



## FINEMARK HOLDINGS, INC.

### DEAR VALUED SHAREHOLDERS

FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, today announced third quarter 2019 net income of \$4.5 million, or \$0.50 per diluted share, compared to net income of \$3.5 million, or \$0.39 per diluted share, reported for the third quarter of 2018.

FineMark continues to experience steady organic growth in loans, deposits and assets under management and administration. In particular, FineMark's trust and investment business continues to be a source of growth.

FineMark's Board of Directors and executive management team are satisfied with the growth and continued profitability of the company, given the current economic environment. We remain committed to expanding relationships with existing clients, adding new clients through referrals and building FineMark's presence steadily and opportunistically.

### THIRD QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled \$2.1 billion as of September 30, 2019, compared to \$1.8 billion a year earlier. This 18% increase is a robust pace in an industry that typically sees assets grow at a 4% to 8% annual clip. Quarterly pre-tax operating income increased 32% to \$6.0 million year-over-year, driven largely by the continued growth of our trust and investment business. In the third quarter, FineMark added \$173.9 million of net new client assets. The increase in assets is a result of new clients and existing clients expanding their relationship.

Highlights of third quarter 2019 performance on a year-over-year basis include:

- Trust and investment fees increased 13% to \$5.0 million, representing 29% of total revenue
- Assets under management and administration increased 14% to \$4.2 billion
- Loans, net of allowance, increased 11% to \$1.5 billion
- Net interest income increased 3% to \$11.4 million

### NET INTEREST INCOME AND MARGIN

Despite a very challenging interest rate environment in which FineMark's cost of funds has increased at a faster pace than our yield on earning assets, quarterly net interest income actually increased 3% year-over-year. To take advantage of low interest rates, FineMark increased its mid term borrowing from the Federal Home Loan Bank in the third quarter. This decreases our interest-rate sensitivity going forward.

Cost of funds has increased as a result of the bank increasing rates paid to our depositors over the last twelve months. 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 quarterly net interest margin was 2.34% as of September 30, 2019, compared with 2.63% a year ago and 2.48% three months ago. The bank's quarterly cost of funds increased over the past year, from 1.10% to 1.55%. Meanwhile, the yield on earning assets increased during that span, from 3.67% to 3.81%.

## NON-INTEREST INCOME

As mentioned previously, one important aspect of FineMark's growth has been the impressive expansion of the trust and investment business, which is measured by assets under management and administration. This figure grew to \$4.2 billion as of September 30, 2019, compared with \$3.7 billion at the same time last year, a 14% increase. As a result, non-interest income, which is predominantly generated from trust fees increased 11% year-over-year to \$5.6 million in the third quarter.

The growth of the trust and investment business is a result of our commitment to providing advice and services tailored to our clients' unique needs. This approach continues to resonate with our clients, allowing us to expand and further develop existing relationships, while also fostering new relationships. Over the last 12 months, we have experienced net client asset inflows of \$487.4 million, reflecting the growing momentum of our trust and investment teams across the country. Net investment appreciation and income totaled \$71.5 million in the third quarter of 2019, a period of mixed performance and increased volatility in global equity markets.

## NON-INTEREST EXPENSE

The growth of FineMark's trust and investment business has necessitated increased expenses to maintain the bank's high levels of client service. Non-interest expense totaled \$11.8 million in the third quarter of 2019, a 4% year-over-year increase. Much of the increase can be attributed to the need to hire additional associates to support growth, along with a continued focus on investing in cybersecurity and our technology infrastructure.

## 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. FineMark conducts its underwriting based on an in-depth understanding of each borrower's needs and financial situation. As a result, 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, 2019, classified loans—loans that may potentially default—totaled \$2.64 million, or just 1.27% of total capital and reserves. Management believes there is a very low probability of any losses associated with these loans. This amount compares favorably to the industry average of 15.70%. The allowance for loan losses was \$15.4 million, or 1.05% of the total loans outstanding as of September 30, 2019. Management continues to believe that this level of reserve is sufficient to support the bank's loan portfolio risk.

## CAPITAL

All of the bank's capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. The bank's Tier 1 leverage capital ratio was 9.54% as of September 30, 2019, up from 9.51% for the third quarter of 2018. In the third quarter, FineMark transferred \$4.5 million from the holding company's balance sheet to the bank to solidify the bank's already strong capital ratios. Additionally, FineMark Holdings has just under \$7.0 million of capital to support future growth.

