FineMark Holdings, Inc.

November 9, 2018

DEAR VALUED SHAREHOLDERS,

FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, today announced third quarter 2018 net income of $3.4 million, or $0.39 per diluted share, compared to net income of $3.8 million, or $0.43 per diluted share, reported for the third quarter of 2017. FineMark continues to experience robust organic growth in loans, deposits and assets under management and administration, and the decrease in year-over-year net earnings is largely the result of tax credits that boosted third quarter 2017 earnings; year-over-year earnings would have increased 18% aside from the $838,000 of credits taken last year.

On a year-over-year basis, third quarter 2018 results were also negatively affected by interest payments on $30 million of subordinated debt that FineMark issued in the second quarter of 2018. The debt, which was issued to fund future growth and augment the bank's already healthy capital levels, adds a quarterly interest expense of $441,000. Of the $30 million of capital raised by the debt, $12 million was added to the bank's balance sheet to maintain a Tier 1 leverage ratio of 9.51%. FineMark chose to raise this capital via debt rather than equity to avoid diluting existing shareholders.

FineMark's Board of Directors and executive management team are very pleased with the growth and continued profitability of the company. Rather than trying to grow through acquisitions, FineMark remains committed to expanding relationships with existing clients, adding new clients through referrals and building its presence steadily and opportunistically.

"FineMark Holdings' strong performance in the third quarter of 2018 and the continued growth of our business reflect the quality of the team we have built and our commitment to always act in the best interest of our clients," said Joseph R. Catti, FineMark Holdings Inc., President and Chief Executive Officer. "In a very competitive industry, we believe our relationship-based approach to banking and wealth management is the primary driver of our growth."

Highlights of third quarter 2018 performance on a year-over-year basis include:

- Total revenue (net interest income and noninterest income) increased 9%, or $1.4 million
- Wealth management fees increased 20%, or $749,000; these fees now represent 27% of total revenue compared with 25% a year ago
- Assets under management and administration increased 29%, or $812 million
- Net interest margin declined due to the subordinated debt interest and higher cost of funds in an environment of rising interest rates

THIRD QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled $1.8 billion as of September 30, 2018, compared to $1.53 billion a year earlier. This 17% increase, which came almost entirely from expanding relationships with existing clients and adding new clients through referrals, is a robust pace in an industry that typically sees assets grow at a 4% to 8% annual clip. Pre-tax operating income remained flat at $4.6 million, as the costs associated with the subordinated debt offset gains from the growing asset base. Without the cost of the subordinated debt, which is fixed at 5.875% through the second quarter of 2023, year-over-year earnings would have increased 10% in the third quarter.

NET INTEREST INCOME AND MARGIN

Despite a 13% increase in net loans year-over-year, net interest income grew at a pace of only 4% in the third quarter. This is the result of two primary factors: the cost of servicing the subordinated debt that was issued in the second quarter of 2018 and the higher cost of funds in a macroeconomic environment defined by rising short-term interest rates and a flattening yield curve. The margin compression between short-term and long-term rates is a headwind for “liability sensitive” banks such as FineMark. As a result, the bank’s net interest margin was 2.63% as of September 30, 2018, compared to 2.99% a year ago.

Deposit cost, which rose to 86 basis points from 47 basis points a year ago, accounts for 72% of the total increase in the cost of funds. The costs associated with the subordinated debt (19% of the total increase) and borrowing from the Federal Home Loan Bank (9% of the total increase) were the next two largest contributors to the overall increase in interest expense.

Total deposits grew 17% year-over-year, ending the third quarter at $1.5 billion. FineMark believes that this strong growth in deposits is a result of the bank’s dedicated team of professionals’ outstanding levels of client service and commitment to knowing clients’ needs.

NONINTEREST INCOME

One important aspect of FineMark’s growth has been the impressive expansion of the wealth management and trust business, which is measured by the investment and trust assets under management and administration. This figure grew to $3.7 billion as of September 30, 2018, compared with $2.8 billion at the same time last year. As a result, noninterest income, which is predominantly generated from trust fees, increased 23% year-over-year to $5 million in the third quarter. Trust fee income is up 20% year-over-year, and assets under management and administration have increased by 29%.

The growth of the bank’s wealth management business is a result of a commitment to provide advice and services, tailored to each clients’ unique needs. This approach resonates with clients and allows FineMark to expand and further develop existing relationships, while also fostering new relationships. Another factor contributing to the growth of assets under management and administration is rising equity prices; the nearly decade-long bull market continued in the third quarter.

