



## FINEMARK HOLDINGS, INC.

### DEAR VALUED SHAREHOLDERS

FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, today announced first quarter 2019 net income of \$3.0 million, or \$0.33 per diluted share, compared to net income of \$3.4 million, or \$0.39 per diluted share, reported for the first quarter of 2018.

FineMark continues to experience steady organic growth in loans, deposits and assets under management and administration. The decrease in year-over-year net earnings is largely the result of net interest margin compression and interest payments on \$30 million of subordinated debt that FineMark issued at the end of 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, \$22 million was added to the bank's balance sheet, which positively contributed to a Tier 1 leverage capital ratio of 9.46%. The remaining \$8 million is being held at the holding company for future opportunities. 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 satisfied with the growth and continued profitability of the company, given the current economic environment. Rather than change the bank's business model and grow through acquisition, we remain committed to expanding relationships with existing clients, adding new clients through referrals and building FineMark's presence steadily and opportunistically.

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

- Wealth management fees increased 6% to \$4.2 million, representing 26% of total revenue
- Assets under administration increased 16% to \$3.8 billion
- Loans, net of allowance, increased 15% to \$1.4 billion
- Net interest income declined 2% to \$11.2 million (explanation below)

### FIRST QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled \$1.9 billion as of March 31, 2019, compared to \$1.7 billion a year earlier. This 15% increase is a robust pace in an industry that typically sees assets grow at a 4% to 8% annual clip. Pre-tax operating income declined 14% to \$3.9 million, as the costs associated with the subordinated debt along with the compression of the net interest margin served as a headwind to profitability.

### NET INTEREST INCOME AND MARGIN

Despite a 15% increase in net loans year-over-year, net interest income actually declined 2% in the first quarter. This is the result of two primary factors: the cost of servicing the subordinated debt issued at the end of 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. In fact, the yield curve inverted during the first quarter, as short-term (three-month) rates were higher than long-term (10-year) rates for a brief time. 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—essentially the cumulative spread between the interest rate we receive for loans and the interest rate we pay on deposits—was 2.52% as of March 31, 2019, compared with 2.72% a

year ago. The bank's cost of funds nearly doubled over the past year, from 0.74% to 1.40%. Meanwhile, the yield on earning assets increased only slightly during that span, from 3.60% to 3.85%.

Total deposits grew 10% year-over-year, ending the first quarter at \$1.6 billion. FineMark believes this strong growth in deposits is a result of the bank's dedication to delivering outstanding levels of client service and a commitment to building deep relationships.

## NONINTEREST INCOME

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 \$3.8 billion as of March 31, 2019, compared with \$3.3 billion at the same time last year; a 16% increase. As a result, noninterest income, which is predominantly generated from trust fees along with gains from the sale of securities totaling \$233,000, increased 11% year-over-year to \$5 million in the first 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 is resonating 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 \$400 million. In the first quarter of 2019, equity markets rebounded strongly from the pullback in the fourth quarter of 2018. As a result, net investment appreciation and income totaled \$249 million in the first quarter.

## NONINTEREST EXPENSE

The growth of FineMark's trust and investment business has necessitated increased expenses to maintain the bank's high levels of client service. Noninterest expense totaled \$11.8 million in the first quarter of 2019, a 7% 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 cybersecurity.

## 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, and as a result, the bank has experienced very low defaults on loans across market cycles.

In the first 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 March 31, 2019, classified loans—loans that are in danger of default—totalled \$3.13 million, or just 1.63% of total capital and reserves. This amount compares favorably to the industry average of 15.13%. The allowance for loan losses was \$14.8 million, or 1.04% of the total loans outstanding as of March 31, 2019. 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 leverage capital ratio was 9.46% as of March 31, 2019, up from 7.82% for the first quarter of 2018. This increase was a result of adding most of the proceeds from the subordinated debt issued at the end of the second quarter of 2018 by the holding company to the bank's balance sheet. The bank's Tier 1 leverage capital ratio, however, was adversely affected by a change in accounting standards that required FineMark to add an \$8 million right of use asset to the bank's balance sheet in the first quarter of 2019. Additionally, FineMark Holdings has more than \$13.7 million of capital to support future growth.

## FIRST 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. Shares traded in a narrow range of \$29.00 to \$30.00 per share throughout the first quarter and closed at \$29.50 per share on March 31, 2019. OTC Markets Group operates the OTCQX and enables investors to more easily trade privately held stock through the broker of their choice.

### 5-STAR RATING

FineMark National Bank & Trust has been awarded a 5-Star Superior Rating for the past 32 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, 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 trades on the OTCQX under the symbol FNBT. Investor information is available on the Corporation's website at <https://www.finemarkbank.com/about/investor-relations/>.

