



## FINEMARK HOLDINGS, INC.

Dear Shareholder:

On behalf of the Board of Directors, the 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, 2016 and the year.

### **Year-End Financial Highlights**

FineMark ended 2016 with total assets of \$1.4 billion, compared to \$1.1 billion at the prior year-end. Pre-tax income for 2016 totaled \$12.1 million, 27 percent higher than the \$9.5 million for 2015. 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.

### **Fourth Quarter Financial Highlights**

Pre-tax income totaled \$2.8 million for the fourth quarter, compared to \$2.2 million for the same quarter last year. Both net interest income and noninterest income increased while operating leverage continued to improve.

*Please refer to attached abbreviated financial statement.*

### Net Interest Income

Net interest income totaled \$9.2 million for the quarter, 18 percent higher than \$7.8 million for the fourth quarter 2015. Net loans increased by 24 percent or \$189 million to \$986 million at year-end compared to \$798 million at year-end 2015. The increase in net interest income is predominantly attributed to a significant increase in loan growth and to a lesser extent, the increase in interest rates.

The bank's net interest margin decreased to 2.90 percent from 2.93 percent year-over-year. The decrease resulted mostly from the low interest rate environment.

Deposits grew \$207 million for a total of \$1.1 billion at year-end 2016 compared to \$894 million at year-end 2015. We believe the bank's deposit growth is directly related to the unparalleled, proactive and personal service we provide our clients.

### Noninterest Income

Noninterest income, predominantly generated from asset management and trust fees, increased 18 percent to \$3.5 million in the fourth quarter, compared to \$2.9 million in the fourth quarter of 2015. FineMark ended the year with \$2.3 billion of assets under management and administration, compared to \$2.0 billion last year. Asset management and trust revenues continue to increase as existing relationships are expanded and new relationships are developed.

### Noninterest Expense

Fourth quarter noninterest expense was \$9.4 million, 21 percent higher than the \$7.8 million in the fourth quarter last year. The increase is primarily attributed to costs associated with additional staff needed to support the bank's continued expansion and growth as well as costs associated with regulatory compliance.

### Credit Quality

The bank is 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 \$4.5 million, which represent 3.5 percent of total capital and reserves. This figure is considerably better than the industry average of 18.55 percent.

The allowance for loan loss reserve was \$11.1 million or 1.1 percent of the total loans outstanding as of December 31, 2016. 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 9.02 percent as of December 31, 2016, compared with 9.08 percent for year-ending 2015. All bank capital ratios continue to be in excess of "well-capitalized" regulatory requirements. Additionally, over \$10 million of capital remains in the holding company to support future growth.

### **Fourth Quarter 2016 Company Highlights:**

#### United Way

FineMark and its associates contributed more than \$137,000 to the 2016-2017 United Way Capital Campaign and FineMark was recognized as a Top 10 Pacesetter company.

#### Harlem Heights Community Charter School Donation

FineMark donated \$10,000 to the Harlem Heights Community Charter School, Lee County's newest tuition-free public charter school. The school currently serves kindergarten and first graders with plans to add second and third grades within the next few years.

#### Grand Opening – Charleston, South Carolina

More than 150 clients and friends attended FineMark's grand opening event for its newest office on Daniel Island in Charleston, South Carolina. Charleston is FineMark's first office in South Carolina and 11<sup>th</sup> overall.

#### Blue Zones Project<sup>®</sup>


FineMark's Naples office became a Blue Zones Project Approved<sup>™</sup> worksite. This initiative is designed to make healthy choices easier through permanent changes to environment, policy and social networks. To earn Blue Zones Project approval, FineMark adopted best practices from around the world, implementing small changes to help associates and clients make healthier choices.

#### 5-Star Rating

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 23 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. Your support and commitment is instrumental to the bank'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,	
	2016	2015
<b>Assets</b>		
Total Cash and Cash Equivalents	13,358	13,233
Total Investments	313,412	258,686
Loans, Net of Allowance for Loan Losses	986,466	797,534
Premises and Equipment, Net	12,739	12,811
Other Assets	43,883	32,696
<b>Total Assets</b>	<b>\$1,369,858</b>	<b>\$1,114,960</b>
<b>Liabilities &amp; Shareholder's Equity</b>		
<u>Liabilities:</u>		
Total Deposits	1,100,938	894,032
Other Borrowings	7,447	3,632
Federal Home Loan Bank Advances	121,320	87,156
Other Liabilities	9,590	8,535
<b>Total Liabilities</b>	<b>\$1,239,295</b>	<b>\$993,355</b>
<u>Shareholder's Equity:</u>		
Preferred Stock	0	0
Common Shareholder's Equity	130,563	121,605
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$1,369,858</b>	<b>\$1,114,960</b>
Book Value per Common Share	15.53	14.76
Number of Common Shares Outstanding	8,409,122	8,239,811

### Consolidated Statement of Income

	3 Months Ended		12 Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<b>Interest Income</b>				
Loans	9,064	7,435	33,774	27,306
Investment Securities	1,481	1,625	6,224	5,551
Other Interest Income	11	37	94	72
<b>Total Interest Income</b>	<b>10,556</b>	<b>9,097</b>	<b>40,092</b>	<b>32,929</b>
<b>Interest Expense</b>				
Deposits	805	783	3,156	2,671
Borrowings	546	527	2,151	1,957
<b>Total Interest Expense</b>	<b>1,351</b>	<b>1,310</b>	<b>5,307</b>	<b>4,628</b>
Net Interest Income	9,205	7,787	34,785	28,301
Provision for Loan Losses	455	647	2,186	2,162
<b>Net Interest Income After Provision for Loan Losses</b>	<b>8,750</b>	<b>7,140</b>	<b>32,599</b>	<b>26,139</b>
<b>Non-Interest Income</b>				
Total Non-Interest Income	3,482	2,949	14,435	12,158
<b>Non-Interest Expense</b>				
Total Non-Interest Expense	9,446	7,837	34,902	28,775
Income Before Income Taxes	2,787	2,252	12,133	9,522
Applicable Income Taxes	879	795	4,152	3,385
<b>Net Income</b>	<b>1,906</b>	<b>1,457</b>	<b>7,979</b>	<b>6,137</b>
Preferred Stock Dividends	0	12	0	54
<b>Net Income Applicable to Common Shareholders</b>	<b>1,906</b>	<b>1,445</b>	<b>7,979</b>	<b>6,083</b>
Basic Earnings per Common Share	0.22	0.23	0.96	1.04