resourceful or dynamic in reacting to changes in the environment. During the downturn, we made as much money buying discounted loans from other banks and the FDIC as we did from our core banking practice. Our risk management track record of performance would tend to indicate that there is less downside loss exposure from an investment standpoint. Concurrently, we're the longest tenured senior management team working together in our market and the youngest too; somewhat counterintuitive. I know what it feels like to be on the other side of the desk asking for a business loan because I was that guy. Though I was a lot less successful and sophisticated than our clients, maybe if I could've met a good community banker with some knowledge to impart, I could've done a better job growing my lawn maintenance company. We know our mission is incredibly important and were committed to seeing our company succeed. First Citrus Bancorporation (FCIT) is the only stock I own and the only stock I want to own. I wonder if The Great Recession would be shorter and shallower if that practice was common place.