## 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

Assets	At March 31,	
	2019	2018
Cash and due from banks	\$ 45,789	18,926
Securities available for sale	344,126	325,530
Securities held to maturity	28,255	28,827
Loans, net of allowance for loan losses of \$14,823 in 2019 and \$13,177 in 2018	1,415,911	1,230,491
Federal Home Loan Bank stock	8,101	5,540
Federal Reserve Bank stock	3,806	3,080
Premises and equipment, net	31,318	15,802
Accrued interest receivable	6,220	4,961
Deferred tax asset	3,098	4,230
Bank-owned life insurance	33,452	32,814
Other assets	11,038	5,064
Total assets	\$ 1,931,114	1,675,265
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Noninterest-bearing demand deposits	196,642	193,267
Savings, NOW and money-market deposits	1,252,900	972,417
Time deposits	119,752	256,812
Total deposits	1,569,294	1,422,496
Official checks	2,226	3,886
Fed funds purchased/repurchase agreements	1,821	1,196
Federal Home Loan Bank advances	151,328	96,935
Lease liability	8,025	-
Subordinated debt	29,549	-
Other liabilities	4,931	7,728
Total liabilities	1,767,174	1,532,241
Shareholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized, 8,871,050 and 8,581,992 shares issued and outstanding in 2019 and 2018	89	86
Additional paid-in capital	120,801	117,972
Retained earnings	45,966	31,402
Accumulated other comprehensive loss	(2,916)	(6,436)
Total shareholders' equity	163,940	143,024
Total liabilities and shareholders' equity	\$ 1,931,114	1,675,265
Book Value per Share	18.48	16.67

## FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

### Consolidated Statements of Earnings (\$ in thousands, except per share amounts) Unaudited

	March 31,	
	<u>2019</u>	<u>2018</u>
Interest income:		
Loans	\$ 14,731	11,962
Securities	2,374	1,983
Other	73	481
Total interest income	17,178	14,426
Interest expense:		
Deposits	4,337	2,514
Borrowings	1,612	461
Total interest expense	5,949	2,975
Net interest income	11,229	11,451
Provision for loan losses	472	362
Net interest income after provision for loan losses	10,757	11,089
Noninterest income:		
Trust fees	4,216	3,966
Income from bank-owned life insurance	220	226
Income from solar farms	68	56
Gain on sale of securities available for sale	233	-
Loss on extinguishment of debt	-	(2)
Other fees and service charges	257	256
Total noninterest income	4,994	4,502
Noninterest expenses:		
Salaries and employee benefits	7,048	6,756
Occupancy	1,427	1,184
Information systems	1,121	867
Professional fees	333	232
Marketing and business development	618	594
Regulatory assessments	320	333
Other	935	1,056
Total noninterest expense	11,802	11,022
Earnings before income taxes	3,949	4,569
Income taxes	940	1,149
Net earnings	\$ 3,009	3,420
Basic earnings per common share	0.34	0.40
Diluted earnings per common share	0.33	0.39

