



2010 ANNUAL REPORT

First Citrus  Bancorporation

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CORPORATE PROFILE

With assets exceeding \$247 million, First Citrus Bank is proudly headquartered in Tampa, Florida. Independent, community owned, and staffed by long time residents, First Citrus Bank focuses its lending and banking services on owner-managed businesses and individuals across the Tampa Bay area.

A state-chartered commercial bank, First Citrus Bank was established in 1999 to meet the needs of local business people and citizens. The Bank is a member of the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank of Atlanta (FHLB). First Citrus offers a complete array of banking services to individual and corporate customers throughout the Tampa Bay area.

First Citrus Bank has five convenient locations in Hillsborough County: Carrollwood, Citrus Park, South Tampa, Brandon, and our newest location in the Westshore business district on Kennedy Blvd.

VISION

To be the premier relationship bank for businesses and individuals in the Tampa Bay area.

MISSION STATEMENT

- Provide personalized community banking services to individuals, professionals, executives and entrepreneurs
- Deliver banking services that go beyond client expectations
 - Nurture loyal client relationships
 - Proactively contribute in the community
- Invest in the future through our people and workplace

CARDINAL BUSINESS PRINCIPLE

Safety and soundness first.

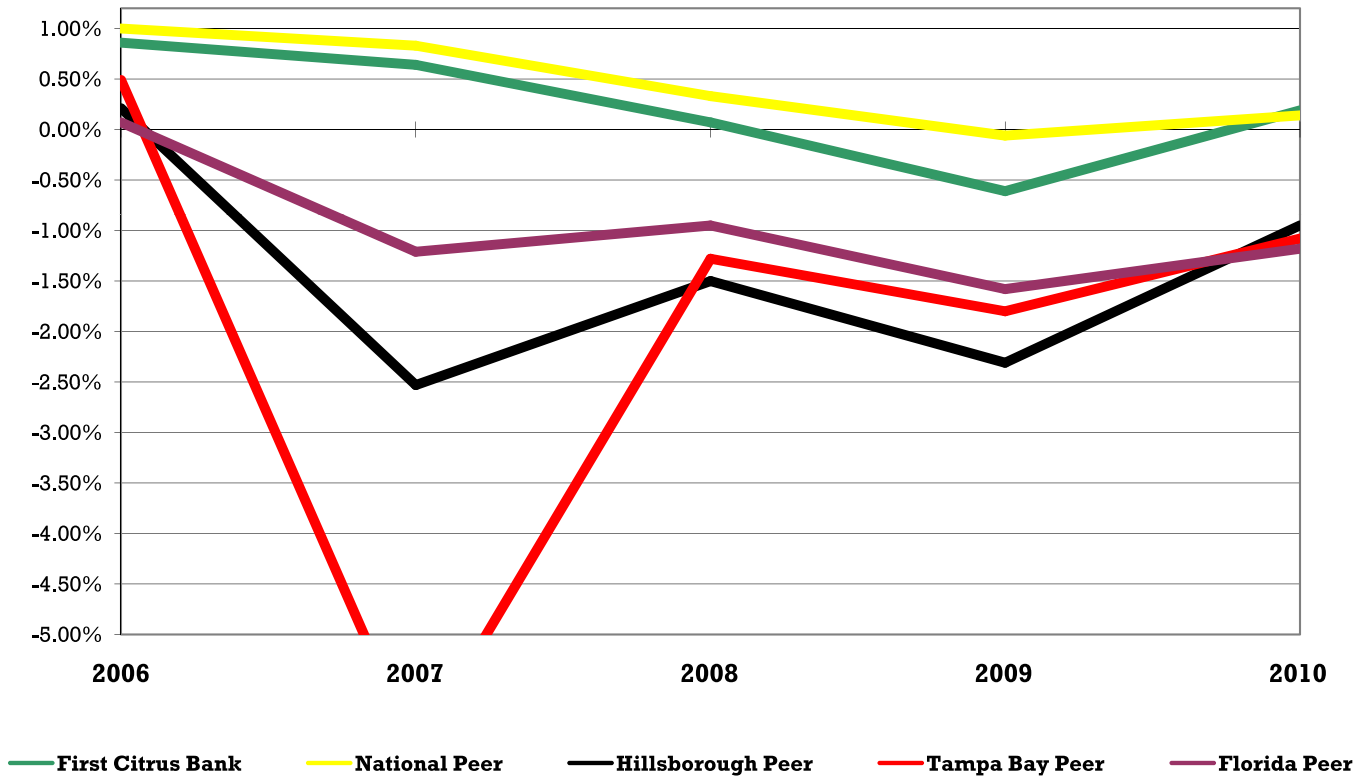
CORE VALUES

- Integrity
- Teamwork
- Professionalism



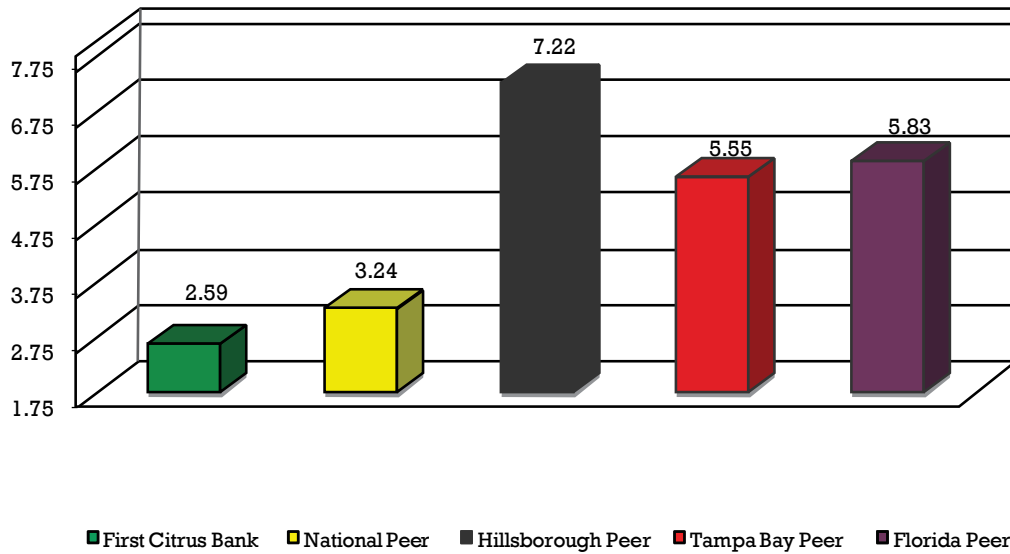
CHARTS:

Return on Assets



Source: Federal Financial Institutions Examinations Council UBPR

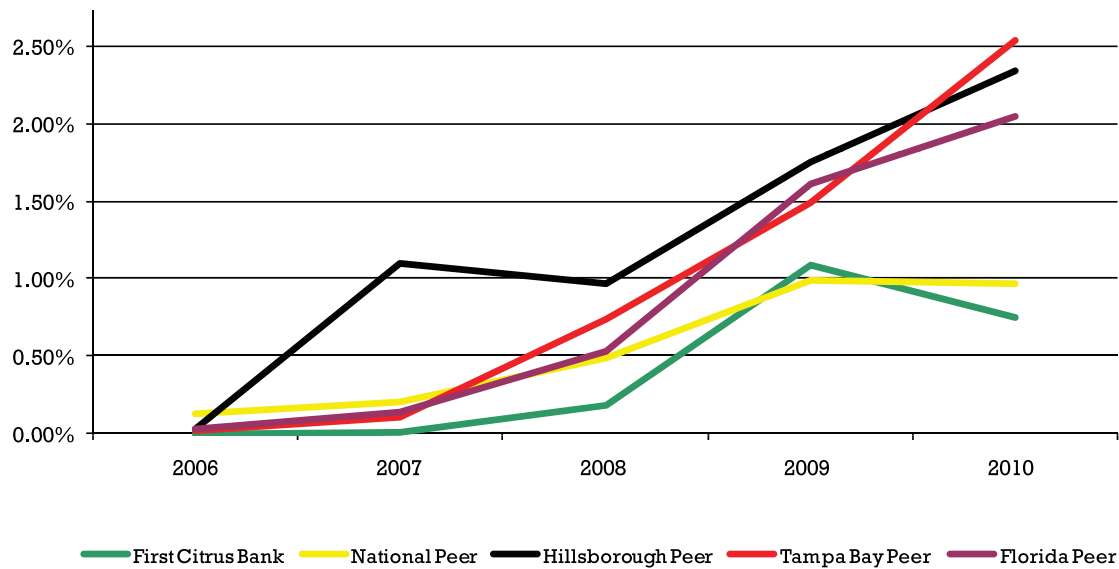
Past Due & Nonaccrual Loans to Total Loans



Source: Federal Financial Institutions Examinations Council UBPR

As of 12/31/2010

Net Charge Offs to Total Loans



Source: Federal Financial Institutions Examinations Council UBPR

PRESIDENT'S MESSAGE

Dear Shareholders:

We are pleased to share that First Citrus Bank's profits exceeded National peer with a Return on Assets (ROA) of .19%. This level of profitability was attained while operating in a market experiencing sizable corrections relative to the rest of the country. Although earnings improved from the previous year's loss, 2010 was still a tough year. Two-thirds of the banks in Florida continued to experience massive losses, hemorrhaging capital with extreme negative Returns on Assets of (1.04%).

Headwinds remain with increased regulatory costs, real estate carrying costs and a slower economic recovery. At First Citrus Bank, however, loan losses have leveled off and on a statewide basis, 2011 should be Florida's last year of non-improvement.

While no Florida bank is immune from asset quality issues, First Citrus benefited from a more disciplined credit culture and quality client relationships working together through the downturn. The Bank's risk management track record routinely outperforms both State and National peer as evidenced by the Net Loss to Average Total Loans graph of .75% compared to .96% nationally and 2.04% amongst Florida banks at FYE 2010. This data point is neither an aberration nor a coincidence, and affirms the Bank's Cardinal Business Principal of Safety and Soundness First. While the aforementioned business tenet may not sound glamorous, protecting your investment by minimizing downside risk is.

The banking industry has been in crisis mode since 2008 with amplified severity in Florida. First Citrus Bank is maneuvering through the crisis with continued prudent risk management practices while striving to deliver exceptional client service at every interaction. First Citrus Bank's loan portfolio continues to outperform both State and National peer with a past due ratio of 2.5%, well below the National peer of 3.2% and markedly lower than Florida peer of 5.7%.

While real gross domestic product turned in at 2.8% last year, the recovery is largely jobless in Florida with unemployment at 11.9% in January. Nationally, the unemployment rate is lower at 8.9% and slowly improving. The ripple effect of deleveraging as a society has effectively reduced both business and consumer spending. While reduced consumer spending is painful in the short term, higher capitalized investing is tangential to long term economic prosperity. Business spending is returning as companies finally begin replenishing inventory levels.

There seems to be an increasing sentiment that values in the commercial real estate sector are not declining and may be stabilizing. On the residential side, however, housing starts likely will not be a meaningful contributor to growth for probably another two or three years, which is unfortunate because it has one of the largest multiplier effects of any sector in the economy.

When First Citrus opened in 1999, there were 319 banks in Florida. Through 2007, the number of banks remained static at 317. Since then, however, 73 Florida banks representing 23% of the market have either failed or been consolidated. It is expected the FDIC will continue their steady drumbeat of Florida bank closures with another 40 to 60 anticipated.



Florida will likely conclude this recession with somewhere between 180 and 200 bank charters, down from 319 in 1999, approximately 40% fewer competitors. This is a generational market change for the Florida banking industry condensed within a 36-month window.

Acquisition and consolidation in Tampa Bay and throughout Florida will not only be driven by asset quality issues, but also motivated by a vacuum of management succession at the executive level. First Citrus is well positioned in these areas and will continue exploring its growth options. In a landscape with 40% fewer banks competing, the upside growth potential for the remaining 190 banks in Florida should be meaningful.

Since too much liquidity, created by excessive leverage, caused many of the industry's problems, why shouldn't liquidity contribute the solution as well? The future of Florida banking likely will benefit once this pent-up capital takes aim at the pool of banks that literally will be 40% shallower.

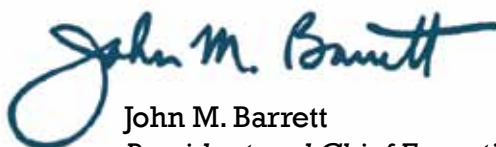
The reduced competition logically should translate into increased industry profits spread between fewer banks. Presumably, the value of a Florida bank charter will rise. I am not suggesting stratospheric pre-recession valuation levels will return. I do believe, however, the demand for Florida banks will increase and ensuing stock prices will start bumping up in 2012, especially as businesses and individuals resume more normalized borrowing levels.

Success is seldom a straight line and, candidly, First Citrus stock has not produced the returns that some had hoped for at this juncture. However, while banks across Florida have routinely abused their stockholders by issuing new shares at 30%, 40% and 50% below book value, your investment in First Citrus increased .23 cents per share to \$12.38. The book value of First Citrus stock is up over 60% since inception, after adjusting for dividends paid. You should feel very good about your investment.

First Citrus Bank will continue to succeed by adding new client relationships, developing talented bankers, keeping costs low and staying ahead of the credit cycle. Community banking is still very special and the First Citrus brand helps businesses and individuals become economically successful.

I would like to express my gratitude to the associates of First Citrus Bank. On behalf of your Board and management team, please accept our deep appreciation for your continued trust and confidence.

