



FINEMARK HOLDINGS, INC.

DEAR VALUED SHAREHOLDERS,

On behalf of everyone at FineMark National Bank & Trust—the Board of Directors, the executive management team and all of our dedicated associates—I am pleased to report on the bank’s performance for the fourth quarter and the full year 2019.

FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, today announced fourth quarter 2019 net income of \$4.3 million, or \$0.49 per diluted share, compared to net income of \$4.1 million, or \$0.46 per diluted share, for the fourth quarter of 2018. For the full year 2019, FineMark announced net income of \$15.2 million, or \$1.69 per diluted share, compared to 2018’s totals of \$15.1 million and \$1.70 per diluted share.

Earnings before tax in 2019 increased 12% over 2018, while net income increased just 1%. The primary reason for the flat net income year over year, is attributable to \$1.6 million in tax credits the bank received in 2018 from investments in solar farms. The credits were a one-time event. While the increase in net income was modest, we are very pleased with the bank’s continued growth and profitability in what continued to be a challenging interest-rate environment in 2019. The flattening and eventual inversion of the yield curve was a headwind for all banks.

As we look ahead to 2020, interest rates and equity market performance will continue to influence the bank’s earnings; however, we believe our success ultimately depends on our commitment to our clients, our ability to provide high levels of personalized service and our desire to do what is right. We are confident these characteristics will create shareholder value irrespective of the prevailing market conditions.

FOURTH QUARTER FINANCIAL HIGHLIGHTS

Financial highlights for the fourth quarter of 2019 include:

- Net income increased 5% and diluted earnings per share increased 7% from the fourth quarter of 2018
- Production of new loans totaled \$140 million, up 15% from the fourth quarter of 2018
- Net interest margin increased to 2.41%, up seven basis points from the previous quarter
- Trust fees increased 18% from the fourth quarter of 2018, exceeding \$5 million

YEAR-END FINANCIAL HIGHLIGHTS

Financial highlights for the entire year of 2019 include:

- Net income totaled \$15.2 million, up 1% from 2018
- Diluted earnings per share were \$1.69, down 1% from 2018
- Pre-tax operating income totaled \$19.9 million, up 12% from 2018
- Gains from selling securities totaled \$1.6 million, mostly resulting from the sale of \$6.5 million of tax-exempt municipal bonds in August 2019
- Net interest margin was 2.43%, down from 2.70% in 2018
- Cost of funds was 1.46%, up from 0.99% in 2018
- Total bank assets surpassed \$2 billion, increasing 17% from 2018
- New loan production increased 14% from 2018
- Non-performing loans were 0.12% of total loans, down from 0.20% in 2018

- Total assets under management and administration surpassed \$4 billion, increasing 32% from 2018
- Trust fees totaled \$18.6 million, up 12% from 2018

Please refer to attached abbreviated financial statements.

NET INTEREST INCOME AND MARGIN

In the fourth quarter, FineMark's net interest income totaled \$12.1 million, up 7% from the previous quarter. This growth was driven by an increase in the net interest margin, as well as an increase in loan production. The bank generated \$140 million in new loans in the fourth quarter, up 9% from the previous quarter.

For the entire year, FineMark's net interest income totaled \$46.0 million, up 1% from 2018. Loan production was strong, increasing 14%; however, paydowns resulted in net loan growth of 11 percent for the year. The bank's net interest margin for 2019 was 2.43%, down from 2.70% in 2018. Notably, the bank's cost of funds increased to 1.46% in 2019 from 0.99% in 2018. This increase was largely the result of the bank adding \$30 million of subordinated debt in June 2018, at an interest rate of 5.875%; the interest expense from this debt affected the bank's net interest income for just six months in 2018 but for all 12 months in 2019.

NONINTEREST INCOME

A major driver of FineMark's growth has been the impressive expansion of our trust and investment area. As of December 31, 2019, FineMark's total assets under management and administration totaled \$4.5 billion. This represents a 32% increase from year-end 2018. Trust fees totaled \$18.6 million for the year, a 12% increase from 2018.