NONINTEREST EXPENSE

The growth of FineMark’s wealth management business has necessitated increased expenses to maintain the bank’s high levels of client service. Noninterest expense totaled $11.4 million in the third quarter of 2018, a 13% year-over-year increase. Much of the increase can be attributed to the need to hire additional associates. During the first three quarters of 2018, FineMark hired 29 new associates; 11 of those hires were to fill vacated positions, resulting in a net expansion of 18 associates. This growth is roughly in line with the pace FineMark has experienced in recent years.

CREDIT QUALITY

Since its founding in 2007, FineMark has been committed to maintaining the bank’s high credit standards through a relationship-based approach to lending. Because FineMark conducts its underwriting based on an in-depth understanding of each potential borrower’s needs and financial situation, the bank has experienced very low defaults on loans across market cycles.

In the third quarter, the overall credit quality of the bank's loan portfolio remained strong with low levels of classified loans relative to capital and total assets. As of September 30, 2018, classified loans—loans that are potentially in danger of default—totaled $3.3 million, or just 1.8% of total capital and reserves.

This amount compares favorably to the industry average of 16.7%. The allowance for loan loss reserve was $13.6 million or 1.02% of the total loans outstanding as of September 30, 2018. Management continues to believe that this level of reserve is sufficient to support the bank's loan portfolio risk.

CAPITAL

All the bank's capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. The bank's Tier 1 capital ratio was 9.51% as of September 30, 2018, up from 8.64% for the third quarter of 2017. This increase was a result of adding most of the proceeds from the subordinated debt that was issued in the second quarter of 2018 by the holding company to the bank's balance sheet. Additionally, FineMark Holdings has more than $18.5 million of capital to support future growth.

THIRD QUARTER 2018 COMPANY HIGHLIGHTS

Palm Beach Hires New Advisor Team
FineMark further strengthened its wealth management practice by welcoming a team of veteran wealth advisors to the Palm Beach office. Paul Blatz, Dean Borland and Kim Bagatell joined FineMark after serving more than a decade each at GenSpring Family Offices working with ultra-high net worth families.

New Site Purchased for Fort Myers Office
After more than a decade of steadily expanding its team and growing its asset base, FineMark has outgrown its current headquarters in Fort Myers. On September 14, 2018, FineMark acquired a six-acre parcel in Fort Myers, on which a 60,000-square-foot office building will be built to serve as FineMark's new headquarters. Once construction begins, it is expected to take 24 months to complete.

OTCQX®
The bank is in the final stages of posting its shares on the OTCQX market under the symbol FNBT. As part of this transition, FineMark has engaged Computershare to be the stock transfer agent and registrar. The OTCQX is operated by the OTC Markets Group and enables investors to more easily trade privately held stock through the broker of their choice.

5-Star Rating
FineMark has been awarded a 5-Star Superior Rating for the past 30 consecutive quarters. Bauer Financial, the nation's leading independent bank rating and research firm, rates banks on a scale from 0-5. Ratings are based on capital ratios, profitability trends, levels of delinquent loans, charge-offs, repossessed assets, liquidity and other historical data.

On behalf of our entire team, 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. Your support and commitment are instrumental to FineMark's continued success.

Kind regards,

Joseph R. Catti
President & CEO

Background

FineMark Holdings, Inc. is the parent company of FineMark National Bank & Trust. Founded in 2007, FineMark National Bank & Trust is a nationally chartered bank and trust company, headquartered in Florida. FineMark offers a full range of financial services, including personal and business banking, lending services, wealth management and trust services through its offices located in Florida, Arizona and South Carolina. The Corporation's common stock will trade on OTCQX under the symbol FNBT. Investor information is available on the Corporation's website at www.finemarkbank.com.

Forward-Looking Statements

This press release contains statements that are "forward-looking statements." You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "outlook," "will," "should," and other expressions that predict or indicate future events and trends and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Some of the factors that might cause these differences include: weakness in national, regional or international economic conditions or conditions affecting the banking or financial services industries or financial capital markets; volatility in national and international financial markets; reductions in net interest income resulting from interest rate volatility as well as changes in the balance and mix of loans and deposits; reductions in the market value or outflows of wealth management assets under administration; changes in the value of securities and other assets; reductions in loan demand; changes in loan collectability, default and charge-off rates; changes in the size and nature of our competition; changes in legislation or regulation and accounting principles, policies and guidelines; occurrences of cyberattacks, hacking and identity theft; natural disasters; and changes in the assumptions used in making such forward-looking statements. You should carefully review all of these factors and you should be aware that there might be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this report, and we assume no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
($ in thousands, except per share amounts)
Unaudited