Sincerely,



John M. Barrett
President and Chief Executive Officer

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(In Thousands, except share amounts)

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and due from banks	\$ 1,862	3,409
Interest-earning deposits with banks	<u>48,510</u>	<u>17,791</u>
Total cash and cash equivalents	50,372	21,200
Securities available for sale	6,218	8,542
Securities held to maturity	4,837	4,841
Time deposit	850	1,853
Loans, net of allowance for loan losses of \$2,751 and \$2,439	165,997	180,033
Foreclosed real estate	4,851	4,792
Premises and equipment, net	9,097	9,542
Federal Home Loan Bank stock, at cost	1,771	1,771
Accrued interest receivable	761	856
Deferred tax asset	872	1,129
Other assets	<u>1,747</u>	<u>2,455</u>
Total assets	\$ <u>247,373</u>	<u>237,014</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	25,378	21,633
Savings, NOW and money-market deposits	80,825	73,526
Time deposits	<u>86,095</u>	<u>87,425</u>
Total deposits	192,298	182,584
Federal Home Loan Bank advances	30,000	30,000
Subordinated debentures	2,697	1,627
Official checks	2,291	3,045
Other liabilities	<u>364</u>	<u>401</u>
Total liabilities	<u>227,650</u>	<u>217,657</u>
Commitments and contingencies (Notes 5, 12 and 14)		
Stockholders' equity:		
Preferred stock, Class A, \$5 par; 200,000 shares authorized, 113,829 and 110,818 shares issued and outstanding in 2010 and 2009	569	554
Preferred stock, Class B, \$5 par; 100,000 shares authorized, 26,555 and 26,276 shares issued and outstanding in 2010 and 2009	133	131
Common stock, \$5 par value; 5,000,000 shares authorized, 1,452,253 and 1,455,543 shares issued and outstanding in 2010 and 2009	7,261	7,278
Additional paid-in capital	8,025	8,025
Retained earnings	3,688	3,334
Accumulated other comprehensive income	<u>47</u>	<u>35</u>
Total stockholders' equity	<u>19,723</u>	<u>19,357</u>
Total liabilities and stockholders' equity	\$ <u>247,373</u>	<u>237,014</u>

See Accompanying Notes to Consolidated Financial Statements.



FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(In Thousands)

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Interest income:		
Loans	\$ 11,016	11,537
Securities	439	731
Due from banks	<u>112</u>	<u>42</u>
Total interest income	<u>11,567</u>	<u>12,310</u>
Interest expense:		
Deposits	2,875	4,584
Borrowings	<u>1,519</u>	<u>1,367</u>
Total interest expense	<u>4,394</u>	<u>5,951</u>
Net interest income	7,173	6,359
Provision for loan losses	<u>1,659</u>	<u>1,362</u>
Net interest income after provision for loan losses	<u>5,514</u>	<u>4,997</u>
Noninterest income:		
Gain on sale of loans	812	-
Service charges and fees on deposit accounts	226	265
Gain on sale of securities available for sale	-	240
Other fees and charges	<u>167</u>	<u>176</u>
Total noninterest income	<u>1,205</u>	<u>681</u>
Noninterest expenses:		
Salaries and employee benefits	2,763	3,147
Occupancy and equipment	1,125	1,109
Data processing	373	410
Printing and office supplies	89	130
Foreclosed real estate	420	1,932
Other	<u>1,476</u>	<u>1,514</u>
Total noninterest expenses	<u>6,246</u>	<u>8,242</u>
Earnings (loss) before income taxes (benefit)	473	(2,564)
Income taxes (benefit)	<u>119</u>	<u>(1,018)</u>
Net earnings (loss)	\$ <u>354</u>	<u>(1,546)</u>

See Accompanying Notes to Consolidated Financial Statements.

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2010 and 2009
(\$ in thousands, except share amounts)

	Class A Preferred Stock		Class B Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2008	110,818	\$ 554	26,276	\$ 131	1,455,543	\$ 7,278	8,025	4,880	266	<u>21,134</u>
Comprehensive loss:										
Net loss	-	-	-	-	-	-	-	(1,546)	-	(1,546)
Net change in unrealized gain on securities available for sale, net of tax benefit of \$125	-	-	-	-	-	-	-	-	(231)	<u>(231)</u>
Comprehensive loss										<u>(1,777)</u>
Balance at December 31, 2009	110,818	554	26,276	131	1,455,543	7,278	8,025	3,334	35	<u>19,357</u>
Comprehensive income:										
Net income	-	-	-	-	-	-	-	354	-	354
Net change in unrealized gain on securities available for sale, net of taxes of \$7	-	-	-	-	-	-	-	-	12	<u>12</u>
Comprehensive income										<u>366</u>
Noncash transfer of common stock to preferred stock	<u>3,011</u>	<u>15</u>	<u>279</u>	<u>2</u>	<u>(3,290)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2010	<u>113,829</u>	<u>\$ 569</u>	<u>26,555</u>	<u>\$ 133</u>	<u>1,452,253</u>	<u>\$ 7,261</u>	<u>8,025</u>	<u>3,688</u>	<u>47</u>	<u>19,723</u>

See Accompanying Notes to Consolidated Financial Statements.



FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In Thousands)

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net earnings (loss)	\$ 354	(1,546)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	485	438
Provision for loan losses	1,659	1,362
Deferred income taxes	250	(312)
Proceeds from the sale of loans held for sale	3,337	-
Loans originated held for sale	(2,525)	-
Gain on sale of loans	(812)	-
Net amortization of premiums and discounts on securities	37	23
Amortization of deferred loan fees and costs, net	6	66
Gain on sale of securities available for sale	-	(240)
Net (gain) loss on sale of foreclosed real estate	(52)	108
Gain on transfer of foreclosed real estate	(81)	-
Provision for losses on foreclosed real estate	127	1,269
Decrease in accrued interest receivable	95	73
Decrease (increase) in other assets	708	(2,177)
(Decrease) increase in official checks and other liabilities	<u>(791)</u>	<u>2,320</u>
Net cash provided by operating activities	<u>2,797</u>	<u>1,384</u>
Cash flows from investing activities:		
Decrease (increase) in time deposits	1,003	(1,753)
Purchase of securities available for sale	(750)	(8,186)
Maturities, principal collections and calls of securities available for sale	3,060	10,002
Proceeds from sale of securities available for sale	-	7,052
Net decrease (increase) in loans	7,689	(1,050)
Proceeds from sale of foreclosed real estate	4,629	3,090
Purchase of Federal Home Loan Bank stock	-	(5)
Purchase of premises and equipment	<u>(40)</u>	<u>(903)</u>
Net cash provided by investing activities	<u>15,591</u>	<u>8,247</u>
Cash flows from financing activities:		
Net increase in deposits	9,714	1,095
Proceeds from issuance of subordinated debentures	<u>1,070</u>	<u>1,627</u>
Net cash provided by financing activities	<u>10,784</u>	<u>2,722</u>
Net increase in cash and cash equivalents	29,172	12,353
Cash and cash equivalents at beginning of year	<u>21,200</u>	<u>8,847</u>
Cash and cash equivalents at end of year	\$ <u>50,372</u>	<u>21,200</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>4,435</u>	<u>6,023</u>
Income taxes	\$ <u>160</u>	<u>-</u>
Noncash transactions:		
Accumulated other comprehensive income, net change in unrealized gain on securities available for sale, net of tax	\$ <u>12</u>	<u>(231)</u>
Transfer of loans to foreclosed real estate	\$ <u>4,682</u>	<u>8,222</u>

See Accompanying Notes to Consolidated Financial Statements.

