



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 first quarter ending March 31, 2018.

FIRST QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled just under \$1.7 billion as of March 31, 2018 compared to \$1.4 billion for the same period last year, representing a 19 percent increase. Pre-tax operating income increased by 67 percent to \$4.6 million for the first quarter, compared to \$2.7 million for the same quarter last year. This increase was due in part to changes to the U.S. tax code, which resulted in lower corporate tax rates. In addition, the bank realized higher net interest income and noninterest income excluding gains.

Please refer to attached abbreviated financial statement.

NET INTEREST INCOME

Net interest income totaled \$11.5 million for the quarter, 19 percent higher than \$9.6 million for the first quarter 2017. Net loans increased by 18 percent to over \$1.2 billion compared to just over \$1 billion at March 31, 2017. The growth in net interest income is primarily attributed to our continued loan growth.

The bank's net interest margin decreased to 2.81 percent from 2.95 percent through March 31, 2018. Early in the first quarter, the bank experienced significant deposit growth. The time between the deposit influx and the deployment of the funds, drove down the net interest margin.

Deposits grew to \$1.4 billion compared to \$1.2 billion as of March 31, 2017. Much of the aforementioned deposit growth in the first quarter was the result of several new clients to the bank.

NONINTEREST INCOME

Noninterest income, predominantly generated from asset management and trust fees, increased 21 percent to \$4.5 million in the first quarter, compared to \$3.7 million in the first quarter of 2017. Investment and trust assets under management and administration grew to \$3.3 billion as of March 31, 2018, compared to \$2.5 billion at the same time last year. The continued increase in revenues from our asset management and trust business is a result of many new relationships and the expansion of existing relationships.

NONINTEREST EXPENSE

First quarter noninterest expense totaled \$11 million, approximately 11 percent higher than the \$10 million in the first quarter last year. The increase is a direct result of costs associated with hiring additional associates needed to support the bank's continued growth.



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CREDIT QUALITY

The bank is fully committed to high credit standards. The overall credit quality remains strong with very low levels of classified loans relative to capital and total assets. Classified loans total \$3.4 million, which represents 2.2 percent of total capital and reserves. This figure is significantly better than the industry average of 17.6 percent.

The allowance for loan loss reserve was \$13.2 million or 1.06% percent of the total loans outstanding as of March 31, 2018. 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 7.82 percent as of March 31, 2018, compared with 8.82 percent for the first quarter 2017. All bank capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. Additionally, FineMark Holdings has over \$10 million of capital to support future growth. When the \$10 million of capital, held at the Holding Company is considered, the tier 1 capital ratio improves to 8.42 percent.

FIRST QUARTER 2018 COMPANY HIGHLIGHTS:

CYPRESS COVE

FineMark National Bank & Trust will be the exclusive bank to serve Cypress Cove, a continuing care retirement community located in Fort Myers at Healthpark. The community has 363 independent living units along with a number of assisted living accommodations. The office will officially open mid-June of this year. Tammy Cousin, who has been with FineMark since 2015, will manage the office.

5-STAR RATING

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 28 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

	March 31,	
	2018	2017
Assets		
Total Cash and Cash Equivalents	18,926	27,998
Total Investments	362,977	280,070
Loans, Net of Allowance for Loan Losses	1,230,491	1,046,048
Premises and Equipment, Net	15,802	13,275
Other Assets	47,069	45,089
Total Assets	\$1,675,265	\$1,412,480
Liabilities & Shareholder's Equity		
<u>Liabilities:</u>		
Total Deposits	1,422,496	1,162,591
Other Borrowings	1,196	6,753
Federal Home Loan Bank Advances	96,935	102,083
Other Liabilities	11,614	7,327
Total Liabilities	\$1,532,241	\$1,278,754
<u>Shareholder's Equity:</u>		
Common Shareholder's Equity	143,024	133,726
Total Liabilities & Shareholder's Equity	\$1,675,265	\$1,412,480
Book Value per Common Share	16.67	15.81
Number of Common Shares Outstanding	8,581,992	8,459,211

Consolidated Statement of Income

	3 Months Ended	
	March 31,	
	2018	2017
Interest Income		
Loans	11,962	9,697
Investment Securities	1,983	1,329
Other Interest Income	481	21
Total Interest Income	14,426	11,047
Interest Expense		
Deposits	2,514	919
Borrowings	461	524
Total Interest Expense	2,975	1,443
Net Interest Income	11,451	9,604
Provision for Loan Losses	362	622
Net Interest Income After Provision for Loan Losses	11,089	8,982
Non-Interest Income		
Total Non-Interest Income	4,502	3,719
Non-Interest Expense		
Total Non-Interest Expense	11,022	9,972
Income Before Income Taxes	4,569	2,729
Applicable Income Taxes	1,149	932
Net Income	3,420	1,797
Basic Earnings per Common Share	0.40	0.21
Fully Diluted Earnings Per Share	0.39	0.21