



FINEMARK HOLDINGS, INC.

DEAR VALUED SHAREHOLDERS AND ASSOCIATES

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 second quarter ending June 30, 2018.

SECOND QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled \$1.7 billion as of June 30, 2018, representing a 19 percent increase from last year's second quarter total of \$1.5 billion. Pre-tax operating income totaled \$5.2 million for the second quarter, compared to \$3.6 million for the same quarter last year. This increase was largely due to increased income from loans and managed assets, as well as gains related to debt extinguishment.

Please refer to attached abbreviated financial statement.

NET INTEREST INCOME AND MARGIN

Net interest income totaled \$11.6 million for the quarter, 14 percent higher than \$10.2 million for the second quarter 2017. Net loans increased by 12 percent to \$1.3 billion compared to \$1.1 billion at June 30, 2017.

The bank's net interest margin is 2.82 percent compared to 2.95 percent at the same time last year. The rising cost of deposits, coupled with overall flattening of the yield curve, has resulted in a compressed net interest margin. This trend may continue if the Federal Reserve continues to increase short-term rates.

Deposits grew to \$1.4 billion compared to \$1.2 billion as of March 31, 2017. Our steadfast focus on delivering high levels of client service by our experienced professionals, while being genuine and sincere, continues to attract new individuals and families to each of our FineMark offices.

NONINTEREST INCOME

Noninterest income, predominantly generated from trust fees, increased 31 percent to \$5.3 million in the second quarter, compared to \$4 million in the second quarter of 2017. Investment and trust assets under administration grew to \$3.4 billion as of June 30, 2018, compared to \$2.6 billion at the same time last year. The bank has experienced substantial growth from existing clients, along with new clients to FineMark.

NONINTEREST EXPENSE

Second quarter noninterest expense totaled \$11.3 million, approximately 16 percent higher than the \$9.8 million in the second quarter 2017. The increase is predominately due to hiring 19 new associates in the first six months of 2018. The additional associates will help ensure we maintain the service levels we are committed to provide to our clients.



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CREDIT QUALITY

The bank remains fully committed to high credit standards. The overall credit quality continues to be strong with low levels of classified loans, relative to capital and total assets. Classified loans totaled \$1.7 million, which represents .94 percent of total capital and reserves. This amount is considered exceptional when compared to the industry average of 17.2 percent.

The allowance for loan loss reserve was \$ 13.1 million or 1.03% percent of the total loans outstanding as of June 30, 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 9.55 percent as of June 30, 2018, compared with 8.63 percent for the second quarter 2017. All bank capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. Additionally, FineMark Holdings has over \$20 million of capital to support future growth. The substantial increase in capital was generated from a \$30 million dollar subordinated debt offering, which is discussed below.

SECOND QUARTER 2018 COMPANY HIGHLIGHTS:

KROLL RATING

In June, Management made the decision to have the Kroll Bond Rating Agency (KBRA) rate the bank and Holding Company, in conjunction with a subordinated debt offering. Both rated investment grade with the bank rating BBB+ and the Holding Company rated BBB. Kroll's outlook was stable.

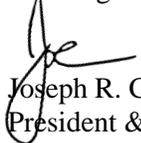
SUBORDINATE DEBT

To address the need for additional capital, FineMark issued \$30 million in subordinate debt, in lieu of selling stock. The debt has a 10-year maturity with a 5-year fixed interest rate of 5.875%. After five years, the rate can reset quarterly at three month LIBOR plus 2.97 percent. Proceeds of debt will be used to support the bank's capital position, along with general corporate purposes.

5-STAR RATING

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 29 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.

Kind regards,



Joseph R. Catti
President & CEO

FineMark Holdings, Inc. and Subsidiary

(Dollars in Thousands, Except per Share Data)

(Unaudited)

Consolidated Statement of Condition

	June 30,	
	2018	2017
Assets		
Total Cash and Cash Equivalents	39,935	14,659
Total Investments	366,739	257,736
Loans, Net of Allowance for Loan Losses	1,266,084	1,129,607
Premises and Equipment, Net	17,213	14,132
Other Assets	47,626	44,037
Total Assets	\$1,737,597	\$1,460,171
Liabilities & Shareholder's Equity		
<u>Liabilities:</u>		
Total Deposits	1,411,862	1,188,987
Other Borrowings	1,801	11,441
Federal Home Loan Bank Advances	133,397	114,547
Subordinated Debt	29,550	0
Other Liabilities	13,661	7,082
Total Liabilities	\$1,590,271	\$1,322,057
<u>Shareholder's Equity:</u>		
Common Shareholder's Equity	147,326	138,114
Total Liabilities & Shareholder's Equity	\$1,737,597	\$1,460,171
Book Value per Common Share	17.10	16.21
Number of Common Shares Outstanding	8,614,179	8,518,158

Consolidated Statement of Income

	3 Months Ended		6 Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Interest Income				
Loans	12,623	10,570	24,585	20,267
Investment Securities	2,125	1,311	4,108	2,640
Other Interest Income	102	34	583	55
Total Interest Income	14,850	11,915	29,276	22,962
Interest Expense				
Deposits	2,504	1,193	5,018	2,112
Borrowings	761	535	1,222	1,059
Total Interest Expense	3,265	1,728	6,240	3,171
Net Interest Income	11,585	10,187	23,036	19,791
Provision for Loan Losses	343	810	705	1,432
Net Interest Income After Provision for Loan Losses	11,242	9,377	22,331	18,359
Non-Interest Income				
Total Non-Interest Income	5,266	4,023	9,768	7,742
Non-Interest Expense				
Total Non-Interest Expense	11,334	9,800	22,356	19,772
Income Before Income Taxes	5,174	3,600	9,743	6,329
Applicable Income Taxes	1,061	1,261	2,210	2,193
Net Income	4,113	2,339	7,533	4,136
Basic Earnings per Common Share	0.48	0.28	0.88	0.49