This growth was fueled by our commitment to provide advice and services, tailored to our clients' unique needs. We continue to attract new clients and expand existing relationships in all of our markets. FineMark's net client asset flows totaled \$546 million, a 2% increase from 2018. Net asset flows in the fourth quarter of 2019 were \$116 million, significantly higher than the fourth quarter of last year. In addition to our high level of service, equity markets enjoyed one of their strongest years in the past decade; as a result, several major indexes closed the year near record highs.

NONINTEREST EXPENSE

The growth of FineMark's business requires additional expenses to support the high level of service the bank provides its clients. Noninterest expense increased 5% in 2019 to \$47.9 million. This increase, which includes adding more professionals and investing in technology to improve client service, is in line with the steady expansion FineMark has experienced over the past several years.

CREDIT QUALITY

FineMark remains committed to maintaining high credit standards through a relationship-based approach to lending. We conduct underwriting based on an in-depth understanding of each potential borrower's needs and financial situation. As a result, the bank has experienced very low defaults on loans across market cycles.

At the end of 2019, FineMark's nonperforming loans equaled \$1.8 million, or just 0.12% of the bank's total loans. This percentage represents a decrease of eight basis points from 2018's year-end figure of 0.20%. In addition, 1.5% of total capital is classified compared to industry peers at 15.2%. As of December 31, 2019, FineMark's allowance for loan loss reserve was \$15.8 million, or 1.04% of total loans outstanding. Management believes this level of reserve is sufficient to support the bank's loan portfolio risk. FineMark's management team is very pleased with the credit quality of the bank's loan portfolio and believes our commitment to knowing each of our clients personally, will serve shareholders well in the event of an eventual economic downturn.

CAPITAL

All of FineMark's capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. FineMark's tier 1 capital ratio was 8.51% as of December 31, 2019, down from 8.95% at the end of 2018. The bank's Tier 1 leverage capital ratio was 9.52%. Additionally, FineMark Holdings has \$5.4 million of capital to support the bank's future growth.

PROGRESS OF NEW BUILDING

As noted in previous quarterly letters, FineMark is in the process of building a new office in Fort Myers, Florida, to support the bank's growth and to serve as a home for our expanding team. The walls are now up on the 60,000 square foot building, which is a half mile from our existing Fort Myers office. Construction began in November 2019, with a projected completion date of yearend 2020.

As we progress into 2020, we remain committed to the vision that has guided FineMark since its founding in 2007: To make a positive impact on the individuals, families and communities we serve while being good stewards of FineMark's resources. On behalf of the entire FineMark team, I want to thank you for your support and commitment to our vision.

Kind regards,

A handwritten signature in black 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, 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 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	
	Dec 31	
Assets	2019	2018
Cash and due from banks	\$ 51,038	33,687
Securities available for sale	474,841	343,008
Securities held to maturity	30,329	28,442
Loans, net of allowance for loan losses of \$15,838 in 2019 and \$14,466 in 2018	1,512,466	1,367,489
Federal Home Loan Bank stock	12,912	9,772
Federal Reserve Bank stock	4,029	3,728
Premises and equipment, net	33,656	23,636
Accrued interest receivable	6,402	5,884
Deferred tax asset	2,063	3,562
Bank-owned life insurance	34,118	33,232
Other assets	7,129	7,445
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Total assets	\$ 2,168,983	1,859,885
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Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	208,016	191,306
Savings, NOW and money-market deposits	1,368,311	1,124,120
Time deposits	94,092	145,287
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Total deposits	1,670,419	1,460,713
Official checks	6,694	4,734
Fed funds purchased/repurchase agreements	2,390	2,076
Federal Home Loan Bank advances	264,520	196,514
Lease liability	9,115	-
Subordinated debt	29,586	29,537
Other liabilities	7,806	7,662
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Total liabilities	1,990,530	1,701,236
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Shareholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized, 8,856,646 and 8,805,399 shares issued and outstanding in 2019 and 2018	89	88
Additional paid-in capital	120,955	119,653
Retained Earnings	58,164	43,094
Accumulated other comprehensive gain/(loss)	(755)	(4,186)
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Total shareholders' equity	178,453	158,649
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Total liabilities and shareholders' equity	\$ 2,168,983	1,859,885
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Book Value per Share	20.15	18.02

