FINEMARK HOLDINGS, INC.

DEAR VALUED SHAREHOLDERS:

On behalf of FineMark Holdings, Inc.—the Board of Directors, the executive management team, and all of our dedicated associates—I am pleased to report on the company's performance for the second quarter of 2020.

FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, today announced second quarter 2020 net income of $4.8 million (or $0.54 per diluted share). This compares to net income of $3.4 million (or $0.37 per diluted share) reported for the second quarter of 2019.

SECOND QUARTER FINANCIAL HIGHLIGHTS

FineMark's assets totaled $2.5 billion as of June 30, 2020, compared to $2.0 billion a year earlier. This 27% increase reflects robust growth in an industry where assets typically grow at 4% to 8% annually. Quarterly pre-tax operating income increased to $6.4 million (a 43% increase over the second quarter of 2019).

Highlights of second quarter 2020 performance on a year-over-year basis include:

- Strong earnings resulting in a ROA of 0.80% and a ROE of 10.16%, up from 0.69% and 8.07%, respectively.
- Trust and investment fees increased 11% to $4.9 million, representing 23% of total revenue.
- Assets under management and administration increased 12% to $4.4 billion, including $61 million of net client asset flows in the second quarter.
- Loans, net of allowance increased 19% to $1.7 billion (13% increase excluding Paycheck Protection Program (PPP) loans).
- Deposits increased 27% to $1.9 billion.
- Net interest income increased 33% to $15.0 million.

Please refer to attached abbreviated financial statements.

COVID-19: ONGOING IMPACT AND OUR RESPONSE

As the COVID-19 pandemic continues to impact daily life across the country, the safety of our clients, our associates, and the communities we serve remain our top priority. Despite the immense economic challenges presented by this pandemic, we are pleased to report that FineMark has continued to deliver exceptional service to our clients and strong financial performance to our shareholders. We believe that our ability to continue growing during this challenging period, in combination with our relationship-based approach to banking and wealth management, is a testament to the quality and dedication of our people.

Operations and Safety: As this situation continues to evolve, we are closely following the guidance of health officials and taking numerous steps to protect our clients and associates. We continue to meet with clients on an appointment- or drive-through-only basis and have implemented extensive cleaning measures. While we do not have a forecast for when operations will revert to pre-COVID-19 conditions, we are closely monitoring the health guidelines in each of the communities where FineMark offices are physically located. Most of our associates have returned to work within our offices and our team members are being extremely careful about safety protocols. Associates are encouraged to avoid activities that may expose them to the virus while they are away from the office. We are also using technology, such as DocuSign and virtual client meetings, to improve safety and maintain convenience for our clients and employees without compromising the depth of our personal relationships. We conducted our first virtual shareholder meeting in April, which allowed us to expand our shareholders' participation.

Loan Forbearance: While we are acutely aware of the hardships experienced by business owners and individuals impacted by business and job loss during this difficult time, the credit quality of our loan portfolio remains strong. As the pandemic escalated in the second quarter, we granted 90-day forbearance on $131 million in loans, which accounted for less than 8% of our gross loan portfolio. In the vast majority of these cases, we acted with an abundance of caution to provide our clients with options and flexibility. As of June 30, 2020, only $11 million of these loans may need extended forbearance. Even with our participation in the Paycheck Protection Program (PPP), commercial loans represent only 15% of our loan portfolio; we do not have any significant loan concentration in the hospitality industry (or other sectors) particularly affected by the pandemic.

Paycheck Protection Program (PPP): Our success in helping business owners navigate the PPP further solidified our reputation as a bank that gets things done for our clients. We served clients in all of our communities, as well as businesses that were not yet banking with FineMark, to meet their PPP needs. We closed 525 PPP loans totaling $98 million thanks to the outstanding efforts of our people, who worked long hours to guide clients through the application process. These efforts showcased our ability to provide an exceptional level of service and also allowed us to connect with many new businesses and their management teams.

