



FINEMARK HOLDINGS, INC.

Dear Shareholder:

On behalf of the Board of Directors, the executive management team, and all of the dedicated associates of FineMark National Bank & Trust, I am pleased to report on the bank's performance for the fourth quarter ending December 31, 2017 and the full year.

Fourth Quarter Financial Highlights

FineMark's assets totaled \$1.6 billion at December 31, 2017, compared to \$1.4 billion at December 31, 2016. This represents a 15 percent increase in assets. Pre-tax operating income totaled \$4.7 million for the fourth quarter, compared to \$2.8 million for the same quarter last year. This increase was both due to higher earnings on loans and increased fee income.

Year-End Financial Highlights

Pre-tax income for 2017 totaled \$15.6 million, 28 percent higher than the \$12.1 million for 2016. Our loan portfolio and asset management business continue to increase and our credit quality and capital levels remain strong. We believe our continued strong revenue growth is a direct result of our commitment to consistently provide the very highest level of service to our clients at each of our 11 offices.

Please refer to attached abbreviated financial statement.

Net Interest Income and Margin

Net interest income totaled \$11.1 million for the fourth quarter, 21 percent higher than \$9.2 million for the fourth quarter 2016. Net loans increased by 22 percent to \$1.2 billion compared to \$986 million at December 31, 2016. The growth in net interest income is attributed to our continued increase in loans. The bank's net interest margin was 2.96 percent as of December 31, 2017.

Deposits grew to \$1.3 billion compared to \$1.1 billion as of December 31, 2016. We believe the deposit growth is a result of our focus on providing outstanding levels of personal service to our clients.

Non-interest Income

Non-interest income, predominantly generated from trust fees, increased 29 percent to \$4.5 million in the fourth quarter compared to \$3.5 million in the fourth quarter of 2016. Investment and trust assets under administration grew to \$3 billion as of December 31, 2017, compared to \$2.3 billion at the same time last year. The continued increase in asset management and trust revenues is a result of our continued commitment to expand and further develop existing relationships as well as acquire and foster new relationships. In addition, we continue to expand and improve the bank's investment platform.

Non-interest Expense

Fourth quarter noninterest expense totaled \$10.6 million, approximately 12 percent higher than the \$9.5 million in the fourth quarter last year. The increase is attributed to our continuing need to hire additional associates to support the high level of service our clients deserve. As of December 31, 2017, FineMark employed 174 talented associates.

Credit Quality

The bank remains fully committed to high credit standards. The overall credit quality remains strong with low levels of classified loans relative to capital and total assets. Classified loans total \$3.4 million which represents 2.1 percent of total capital and reserves. This amount compares favorably to the industry average of 17.28 percent.

The allowance for loan loss reserve was \$12.8 million or 1.06 percent of the total loans outstanding as of December 31, 2017. Management continues to believe this level of reserve is sufficient to support the bank's loan portfolio risk.

Capital

The bank's tier 1 capital ratio was 8.57 percent as of December 31, 2017, compared with 9.02 percent for the fourth quarter 2016. All bank capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. Additionally, FineMark Holdings has over \$11 million of capital to support future growth.

Fourth Quarter 2017 Company Highlights:

Fort Myers Offices

For the eleventh consecutive year, FineMark's Fort Myers offices "adopted" families for Christmas through the United Way. Associates donated more than \$5,000 to purchase gifts for 12 children in five families.

5-Star Rating

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 27 consecutive quarters. The nation's leading independent bank rating and research firm, Bauer Financial, rates banks on a scale from zero to five. Ratings are based on capital ratios, profitability trends, levels of delinquent loans, charge-offs, repossessed assets, liquidity and other historical data.

We thank you for supporting our vision: To make a positive impact on the families, individuals, and communities we serve while being good stewards of FineMark's resources, along with our Mission: Build extraordinary relationships by going above and beyond! Your support and commitment is instrumental to the FineMark's continued success.

Kind regards,



Joseph R. Catti
President & CEO

FineMark Holdings, Inc. and Subsidiary

(Dollars in Thousands, Except per Share Data)

(Unaudited)

Consolidated Statement of Condition

	December 31,	
	2017	2016
Assets		
Total Cash and Cash Equivalents	11,933	13,358
Total Investments	307,993	313,412
Loans, Net of Allowance for Loan Losses	1,199,030	986,466
Premises and Equipment, Net	16,058	12,739
Other Assets	44,537	43,883
Total Assets	\$1,579,551	\$1,369,858
Liabilities & Shareholder's Equity		
<u>Liabilities:</u>		
Total Deposits	1,304,542	1,100,938
Other Borrowings	12,398	7,447
Federal Home Loan Bank Advances	97,473	121,320
Other Liabilities	22,534	9,590
Total Liabilities	\$1,436,947	\$1,239,295
<u>Shareholder's Equity:</u>		
Common Shareholder's Equity	142,604	130,563
Total Liabilities & Shareholder's Equity	\$1,579,551	\$1,369,858
Book Value per Common Share	16.70	15.53
Number of Common Shares Outstanding	8,536,680	8,409,122

Consolidated Statement of Income

	3 Months Ended		12 Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Interest Income				
Loans	11,649	9,064	43,152	33,774
Investment Securities	1,647	1,481	5,677	6,224
Other Interest Income	56	11	180	94
Total Interest Income	13,352	10,556	49,009	40,092
Interest Expense				
Deposits	1,628	805	5,191	3,156
Borrowings	582	546	2,246	2,151
Total Interest Expense	2,210	1,351	7,437	5,307
Net Interest Income	11,142	9,205	41,572	34,785
Provision for Loan Losses	382	455	2,119	2,186
Net Interest Income After Provision for Loan Losses	10,760	8,750	39,453	32,599
Non-Interest Income				
Total Non-Interest Income	4,486	3,482	16,469	14,435
Non-Interest Expense				
Total Non-Interest Expense	10,558	9,447	40,352	34,903
Income Before Income Taxes	4,688	2,785	15,570	12,131
Applicable Income Taxes	2,994	879	5,966	4,152
Net Income	1,694	1,906	9,604	7,979
Basic Earnings per Common Share	0.20	0.22	1.13	0.96