



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 and year ending December 31, 2012.

Year End Financial Highlights

FineMark ended 2012 with total assets of \$528 million, compared to \$449 million at the prior year-end. Pre-tax income totaled \$3.1 million for the year, 63 percent higher than the \$1.9 million for the year ending December 31, 2011. Total net revenue was \$19.4 million, compared with \$14.5 million in 2011.

Fourth Quarter Financial Highlights

Pre-tax income totaled \$489 thousand for the fourth quarter, compared to \$37 thousand for the fourth quarter 2011. Year-over-year pre-tax income growth was driven by increased lending activity and asset management fees, coupled with expense management and increased operating leverage.

Please refer to attached abbreviated financial statement.

Net Interest Income

Net interest income totaled \$3.4 million for the quarter, 41 percent higher than \$2.4 million for the fourth quarter 2011. The increase was primarily attributed to significant loan growth as well as lower funding costs. Net interest margin improved to 2.88 percent, from 2.38 percent for the same period last year. This was primarily due to a reduction in securities (lower yielding assets) and the aforementioned increase in loans.

Net Loans grew to \$361 million at December 31, 2012, up from \$213 million in 2011. The bank continued to experience strong loan growth throughout the fourth quarter. The growth was driven by new offices in Arizona, Naples and Palm Beach as well as growth in FineMark's existing locations.

Net deposit growth totaled \$47 million in 2012, resulting in \$390 million in deposits at year-end. The average cost of deposits declined to 0.44% compared to 0.79% during fourth quarter 2011. This is a result of an ongoing low interest rate environment.

FineMark Holdings, Inc. and Subsidiary

(Dollars in Thousands, Except per Share Data)

(Unaudited)

Consolidated Statement of Condition

	December 31	
	2012	2011
Assets		
Total Cash and Cash Equivalents	11,632	8,737
Total Investments	130,365	203,750
Loans, Net of Allowance for Loan Losses	361,422	213,248
Premises and Equipment, Net	11,325	10,742
Other Assets	13,124	12,404
Total Assets	<u>\$527,868</u>	<u>\$448,881</u>
Liabilities & Shareholder's Equity		
<u>Liabilities:</u>		
Total Deposits	390,419	343,274
Other Borrowings	2,942	3,707
Federal Home Loan Bank Advances	81,993	54,727
Other Liabilities	4,702	1,357
Total Liabilities	<u>\$480,056</u>	<u>\$403,065</u>
<u>Shareholder's Equity:</u>		
Preferred Stock	5,642	5,665
Shareholder's Equity	42,170	40,151
Total Liabilities & Shareholder's Equity	<u>\$527,868</u>	<u>\$448,881</u>
Book Value per Common Share	10.75	10.23
Number of Common Shares Outstanding	3,922,834	3,924,005

Consolidated Statement of Income

	3 Months Ended December 31		12 Months Ended December 31	
	2012	2011	2012	2011
Interest Income				
Loans	3,486	2,381	11,835	8,777
Investment Securities	782	1,015	3,713	4,723
Other Interest Income	12	20	35	20
Total Interest Income	<u>4,279</u>	<u>3,415</u>	<u>15,583</u>	<u>13,520</u>
Interest Expense				
Deposits	404	665	1,725	3,023
Borrowings	479	345	1,780	1,344
Total Interest Expense	<u>884</u>	<u>1,010</u>	<u>3,505</u>	<u>4,367</u>
Net Interest Income	<u>3,396</u>	<u>2,405</u>	<u>12,079</u>	<u>9,153</u>
Provision for Loan Losses	<u>200</u>	<u>166</u>	<u>779</u>	<u>381</u>
Net Interest Income After Provision for Loan Losses	<u>3,196</u>	<u>2,239</u>	<u>11,299</u>	<u>8,772</u>
Non-Interest Income				
Total Non-Interest Income	<u>1,457</u>	<u>1,226</u>	<u>7,327</u>	<u>5,379</u>
Non-Interest Expense				
Total Non-Interest Expense	<u>4,163</u>	<u>3,428</u>	<u>15,498</u>	<u>12,226</u>
Income Before Income Taxes	<u>489</u>	<u>37</u>	<u>3,128</u>	<u>1,925</u>
Applicable Income Taxes	<u>187</u>	<u>-22</u>	<u>1,115</u>	<u>689</u>
Net Income	<u>302</u>	<u>59</u>	<u>2,014</u>	<u>1,236</u>
Preferred Stock Dividends	<u>14</u>	<u>15</u>	<u>63</u>	<u>15</u>
Net Income Applicable to Common Shareholders	<u>288</u>	<u>44</u>	<u>1,951</u>	<u>1,221</u>
Earnings per Common Share	<u>0.07</u>	<u>0.01</u>	<u>0.50</u>	<u>0.31</u>



Noninterest Income

Noninterest income generated from asset management and trust fees totaled \$1 million in the fourth quarter of 2012, compared to \$637 thousand in the fourth quarter 2011. Investment and trust assets grew to \$910 million year-end 2012 from \$671 million in 2011. Asset management revenues continue to increase as new relationships are developed throughout the organization.

Income from securities gains totaled \$194 thousand during the fourth quarter 2012, compared to \$229 thousand for the same period last year.

Noninterest Expense

Fourth quarter noninterest expense was \$4.2 million, 21 percent higher than the \$3.4 million last year. Year-over-year operating expenses were up primarily due to the hiring of staff for FineMark's new locations along with the hiring of additional people to handle increased business in existing locations.

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 \$6.9 million which represents 13 percent of total capital and reserves. This figure remains favorable when compared to industry averages.

The allowance for loan loss balance was \$3.6 million or 1 percent of the total loans outstanding as of December 31, 2012. Management continues to believe this level of reserve is sufficient to support the risk associated with the bank's loan portfolio.

Capital

Tier One Capital ratio was 8.22 percent as of December 31, 2012, compared with 8.91 percent for the year ending 2011. All bank 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.



Fourth Quarter 2012 Business Highlights

FineMark Exceeds \$500 Million

FineMark National Bank & Trust exceeded \$500 million in total assets as of December 1, 2012, two months prior to the bank's sixth anniversary. This is a significant milestone, especially considering the many challenges faced by the financial services industry and local economy. The number of employees at FineMark also has grown substantially over the past year. In December of 2011, FineMark employed 64 people, compared to 85 employees today.

5 Star Rating

During the fourth quarter, FineMark National Bank & Trust was awarded its 7th 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.

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 questions, comments and thoughts are greatly appreciated.

The annual shareholders meeting has been scheduled for Thursday, April 25th at 9am. The meeting will be held at FineMark's Fort Myers office (12681 Creekside Lane). The package containing the 2012 Annual Report, along with the proxy statement, will be mailed in early April.

Kind Regards,

A handwritten signature in black ink, appearing to read "JC", written over the printed name and title.

Joseph R. Catti
President & CEO