Impact on Financial Performance: Despite the challenges presented by COVID-19, FineMark delivered exceptional financial performance in the second quarter. We continue to grow our loan portfolio in a difficult environment while maintaining high credit standards. Our funding costs declined while deposits and our loan portfolio increased significantly. Our trust business also continues to grow even in the midst of extremely volatile equity markets. Still, it is important to remember that the full impact of COVID-19 on the bank's performance remains to be seen. The end of the second quarter was marked by a surge of infections in Florida and elsewhere; businesses and consumers will continue to be affected by this evolving crisis in the coming months.

NET INTEREST INCOME AND MARGIN

The Federal Reserve's low interest rate target, which is expected to remain in place for the foreseeable future, has allowed FineMark to reduce funding costs. We lowered our deposit rates and generated $37,000 in monthly interest savings by restructuring Federal Home Loan Bank advances totaling $39 million. Even with strong deposit growth, interest expense declined in the second quarter on a year-over-year basis, helped by a $25 million advance under the Federal Reserve's PPP Liquidity Facility for banks at a cost of only 0.35% annually. FineMark is liability sensitive and to protect against rising rates we entered into two interest rate swaps in April. These swaps are expected to serve as an "insurance policy" in the event that a faster-than-expected economic recovery occurs, which could prompt the Federal Reserve to increase short-term rates.

Quarterly net interest income increased 33% year-over-year and 19% from the previous quarter. This improvement was driven largely by a substantial decrease in the cost of funds (which dropped from 1.48% a year earlier to 0.77% in the second quarter) coupled with the continued growth of the loan portfolio. This offset the decrease in the yield on earning assets to 3.32%, which had been 3.90% the year before, reflecting the declining rate environment. FineMark's quarterly net interest margin was 2.58% for the second quarter, compared with 2.48% a year ago and 2.39% in the previous quarter.

NON-INTEREST INCOME

FineMark realized gains of $1.4 million from its portfolio of debt securities. These gains were realized mostly in an effort to maintain FineMark's balance sheet within policy levels.

An important area of FineMark's growth continues to be the impressive expansion of our trust and investment business, as measured by assets under management and administration. As of June 30, 2020, FineMark had a total of $4.4 billion in assets under management and administration, up 12% on a year-over-year basis. During the second quarter, we added $61 million of client assets, resulting from new clients and also existing clients who added to their accounts.

On the heels of the first quarter's downturn, U.S. equity markets experienced a strong rally in the second quarter. As a result, net appreciation and income from investments for our clients' assets were $390 million in the second quarter. Trust fees for the second quarter totaled $4.9 million, up 11% on a year-over-year basis but down 3% from the previous quarter. The quarter-over-quarter decline in fees reflects the timing of the precipitous decline and subsequent recovery that occurred in the equity markets during the second quarter.

NON-INTEREST EXPENSES

As FineMark's overall business has grown, we continue to increase certain expenses needed to maintain the bank's high levels of client service. Non-interest expenses totaled $13 million in the second quarter, a 9% increase year-over-year. This increase, which reflects the addition of new associates to the team and investments in technology to improve client service, is in line with the steady expansion FineMark has experienced over the past several years.

CREDIT QUALITY

The overall credit quality of the bank's loan portfolio remained strong during the second quarter, with low levels of classified loans relative to capital and total assets. As of June 30, 2020, classified loans—loans that may potentially default—totaled $2.63 million (or just 1.09% of total capital and reserves). This level compares favorably to the industry average of 14.80% (at March 31, 2020); management believes the probability of any losses associated with these loans to be very low.

The allowance for loan losses at the end of the second quarter was $19.6 million, up 29% from June 30, 2019 (an increase of 15% versus the first quarter). This increase was driven by two factors: 1) we increased the allowance to account for the growth of the loan portfolio and 2) we added $2.1 million in the second quarter as a special COVID-19-related loan loss provision resulting in a total special COVID-19 provision amount of $2.5 million for the year.

The allowance for loan losses was 1.12% of the total loans outstanding as of June 30, 2020. Management believes that this level of reserve is sufficient to support the risks in the bank's loan portfolio. As noted above, only 15% of the portfolio is represented by commercial loans; there is no concentration in hospitality (or other sectors) particularly affected by the pandemic. We will continue to monitor economic conditions closely to determine whether additional provisions should be made.

FineMark's management team continues to be pleased with the credit quality of the bank's loan portfolio. Management believes that our commitment to knowing our clients personally and working with them proactively will continue to serve our shareholders well.

