

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 during the quarter ending June 30, 2011.

## **Second Quarter Financial Highlights**

FineMark had a second quarter net income before taxes of \$449 thousand. This figure is in line with net income before taxes for the second quarter of 2010. Pre-tax income was more heavily weighted from core operations for the second quarter 2011, compared to a more significant weight in securities gains for second quarter of 2010.

Total income (net interest income and noninterest income) for the second quarter of 2011 was \$3.5 million versus \$2.8 million for the same quarter of 2010. This 36% increase resulted from higher earning asset balances and improved net interest margin. Net interest income grew by \$818 thousand. FineMark's net interest margin was 2.43% for the second quarter of 2011, compared to 2.37% for the second quarter 2010. The improved net interest margin was due to a lower interest expense. Income generated from investment and trust management fees, a primary component of noninterest income, increased by \$182 thousand. Income from securities gains decreased by \$307 thousand as we realized \$329 thousand in gains during the second quarter 2011, versus \$636 thousand in 2010.

Noninterest expenses for the quarter totaled \$3 million versus \$2.1 million for the same period last year, representing a 41% increase. The increase in noninterest expense was principally due to compensation and employee benefits related to the bank's growing business, including expansion into new markets and additional employees. We also experienced higher FDIC insurance premiums and Office of the Comptroller of the Currency assessments totaling \$172 thousand.

Deposits ended the second quarter at \$326 million, up from \$223 million as of June 30, 2010. Likewise, FineMark's loan portfolio increased to \$185 million, up from \$148 million at the end of the same quarter last year. We believe our deposit and loan growth is due to expanding relationships with individuals, families and businesses.

FineMark's asset quality remains strong as demonstrated by reporting no delinquent loans or charge offs during the quarter. The bank categorized approximately \$3 million in nonaccrual loans in 2010. This was a conservative financial accounting position for these nonaccrual loans and each continued paying according to the terms of the loan agreements. During the month of August, the majority of the \$3 million in nonaccrual loans was placed back on accrual status. As of June 30, 2011, FineMark also recovered \$81 thousand of charge offs incurred in 2010. The loan loss reserve was 1.77% of the total loans outstanding or \$3.2 million.

FineMark's total assets grew to \$414 million as of June 30, 2011, up from \$303 million at the end of the second quarter last year, a direct result of deposit growth. These funds were predominately invested in securities and loans. The bank's securities portfolio grew to \$207 million, an increase of \$84 million from June 30, 2010, as deposit growth exceeded growth in the loan portfolio.

Investment and trust assets grew from \$386 million to \$510 million during the 12 months ending June 30, 2011, an increase of \$124 million. Investment and trust management fees totaled \$718 thousand for the quarter versus \$536 thousand for the second quarter of 2010, representing a 34% increase. Again, we believe the bank continues to benefit from our commitment to building deep

relationships, our ability to give integrated financial advice and our strong investment performance relative to client investment objectives.

FineMark is well capitalized with a Tier I Capital Ratio of 7.64%. We believe the bank's capital position coupled with its high quality loan portfolio and highly rated securities portfolio translates into a strong, conservative balance sheet.

#### First Six Months Financial Highlights

Net income before taxes equaled \$540 thousand compared with a net income of \$60 thousand during the first six months of 2010. Earnings for the first half of 2011 were driven by revenue growth from core operations.

Total income through June 30, 2011 was \$6.3 million versus \$4.6 million over the first six months of 2010, representing a 36% increase. Consistent with our quarterly results, the impetus behind income growth was the increase in both earning assets and net interest margin as well as the increase in investment and trust management fees. Net interest income increased by \$1.5 million, investment and trust management fees increased by \$406 thousand and securities gains decreased by \$242 thousand.

Non-interest expenses for the first six months totaled \$5.6 million versus \$4.2 million for the same period last year. This 33% increase was primarily a result of regulatory insurance premiums and assessments of \$328 thousand and new employees to support FineMark's growth. The bank achieved positive operating leverage during this time.

#### Second Quarter Business Highlights

##### **Investing in new technology**

Clients can now enroll to receive debit card transaction alerts via text or email. This allows users to monitor their debit card with instantaneous usage reports.

FineMark also participates in the ScoreCard Rewards Card Program. For qualifying purchase using a FineMark debit card, clients earn bonus points that can be redeemed for merchandise and travel rewards.

##### **New Offices**

FineMark opened its fourth office on March 21, 2011 within the Moorings Park retirement community in Naples. Betsy Vincent is the managing executive. She comes to FineMark with more than three decades of banking experience. Moorings Park is approaching \$2.8 million in deposits and more than 120 relationships have been established.

In June, FineMark was selected by Vi at Bentley Village, another large retirement community in Naples, to open its fifth office. Megan Marquardt was promoted to managing executive of that office. Deposits total just under \$5 million and 186 relationships have been established.

##### **Growth**

You should have received a private placement memorandum regarding FineMark's capital raise currently underway. We have received approximately \$5 million in subscriptions. FineMark applied for and the United States Treasury approved \$5.6 million from the Small Business Lending Fund being made available to stimulate small business lending. The Treasury's approval is subject to a dollar for dollar match of any capital FineMark raises up to \$5.6 million.



We thank you for your ongoing support and commitment to FineMark. Your contribution has been invaluable to the bank's success. I encourage you to contact me anytime as your questions, comments and thoughts are greatly appreciated.

Kind Regards,

Joseph R. Catti  
President and Chief Executive Officer