



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 second quarter ending June 30, 2013.

### **Second Quarter Financial Highlights**

FineMark's assets totaled \$618 million as of June 30, 2013, compared to \$474 million at the same time in 2012. Pre-tax income totaled \$511 thousand for the quarter, compared to \$699 thousand for the quarter ending June 30, 2012. The \$188 thousand decline was a direct result of the reduction of gains taken from the sale of securities. While the quarter resulted in less pre-tax income, income from operations increased by \$394 thousand.

*Please refer to attached abbreviated financial statement.*

#### Net Interest Income

Net interest income totaled \$3.9 million for the quarter, 34 percent higher than the \$2.9 million for the second quarter 2012. This increase was primarily attributed to significant loan growth along with lower funding costs. Net Loans increased to \$422, up from \$266 million, for the same period, respectively. As a result, the net interest margin improved slightly to 2.7 percent, from 2.6 percent.

Deposits totaled \$482 million, compared to \$339 million at the end of the second quarter of 2012. The average cost of core deposits dropped from .47 percent to .40 percent as a result of the continued low interest rate environment.

#### Noninterest Income

Noninterest income generated from asset management and trust fees increased 41% to \$1.3 million in the second quarter of 2013, compared to \$920 thousand in the second quarter 2012. Investment and trust assets under administration grew to \$1.06 billion as of June 30, 2013, up from \$811 million at the same time last year. Asset management revenues continue to improve as new relationships are developed throughout the organization. Additionally, FineMark's estate settlement fees accelerated to \$110 thousand from \$6 thousand during the same period last year.

Income from securities gains totaled \$163 thousand during the second quarter 2013, compared to \$745 thousand for the same period last year.

#### Noninterest Expense

Second quarter noninterest expense was \$4.4 million, 19 percent higher than the \$3.7 million last year. Quarter-over-quarter salary expenses accounted for most of the increase as additional staff has been hired to support the bank's growth.

### 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 \$4 million, which represents 7.6 percent of total capital and reserves. This figure remains favorable when compared to industry averages of 31 percent.

The allowance for loan loss balance was \$4.4 million or 1.05 percent of the total loans outstanding as of June 30, 2013. While management believes this level of reserve is sufficient to support the risk associated within the bank's loan portfolio, we've committed to increasing the reserve to 1.1% in order to provide a conservative balance sheet.

### Capital

Tier One Capital ratio was 8.1 percent as of June 30, compared with 8.5 percent for the first half of 2012. All bank ratios continue to be in excess of "well-capitalized" regulatory requirements. Additionally, \$8.6 million of capital remains in the Holding Company to support future growth.

### **Second Quarter 2013 Business Highlights**

FineMark National Bank & Trust exceeded two milestones in 2013: it surpassed \$600 million in total assets and \$1 billion in investment and trust assets under administration. This growth is a result of new relationships and expanded relationships in all of FineMark's offices.

### Scottsdale Open House

FineMark's Scottsdale office celebrated its grand opening party on May 9th. The event marked FineMark's move from a temporary location on Gainey Center Drive into 10,000 square feet of fully renovated space at 7600 East Doubletree Ranch Road. FineMark's Scottsdale team is led by David Highmark and includes: Barbara Ausick, David Dunlevy, Barbara Ferrara, Chris Highmark, Brian Knapp, Aaron Mascarella, Tim Nguyen, Crystal Schuld, Rae Taylor, Traci Throne, and Chris Wilkinson. Also during the second quarter, Wilkinson was appointed as the bank's Chief Investment Officer.

### Habitat for Humanity Home Dedication

On Friday, June 14, FineMark participated in a Habitat for Humanity home dedication in Bonita Springs. FineMark sponsored the home, donating dollars and labor. More than 50 employees volunteered their time to ensure the house was completed on time. FineMark will celebrate another dedication this month on a home the bank sponsored in North Fort Myers.

### 5 Star Rating

During the second quarter, the bank was awarded its 9th 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.

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,	
	2013	2012
<b>Assets</b>		
Total Cash and Cash Equivalents	11,981	4,703
Total Investments	162,419	181,839
Loans, Net of Allowance for Loan Losses	420,068	265,837
Premises and Equipment, Net	11,610	11,489
Other Assets	14,784	12,338
<b>Total Assets</b>	<b>\$620,862</b>	<b>\$476,206</b>
<b>Liabilities &amp; Shareholder's Equity</b>		
<u>Liabilities:</u>		
Total Deposits	473,866	334,574
Other Borrowings	4,962	7,284
Federal Home Loan Bank Advances	81,251	84,992
Other Liabilities	4,262	2,519
<b>Total Liabilities</b>	<b>\$564,341</b>	<b>\$429,369</b>
<u>Shareholder's Equity:</u>		
Preferred Stock	5,642	5,642
Shareholder's Equity	50,879	41,195
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$620,862</b>	<b>\$476,206</b>
Book Value per Common Share	10.97	10.51
Number of Common Shares Outstanding	4,636,822	3,920,159

### Consolidated Statement of Income

	3 Months Ended		6 Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
<b>Interest Income</b>				
Loans	3,891	2,713	7,639	5,256
Investment Securities	862	1,049	1,614	2,133
Other Interest Income	15	9	29	16
<b>Total Interest Income</b>	<b>4,769</b>	<b>3,771</b>	<b>9,283</b>	<b>7,405</b>
<b>Interest Expense</b>				
Deposits	467	411	911	933
Borrowings	447	438	893	792
<b>Total Interest Expense</b>	<b>914</b>	<b>848</b>	<b>1,803</b>	<b>1,724</b>
Net Interest Income	3,855	2,923	7,480	5,681
Provision for Loan Losses	637	376	827	504
<b>Net Interest Income After Provision for Loan Losses</b>	<b>3,218</b>	<b>2,547</b>	<b>6,653</b>	<b>5,177</b>
<b>Non-Interest Income</b>				
Total Non-Interest Income	1,684	1,885	3,602	3,429
<b>Non-Interest Expense</b>				
Total Non-Interest Expense	4,577	3,859	8,841	7,582
Income Before Income Taxes	324	572	1,414	1,023
Applicable Income Taxes	102	194	507	333
<b>Net Income</b>	<b>222</b>	<b>378</b>	<b>907</b>	<b>690</b>
Preferred Stock Dividends	14	21	28	35
<b>Net Income Applicable to Common Shareholders</b>	<b>208</b>	<b>357</b>	<b>879</b>	<b>655</b>
Earnings per Common Share	0.04	0.09	0.19	0.17