CAPITAL AND LIQUIDITY

All of FineMark's capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. As of June 30, 2020, the bank's tier 1 leverage ratio was 9.22%. The company's tier 1 leverage ratio was 7.89% and the total risk-based capital ratio was 16.56%.

HEADQUARTERS CONSTRUCTION UPDATE

As noted in previous quarterly letters, FineMark is in the process of building a new headquarters office in Fort Myers, Florida, to support the bank's growth and serve as a home for our expanding team. The new office includes a significant investment in video teleconferencing technology. As the COVID-19 pandemic has escalated, FineMark has worked closely with the building contractor to ensure that workers' safety is prioritized over the meeting of any construction deadlines. The contractor has assured FineMark that all appropriate safety measures recommended by health officials have been implemented on the job site. Construction continues with a projected completion date of year-end 2020.

CLOSING REMARKS

As we continue to navigate through these difficult times, we appreciate the trust that our clients and our investors have placed in us. We are also deeply grateful for the commitment shown by our associates every day. They are dedicated to upholding FineMark's standards and providing the highest level of service to our clients and the communities we serve, all while putting our resources to their best use.

While the pandemic has enormous economic implications, the health of our associates, clients, and communities will always be our top priority. We remain hopeful that positive news on the medical front will lead to a rapid improvement in both physical health and economic prosperity for communities around the world. As we wait for these developments to unfold, we remain steadfast in our commitment to—and support of—our associates and our clients.

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. Through its offices located in Florida, Arizona and South Carolina, FineMark offers a full range of financial services including personal and business banking and lending, trust and investment services. 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 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. 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 June 30, 2020	At June 30, 2019
Assets		
Cash and due from banks	$ 57,448	83,897
Debt securities available for sale	556,598	333,798
Debt securities held to maturity	61,971	28,152
Loans, net of allowance for loan losses of $19,582 in 2020 and $15,167 in 2019	1,727,853	1,448,152
Federal Home Loan Bank stock	15,311	12,641
Federal Reserve Bank stock	4,210	3,806
Premises and equipment, net	34,469	24,060
Operating lease right-of-use assets	8,347	7,455
Accrued interest receivable	8,178	6,290
Deferred tax asset	2,892	2,188
Bank-owned life insurance	34,540	33,675
Other assets	9,014	6,813
Total assets	$ 2,520,831	1,990,927
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	288,883	202,045
Savings, NOW and money-market deposits	1,548,672	1,221,474
Time deposits	82,411	90,517
Total deposits	1,919,966	1,514,036
Official checks	3,460	3,235
Other borrowings	9,121	1,661
PPPLF advances	25,008	-
Federal Home Loan Bank advances	314,396	258,142
Operating lease liabilities	8,543	7,713
Subordinated debt	29,610	29,562
Other liabilities	13,553	5,841
Total liabilities	2,323,657	1,820,190
Shareholders' equity:		
Common stock, $.01 par value; 50,000,000 shares authorized, 8,932,069 and 8,863,319 shares issued and outstanding in 2020 and 2019	89	89
Additional paid-in capital	121,885	120,807
Retained earnings	68,098	49,317
Accumulated other comprehensive income	7,102	524
Total shareholders' equity	197,174	170,737
Total liabilities and shareholders' equity	$ 2,520,831	1,990,927
Book Value per Share	22.08	19.26

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	June 30, 2020	June 30, 2019
Interest income:		
Loans	$ 31,409	30,105
Debt securities	5,896	4,458
Dividends on Federal Home Loan Bank stock	373	262
Other	594	169
Total interest income	38,272	34,994
Interest expense:		
Deposits	5,701	8,851
Federal Home Loan Bank advances	4,008	2,677
Subordinated debt	906	906
Total interest expense	10,615	12,434
Net interest income	27,657	22,560
Provision for loan losses	3,746	826
Net interest income after provision for loan losses	23,911	21,734
Noninterest income:		
Trust fees	9,952	8,623
Income from bank-owned life insurance	422	443
Income from solar farms	155	165
Gain on sale of debt securities available for sale	4,062	494
Other fees and service charges	402	531
Total noninterest income	14,993	10,256
Noninterest expenses:		
Salaries and employee benefits	15,424	14,220
Occupancy	2,918	2,882
Information systems	2,521	2,201
Professional fees	719	678
Marketing and business development	760	933
Regulatory assessments	617	598
Other	2,881	2,082
Total noninterest expense	25,840	23,594
Earnings before income taxes	13,064	8,396
Income taxes	3,130	2,035
Net earnings	$ 9,934	6,361
Basic earnings per common share	1.11	0.72
Diluted earnings per common share	1.10	0.70

FineMark Holdings, Inc.