## THIRD QUARTER 2019 COMPANY HIGHLIGHTS

### OTCQX®

Shares of FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, began trading on the OTCQX market in January 2019. OTC Markets Group operates the OTCQX and enables investors to more easily trade privately held stock through the broker of their choice. Shares traded in a narrow range of \$24.75 to \$25.75 per share throughout the third quarter and closed at \$25.10 per share on September 30, 2019. Book value per share ended the third quarter at \$19.81, a 13% increase relative to the third quarter of 2018. This can be attributed to increased earnings and appreciation of the bank's bond portfolio due to the decline in interest rates.

### PROGRESS OF NEW BUILDING

As noted in previous quarterly letters, we are in the process of constructing a 60,000 square foot building which will combine the bank's operations center with our existing Fort Myers location. The new building will be approximately half a mile from our current Fort Myers location. Demolition at the new site was completed in the third quarter, and construction of the new building is expected to begin in October 2019, with a projected completion date of November 2020.

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,

A handwritten signature in blue ink, appearing to read 'J. Catti', with a stylized flourish at the end.

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, headquartered in Florida. FineMark offers a full range of financial services, including personal and business banking, lending services, trust and investment services through its offices located in Florida, Arizona and South Carolina. The Corporation's common stock trades on the OTCQX under the symbol FNBT. Investor information is available on the Corporation's website at [www.finemarkbank.com](http://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 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 cyber attacks, 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**

<b>Assets</b>	<b>At September 30,</b>	
	<b>2019</b>	<b>2018</b>
Cash and due from banks	\$ 137,879	\$ 18,709
Securities available for sale	385,721	341,291
Securities held to maturity	28,071	28,588
Loans, net of allowance for loan losses of \$15,404 in 2019 and \$13,550 in 2018	1,458,700	1,312,386
Federal Home Loan Bank stock	13,764	7,044
Federal Reserve Bank stock	3,884	3,728
Premises and equipment, net	31,164	22,211
Accrued interest receivable	6,151	5,745
Deferred tax asset	2,273	4,692
Bank-owned life insurance	33,900	33,005
Other assets	6,559	4,442
Total assets	\$ 2,108,066	\$ 1,781,841
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Non-interest bearing demand deposits	203,313	198,828
Savings, NOW and money-market deposits	1,302,620	1,044,331
Time deposits	91,086	213,194
Total deposits	1,597,019	1,456,353
Official checks	3,508	2,235
Fed funds purchased/repurchase agreements	2,499	2,614
Federal Home Loan Bank advances	284,581	132,324
Lease liability	7,378	—
Subordinated debt	29,574	29,525
Other liabilities	8,083	7,996
Total liabilities	1,932,643	1,631,047
Shareholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized, 8,854,557 and 8,629,710 shares issued and outstanding in 2019 and 2018	89	86
Additional paid-in capital	120,732	119,282
Retained earnings	53,842	38,967
Accumulated other comprehensive loss	760	(7,541)
Total shareholders' equity	175,423	150,794
Total liabilities and shareholders' equity	\$ 2,108,066	\$ 1,781,841
Book Value per Share	19.81	17.47

**FINEMARK HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Earnings**  
**(\$ in thousands, except per share amounts)**  
**Unaudited**

	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Interest income:		
Loans	\$ 45,752	\$ 37,806
Securities	7,106	6,245
Other	628	699
Total interest income	53,486	44,750
Interest expense:		
Deposits	13,572	8,146
Borrowings	5,996	2,489
Total interest expense	19,568	10,635
Net interest income	33,918	34,115
Provision for loan losses	1,059	1,118
Net interest income after provision for loan losses	32,859	32,997
Non-interest income:		
Trust fees	13,591	12,425
Income from bank-owned life insurance	667	688
Income from solar farms	262	218
Gain on sale of securities available for sale	1,327	4
Gain on extinguishment of debt	271	922
Other fees and service charges	850	789
Total non-interest income	16,968	15,046
Non-interest expenses:		
Salaries and employee benefits	21,504	20,919
Occupancy	4,292	3,671
Information systems	3,263	2,649
Professional fees	1,011	901
Marketing and business development	1,442	1,304
Regulatory assessments	680	1,052
Other	3,209	3,223
Total non-interest expense	35,401	33,719
Earnings before income taxes	14,426	14,324
Income taxes	3,540	3,338
Net earnings	\$ 10,886	\$ 10,986
Basic earnings per common share	1.23	1.28
Diluted earnings per common share	1.20	1.24

