



Dear Shareholder:

On behalf of the Board of Directors and the management team of FineMark National Bank & Trust, I am pleased to report on the Bank's performance for the fourth quarter ending December 31, 2013.

**Year End Financial Highlights:**

FineMark ended 2013 with total assets of \$718 million, compared to \$525 million at the prior year-end. Pre-tax income totaled \$3.2 million for 2013, 17 percent lower than the \$3.9 million for the prior year. The decline in pre-tax income was a result of a \$1.6 million decrease in gains from securities sales. On a positive note, income from operations improved to \$2.2 million in 2013 from \$1.3 million the prior year.

**Fourth Quarter Financial Highlights:**

Pre-tax income totaled \$886 thousand for the fourth quarter, compared to \$844 thousand for the same quarter 2012. Fourth quarter income was impacted by the hiring of fourteen people for the Bank's newly opened Naples office.

*Please refer to attached abbreviated financial statement.*

Net Interest Income:

Net interest income totaled \$4.5 million for the quarter, 35 percent higher than the \$3.4 million for the fourth quarter 2012. The increase is attributable to the significant growth of the Bank's loan portfolio with net loans increasing by \$108 million to \$467 million year-end 2013 from \$359 million year-end 2012. The Bank's net interest margins declined from 2.83 percent to 2.70 percent for the quarter. The extended low interest rate environment continues to strain margins.

Total deposits grew by \$49 million in the fourth quarter of 2013, resulting in \$574 million in deposits at year-end. This compares to \$397 million at year-end 2012. This growth is a direct result of new relationships developed in each of FineMark's eight offices.

Year-over-year, the average cost of core deposits declined from 44 basis points to 39 basis points due to the continued low interest rate environment.

Noninterest Income:

Noninterest income generated from asset management and trust fees increased 71 percent to \$1.8 million in the fourth quarter of 2013, compared to \$1.1 million for fourth quarter of 2012. Noninterest income for the year totaled \$6.5 million compared to \$4.7 million for year-end 2012. Asset management and fiduciary services revenues continue to improve as new relationships are developed throughout the organization. FineMark began 2013 with \$910 million in assets under administration and ended the year at \$1.4 billion. Nearly half of the increase is the result of growth in the Naples market.

Income from securities gains totaled \$203 thousand during the fourth quarter 2013, compared to \$194 thousand for the same period last year.

Noninterest Expense:

Fourth quarter noninterest expense was \$5.3 million, 42 percent higher than the \$3.8 million last year. Year-over-year operating expenses were up due to the hiring of additional staff. FineMark added 26 people to new and existing offices in 2013.

Credit Quality:

The Bank's overall credit quality remains strong with low levels of classified loans relative to capital and total assets. Classified loans total \$5.3 million which represents 8.4 percent of total capital and reserves. This figure is considerably better than the industry average of 25 percent.

The allowance for loan loss reserve was \$5.2 million or 1.1 percent of the total loans outstanding as of December 31, 2013. Management continues to believe this level of reserve is sufficient to support the Bank's loan portfolio risk.

Capital:

Tier One Capital ratio was 8.32 percent as of December 31, 2013, compared with 8.22 percent for year-ending 2012. All bank capital ratios continue to be in excess of "well-capitalized" regulatory requirements. Additionally, \$7.8 million of capital remains in the Holding Company to support future growth.

**Fourth Quarter 2013 Business Highlights:**

Naples Office Opens:

FineMark recently opened a Naples office, located at 800 Laurel Oak Drive, near Waterside Shops. While the team occupies the space, improvements will be made, with an expected completion date of early 2015.

Investment Technology:

Improving technology continues to be a priority at FineMark. To that end, the Bank decided to enhance its reporting and trading capabilities on the asset management and trust side of the business. These enhancements will improve the client experience by providing more sophisticated account presentation and performance reports.

Operations Center:

As a result of FineMark's significant growth, we made the difficult decision to relocate many of our "behind the scenes" professionals to a nearby, newly renovated operations center. Fifteen people now work in the operations center with just under 9,000 square feet.

5 Star Rating:

During the fourth quarter, FineMark National Bank & Trust was awarded its 11th consecutive *5-Star Superior Rating* from Bauer Financial, the nation's leading independent bank rating and research firm. Bauer rates banks on a scale from zero to five.

We thank you for your ongoing support and commitment to FineMark. Your contribution is instrumental to the Bank's success. I encourage you to contact me anytime. Your input is greatly appreciated.

Kind Regards,

Joseph R. Catti  
President & CEO