Consolidated Financial Highlights

Second Quarter 2020

Unaudited

$ in thousands except for share data	2nd Qtr 2020	1st Qtr 2020	4th Qtr 2019	3rd Qtr 2019	2nd Qtr 2019	Year to Date 2020	Year to Date 2019
$ Earnings							
Net Interest Income	$ 15,032	$ 12,625	$ 12,125	$ 11,359	$ 11,330	$ 27,657	$ 22,560
Provision for loan loss	$ 2,563	$ 1,183	$ 429	$ 233	$ 354	$ 3,746	$ 826
Non-interest Income	$ 5,341	$ 5,590	$ 5,629	$ 5,607	$ 5,001	$ 10,931	$ 9,762
Debt securities gains/(losses)	$ 1,371	$ 2,691	$ 233	$ 833	$ 262	$ 4,062	$ 494
Debt extinguishment gains/(losses)	$ 0	0	413	$ 272	$ —	$ 0	$ —
Non-interest Expense	$ 12,814	$ 13,026	$ 12,489	$ 11,808	$ 11,792	$ 25,840	$ 23,594
Earnings before income taxes	$ 6,368	$ 6,696	$ 5,483	$ 6,029	$ 4,447	$ 13,064	$ 8,396
Taxes	$ 1,520	$ 1,610	$ 1,163	$ 1,505	$ 1,095	$ 3,130	$ 2,035
Net Income	$ 4,847	$ 5,087	$ 4,321	$ 4,525	$ 3,352	$ 9,934	$ 6,361
Basic earnings per share	$ 0.54	$ 0.57	$ 0.49	$ 0.51	$ 0.38	$ 1.11	$ 0.72
Diluted earnings per share	$ 0.54	$ 0.56	$ 0.49	$ 0.50	$ 0.37	$ 1.10	$ 0.70
Performance Ratios							
Return on average assets*	0.80 %	0.92 %	0.82 %	0.89 %	0.69 %	0.85 %	0.67 %
Return on average equity*	10.16 %	11.11 %	9.72 %	10.47 %	8.07 %	10.62 %	7.78 %
Yield on earning assets*	3.32 %	3.59 %	3.74 %	3.81 %	3.90 %	3.45 %	3.86 %
Cost of funds*	0.77 %	1.26 %	1.40 %	1.55 %	1.48 %	1.00 %	1.44 %
Net Interest Margin*	2.58 %	2.39 %	2.41 %	2.34 %	2.48 %	2.49 %	2.49 %
Efficiency ratio	58.92 %	62.31 %	67.87 %	65.35 %	71.07 %	60.59 %	71.90 %
Capital							
Tier 1 leverage capital ratio	7.89 %	8.35 %	8.51 %	8.59 %	8.80 %	7.89 %	8.80 %
Common equity risk-based capital ratio	13.15 %	14.10 %	13.70 %	14.00 %	13.85 %	13.15 %	13.85 %
Tier 1 risk-based capital ratio	13.15 %	14.10 %	13.70 %	14.00 %	13.85 %	13.15 %	13.85 %
Total risk-based capital ratio	16.56 %	17.67 %	17.18 %	17.61 %	17.49 %	16.56 %	17.49 %
Book value per share	$ 22.08	$ 20.74	$ 20.15	$ 19.81	$ 19.26	$ 22.08	$ 19.26
Tangible book value per share	$ 22.08	$ 20.74	$ 20.15	$ 19.81	$ 19.26	$ 22.08	$ 19.26
Outstanding shares	8,932,069	8,924,244	8,856,646	8,854,557	8,863,319	8,932,069	8,863,319
Average outstanding shares (diluted)	9,032,047	9,057,632	8,905,066	9,035,916	8,962,731	9,045,130	9,035,885
Asset Quality							
Net charge-offs (recoveries)	$ 9	$ (7)	$ (10)	$ (5)	$ 11	$ 3	$ 125
Net charge-offs (recoveries) to average total loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	— %	0.01 %