	At September 30, 2018	At September 30, 2017
Assets		
Cash and due from banks	$ 18,709	36,579
Securities available for sale	341,291	248,211
Securities held to maturity	28,588	11,093
Loans, net of allowance for loan losses of $13,550 in 2018 and $12,443 in 2017	1,312,386	1,163,187
Federal Home Loan Bank stock	7,044	6,523
Federal Reserve Bank stock	3,728	3,014
Premises and equipment, net	22,211	15,384
Accrued interest receivable	5,745	4,227
Deferred tax asset	4,692	4,025
Bank-owned life insurance	33,005	32,353
Other assets	4,442	4,248
Total assets	$ 1,781,841	1,528,844
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	198,828	163,505
Savings, NOW and money-market deposits	1,044,331	877,944
Time deposits	213,194	206,322
Total deposits	1,456,353	1,247,771
Official checks	2,235	3,801
Fed funds purchased/repurchase agreements	2,614	5,897
Federal Home Loan Bank advances	132,324	124,010
Subordinated debt	29,525	-
Other liabilities	7,996	5,768
Total liabilities	1,631,047	1,387,247
Shareholders' equity:		
Common stock, $.01 par value; 50,000,000 shares authorized, 8,629,710 and 8,525,445 shares issued and outstanding in 2018 and 2017	86	85
Additional paid-in capital	119,282	116,548
Retained earnings	38,967	25,853
Accumulated other comprehensive loss	(7,541)	(889)
Total shareholders' equity	150,794	141,597
Total liabilities and shareholders' equity	$ 1,781,841	1,528,844
Book Value per Share	17.47	16.61

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

($ in thousands, except per share amounts)

Unaudited

	September 30, 2018	September 30, 2017
Interest income:		
Loans	$ 37,806	31,503
Securities	6,245	4,030
Other	699	124
Total interest income	44,750	35,657
Interest expense:		
Deposits	8,146	3,563
Borrowings	2,489	1,664
Total interest expense	10,635	5,227
Net interest income	34,115	30,430
Provision for loan losses	1,118	1,737
Net interest income after provision for loan losses	32,997	28,693
Noninterest income:		
Trust fees	12,425	10,148
Income from bank-owned life insurance	688	716
Income from solar farms	218	87
Gain on sale of securities available for sale	4	249
Gain on extinguishment of debt	922	274
Other fees and service charges	789	509
Total noninterest income	15,046	11,983
Noninterest expenses:		
Compensation and benefits	20,919	18,577
Occupancy and equipment	3,671	3,350
Tech and communications expense	2,649	2,295
Professional fees	901	692
Marketing and promotion expense	1,304	1,208
Regulatory assessments	1,052	902
Other expense	3,223	2,770
Total noninterest expense	33,719	29,794
Earnings before income taxes	14,324	10,882
Income taxes	3,338	2,972
Net earnings	$ 10,986	7,910
Basic earnings per common share	1.28	0.93
Diluted earnings per common share	1.24	0.91

FineMark Holdings, Inc.

