Florida Capital Group, Inc.

2018 LETTER TO SHAREHOLDERS

April 26, 2019

Dear Shareholder,

The year 2018 commenced with a sense of unbridled enthusiasm and opportunity, and concluded with the achievement of substantial progress toward generating attractive returns to shareholders. The Company's long-term strategic objectives were advanced during the year through the careful pursuit of two key initiatives – growth of lower cost deposits and expense reductions.

A simple comparison of year over year earnings does not adequately reflect the progress that occurred; however, recent results are indicative of management's efforts and are discussed below in more detail. This earnings improvement has occurred in spite of the back drop of a very difficult mortgage banking environment. Further, these favorable trends and recent history of sustained profitability allowed the Company to record a $4.6 million deferred tax asset on its books at year end. This asset represents the estimated future tax benefits associated with the utilization of the Company's financial crisis net operating losses. More importantly, this asset represents the successful culmination of the board and management's efforts to recapitalize the Company after the financial crisis, and to begin the process of restoring shareholder value.

Florida Capital Group, Inc. (the "Company") reported net income of $5.65 million for the year ended December 31, 2018. Net of the rebooked deferred tax asset, the Company reported net income of $1.05 million, which was a $453 thousand or 76% increase from 2017 net income of $594 thousand. The improved earnings level was primarily attributable to a $1.06 million decrease in non-interest expenses. For the same period, Florida Capital Bank, N.A. (the "Bank") reported net income of $1.01 million compared to $845 thousand for 2017, which was a $164 thousand or 19% increase. A more detailed discussion of the 2018 results of operations, including line of business and related financial activity can be found at floridacapitalbank.com.

The environment for banking remains attractive and the local economies in which the Bank conducts business – Jacksonville (headquarters), Orlando, Tampa and Gainesville – continue to exhibit growth opportunities. Although interest rates have moved higher since this time last year, economists project modest, but sustainable economic growth and inflation expectations are minimal. The currently inverted yield curve has some prognosticators grumbling about an economic downturn, but to date the economy remains resilient. Banking regulation remains a costly burden on the industry, but most banks seem to have adapted to the current regulatory regime.

Higher interest rates have generated significant headwinds in the national mortgage market, in which the Bank is an active originator, seller and servicer of mortgage loans. During 2018, a number of prominent mortgage bankers exited the business as higher rates created an environment of cutthroat pricing, which compressed margins and reduced profitability. Pundits have forecast an 11% reduction in industry-wide originations for 2019. In addition, structural and sociological changes have been occurring for years, and are manifested in less new home construction, more expensive "starter" homes, debt-plagued first home buyers, and other structural and societal issues that act as impediments to increased mortgage origination volume. In spite of these issues, the Bank generated approximately $747 million of mortgage originations in 2018, which approximated the 2017 level.

During 2018, the board adopted a 2019 – 2021 Strategic and Capital Plan and confirmed the Bank's existing lines of business, which are: Mortgage Banking, Warehouse Lending, Government Guaranteed Lending, Electronic Banking and Community Banking. The Bank also revised its approach to measuring line of business profitability, and the

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relative contribution of each business line to overall Bank profitability is now measured and managed on a quarterly basis. This allows management to more effectively allocate capital and manage human resources and technology. In addition, incentive compensation plans for key managers have been revised to focus more on the profitability of a business unit and less on production numbers. This objective aligns each individual manager's goals with those of the Company's shareholders.

Two additional activities were undertaken during 2018 that have coalesced in the first quarter of 2019 to generate significantly improved operating results. The Bank will report quarter one 2019 earnings of $525 thousand and core operating earnings before credit-related charges of $838 thousand. The first initiative involves the Bank's emerging electronic banking unit, which has increased very low or no cost deposits from $31 million at the end of 2017 to $55 million at year end 2018, and at March 31, 2019 the balances stood at $79 million. This strategic deposit growth has enabled the Bank to migrate from wholesale funding sources – currently costing approximately 2.50% - and dramatically reduce its cost of funds. Management anticipates further growth in electronic banking deposits and a continued reduction in wholesale funding sources and costs. Electronic banking is expected to be the primary source of future liquidity for our mortgage banking and warehouse lending operations, which will greatly enhance these business lines' relative contribution to earnings.

The second key strategic initiative undertaken in 2018 was a profit performance review by an internal working group that began in May 2018, and that continues to be active. The group focused on staffing levels, process improvements and technology assessments. This group's efforts combined with active cost management of the Bank's mortgage operations resulted in a $3 million expense reduction in compensation and benefits expenses from the first quarter of 2018 through the first quarter of 2019. The full year impact of this effort was not realized during 2018 due to the timing of work, and certain charges associated with the staff reductions.

Mortgage operations experienced stable production volume during 2018, in spite of higher long-term interest rates and seriously compressed margins. Mortgage loan production for 2018 was $747 million compared to $777 million for 2017. In addition, the Bank's warehouse lending business generated approximately $2 billion of production during 2018, which was consistent with its 2017 production level.

Our commercial banking business continues to focus on attracting quality borrowers and generating low cost core deposits. During 2018, the Bank established a treasury management position and management anticipates that over time this role will complement the Bank's lending and deposit generation activities. The Bank's government guaranteed lending business line continues to focus on both SBA and USDA-guaranteed opportunities, and fully implemented during 2018 a "direct to backroom" channel for smaller balance loans. Management expects continued growth of this business line during 2019.

As the last remaining community bank headquartered in Jacksonville, we remain enthusiastic about our business strategy and its many opportunities, and are committed to the board's vision to create a first class banking organization that generates exceptional shareholder returns. Finally, we wish to thank our employees for their commitment to our shared endeavor, and our shareholders and other stakeholders for their continued support.

W. Andrew Krusen, Jr.
Chairman of the Board

J. Malcolm Jones, Jr.
Vice Chairman and CEO