

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 third quarter ending September 30, 2012.

### **Third Quarter Financial Highlights**

FineMark's assets totaled \$505 million as of September 30, 2012, compared to \$430 million for the same quarter ended 2011. Pre-tax income was \$1.6 million for the quarter, compared to \$1.3 million for the third quarter last year. The increase is a result of strong revenue growth (increased lending activity and asset management fees) coupled with slower expense growth.

*Please refer to attached abbreviated financial statement.*

#### Net Interest Income

Net interest income totaled \$3 million for the quarter, which was 28 percent higher than the \$2.3 million for the third quarter 2011. The increase resulted from a lower cost of deposits and significant loan growth. Net interest margin improved to 2.61 percent, from 2.54 percent for the same period last year primarily due to the balance sheet composition change from investment securities to loans.

Net Loans grew to \$314 million as of September 30, 2012, up from \$194 million for the same period last year. Loan growth was robust as a result of offices opening in Arizona, Palm Beach and Naples, along with increased loan demand in existing locations.

Total deposits grew to \$344 million as of September 30, 2012 compared to \$326 million as of September 30, 2011. Year-over-year, the average cost of core deposits declined from .91 percent to .45 percent due to the continued low interest rate environment.

#### Noninterest Income

Noninterest income generated from asset management and trust fees totaled \$1 million in the third quarter of 2012, compared to \$729 thousand for third quarter of 2011. Investment and trust assets grew to \$863 million from \$414 for the respective period last year. Asset management revenues continue to increase from developing new relationships across the organization.

Income from securities gains was \$1.2 million during the third quarter 2012. Again, securities sales were triggered by the need to fund loan growth.

### Noninterest Expense

Noninterest expense was \$3.7 million, 20 percent higher than the \$3.1 million last year third quarter. Year-over-year increase in noninterest expense was due to the addition of 18 new employees and opening new offices.

### Credit Quality

The bank's overall credit quality remains strong with low levels of classified loans relative to capital and total assets of the bank. Classified loans total \$7.1 million which represents 16 percent of total capital and reserves. This figure is considered to be better than the industry standard.

The allowance for loan loss balance was \$3.4 million or 1.1 percent of the total loans outstanding as of September 30, 2012. Management continues to believe this level of reserve is sufficient to support the bank's loan portfolio risk.

### Capital

Tier One Capital ratio was 8.47 percent as of September 30, 2012, compared with 9.15 percent for the same quarter last year. All bank capital ratios continue to be in excess of "well-capitalized" regulatory requirements. Additionally, \$6.2 million of capital remains in the Holding Company to support future growth.

## **Third Quarter 2012 Business Highlights**

### **\$300 Million Loans**

FineMark reached a significant milestone in the bank's five and a half year history by surpassing \$300 million in outstanding loans. Loan growth has been robust in all of the communities we serve, with significant contributions from our newly opened Scottsdale, Palm Beach and Naples offices. We have accomplished this while maintaining the integrity of our loan portfolio. Non-performing and substandard loans remain well below industry norms.

### **Full service banking in Palm Beach and Naples**

The office of the Comptroller of the Currency (OCC) has given FineMark regulatory approval to offer full service banking in our Palm Beach and Naples offices. We are currently looking to expand both locations to provide all of our services.

### **Mobile Banking**

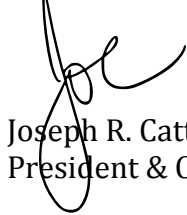
FineMark now offers a Mobile Banking App to clients. With this app, you can check balances, transfer funds between your accounts and pay bills, easily from your phone. It is a fast, free and secure way to access your accounts. The app is available for iPhone, Blackberry and Android devices.

### **5 Star Rating**

During the third quarter, FineMark National Bank & Trust was awarded its sixth 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. Ratings are based on capital ratios, profitability trends, levels of delinquent loans, charge offs, repossessed assets, liquidity and other historical data. FineMark is the only bank headquartered in Southwest Florida to receive the highest rating six consecutive times.

On behalf of my colleagues at FineMark, I thank you for your continued support and confidence. I sincerely hope you are pleased with the progress of your company. Please do not hesitate to contact me at any time. Wishing you and your family a wonderful holiday season.

Kind Regards,



Joseph R. Catti  
President & CEO

## FineMark Holdings, Inc. and Subsidiary

(Dollars in Thousands, Except per Share Data)

(Unaudited)

### Consolidated Statement of Condition

	September 30	
	2012	2011
<b>Assets</b>		
Total Cash and Cash Equivalents	26,837	24,461
Total Investments	141,086	190,550
Loans, Net of Allowance for Loan Losses	314,098	194,123
Premises and Equipment, Net	11,367	10,590
Other Assets	11,995	10,229
<b>Total Assets</b>	<b>\$505,383</b>	<b>\$429,953</b>
<b>Liabilities &amp; Shareholder's Equity</b>		
<u>Liabilities:</u>		
Total Deposits	345,747	327,041
Other Borrowings	25,529	5,388
Federal Home Loan Bank Advances	84,611	50,975
Other Liabilities	1,722	775
<b>Total Liabilities</b>	<b>\$457,609</b>	<b>\$384,179</b>
<u>Shareholder's Equity:</u>		
Preferred Stock	5,642	5,665
Shareholder's Equity	42,132	40,109
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$505,383</b>	<b>\$429,953</b>
Book Value per Common Share	10.74	10.31
Number of Common Shares Outstanding	3,922,334	3,891,813

### Consolidated Statement of Income

	3 Months Ended		6 Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
<b>Interest Income</b>				
Loans	3,093	2,338	8,349	6,396
Investment Securities	799	1,094	2,932	3,709
Other Interest Income	7	23	23	23
<b>Total Interest Income</b>	<b>3,899</b>	<b>3,432</b>	<b>11,304</b>	<b>10,105</b>
<b>Interest Expense</b>				
Deposits	389	749	1,321	2,358
Borrowings	508	338	1,300	999
<b>Total Interest Expense</b>	<b>897</b>	<b>1,087</b>	<b>2,621</b>	<b>3,357</b>
Net Interest Income	3,002	2,345	8,683	6,748
Provision for Loan Losses	75	100	579	215
<b>Net Interest Income After Provision for Loan Losses</b>	<b>2,927</b>	<b>2,245</b>	<b>8,104</b>	<b>6,533</b>
<b>Non-Interest Income</b>				
Total Non-Interest Income	2,441	2,230	5,870	4,153
<b>Non-Interest Expense</b>				
Total Non-Interest Expense	3,752	3,127	11,335	8,798
Income Before Income Taxes	1,616	1,348	2,639	1,888
Applicable Income Taxes	594	512	927	711
<b>Net Income</b>	<b>1,022</b>	<b>836</b>	<b>1,712</b>	<b>1,177</b>
Preferred Stock Dividends	14	49	49	49
<b>Net Income Applicable to Common Shareholders</b>	<b>1,008</b>	<b>836</b>	<b>1,663</b>	<b>1,177</b>
Earnings per Common Share	0.26	0.21	0.42	0.30