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2010 and 2009 and the Years then Ended

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. First Citrus Bancorporation, Inc. (the “Holding Company”) owns 100% of the outstanding common stock of First Citrus Bank (the “Bank”) (collectively the “Company”). The Holding Company’s primary activity is the operation of the Bank. First Citrus Bank is a state (Florida)-chartered commercial bank. The Bank offers a variety of community banking services to individual and corporate customers through its five banking offices located in Tampa and Brandon, Hillsborough County, Florida. The Bank’s deposits are insured, up to the applicable limits, by the Federal Deposit Insurance Corporation.

The following is a description of the significant accounting policies and practices followed by the Bank, which conform to the U.S. generally accepted accounting principles (“GAAP”) and prevailing practices within the banking industry.

Subsequent Events. Management has evaluated all significant events occurring subsequent to the balance sheet date through March 18, 2011, which is the date the consolidated financial statements were available to be issued, determining no events require additional disclosure in the consolidated financial statements.

Basis of Presentation. The consolidated financial statements include the Holding Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of foreclosed real estate and deferred tax assets.

Cash and Cash Equivalents. For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-earning deposits with banks and federal funds sold, all of which mature within ninety days.

The Bank is required under Federal Reserve Board regulations to maintain reserves, generally consisting of cash or noninterest-earning accounts, against its transaction accounts. At December 31, 2010 and 2009, balances maintained as reserves were approximately \$757,000 and \$496,000, respectively.

(continued)



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Securities. Securities may be classified as either trading, held to maturity or available for sale. Trading securities are held principally for resale and recorded at their fair values. Unrealized gains and losses on trading securities are included immediately in operations. Held-to-maturity securities are those which the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gains and losses, net of tax, on available-for-sale securities are excluded from operations and are reported in comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Premiums and discounts on securities are recognized in interest income using the interest method over the period to maturity.

Loans. Loans management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs.

Loan origination fees are deferred and certain direct origination costs are capitalized. Both are recognized as an adjustment of the yield of the related loan.

The accrual of interest on loans is discontinued at the time the loan is ninety days delinquent unless the loan is well collateralized and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

(continued)



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Allowance for Loan Losses, Continued. The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on industry loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial, commercial real estate, real estate development and construction and land and lot loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual installment and residential loans for impairment disclosures.

Foreclosed Real Estate. Real estate acquired through, or in lieu of, foreclosure, is initially recorded at fair value less selling costs establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the foreclosed real estate is carried at the lower of the new cost basis or fair value less selling costs. Revenue and expenses from operations and changes in the valuation allowance are included in operations.

Premises and Equipment. Land is stated at cost. Buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the estimated useful life of each type of asset. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets.

(continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Impairment of Long-Lived Assets. Long-lived assets, such as premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company assesses the recoverability of long-lived assets by determining whether the assets can be recovered from undiscounted future cash flows. Recoverability of long-lived assets is dependent upon, among other things, the Company's ability to maintain profitability, so as to be able to meet its obligations when they become due. In the opinion of management, based upon current information and projections, long-lived assets will be recovered over the period of benefit.

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder.

Stock Compensation Plan. The Company expenses the fair value of any stock options granted. The measurement and recognition of compensation for all stock-based awards made to employees and directors including stock options is based on estimated fair values. The Company recognizes stock-based compensation in the consolidated statements of operations. The expense is recognized on a straight-line basis over the vesting period.

Income Taxes. There are two components of income taxes: current and deferred. Current income taxes reflect taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income taxes result from changes in deferred tax assets and liabilities between periods.

(continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

On January 1, 2009, the Company adopted accounting guidance relating to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. As of December 31, 2010, management is not aware of any uncertain tax positions that would have a material effect on the Company's consolidated financial statements.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Holding Company and the Bank file consolidated income tax returns. Income taxes are allocated proportionately to the Holding Company and the Bank as though separate income tax returns were filed.

Off-Balance-Sheet Financial Instruments. In the ordinary course of business the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, unused lines of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Fair Value Measurements. GAAP defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

(continued)



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurements, Continued.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The following describes valuation methodologies used for assets measured at fair value:

Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Impaired Loans. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Foreclosed Real Estate. Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's senior lending officers related to values of properties in the Company's market areas. These officers take into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, the fair values estimates for foreclosed real estate are classified as Level 3.

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Values of Financial Instruments. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximate their fair value.

Securities. Fair values for securities are based on the framework for measuring fair value.

Time Deposits. The carrying amount of time deposits approximate their fair values.

Loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain fixed-rate mortgage (e.g. one-to-four family residential), commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair value for nonperforming loans is based on the framework for measuring fair value.

Federal Home Loan Bank Stock. Fair value of the Company's investment in Federal Home Loan Bank stock is its redemption value, which is its cost of \$100 per share.

Accrued Interest. The carrying amounts of accrued interest approximate their fair values.

Deposits. The fair values disclosed for demand, NOW, money-market and savings deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank Advances. Fair values of advances from Federal Home Loan Bank are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowings.

Subordinated Debentures. The carrying amount of subordinated debentures approximates fair value.

Off-Balance-Sheet Financial Instruments. Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

(continued)



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Comprehensive Income. GAAP generally requires that recognized revenue, expenses, gains and losses be included in net (loss) earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section on the balance sheet, such items along with net (loss) earnings, are components of comprehensive (loss) income. The only component of other comprehensive income was the unrealized holding gains (losses) on securities available for sale.

