



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 06, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FineMark National Bank & Trust
Charter Number 24719

12681 Creekside Lane
Fort Myers, FL 33919-0000

Office of the Comptroller of the Currency

North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL. 32256-8273

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

FineMark National Bank & Trust has a satisfactory record of meeting credit needs within the community. The following supports this rating.

- The loan-to-deposit ratio exceeds the standards for satisfactory performance.
- A substantial majority of loans are originated in the Lee County assessment area.
- The level of lending to small businesses and the geographic distribution of loans to small businesses is excellent.

SCOPE OF EXAMINATION

FineMark National Bank & Trust (FNBT) was evaluated under the small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through lending activities. Our conclusions were based on an analysis of the bank's owner-occupied residential real estate loans and business loans originated since the bank opened on February 16, 2007 through September 30, 2009.

DESCRIPTION OF INSTITUTION

FNBT was chartered on February 16, 2007 and is a wholly owned by FineMark Holdings, Incorporated, which is a one-bank holding company. This full-service commercial bank is headquartered at its main office in Fort Myers, Lee County, Florida. FNBT also operates a branch in Fort Myers known as their Shell Point Office and a branch in Estero known as their Coconut Point Office.

FNBT's primary lending products are residential real estate and commercial lending. These lending products by dollar consist of 51% and 24% of total loans as of September 30, 2009, respectively. In addition, the bank offers a variety of services to its customers at all of its offices including drive-up facilities, access to ATMs and various deposit products to fit individual needs.

As of September 30, 2009, the bank had total assets of \$197MM with net loans accounting for 54% of total assets. This is FNBT's first Community Reinvestment Act (CRA) evaluation. There are no financial, legal or other impediments that would prevent the bank from meeting the credit needs of the community.

Please refer to the bank's Public File for additional information.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area is the Cape Coral-Fort Myers metropolitan statistical area (MSA), which is the entire Lee County area. This MSA is located in the southwest region of the state and is known for attracting tourists and retirees. Cape Coral is the largest city in the AA and the second largest city in the state in terms of area. The city is also known for its 400 miles of canals, more than any city in the world. Fort Myers is the county seat and the second largest city in the AA. It is known for the winter homes of Thomas Edison and Henry Ford, which are both tourist attractions in the region.

The AA consists of two (2) low-income tracts, twenty-one (21) moderate-income tracts, sixty-seven (67) middle-income tracts and twenty-seven (27) upper-income tracts. This information is based on the 2000 U.S. Census Bureau median family income of \$46,411. According to the census data, the AA has an estimated population of 440,888 with 128,423 families living within the region.

The AA has a large number of retirees. The census data shows 27% of households were retired, while 64% of families were wage earners. And, 42% of households in the area collect Social Security. Department of Housing and Urban Development (HUD) estimated 2007, 2008 and 2009 median family income at \$54,700, \$59,900 and \$60,700, respectively. Family income is based on the HUD estimated median family income for the area. In regards to family income levels, 17.16% of families in the AA are classified as low-income, 19.96% moderate-income, 23.32% middle-income and 39.56% upper-income. Approximately 9% of households earn below the poverty level.

The local economy is primarily driven by the service industry, which employs 31% of the population, followed by the retail sector (11%), and construction sector (10%). According to information from the Lee County Southwest Florida Economic Development Office, the major employers in the AA are Lee County School District (10,405 employees), Lee Memorial Health System (8,800 employees), Publix Super Market (4,215 employees) and Lee County Administration (2,559 employees). The AA meets the legal requirements of CRA and does not arbitrarily exclude low- and moderate-income census tracts.

The AA has been severely impacted by the downturn in the real estate market since 2007. Southwest Florida was especially hit hard by the declining real estate market. After years of double digit property value increases beginning late 2006, the market started to decline significantly. As of April 23, 2009, the area was listed number one among the top 25 cities with the highest foreclosure rates in the nation, according to RealtyTrac. This has also caused the closing of many businesses, which resulted in high unemployment for the area. As of October 30, 2009, the U. S. Bureau of Labor Statistics reports an unemployment rate (not seasonally adjusted) of 13.7% for Lee County, which is well above Florida's state average of 11.2% and the national average of 10%. The deteriorated real estate market and economy have affected the bank's lending, especially home purchase mortgages, refinance and home improvement loans.

Banking competition in the AA is intense with many community banks, regional banks, large banks and credit unions operating in the market. Federal Deposit Insurance Corporation data, as of June 30, 2009, shows 43 financial institutions with a total of 241 offices in the AA. These institutions hold a total of \$12 billion in deposits. The leading banks are Wachovia, Bank of America, Colonial, SunTrust and Fifth Third Bank with a combined market share of 58%. FNBT is ranked 22nd with a market share of 0.96%.

During the evaluation period, we contacted a local community group to help assess the lending needs for the AA. Our meeting with the community group indicates the primary need in the community is affordable housing. They indicated banks are reluctant to partner with community groups to provide mortgage lending for these individuals. Also, individuals attempting to get home improvement financing are finding it difficult to qualify. Many low and moderate-income individuals have insufficient assets now or have poor credit histories. This coupled with tightening of credit standards has reduced the mortgage financing opportunities in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio - Exceeds the Standard for Satisfactory Performance**

FNBT’s average loan-to-deposit (LTD) ratio is more than reasonable at 119.71%. The average LTD was calculated and averaged for each quarter from June 2007 through September 30, 2009. We compared the bank’s average LTD ratio to similarly sized banks in the area. The average LTD ratio of the peer banks is 94.07%, with the highest average LTD ratio of 109.69% and the lowest average ratio of 72.38%.