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

Unaudited

	Dec 31	
	2019	2018
Interest income:		
Loans	\$ 61,301	51,911
Securities	10,116	8,627
Other	881	806
Total interest income	<u>72,298</u>	<u>61,344</u>
Interest expense:		
Deposits	17,913	11,791
Borrowings	8,341	4,074
Total interest expense	<u>26,254</u>	<u>15,865</u>
Net interest income	<u>46,044</u>	<u>45,479</u>
Provision for loan losses	1,488	2,029
Net interest income after provision for loan losses	<u>44,556</u>	<u>43,450</u>
Non-interest income:		
Trust fees	18,614	16,689
Income from bank-owned life insurance	886	915
Income from solar farms	330	272
Gain on sale of securities available for sale	1,560	4
Gain on extinguishment of debt	685	1,148
Other fees and service charges	1,169	1,041
Total non-interest income	<u>23,244</u>	<u>20,069</u>
Non-interest expenses:		
Salaries and employee benefits	29,452	28,407
Occupancy	5,646	4,932
Information systems	4,413	3,654
Professional fees	1,334	1,214
Marketing and business development	2,054	1,930
Regulatory assessments	788	1,226
Other	4,204	4,368
Total non-interest expense	<u>47,891</u>	<u>45,731</u>
Earnings before income taxes	19,909	17,788
Income taxes	4,702	2,676
Net earnings	<u>\$ 15,207</u>	<u>15,112</u>
	<u>1.72</u>	<u>1.75</u>
Basic earnings per common share		
	<u>1.69</u>	<u>1.70</u>
Diluted earnings per common share		

FineMark Holdings, Inc.
Consolidated Financial Highlights
4th Quarter 2019
Unaudited