Recent Pronouncements. In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820)*, which amends the guidance for fair value measurements and disclosures. This guidance requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. Furthermore, it requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs; clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value; and amends guidance on employers’ disclosures about postretirement benefit plan assets to require that disclosures be provided by classes of assets instead of by major categories of assets. It was effective for annual reporting periods beginning January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures were effective January 1, 2011. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In July 2010, the FASB issued ASU 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The new disclosures will require significantly more information about credit quality in a financial institution’s loan portfolio. This statement addresses only disclosures and does not change recognition or measurement of the allowance. The disclosures are effective for annual reporting periods ending on or after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) SECURITIES

Securities have been classified according to management's intention. The carrying amount of securities and their approximate fair values are as follows (in thousands):

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities Available for Sale:				
<i>At December 31, 2010:</i>				
U.S. Treasury securities	\$ 500	-	(17)	483
U.S. Government agency securities	1,755	11	(4)	1,762
Mortgage-backed securities	<u>3,891</u>	<u>82</u>	<u>-</u>	<u>3,973</u>
	<u>\$ 6,146</u>	<u>93</u>	<u>(21)</u>	<u>6,218</u>
<i>At December 31, 2009:</i>				
U.S. Government agency securities	3,007	25	(3)	3,029
Mortgage-backed securities	<u>5,482</u>	<u>44</u>	<u>(13)</u>	<u>5,513</u>
	<u>\$ 8,489</u>	<u>69</u>	<u>(16)</u>	<u>8,542</u>
Securities Held to Maturity:				
<i>At December 31, 2010-</i>				
Municipal securities	<u>\$ 4,837</u>	<u>2</u>	<u>(177)</u>	<u>4,662</u>
<i>At December 31, 2009-</i>				
Municipal securities	<u>\$ 4,841</u>	<u>41</u>	<u>-</u>	<u>4,882</u>

Securities measured at fair value on a recurring basis are summarized below (in thousands):

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<i>At December 31, 2010:</i>				
U.S. Treasury securities	\$ 483	483	-	-
U.S. Government agency securities	1,762	-	1,762	-
Mortgage-backed securities	<u>3,973</u>	<u>-</u>	<u>3,973</u>	<u>-</u>
Total securities available-for-sale	<u>\$ 6,218</u>	<u>483</u>	<u>5,735</u>	<u>-</u>
<i>At December 31, 2009:</i>				
U.S. Government agency securities	3,029	-	3,029	-
Mortgage-backed securities	<u>5,513</u>	<u>-</u>	<u>5,513</u>	<u>-</u>
Total securities available-for-sale	<u>\$ 8,542</u>	<u>-</u>	<u>8,542</u>	<u>-</u>

No securities were transferred in or out of Level 1 or Level 2 during 2010 or 2009.

(continued)



(2) SECURITIES, CONTINUED

The scheduled maturities of securities at December 31, 2010 are as follows (in thousands):

	<u>Available for Sale</u>		<u>Held to Maturity</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due from one-to-five years	\$ 2,255	2,245	-	-
Due from five-to-ten years	-	-	680	682
Due after ten years	-	-	4,157	3,980
Mortgage-backed securities	<u>3,891</u>	<u>3,973</u>	<u>-</u>	<u>-</u>
	\$ <u>6,146</u>	<u>6,218</u>	<u>4,837</u>	<u>4,662</u>

At December 31, 2010 and 2009, securities with a carrying value of \$3,865,000 and \$4,688,000, respectively, were pledged as collateral for certain deposits, other borrowings and for other purposes required by law.

Securities with gross unrealized losses at December 31, 2010, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows (in thousands):

	<u>Less Than Twelve Months</u>		<u>Over Twelve Months</u>	
	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Securities Available for Sale:				
U.S. Treasury securities	\$ (17)	483	-	-
U.S. Government agency securities	<u>(4)</u>	<u>500</u>	<u>-</u>	<u>-</u>
	\$ <u>(21)</u>	<u>983</u>	<u>-</u>	<u>-</u>
Securities Held to Maturity-				
Municipal securities	\$ <u>(177)</u>	<u>3,980</u>	<u>-</u>	<u>-</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The unrealized losses on four of the Company's investment securities were caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the investments. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) LOANS

The components of loans are as follows (in thousands):

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Commercial real estate	\$ 126,231	121,817
Residential real estate	22,628	24,766
Real estate development	1,002	3,925
Real estate construction	-	10,317
Land and lot loans	10,372	11,840
Commercial	7,233	8,154
Installment	<u>1,550</u>	<u>2,107</u>
Total loans	169,016	182,926
Deduct:		
Loan discount	(126)	(306)
Deferred loan fees and costs, net	(142)	(148)
Allowance for loan losses	<u>(2,751)</u>	<u>(2,439)</u>
Loans, net	\$ <u>165,997</u>	<u>180,033</u>

An analysis of the change in the allowance for loan losses follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 2,439	3,164
Provision for loan losses	1,659	1,362
Charge-offs, net of recoveries	<u>(1,347)</u>	<u>(2,087)</u>
Ending balance	\$ <u>2,751</u>	<u>2,439</u>

The Company grants the majority of its loans to borrowers throughout Hillsborough County, Florida. Although the Company has a diversified loan portfolio, a significant portion of its borrowers' ability to honor their contracts is dependent upon the economy in this county. The Company does not have significant concentrations to any one industry or customer.

(continued)



(3) LOANS, CONTINUED

The following summarizes the amount of impaired loans (in thousands):

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Collateral-dependent loans identified as impaired:		
Gross loans with no related allowance for losses	\$ <u>8,273</u>	<u>4,773</u>
Gross loans with related allowance for losses recorded	566	2,238
Less allowances on these loans	<u>(92)</u>	<u>(385)</u>
Net loans with related allowance	<u>474</u>	<u>1,853</u>
Net investment in collateral-dependent impaired loans	<u>8,747</u>	<u>6,626</u>
Noncollateral-dependent loans identified as impaired:		
Gross loans with no related allowance for losses	<u>423</u>	<u>2,055</u>
Gross loans with related allowance for losses recorded	9,955	2,851
Less allowance on these loans	<u>(698)</u>	<u>(170)</u>
Net loans with related allowance	<u>9,257</u>	<u>2,681</u>
Net investment in noncollateral-dependent impaired loans	<u>9,680</u>	<u>4,736</u>
Net investment in impaired loans	\$ <u>18,427</u>	<u>11,362</u>

The average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Average investment in impaired loans	\$ <u>18,323</u>	<u>10,347</u>
Interest income recognized on impaired loans	\$ <u>856</u>	<u>475</u>
Interest income received on impaired loans	\$ <u>856</u>	<u>443</u>

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) LOANS, CONTINUED

Impaired collateral-dependent loans are carried at the lower of cost or fair value. Impaired collateral-dependent loans which are measured at fair value on a nonrecurring basis are as follows (in thousands):

	At Year End				Total Losses	Losses Recorded During the Year
	Fair Value ⁽¹⁾	Level 1	Level 2	Level 3		
December 31, 2010-						
Commercial real estate	\$ <u>474</u>	<u>-</u>	<u>-</u>	<u>474</u>	<u>92</u>	<u>56</u>
December 31, 2009:						
Commercial real estate	1,680	-	-	1,680	430	369
All other	<u>173</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>49</u>	<u>16</u>
Total	\$ <u>1,853</u>	<u>-</u>	<u>-</u>	<u>1,853</u>	<u>479</u>	<u>385</u>

⁽¹⁾ In addition, loans with a carrying value of \$8,273,000 and \$4,773,000 at December 31, 2010 and 2009, respectively, were measured for impairment using Level 3 inputs and had a fair value in excess of carrying value.