Allowance for loan losses	$ 19,582	$ 17,028	$ 15,838	$ 15,404	$ 15,167	$ 19,582	$ 15,167
Allowance to total loans	1.12 %	1.06 %	1.04 %	1.05 %	1.04 %	1.12 %	1.04 %
Nonperforming loans	$ 1,560	$ 1,184	$ 1,798	$ 1,183	$ 410	$ 1,560	$ 410
Other real estate owned	0	0	0	0	0	0	0
Nonperforming loans to total loans	0.09 %	0.07 %	0.12 %	0.08 %	0.03 %	0.09 %	0.03 %
Nonperforming assets to total assets	0.06 %	0.05 %	0.08 %	0.06 %	0.02 %	0.06 %	0.02 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	52.8 %	55.9 %	57.3 %	56.0 %	55.0 %	52.8 %	55.0 %
Commercial Loans	15.3 %	10.9 %	10.0 %	9.7 %	10.6 %	15.3 %	10.6 %
Commercial Real Estate	19.9 %	21.0 %	20.9 %	20.9 %	21.7 %	19.9 %	21.7 %
Construction Loans	6.7 %	6.6 %	6.1 %	7.6 %	6.7 %	6.7 %	6.7 %
Other Loans	5.3 %	5.6 %	5.7 %	5.9 %	5.9 %	5.3 %	5.9 %
End of Period Balances							
Assets	$ 2,520,831	$ 2,464,677	$ 2,168,983	$ 2,108,066	$ 1,990,927	$ 2,520,831	$ 1,990,927
Debt securities	$ 618,569	$ 577,917	$ 505,170	$ 413,792	$ 361,950	$ 618,569	$ 361,950
Loans, net of allowance	$ 1,727,853	$ 1,584,767	$ 1,512,466	$ 1,458,700	$ 1,448,152	$ 1,727,853	$ 1,448,152
Deposits	$ 1,919,966	$ 1,824,174	$ 1,670,419	$ 1,597,018	$ 1,514,036	$ 1,919,966	$ 1,514,036
Other borrowings	$ 9,121	$ 102,527	$ 2,390	$ 2,499	$ 1,661	$ 9,121	$ 1,661
Subordinated Debt	$ 29,610	$ 29,749	$ 29,586	$ 29,574	$ 29,562	$ 29,610	$ 29,562
FHLB Advances	$ 314,396	$ 294,458	$ 264,520	$ 284,581	$ 258,142	$ 314,396	$ 258,142
Shareholders Equity	$ 197,174	$ 185,119	$ 178,453	$ 175,423	$ 170,737	$ 197,174	$ 170,737
Trust and Investment							
Fee Income	$ 4,897	$ 5,055	$ 5,023	$ 4,968	$ 4,407	$ 9,952	$ 8,623
Assets Under Administration							
Balance at beginning of period	$ 3,932,309	$ 4,472,585	$ 4,175,715	$ 3,930,319	$ 3,771,473	$ 4,472,585	$ 3,391,455
Net investment appreciation (depreciation) & income	$ 389,677	$ (706,530)	$ 180,466	$ 71,545	$ 34,298	$ (316,853)	$ 283,227
Net client asset flows	$ 60,824	$ 166,253	$ 116,404	$ 173,852	$ 124,548	$ 227,077	$ 255,636
Balance at end of period	$ 4,382,810	$ 3,932,309	$ 4,472,585	$ 4,175,715	$ 3,930,319	$ 4,382,810	$ 3,930,319
Percentage of AUA that are managed	89 %	88 %	88 %	89 %	90 %	89 %	90 %
Stock Valuation							
Closing Market Price (OTCQX)	$ 21.60	$ 21.00	$ 25.10	$ 25.10	$ 24.80	$ 21.60	$ 24.80
Multiple of Tangible Book Value	$ 0.98	$ 1.01	$ 1.25	$ 1.27	$ 1.29	$ 0.98	$ 1.29

*annualized