\$ in thousands except for share data	4th Qtr 2019	3rd Qtr 2019	2nd Qtr 2019	1st Qtr 2019	4th Qtr 2018	2019	2018
\$ Earnings							
Interest Income	\$ 18,812	18,492	17,815	17,178	16,594	72,298	61,344
Interest Expense	\$ 6,686	7,134	6,485	5,949	5,230	26,254	15,865
Net Interest Income	\$ 12,125	11,359	11,330	11,229	11,364	46,044	45,479
Provision for loan loss	\$ 429	233	354	472	911	1,488	2,029
Non-interest Income	\$ 5,629	5,607	5,001	4,761	4,797	20,999	18,917
Gain on sale of securities available for sale	\$ 233	833	262	233	-	1,560	4
Debt extinguishment gains/(losses)	\$ 413	272	-	-	226	685	1,148
Non-interest Expense	\$ 12,489	11,808	11,792	11,802	12,012	47,891	45,731
Earnings before income taxes	\$ 5,483	6,029	4,447	3,949	3,464	19,909	17,788
Taxes	\$ 1,163	1,505	1,095	940	(662)	4,702	2,676
Net Income	\$ 4,321	4,525	3,352	3,009	4,126	15,207	15,112
Basic earnings per share	\$ 0.49	0.51	0.38	0.34	0.47	1.72	1.75
Diluted earnings per share	\$ 0.49	0.50	0.37	0.33	0.46	1.69	1.70
Performance Ratios							
Return on average assets*	0.82%	0.89%	0.69%	0.64%	0.91%	0.76%	0.86%
Return on average equity*	9.72%	10.47%	8.07%	7.48%	10.80%	8.97%	10.23%
Yield on earning assets*	3.74%	3.81%	3.90%	3.85%	3.82%	3.82%	3.64%
Cost of funds*	1.40%	1.55%	1.48%	1.40%	1.26%	1.46%	0.99%
Net Interest Margin*	2.41%	2.34%	2.48%	2.52%	2.61%	2.43%	2.70%
Efficiency ratio	67.87%	65.35%	71.07%	72.75%	73.30%	69.12%	69.77%
Capital							
Tier 1 leverage capital ratio	8.51%	8.59%	8.80%	8.88%	8.95%	8.51%	8.95%
Common equity risk-based capital ratio	13.70%	14.00%	13.85%	13.78%	13.78%	13.70%	13.78%
Tier 1 risk-based capital ratio	13.70%	14.00%	13.85%	13.78%	13.78%	13.70%	13.78%
Total risk-based capital ratio	17.18%	17.61%	17.49%	17.44%	17.51%	17.18%	17.51%
Book value per share	\$ 20.15	\$ 19.81	\$ 19.26	\$ 18.48	\$ 18.02	\$ 20.15	\$ 18.02
Tangible book value per share	\$ 20.15	\$ 19.81	\$ 19.26	\$ 18.48	\$ 18.02	\$ 20.15	\$ 18.02
Outstanding shares	8,856,646	8,854,557	8,863,319	8,871,050	8,805,399	8,856,646	8,805,399
Average outstanding shares (diluted)	8,905,066	9,035,916	8,962,731	9,023,646	8,969,565	9,023,605	8,872,478
Asset Quality							
Net charge-offs (recoveries)	\$ (10)	(5)	11	114	(5)	111	375
Net charge-offs (recoveries) to average total loans	0.00%	0.00%	0.00%	0.01%	0.00%	0.01%	0.03%
Allowance for loan losses	\$ 15,838	15,404	15,167	14,823	14,466	15,838	14,466
Allowance to total loans	1.04%	1.05%	1.04%	1.04%	1.05%	1.04%	1.05%
Nonperforming loans	\$ 1,798	1,183	410	1,898	2,762	1,798	2,762
Other real estate owned	\$ -	-	-	-	-	-	-
Nonperforming loans to total loans	0.12%	0.08%	0.03%	0.13%	0.20%	0.12%	0.20%
Nonperforming assets to total assets	0.08%	0.06%	0.02%	0.10%	0.15%	0.08%	0.15%
Loan Composition (% of Total Gross Loans)							
1-4 Family	57.3%	56.0%	55.0%	54.2%	55.0%	57.3%	55.0%
Commercial Loans	10.0%	9.7%	10.6%	11.2%	11.0%	10.0%	11.0%
Commercial Real Estate	20.9%	20.9%	21.7%	20.8%	20.9%	20.9%	20.9%
Construction Loans	6.1%	7.6%	6.7%	7.6%	7.1%	6.1%	7.1%
Other Loans	5.7%	5.9%	5.9%	6.2%	6.1%	5.7%	6.1%
End of Period Balances							
Total Assets	\$ 2,168,983	2,108,066	1,997,852	1,931,114	1,859,885	2,168,983	1,859,885
Investments	\$ 505,170	413,792	361,950	372,381	371,450	505,170	371,450
Loans, net of allowance	\$ 1,512,466	1,458,700	1,448,152	1,415,911	1,367,489	1,512,466	1,367,489
Total Deposits	\$ 1,670,419	1,597,018	1,520,961	1,569,295	1,460,713	1,670,419	1,460,713
Fed Funds and Repurchase Agreements	\$ 2,390	2,499	1,661	1,821	2,076	2,390	2,076
Subordinate Debt	\$ 29,586	29,574	29,562	29,549	29,537	29,586	29,537
FHLB Advances	\$ 264,520	284,581	258,142	151,328	196,514	264,520	196,514
Total Shareholders Equity	\$ 178,453	175,423	170,737	163,940	158,649	178,453	158,649
Wealth Management							
Trust fees	\$ 5,023	4,968	4,407	4,216	4,264	18,614	16,689
Assets Under Administration							
Balance at beginning of period	\$ 4,175,715	3,930,319	3,771,473	3,391,455	3,654,247	3,391,455	3,006,024
Net investment appreciation (depreciation) & income	\$ 180,466	71,545	34,298	248,930	(320,664)	535,238	(150,845)
Net client asset flows	\$ 116,404	173,852	124,548	131,088	57,872	545,892	536,276
Balance at end of period	\$ 4,472,585	4,175,715	3,930,319	3,771,473	3,391,455	4,472,584	3,391,455
Percentage of AUA that are managed	88%	89%	90%	89%	91%	88%	91%
Stock Valuation							
Closing Market Price (OTCQX)	\$ 25.10	25.10	24.80	29.5	- \$	25.10	\$ -
Multiple of Tangible Book Value	\$ 1.25	1.27	1.29	1.6	- \$	1.25	\$ -

*annualized