Nonaccrual and accruing past due loans were as follows (in thousands):

	At December 31,	
	2010	2009
Nonaccrual	\$ <u>4,372</u>	<u>4,840</u>
Past due thirty to eighty-nine days	\$ <u>4,016</u>	<u>1,340</u>
Past due ninety days or more, but still accruing interest	\$ <u>25</u>	<u>-</u>

(4) FORECLOSED REAL ESTATE

Foreclosed real estate is presented net of an allowance for losses. An analysis of the allowance for losses on foreclosed real estate is as follows (in thousands):

	Year Ended December 31,	
	2010	2009
Balance at beginning of year	\$ -	-
Provision for losses	127	1,269
Charge-offs	(127)	(1,269)
Balance at end of year	\$ <u>-</u>	<u>-</u>

(continued)



(4) FORECLOSED REAL ESTATE, CONTINUED

Expenses applicable to foreclosed real estate follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Net (gain) loss on sales of foreclosed real estate	\$ (52)	108
Gain on transfer of foreclosed real estate	(81)	-
Provision for losses	127	1,269
Operating expenses	<u>426</u>	<u>555</u>
	<u>\$ 420</u>	<u>1,932</u>

Foreclosed real estate is recorded at fair value less estimated selling costs. Foreclosed real estate which is measured at fair value on a nonrecurring basis are as follows (in thousands):

	<u>At Year End</u>				<u>Total</u>	<u>Losses</u>
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Losses</u>	<u>Recorded</u>
						<u>During the</u>
						<u>Year</u>
<i>December 31, 2010-</i>						
Foreclosed real estate, net	\$ <u>4,851</u>	<u>-</u>	<u>-</u>	<u>4,851</u>	<u>202</u>	<u>127</u>
<i>December 31, 2009-</i>						
Foreclosed real estate, net	\$ <u>4,792</u>	<u>-</u>	<u>-</u>	<u>4,792</u>	<u>1,269</u>	<u>1,269</u>

(5) PREMISES AND EQUIPMENT

A summary of premises and equipment follows (in thousands):

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 2,727	2,727
Buildings	5,745	5,745
Furniture, fixtures and equipment	3,222	3,182
Leasehold improvements	<u>732</u>	<u>732</u>
Total, at cost	12,426	12,386
Less accumulated depreciation and amortization	<u>(3,329)</u>	<u>(2,844)</u>
Premises and equipment, net	<u>\$ 9,097</u>	<u>9,542</u>

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(5) PREMISES AND EQUIPMENT, CONTINUED

The Company has an operating lease for a branch location. The lease has an initial term of fifteen years and contains renewal options. Rent expense under the operating lease was \$105,000 and \$101,000 for the years ended December 31, 2010 and 2009, respectively. Future minimum lease payments under the operating lease are as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 107
2012	110
2013	114
2014	117
2015	120
Thereafter	<u>1,094</u>
	<u>\$ 1,662</u>

(6) DEPOSITS

The aggregate amount of time deposits with a minimum denomination of \$100,000, was \$21,334,000 and \$37,364,000 at December 31, 2010 and 2009, respectively.

A schedule of maturities of time deposits at December 31, 2010 follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 46,168
2012	29,112
2013	5,460
2014	481
2015	<u>4,874</u>
	<u>\$ 86,095</u>

(continued)



(7) FEDERAL HOME LOAN BANK ADVANCES

The maturities and interest rates on the Federal Home Loan Bank (“FHLB”) advances are as follows (\$ in thousands):

<u>Maturity</u>	<u>Interest Rate</u>	<u>At December 31,</u>	
		<u>2010</u>	<u>2009</u>
2012	4.72%	\$ 10,000	10,000
2012	4.23%	10,000	10,000
2011	4.21%	<u>10,000</u>	<u>10,000</u>
		\$ <u>30,000</u>	<u>30,000</u>

The FHLB advances are collateralized by a blanket lien on the Company’s residential one-to-four family mortgages with a carrying value of \$6,239,000 and \$5,802,000 at December 31, 2010 and 2009, respectively, and the Company’s commercial real estate loans with a carrying value of \$79,907,000 and \$85,313,000 at December 31, 2010 and 2009, respectively. In addition, the FHLB advances are collateralized by the Company’s FHLB stock with carrying values of \$1,771,000 at December 31, 2010 and 2009.

(8) UNUSED LINE OF CREDIT

At December 31, 2010 and 2009, the Bank had an unused line of credit with its correspondent bank in the amount of \$1,000,000 and \$5,000,000, respectively.

(9) SUBORDINATED DEBENTURES

On September 28, 2009 the Holding Company issued a private placement offering for up to \$5,000,000 in aggregate principle of convertible and redeemable subordinated debentures due 2014 at a price of 100% of principle amount. The net proceeds from the debentures are being used for supporting general corporate purposes, enhance the Bank’s common equity base and fund future growth of the Bank.

The debentures are unsecured debt obligations of the Holding Company that are subordinated to FHLB advances and any future senior debts and obligations. As of December 31, 2010, the Holding Company did not have any debt senior to the debentures other than FHLB advances. The debentures bear interest payable quarterly at 7.0% per annum for two years and thereafter for three years at the rate determined by adding 4.50% to the 5-year United States Treasury Note rate, subject to a maximum interest rate 8.0% per annum. The entire principal is due in a single payment at the end of five years. The Holding Company may redeem the debentures in whole or in part after two years, on or after that date without premium or penalty plus any accrued and unpaid interest. The debentures are convertible at the option of the Holder to First Citrus Bancorporation common stock after the second anniversary of the debenture until maturity, to the extent that any principal or interest payment remains outstanding at the time that the holder exercises the option, provided that the Holding Company has not previously given the Holders notice of its intent to prepay the principal on any debenture which Holder seeks to convert.

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(9) SUBORDINATED DEBENTURES, CONTINUED

The Holders of the subordinated debentures are entitled on a conversion to a number of shares of Holding Company common stock equal to the quotient received when dividing the total principal and interest due, by the product received when multiplying the book value of the common stock on the last day of the last calendar quarter by 1.15 limited to a number of shares which when added to existing shares owned by any single holder do not exceed 9.9% of the Company's outstanding shares of common stock.

The performance of the Holding Company's obligations under the debentures are not secured by a pledge of, or other security interest in, any of its assets and are not insured by the Federal Deposit Insurance Corporation or by any other governmental agency or insurance company or third party.