# FineMark Holdings, Inc.

## Consolidated Financial Highlights

Third Quarter 2019

Unaudited

	Year to Date						
\$ in thousands except for share data	3rd Qtr 2019	2nd Qtr 2019	1st Qtr 2019	4th Qtr 2018	3rd Qtr 2018	2019	2018
<b>\$ Earnings</b>							
Net Interest Income	\$ 11,359	\$ 11,330	\$ 11,229	\$ 11,364	\$ 11,079	\$ 33,918	\$ 34,115
Provision for loan loss	\$ 233	\$ 354	\$ 472	\$ 911	\$ 413	\$ 1,059	\$ 1,118
Non-interest Income	\$ 5,607	\$ 5,001	\$ 4,761	\$ 4,797	\$ 5,042	\$ 15,370	\$ 14,120
Securities gains/(losses)	\$ 833	\$ 262	\$ 233	\$ 0	\$ 0	\$ 1,327	\$ 4
Debt extinguishment gains/(losses)	\$ 272	\$ 0	\$ 0	\$ 226	\$ 236	\$ 271	\$ 922
Non-interest Expense	\$ 11,807	\$ 11,792	\$ 11,802	\$ 12,012	\$ 11,363	\$ 35,401	\$ 33,719
Earnings before income taxes	\$ 6,029	\$ 4,447	\$ 3,949	\$ 3,464	\$ 4,581	\$ 14,426	\$ 14,324
Taxes	\$ 1,505	\$ 1,095	\$ 940	\$ (662)	\$ 1,128	\$ 3,540	\$ 3,338
Net Income	\$ 4,525	\$ 3,352	\$ 3,009	\$ 4,126	\$ 3,453	\$ 10,886	\$ 10,986
Basic earnings per share	\$ 0.51	\$ 0.38	\$ 0.34	\$ 0.47	\$ 0.40	\$ 1.23	\$ 1.28
Diluted earnings per share	\$ 0.50	\$ 0.37	\$ 0.33	\$ 0.46	\$ 0.39	\$ 1.20	\$ 1.24
<b>Performance Ratios</b>							
Return on average assets*	0.89 %	0.69 %	0.64 %	0.91 %	0.78 %	0.74 %	0.84 %
Return on average equity*	10.47 %	8.07 %	7.48 %	10.80 %	9.22 %	8.71 %	10.04 %
Yield on earning assets*	3.81 %	3.90 %	3.85 %	3.82 %	3.67 %	3.84 %	3.58 %
Cost of funds*	1.55 %	1.48 %	1.40 %	1.26 %	1.10 %	1.48 %	0.89 %
Net Interest Margin*	2.34 %	2.48 %	2.52 %	2.61 %	2.63 %	2.44 %	2.73 %
Efficiency ratio	65.35 %	71.07 %	72.75 %	73.30 %	69.47 %	69.57 %	68.59 %
<b>Capital</b>							
Tier 1 leverage capital ratio	8.59 %	8.80 %	8.88 %	8.95 %	8.99 %	8.59 %	8.99 %
Common equity risk-based capital ratio	14.00 %	13.85 %	13.78 %	13.78 %	13.92 %	14.00 %	13.92 %
Tier 1 risk-based capital ratio	14.00 %	13.85 %	13.78 %	13.78 %	13.92 %	14.00 %	13.92 %
Total risk-based capital ratio	17.61 %	17.49 %	17.44 %	17.51 %	17.70 %	17.61 %	17.70 %
Book value per share	\$ 19.81	\$ 19.26	\$ 18.48	\$ 17.97	\$ 17.47	\$ 19.81	\$ 17.47
Tangible book value per share	\$ 19.81	\$ 19.26	\$ 18.48	\$ 17.97	\$ 17.47	\$ 19.81	\$ 17.47
Outstanding shares	8,854,557	8,863,319	8,871,050	8,805,399	8,629,710	8,854,557	8,629,710
Average outstanding shares (diluted)	9,035,916	8,962,731	9,023,646	8,969,565	8,897,948	9,035,862	8,874,542
<b>Asset Quality</b>							
Net charge-offs (recoveries)	\$ (5)	\$ 11	\$ 114	\$ (5)	\$ (2)	\$ 121	\$ 380
Net charge-offs (recoveries) to average	0.00%	0.00 %	0.01 %	0.00 %	0.00 %	0.01 %	0.03 %
