



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 second quarter ending June 30, 2017.

Second Quarter Financial Highlights

FineMark's assets totaled \$1.46 billion as of June 30, 2017, compared to \$1.26 billion for the same period last year. This represents a 16 percent increase in assets. Pre-tax operating income totaled \$3.6 million for the second quarter, compared to \$3 million for the same quarter last year. This increase was largely due to higher income from both loans and managed assets.

Please refer to attached abbreviated financial statement.

Net Interest Income and Margin

Net interest income totaled \$10.2 million for the quarter, 18 percent higher than \$8.6 million for the second quarter 2016. Net loans increased by 15 percent to \$1.1 billion compared to \$871.8 million at June 30, 2016. The growth in net interest income is attributed to our continued increase in loan growth. The bank's net interest margin stayed the same at 2.95 percent.

Deposits grew to \$1.2 billion compared to \$980 million as of June 30, 2016. The deposit growth is a direct result of the outstanding and incomparable level of personal service we provide our clients.

Noninterest Income

Noninterest income, predominantly generated from trust fees, increased 14 percent to \$4 million in the second quarter compared to \$3.5 million in the second quarter of 2016. Investment and trust assets under administration grew to \$2.6 billion as of June 30, 2017, compared to \$2.1 billion at the same time last year. The continued increase in asset management and trust revenues is a result of our continued commitment to expand and further develop existing relationships as well as acquire and foster new relationships.

Noninterest Expense

Second quarter noninterest expense totaled \$9.8 million, approximately 15 percent higher than the \$8.5 million in the second quarter last year. The increase is attributed to our exceptional growth and the need to hire additional associates to support our clients. As of June 30, 2017, FineMark had 170 associates compared with 151 associates as of June 30, 2016. Since January 1 of this year, we have hired 11 new associates. The bank will continue to hire talented associates as needed to support the high level of service our clients have come to expect.

Credit Quality

The bank remains fully committed to high credit standards. The overall credit quality remains strong with low levels of classified loans relative to capital and total assets. Classified loans total \$2 million, which represents 1.3 percent of total capital and reserves. This amount is significantly better than the industry average of 18.2 percent.

The allowance for loan loss reserve was \$12.1 million or 1.06 percent of the total loans outstanding as of June 30, 2017. 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 8.63 percent as of June 30, 2017, compared with 9.41 percent for the second quarter 2016. All bank capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. Additionally, FineMark Holdings has over \$12 million of capital to support future growth.

Second Quarter 2017 Company Highlights:

Arizona Office

Construction of FineMark's 2,600 square foot addition at the DC Ranch location is nearly complete. The additional space is providing conference rooms for client meetings as well as a community room and commercial kitchen to accommodate for lunches, dinners, and group events. The new space will also be home to the Scottsdale lending team.

5-Star Rating

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 25 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, along with our Mission: Build extraordinary relationships by going above and beyond! 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

	June 30,	
	2017	2016
Assets		
Total Cash and Cash Equivalents	14,659	19,046
Total Investments	257,736	326,700
Loans, Net of Allowance for Loan Losses	1,129,607	871,790
Premises and Equipment, Net	14,132	12,553
Other Assets	44,037	33,222
Total Assets	\$1,460,171	\$1,263,311
Liabilities & Shareholder's Equity		
<u>Liabilities:</u>		
Total Deposits	1,188,987	979,635
Other Borrowings	11,441	9,954
Federal Home Loan Bank Advances	114,547	133,682
Other Liabilities	7,082	12,545
Total Liabilities	\$1,322,057	\$1,135,816
<u>Shareholder's Equity:</u>		
Preferred Stock	0	0
Common Shareholder's Equity	138,114	127,495
Total Liabilities & Shareholder's Equity	\$1,460,171	\$1,263,311
Book Value per Common Share	16.21	15.51
Number of Common Shares Outstanding	8,518,158	8,220,796

Consolidated Statement of Income

	3 Months Ended		6 Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Interest Income				
Loans	10,570	8,232	20,267	16,099
Investment Securities	1,311	1,705	2,640	3,258
Other Interest Income	34	25	55	55
Total Interest Income	11,915	9,962	22,962	19,412
Interest Expense				
Deposits	1,193	804	2,112	1,557
Borrowings	535	517	1,059	999
Total Interest Expense	1,728	1,321	3,171	2,556
Net Interest Income	10,187	8,641	19,791	16,856
Provision for Loan Losses	810	653	1,432	1,169
Net Interest Income After Provision for Loan Losses	9,377	7,988	18,359	15,687
Non-Interest Income				
Total Non-Interest Income	4,023	3,523	7,742	7,008
Non-Interest Expense				
Total Non-Interest Expense	9,801	8,492	19,772	16,674
Income Before Income Taxes	3,599	3,019	6,329	6,021
Applicable Income Taxes	1,260	1,037	2,193	2,121
Net Income	2,339	1,982	4,136	3,900
Preferred Stock Dividends	0	0	0	0
Net Income Applicable to Common Shareholders	2,339	1,982	4,136	3,900
Basic Earnings per Common Share	0.28	0.24	0.49	0.47