# FineMark Holdings, Inc.

Consolidated Financial Highlights

First Quarter 2019

Unaudited

\$ in thousands except for share data	Year to Date						
	1st Qtr 2019	4th Qtr 2018	3rd Qtr 2018	2nd Qtr 2018	1st Qtr 2018	2019	2018
<b>\$ Earnings</b>							
Net Interest Income	\$ 11,229	11,364	11,079	11,585	11,451	11,229	11,451
Provision for loan loss	\$ 472	911	413	343	362	472	362
Noninterest Income	\$ 4,761	4,797	5,042	4,574	4,504	4,761	4,504
Securities gains/(losses)	\$ 233	-	-	4	-	233	-
Debt extinguishment gains/(losses)	\$ (0)	226	236	688	(2)	(0)	(2)
Noninterest Expense	\$ 11,802	12,012	11,363	11,334	11,022	11,802	11,022
Earnings before income taxes	\$ 3,949	3,464	4,581	5,174	4,569	3,949	4,569
Taxes	\$ 940	(662)	1,128	1,061	1,149	940	1,149
Net Income	\$ 3,009	4,126	3,453	4,113	3,420	3,009	3,420
Basic earnings per share	\$ 0.34	0.47	0.40	0.48	0.40	0.34	0.40
Diluted earnings per share	\$ 0.33	0.46	0.39	0.46	0.39	0.33	0.39
<b>Performance Ratios</b>							
Return on average assets*	0.64%	0.91%	0.78%	0.96%	0.78%	0.64%	0.78%
Return on average equity*	7.48%	10.80%	9.22%	11.36%	9.55%	7.48%	9.55%
Yield on earning assets*	3.85%	3.82%	3.67%	3.64%	3.60%	3.85%	3.60%
Cost of funds*	1.40%	1.26%	1.10%	0.84%	0.74%	1.40%	0.74%
Net Interest Margin*	2.52%	2.61%	2.63%	2.84%	2.72%	2.52%	2.72%
Efficiency ratio	72.75%	73.30%	69.47%	67.26%	69.09%	72.75%	69.09%
<b>Capital</b>							
Tier 1 leverage capital ratio	8.88%	8.95%	8.99%	9.04%	8.51%	8.88%	8.51%
Common equity risk-based capital ratio	13.78%	13.78%	13.92%	14.11%	13.89%	13.78%	13.89%
Tier 1 risk-based capital ratio	13.78%	13.78%	13.92%	14.11%	13.89%	13.78%	13.89%
Total risk-based capital ratio	17.44%	17.51%	17.70%	18.02%	15.11%	17.44%	15.11%
Book value per share	\$ 18.48	17.97	17.47	17.10	16.67	18.48	16.67
Tangible book value per share	\$ 18.48	17.97	17.47	17.10	16.67	18.48	16.67
Outstanding shares	8,871,050	8,805,399	8,629,710	8,614,179	8,581,992	8,871,050	8,581,992
Average outstanding shares (diluted)	9,023,646	8,969,565	8,897,948	8,879,594	8,855,807	9,023,646	8,855,807
<b>Asset Quality</b>							
Net charge-offs (recoveries)	\$ 114	(5)	(2)	382	-	114	-
Net charge-offs (recoveries) to average total loans	0.01%	0.00%	0.00%	0.03%	0.00%	0.01%	0.00%
Allowance for loan losses	\$ 14,823	14,466	13,550	13,134	13,177	14,823	13,177
Allowance to total loans	1.04%	1.05%	1.02%	1.03%	1.06%	1.04%	1.06%
Nonperforming loans	\$ 1,898	2,762	1,284	416	25	1,898	25
Other real estate owned	\$ -	-	-	-	-	-	-
Nonperforming loans to total loans	0.13%	0.20%	0.10%	0.03%	0.00%	0.13%	0.00%
Nonperforming assets to total assets	0.10%	0.15%	0.07%	0.02%	0.00%	0.10%	0.00%
<b>Loan Composition (% of Total Gross Loans)</b>							
1-4 Family	54.2%	55.0%	55.6%	56.3%	55.8%	54.2%	55.8%
Commercial Loans	11.2%	11.0%	10.8%	10.6%	10.3%	11.2%	10.3%
Commercial Real Estate	20.8%	20.9%	20.2%	19.8%	20.1%	20.8%	20.1%
Construction Loans	7.6%	7.1%	7.5%	7.2%	7.6%	7.6%	7.6%
Other Loans	6.2%	6.1%	5.9%	6.1%	6.2%	6.2%	6.2%
<b>End of Period Balances</b>							
Assets	\$ 1,931,114	1,859,885	1,781,841	1,737,597	1,675,265	1,931,114	1,675,265
Investments	\$ 372,381	371,450	369,879	356,568	354,357	372,381	354,357
Loans, net of allowance	\$ 1,415,911	1,367,489	1,312,386	1,266,084	1,230,491	1,415,911	1,230,491
Deposits	\$ 1,569,294	1,460,713	1,456,353	1,411,862	1,422,496	1,569,294	1,422,496
Fed Funds and Repurchase Agreements	\$ 1,821	2,076	2,614	1,801	1,196	1,821	1,196
Subordinate Debt	\$ 29,549	29,537	29,525	29,550	-	29,549	-
FHLB Advances	\$ 151,328	196,514	132,324	133,397	96,935	151,328	96,935
Shareholders Equity	\$ 163,940	158,649	150,794	147,326	143,024	163,940	143,024
<b>Wealth Management</b>							
Fee Income	\$ 4,216	4,264	4,405	4,054	3,966	4,216	3,966
<b>Assets Under Administration</b>							
Balance at beginning of period	\$ 3,391,455	3,654,247	3,406,991	3,253,793	3,006,024	3,391,455	3,006,024
Net investment appreciation (depreciation) & income	\$ 248,930	(320,664)	146,864	42,951	(19,996)	248,930	(19,996)
Net client asset flows	\$ 131,088	57,872	100,392	110,247	267,765	131,088	267,765
Balance at end of period	\$ 3,771,473	3,391,455	3,654,247	3,406,991	3,253,793	3,771,473	3,253,793
Percentage of AUA that are managed	89%	91%	91%	89%	83%	89%	83%
<b>Stock Valuation</b>							
Closing Market Price (OTCQX)	\$ 29.50	-	-	-	-	29.50	-
Multiple of Tangible Book Value	1.60	-	-	-	-	1.60	-

\*annualized