As of December 31, 2010, the Holding Company issued \$2,697,000 in subordinated debentures. As of December 31, 2010, \$2,100,000 of the net proceeds of the offering had been transferred from the Holding Company to the Bank as a direct capital investment. As of December 31, 2010, the offering period has expired.

(10) STOCK OPTIONS

During 1999, the Company established two stock option plans for directors and employees (the "1999 Plans"). A total of 143,220 shares of common and preferred stock have been reserved for the 1999 Plans. During 2003, the Company established two additional stock option plans for directors and employees (the "2003 Plans"). A total of 38,179 shares of common and preferred stock have been reserved for the 2003 Plans. During 2004, the Company established two additional stock option plans for directors and employees (the "2004 Plans"). A total of 82,500 shares of common and preferred stock have been reserved for the 2004 Plans. The directors' options have terms of ten years and vest over three years. The employees' options have terms of ten years and vest over five years. As of December 31, 2010, 46,593 options remain available for grant. There were no options granted during 2009 or 2010.

(continued)



(10) STOCK OPTIONS, CONTINUED

A summary of the activity in the Company's stock option plan is as follows:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>
Outstanding at December 31, 2008	138,993	\$ 12.50	
Forfeited	<u>(21,363)</u>	<u>12.59</u>	
Outstanding at December 31, 2009	117,630	12.49	
Forfeited	<u>(13,796)</u>	<u>8.26</u>	
Outstanding at December 31, 2010	<u>103,834</u>	\$ <u>13.05</u>	<u>3.86 years</u>
Exercisable at December 31, 2010	<u>88,285</u>	\$ <u>12.74</u>	<u>3.46 years</u>

At December 31, 2010, there was approximately \$15,000 of total unrecognized compensation expense related to nonvested share-based compensation arrangements granted under the plans. The cost is expected to be recognized over a weighted-average period of twenty-two months.

(11) INCOME TAXES

Allocation of Federal and state income taxes (benefit) between current and deferred portions is as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Current:		
Federal	\$(131)	(706)
State	<u>-</u>	<u>-</u>
Total current (benefit)	(131)	<u>(706)</u>
Deferred:		
Federal	222	(184)
State	<u>28</u>	<u>(128)</u>
Total deferred (benefit)	<u>250</u>	<u>(312)</u>
	\$ <u>119</u>	<u>(1,018)</u>

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(11) INCOME TAXES, CONTINUED

The reasons for the differences between the statutory Federal income tax rate and the effective tax rate are summarized as follows (dollars in thousands):

	<u>Year Ended December 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of Earnings</u>	<u>Amount</u>	<u>% of Loss</u>
Income taxes (benefit) at Federal statutory rate	\$ 161	34.0%	\$ (874)	(34.0)%
Increase (decrease) resulting from:				
State taxes, net of Federal tax benefit	18	3.8	(84)	(3.3)
Tax exempt income	(68)	(14.4)	(68)	(2.7)
Nondeductible expenses	<u>8</u>	<u>1.8</u>	<u>8</u>	<u>.3</u>
	<u>\$ 119</u>	<u>25.2%</u>	<u>\$(1,018)</u>	<u>(39.7)%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands).

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Allowance for loan losses	\$ 812	755
Foreclosed property expenses	177	579
Impaired loan interest	158	162
Net operating loss carryforwards	77	67
Other	<u>26</u>	<u>52</u>
Deferred tax assets	<u>1,250</u>	<u>1,615</u>
Deferred tax liabilities:		
Premises and equipment	(323)	(415)
Deferred loan costs	(30)	(53)
Unrealized gain on securities available for sale	<u>(25)</u>	<u>(18)</u>
Deferred tax liabilities	<u>(378)</u>	<u>(486)</u>
Net deferred tax asset	<u>\$ 872</u>	<u>1,129</u>

At December 31, 2010, the Company had Florida net operating loss carryforwards of approximately \$2.1 million available to offset future Florida taxable income. The carryforward will begin to expire in 2029.

(continued)

(11) INCOME TAXES, CONTINUED

The Company files consolidated income tax returns in the U.S. federal jurisdiction and the State of Florida. The Company is no longer subject to U.S. federal, or state and local income tax examinations by taxing authorities for years before 2007.

(12) OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit, unused lines of credit and standby letters of credit and may involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Company has in these financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and unused lines of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support third-party borrowing arrangements and generally have expiration dates within one year of issuance. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company generally holds collateral supporting these commitments. At December 31, 2010 such collateral amounted to approximately \$280,000. Standby letters of credit typically result in loans with a market interest rate when funded.

(continued)



FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(12) OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS, CONTINUED

A summary of the contractual amounts of the Company's financial instruments with off balance sheet risk at December 31, 2010 follows (in thousands):

	<u>Contractual Amount</u>
Commitments to extend credit	\$ <u>1,865</u>
Unused lines of credit	\$ <u>5,821</u>
Standby letters of credit	\$ <u>489</u>

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments were as follows (in thousands):

	<u>At December 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and cash equivalents	\$ 50,372	50,372	21,200	21,200
Securities available for sale	6,218	6,218	8,542	8,542
Securities held to maturity	4,837	4,662	4,841	4,882
Time deposit	850	850	1,853	1,853
Loans, net	165,997	164,867	180,033	179,421
Federal Home Loan Bank stock	1,771	1,771	1,771	1,771
Accrued interest receivable	761	761	856	856
Financial liabilities:				
Deposits	192,298	193,312	182,584	183,581
Federal Home Loan Bank advances	30,000	31,366	30,000	32,007
Subordinated debentures	2,697	2,697	1,627	1,627
Off-balance-sheet financial instruments	-	-	-	-

(14) CONTINGENCIES

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

(continued)



(15) RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates. These loans are summarized as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 4,360	4,604
Additions	-	52
Repayments	(3,180)	(296)
Ending balance	\$ <u>1,180</u>	<u>4,360</u>
Deposits from related parties	\$ <u>9,443</u>	<u>9,459</u>

(16) DIVIDEND RESTRICTIONS

The Holding Company is limited in the amount of cash dividends that it may declare by the amount of dividends it receives from the Bank. The amount of cash dividends that may be paid by the Bank is based on the Bank's net earnings of the current year combined with the Bank's retained earnings of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Bank must consider additional factors such as the amount of current period net (loss) earnings, liquidity, asset quality, capital adequacy and economic conditions. It is likely that these factors would further limit the amount of dividend which the Bank could pay. In addition, bank regulators have the authority to prohibit banks from paying dividends if they deem such payment to be an unsafe or unsound practice.

(17) REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the regulatory banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and percentages (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2010, the Bank met all capital adequacy requirements to which they are subject.

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(17) REGULATORY MATTERS, CONTINUED

As of December 31, 2010, the most recent notification from the regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage percentages as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and percentages are also presented in the table (dollars in thousands).