- **Lending in Assessment Area - Meets the Standards for Satisfactory Performance**

A majority of business and residential real estate lending are originated in the AA. This conclusion is based on analysis of a statistically valid sample of 27 business loans and all residential real estate loans reportable under HMDA, which totaled 88 loans that originated February 16, 2007 through September 30, 2009. As detailed in Table 1 on the next page, 90% by number and 83% by dollar amount of sampled business and residential real estate loans made during our evaluation period were within the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	77	87.5	11	12.5	88	32,927	74.46	11,297	25.54	44,224
Business	26	96.7	1	3.3	27	24,398	98.19	450	1.81	24,848
Totals	103	89.57	12	10.43	115	57,325	82.99	1,873	17.01	69,072

Sources: data reported under HMDA

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes – Meets the Standard for Satisfactory Performance**

The bank’s the distribution of originated loans within the bank’s AA in comparison to the individual income levels and the distribution of business is considered reasonable. Our analysis is based on a review of all residential real estate loans and sample of business loans made in the AA since the bank was chartered.

While the bank’s lending to borrowers of different incomes in the Lee County AA is less than the demographic comparator, we took into consideration the county has been severely impacted by the downturn in the real estate market and experienced a record number of foreclosures since the bank opened in 2007. This has specifically limited opportunities to make loans to low- and moderate –income individuals.

Our analysis is based on a review of all residential real estate loans made in the AA since the bank was chartered. As depicted below, approximately 17% of the families in the Lee County AA are classified as low-income, and 2.6% of the bank’s residential mortgages were made to low-income borrowers. Additionally, 20% of the families residing within the AA are classified as moderate-income and the bank originated 5.19% of residential mortgages to moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Lee County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	17.16	2.6	19.96	5.19	23.32	5.19	39.56	87.02

Sources: Source: U.S. Census data. Income

As lending opportunities have been limited, FNBT is committed to researching organizations in the area to help meet the low- to moderate-income housing needs. The bank was able to do this, in part, by purchasing four interest free loans at a discount from Habitat for Humanity of Lee County, Inc. (Habitat). The organization was incorporated October 8, 1982 and is dedicated to providing housing for those families who cannot otherwise afford a decent place to live. Habitat is a non-profit organization funded by public contributions. The purchase price of the loans from Habitat was \$253,419.34.

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Since opening, 69% of the bank’s business loans were originated to small businesses, which equates to 64% of the total dollar volume of the business loans originated. Small businesses have gross annual revenues of one million dollars or less. Additionally, 15 loans, or 60% of all business loans made in the AA, had original amounts of \$250 thousand or less. Likewise, 17 loans, or 65% of the business loans, had original amounts of \$500 thousand or less. Please refer to the chart below for

additional detail.

Table 2A - Borrower Distribution of Loans to Businesses in Lee County AA				
Business Revenues (or Sales)	≤\$1,000,000	≥\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.79	3.17	32.04	100%
% of Bank Loans in AA by #	69.23	30.77	0	100%
% of Bank Loans in AA by \$	64.32	35.68	0	100%

Source: Loan sample; Dunn and Bradstreet data

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Lee County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	6	23.08	389,643	1.6
\$100,001 - \$250,000	9	34.62	1,688,700	6.9
\$250,001 - \$500,000	2	7.69	624,000	2.56
\$500,001 - \$1,000,000	2	7.69	1,140,947	4.68
Over \$1,000,000	7	26.92	20,554,746	84.26

Source: Loan sample

- **Geographic Distribution of Loans - Meets the Standards for Satisfactory Performance**

The bank’s geographic distribution of loans in the AA reflects reasonable dispersion through census tracts of different income levels. Our analysis is based on a review of all residential real estate loans and sample of business loans made in the AA since the bank was chartered. The following tables reflect the distribution of originated loans within the bank’s AA by income designation of census tract.

The bank originated 1.3% of the residential real estate loans in low-income census tracts; approximately 1% of the owner occupied housing in the Lee AA are classified as low-income. Additionally, 13% of the owner occupied housing within the AA are classified as moderate-income while the bank originated 2.6% of residential mortgages in the moderate-income AA.

While the bank’s record of lending is lower than the percentage of owner occupied homes within moderate- and middle-income tracts, this is considered to be the result of the local economic conditions. Given the high number of residential foreclosures in the area, there have been limited the opportunities to make new residential loans within the bank's market area, particularly within these tracts. As previously mentioned, the bank has researched other opportunities to assist with lending to low and moderate-income borrowers, which will also generally benefits lending within these tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Lee County AA
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Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	0.87	1.3	13.24	2.6	63.05	36.36	22.84	59.74

Source: data reported under HMDA

As shown below, the distribution of loans reflects excellent business lending in the moderate-income census tracts. Although the bank has not made any loans in the low-income tracts, this is consistent with the opportunities in these areas as there are only .99% of businesses in those tracts. The bank made 15% of its total number of loans in the moderate-income tracts, which is equal to the 14.45% of businesses in those tracts. The bank originated two loans totaling \$3 million for multi-family housing apartments. These apartments have rents below the AA average monthly gross rent and provide affordable housing for low- and moderate-income persons. This was also considered relevant with respect to offsetting the limited residential lending opportunities within these tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.99	0	14.45	15.38	59.54	42.31	25.02	42.31

Sources: Loan Sample; D & B data

Responses to Complaints

FNBT did not receive any CRA related complaints during the CRA evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.