Consolidated Financial Highlights
Third Quarter 2018
Unaudited

$ in thousands except for share data		3rd Qtr 2018	2nd Qtr 2018	1st Qtr 2018	4th Qtr 2017	3rd Qtr 2017	Year to Date 2018	Year to Date 2017
$ Earnings								
Net Interest Income	$	11,079	11,585	11,451	11,142	10,639	34,115	30,430
Provision for loan loss	$	413	343	362	382	305	1,118	1,737
Noninterest Income	$	5,042	4,574	4,504	4,338	4,103	14,120	11,460
Securities gains/(losses)	$	-	4	-	41	139	4	249
Debt extinguishment gains/(losses)	$	236	688	(2)	107	(1)	922	274
Noninterest Expense	$	11,363	11,334	11,022	10,558	10,022	33,719	29,794
Earnings before income taxes	$	4,581	5,174	4,569	4,688	4,553	14,324	10,882
Taxes	$	1,128	1,061	1,149	2,994	779	3,338	2,972
Net Income	$	3,453	4,113	3,420	1,694	3,774	10,986	7,910
Basic earnings per share	$	0.40	0.48	0.40	0.20	0.45	1.28	0.93
Diluted earnings per share	$	0.39	0.46	0.39	0.19	0.43	1.24	0.91
Performance Ratios								
Return on average assets*		0.78%	0.96%	0.78%	0.44%	1.01%	0.84%	0.73%
Return on average equity*		9.22%	11.4%	9.6%	4.7%	10.8%	10.04%	7.74%
Yield on earning assets*		3.67%	3.64%	3.60%	3.60%	3.57%	3.58%	3.46%
Cost of funds*		1.10%	0.84%	0.74%	0.63%	0.61%	0.89%	0.53%
Net Interest Margin*		2.63%	2.84%	2.72%	3.00%	2.99%	2.73%	2.95%
Efficiency ratio		69.47%	67.26%	69.09%	67.56%	67.35%	68.59%	70.25%
Capital								
Tier 1 leverage capital ratio		8.99%	9.04%	8.51%	9.34%	9.52%	8.99%	9.52%
Common equity risk-based capital ratio		13.92%	14.11%	13.89%	14.02%	14.71%	13.92%	14.71%
Tier 1 risk-based capital ratio		13.92%	14.11%	13.89%	14.02%	14.71%	13.92%	14.71%
Total risk-based capital ratio		17.70%	18.02%	15.11%	15.27%	16.00%	17.70%	16.00%
Book value per share	$	17.47	17.10	16.67	16.70	16.61	17.47	16.61
Tangible book value per share	$	17.47	17.10	16.67	16.70	16.61	17.47	16.61
Outstanding shares		8,629,710	8,614,179	8,581,992	8,536,680	8,525,445	8,629,710	8,525,445
Average outstanding shares (diluted)		8,897,948	8,879,594	8,855,807	8,706,806	8,693,566	8,874,542	8,692,308
Asset Quality								
Net charge-offs (recoveries)	$	(2)	382	-	13	5	380	441
Net charge-offs (recoveries) to average total loans		0.00%	0.03%	0.00%	0.00%	0.00%	0.03%	0.04%
Allowance for loan losses	$	13,550	13,134	13,177	12,812	12,443	13,550	12,443
Allowance to total loans		1.02%	1.03%	1.06%	1.06%	1.06%	1.02%	1.06%
Nonperforming loans	$	1,284	416	25	25	26	1,284	26
Other real estate owned	$	-	-	-	-	-	-	-
Nonperforming loans to total loans		0.10%	0.03%	0.00%	0.00%	0.00%	0.10%	0.00%
Nonperforming assets to total assets		0.07%	0.02%	0.00%	0.00%	0.00%	0.07%	0.00%
Loan Composition (% of Total Gross Loans)								
1-4 Family		55.6%	56.3%	55.8%	56.9%	55.8%	55.6%	55.8%
Commercial Loans		10.8%	10.6%	10.3%	9.5%	9.1%	10.8%	9.1%
Commercial Real Estate		20.2%	19.8%	20.1%	19.4%	20.3%	20.2%	20.3%
Construction Loans		7.5%	7.2%	7.6%	8.2%	7.8%	7.5%	7.8%
Other Loans		5.9%	6.1%	6.2%	6.0%	7.0%	5.9%	7.0%
End of Period Balances								
Assets	$	1,781,841	1,737,597	1,675,265	1,579,551	1,528,844	1,781,841	1,528,844
Investments	$	369,879	356,568	354,357	299,605	259,304	369,879	259,304
Loans, net of allowance	$	1,312,386	1,266,084	1,230,491	1,199,030	1,163,187	1,312,386	1,163,187
Deposits	$	1,456,353	1,411,862	1,422,496	1,304,542	1,247,771	1,456,353	1,247,771
Fed Funds and Repurchase Agreements	$	2,614	1,801	1,196	12,398	5,897	2,614	5,897
Subordinate Debt	$	29,525	29,550	-	-	-	29,525	-
FHLB Advances	$	132,324	133,397	96,935	97,473	124,010	132,324	124,010
Shareholders Equity	$	150,794	147,326	143,024	142,604	141,597	150,794	141,597
Wealth Management								
Fee Income	$	4,405	4,054	3,966	3,850	3,656	12,425	10,148
Assets Under Administration								
Balance at beginning of period	$	3,406,992	3,253,794	3,006,025	2,842,643	2,634,664	3,006,025	2,325,804
Net investment appreciation (depreciation)	$	146,864	42,951	(19,996)	82,625	101,273	169,819	192,708
Net client asset flows	$	100,392	110,247	267,765	80,757	106,706	478,404	324,130
Balance at end of period	$	3,654,248	3,406,992	3,253,794	3,006,025	2,842,643	3,654,248	2,842,642
Percentage of AUA that are managed		91%	89%	83%	80%	80%	91%	80%

*annualized