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	%	Amount	%	Amount	%
<i>As of December 31, 2010:</i>						
Total capital to Risk-Weighted assets	\$ 23,669	13.31%	\$ 14,226	8.00%	\$ 17,783	10.00%
Tier I Capital to Risk-Weighted Assets	21,439	12.05	7,117	4.00	10,675	6.00
Tier I Capital to Total Average Assets	21,439	8.45	10,149	4.00	12,686	5.00
<i>As of December 31, 2009:</i>						
Total capital to Risk-Weighted assets	23,196	11.76	15,790	8.00	19,738	10.00
Tier I Capital to Risk-Weighted Assets	20,757	10.52	7,895	4.00	11,843	6.00
Tier I Capital to Total Average Assets	20,757	8.59	9,669	4.00	12,086	5.00

(continued)



(18) HOLDING COMPANY FINANCIAL INFORMATION

The Holding Company's financial information as of December 31, 2010 and 2009 and for the years then ended follows (in thousands):

Condensed Balance Sheets

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 466	175
Investment in subsidiary	21,871	20,792
Other assets	<u>83</u>	<u>17</u>
Total assets	\$ <u>22,420</u>	<u>20,984</u>
Liabilities and Stockholders' Equity		
Subordinated debentures	2,697	1,627
Stockholders' equity	<u>19,723</u>	<u>19,357</u>
Total liabilities and stockholders' equity	\$ <u>22,420</u>	<u>20,984</u>

Condensed Statements of Earnings

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Revenues	\$ 10	3
Expenses	<u>189</u>	<u>27</u>
Loss before net earnings (loss) of subsidiary	(179)	(24)
Net earnings (loss) of subsidiary	<u>467</u>	<u>(1,531)</u>
Earnings (loss) before income tax benefit	288	(1,555)
Income tax benefit	<u>(66)</u>	<u>(9)</u>
Net earnings (loss)	\$ <u>354</u>	<u>(1,546)</u>

(continued)

FIRST CITRUS BANCORPORATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(18) HOLDING COMPANY FINANCIAL INFORMATION, CONTINUED

Condensed Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net earnings (loss)	\$ 354	(1,546)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Increase in other assets	(66)	(8)
Equity in undistributed (earnings) loss of subsidiary	<u>(467)</u>	<u>1,531</u>
Net cash used in operating activities	<u>(179)</u>	<u>(23)</u>
Cash flows from investing activity-		
Investment in subsidiary	<u>(600)</u>	<u>(1,500)</u>
Cash flows from financing activity-		
Proceeds from issuance of subordinated debentures	<u>1,070</u>	<u>1,627</u>
Net increase in cash	291	104
Cash at beginning of the year	<u>175</u>	<u>71</u>
Cash at end of year	\$ <u>466</u>	<u>175</u>
Noncash transactions:		
Net change in accumulated other comprehensive income (loss) of subsidiary, net change in unrealized gain on securities available for sale, net of tax	\$ <u>12</u>	<u>(231)</u>





Independent Auditors' Report

The Board of Directors and Stockholders
First Citrus Bancorporation, Inc.
Tampa, Florida:

We have audited the accompanying consolidated balance sheets of First Citrus Bancorporation, Inc. and Subsidiary (the "Company") at December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

HACKER, JOHNSON & SMITH PA
Tampa, Florida
March 18, 2011



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Front row, seated, left to right

Jack J. Geller
Michael Adcock
John M. Barrett
Scott M. Shimberg

Back row, standing, left to right

James G. Hatton
C. Russell Adams
Rodney O. Horton
Gerald L. Kolar
John T. Linton

ADVISORY DIRECTORS



Front row, seated left to right:

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Constantin Artzibushev, MD
Anthony G. Woodward
Steven B. Kelly

Back row, standing left to right:

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Roger C. Brainard, MD
Raymond A. Ploucher
John J. Meyer, III
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FIRST CITRUS BANK BOARD OF DIRECTORS

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Russell Adams Realty

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Adcock-Adcock Insurance
Agency, Inc.
Chairman
First Citrus Bank

JOHN M. BARRETT
President and
Chief Executive Officer
First Citrus Bank

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Chief Financial Officer
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Chief Executive Officer
Hyde Park Builders

HENRY J. BINDER
Director Emeritus
First Citrus Bank

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Physician

ROGER C. BRAINARD, M.D.
Orthopedic Surgeon
Sports Medicine Clinic

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Chief Executive Officer
Carr & Associates, Inc.

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RICHARD A. MORTENSEN
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RAYMOND A. PLOUCHER
President
Real Estate Advisory
Corporation

ANTHONY G. WOODWARD
Attorney
Woodward and Associates



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President and
Chief Executive Officer

JOHN T. LINTON
Executive Vice President
and Chief Financial Officer

DAVID M. MASTRORIO
Executive Vice President and
Senior Loan Officer

BRUCE R. CARR
Senior Vice President
Commercial Loans

ROBERT F. COBB II
Vice President
Commercial Loans

JESSICA L. KENDALL
Vice President
Branch Administrator
and Security Officer
Carrollwood Office

ROSIE M. MARTINEZ
Vice President
Loan Administration Officer

VALERIE H. WELLS
Vice President
Deposit Operations
and BSA Officer

BRAD W. ABBEY
Assistant Vice President
Portfolio Manager

JESSICA A. DOEPKER
Assistant Vice President
and Branch Manager
South Tampa Office

MATTHEW J. DUFF
Assistant Vice President
Portfolio Manager

CHRISTIE M. KOHLER
Assistant Vice President
and Branch Manager
Kennedy Office

HEATHER R. RAMPOLLA
Assistant Vice President
and Branch Manager
Carrollwood Office

KERI L. RICCI
Assistant Vice President
and Branch Manager
Brandon Office

DERRICK L. SHEARER
Assistant Vice President
and Branch Manager
Citrus Park Office

LAURA R. MARGOLIES
Bank Officer
Loan Administration

CYNTHIA L. PRATT
Information Security Officer
& Network Administrator



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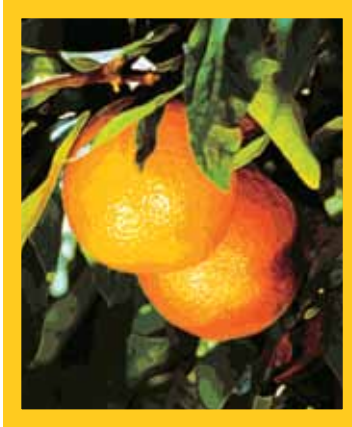


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ANNUAL MEETING

The Annual Meeting of
Stockholders is held on the
third Tuesday in April.

Independent Auditors
Hacker, Johnson & Smith, PA
Certified Public Accountants
500 North Westshore Blvd.
Suite 1000
Tampa, Florida 33609