Allowance for loan losses	\$ 15,404	\$ 15,167	\$ 14,823	\$ 14,466	\$ 13,550	\$ 15,404	\$ 13,550
Allowance to total loans	1.05 %	1.04 %	1.04 %	1.05 %	1.02 %	1.05 %	1.02 %
Nonperforming loans	\$ 1,509	\$ 410	\$ 1,898	\$ 2,762	\$ 1,284	\$ 1,509	\$ 1,284
Other real estate owned	0	0	0	0	0	0	0
Nonperforming loans to total loans	0.10 %	0.03 %	0.13 %	0.20 %	0.10 %	0.10 %	0.10 %
Nonperforming assets to total assets	0.07 %	0.02 %	0.10 %	0.15 %	0.07 %	0.07 %	0.07 %
<b>Loan Composition (% of Total Gross Loans)</b>							
1-4 Family	56.0 %	55.0 %	54.2 %	55.0 %	55.6 %	56.0 %	55.6 %
Commercial Loans	9.7 %	10.6 %	11.2 %	11.0 %	10.8 %	9.7 %	10.8 %
Commercial Real Estate	20.9 %	21.7 %	20.8 %	20.9 %	20.2 %	20.9 %	20.2 %
Construction Loans	7.6 %	6.7 %	7.6 %	7.1 %	7.5 %	7.6 %	7.5 %
Other Loans	5.9 %	5.9 %	6.2 %	6.1 %	5.9 %	5.9 %	5.9 %
<b>End of Period Balances</b>							
Assets	\$ 2,108,066	\$ 1,997,852	\$ 1,931,114	\$ 1,859,885	\$ 1,781,841	\$ 2,108,066	\$ 1,781,841
Investments	\$ 413,792	\$ 361,950	\$ 372,381	\$ 371,450	\$ 369,879	\$ 413,792	\$ 369,879
Loans, net of allowance	\$ 1,458,700	\$ 1,448,152	\$ 1,415,911	\$ 1,367,489	\$ 1,312,386	\$ 1,458,700	\$ 1,312,386
Deposits	\$ 1,597,019	\$ 1,520,961	\$ 1,569,295	\$ 1,460,713	\$ 1,456,353	\$ 1,597,019	\$ 1,456,353
Fed Funds and Repurchase Agreements	\$ 2,499	\$ 1,661	\$ 1,821	\$ 2,076	\$ 2,614	\$ 2,499	\$ 2,614
Subordinate Debt	\$ 29,574	\$ 29,562	\$ 29,549	\$ 29,537	\$ 29,525	\$ 29,574	\$ 29,525
FHLB Advances	\$ 284,581	\$ 258,142	\$ 151,328	\$ 196,514	\$ 132,324	\$ 284,581	\$ 132,324
Shareholders Equity	\$ 175,423	\$ 170,737	\$ 163,940	\$ 158,649	\$ 150,794	\$ 175,423	\$ 150,794
<b>Trust and Investment</b>							
Fee Income	\$ 4,968	\$ 4,407	\$ 4,216	\$ 4,264	\$ 4,405	\$ 13,591	\$ 12,425
<b>Assets Under Administration</b>							
Balance at beginning of period	\$ 3,930,319	\$ 3,771,473	\$ 3,391,455	\$ 3,654,247	\$ 3,406,991	\$ 3,391,455	\$ 3,006,024
Net investment appreciation	\$ 71,545	\$ 34,298	\$ 248,930	\$ (320,664)	\$ 146,864	\$ 354,772	\$ 169,819
Net client asset flows	\$ 173,852	\$ 124,548	\$ 131,088	\$ 57,872	\$ 100,392	\$ 429,488	\$ 478,404
Balance at end of period	\$ 4,175,715	\$ 3,930,319	\$ 3,771,473	\$ 3,391,455	\$ 3,654,247	\$ 4,175,715	\$ 3,654,247
Percentage of AUA that are managed	89 %	90 %	89 %	91 %	91 %	89 %	91 %
<b>Stock Valuation</b>							
Closing Market Price (OTCQX)	\$ 25.10	\$ 24.80	\$ 29.50	\$ —	\$ —	\$ 25.10	\$ —
Multiple of Tangible Book Value	\$ 1.27	\$ 1.29	\$ 1.60	\$ —	\$ —	\$ 1.27	\$ —

\*annualized