



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, 2014.

### **Second Quarter Financial Highlights**

FineMark's assets totaled \$767 million as of June 30, 2014, compared to \$618 million at the same time in 2013. Pre-tax income totaled \$1.5 million for the quarter, compared to \$500 thousand for the quarter ending June 30, 2013. Both net interest income and noninterest income continue to drive earnings. Operating leverage continues to improve with income from operations (before gains and taxes) totaling \$852 thousand for second quarter 2014, a 153 percent increase from \$337 thousand for the same period last year.

*Please refer to attached abbreviated financial statement.*

#### Net Interest Income

Net interest income totaled \$5.1 million for the quarter, 31 percent higher than the \$3.8 million for the second quarter 2013. The bank continues to experience significant loan growth. Net loans increased to \$548 million, up from \$422 million at June 30, 2013.

Total deposits grew to \$619 million as of June 30, 2014 compared to \$482 million as of June 30, 2013. This growth is the result of expanded relationships along with new relationships developed in each of FineMark's eight offices.

Net Interest margin improved to 2.85 percent from 2.72 percent a year ago. This improvement was the result of deploying lower yielding cash and securities into higher yielding loans.

#### Noninterest Income

Noninterest income generated from asset management and trust fees increased 64 percent to \$1.9 million in the second quarter of 2014, compared to \$1.2 million in the second quarter 2013. Investment and trust assets under administration grew to \$1.6 billion as of June 30, 2014, up from \$1.1 billion at the same time last year. Asset management revenues continue to grow as new relationships are developed and existing relationships are expanded throughout the organization. FineMark's estate settlement fees increased to \$202 thousand from \$112 thousand during the same period last year.

Income from securities gains totaled \$130 thousand during the second quarter 2014, compared to \$163 thousand for the same period last year. In addition, FineMark recognized a \$518 thousand gain resulting from prepayment of a Federal Home Loan Bank advance.

#### Noninterest Expense

Second quarter noninterest expense was \$5.9 million, 35 percent higher than the \$4.4 million last year. Quarter-over-quarter salary expenses and benefits accounted for most of the increase as additional staff was hired to support the bank's Naples location.

#### 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 \$4.6 million, which represents 7 percent of total capital and reserves. This figure remains favorable when compared to industry averages of 25 percent.

The allowance for loan loss balance was \$6.1 million or 1.1 percent of the total loans outstanding as of June 30, 2014. Management believes this level of reserve is sufficient to support the risk associated within the bank's loan portfolio.

#### Capital

Tier One Capital ratio was 8.47 percent as of June 30, compared with 8.14 percent for the first half of 2013. All bank ratios continue to be in excess of "well-capitalized" regulatory requirements. Additionally, \$5.5 million of capital remains in the Holding Company to support future growth.

## **Second Quarter 2014 Business Highlights**

### **Loans reach 500 million**

FineMark reached a significant milestone in the first half of the second quarter by surpassing \$500 million in outstanding loans. Loan growth has been robust in all of the communities the bank serves, with significant contributions from recently opened offices in Naples and Scottsdale. The bank has accomplished this while maintaining the integrity of the loan portfolio. Non-performing and sub-standard loans remain well below industry norms.

### **Updated look for Business and Personal Online Banking**

FineMark introduced a new, simplified look to its business and personal online banking service. Some of the new features include a customizable dashboard, improved usability and the ability to handle the most common tasks and transactions from a single page.

**Fit Friendly**

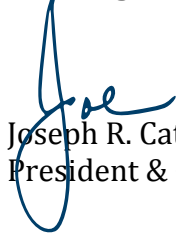
FineMark National Bank & Trust was recently recognized as a Fit-Friendly Worksite by the American Heart Association (AHA). Fit-Friendly Worksites are acknowledged by the AHA as employers who go above and beyond when it comes to their employees' health. FineMark was given the Gold Level Award for encouraging physical activity, providing healthy eating options at work and promoting a wellness culture.

**Five Star Rating**

During the second quarter, the bank was awarded its 13th 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.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'Joe', is positioned above the printed name and title.

Joseph R. Catti  
President & CEO

## FineMark Holdings, Inc. and Subsidiary

(Dollars in Thousands, Except per Share Data)

(Unaudited)

### Consolidated Statement of Condition

	June 30,	
	2014	2013
<b>Assets</b>		
Total Cash and Cash Equivalents	11,632	11,981
Total Investments	182,089	162,419
Loans, Net of Allowance for Loan Losses	541,795	420,068
Premises and Equipment, Net	12,025	11,610
Other Assets	19,994	14,784
<b>Total Assets</b>	<b>\$767,535</b>	<b>\$620,862</b>
<b>Liabilities &amp; Shareholder's Equity</b>		
<u>Liabilities:</u>		
Total Deposits	611,789	473,866
Other Borrowings	1,993	4,962
Federal Home Loan Bank Advances	79,758	81,251
Other Liabilities	4,424	4,262
<b>Total Liabilities</b>	<b>\$697,964</b>	<b>\$564,341</b>
<u>Shareholder's Equity:</u>		
Preferred Stock	5,665	5,642
Shareholder's Equity	63,906	50,879
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$767,535</b>	<b>\$620,862</b>
Book Value per Common Share	11.64	10.97
Number of Common Shares Outstanding	5,490,021	4,636,822

### Consolidated Statement of Income

	3 Months Ended		6 Months Ended	
	June 30		June 30	
	2014	2013	2014	2013
<b>Interest Income</b>				
Loans	5,060	3,891	9,772	7,639
Investment Securities	1,001	862	2,015	1,614
Other Interest Income	14	15	30	29
<b>Total Interest Income</b>	<b>6,075</b>	<b>4,768</b>	<b>11,817</b>	<b>9,282</b>
<b>Interest Expense</b>				
Deposits	542	468	1,080	911
Borrowings	456	447	906	893
<b>Total Interest Expense</b>	<b>998</b>	<b>915</b>	<b>1,986</b>	<b>1,804</b>
Net Interest Income	5,077	3,853	9,831	7,478
Provision for Loan Losses	685	637	967	827
<b>Net Interest Income After Provision for Loan Losses</b>	<b>4,392</b>	<b>3,216</b>	<b>8,864</b>	<b>6,651</b>
<b>Non-Interest Income</b>				
Total Non-Interest Income	3,014	1,684	5,422	3,602
<b>Non-Interest Expense</b>				
Total Non-Interest Expense	6,121	4,578	12,109	8,841
Income Before Income Taxes	1,285	322	2,177	1,412
Applicable Income Taxes	440	102	767	507
Net Income	845	220	1,409	905
Preferred Stock Dividends	14	14	28	28
<b>Net Income Applicable to Common Shareholders</b>	<b>831</b>	<b>206</b>	<b>1,381</b>	<b>877</b>
Earnings per Common Share	0.15	0.04	0.25	0.19