



## DEAR VALUED SHAREHOLDERS:

On behalf of everyone at FineMark Holdings, Inc.—the Board of Directors, the executive management team, and all of our dedicated associates—I am pleased to report on our performance for the fourth quarter and the full year 2020.

FineMark Holdings, Inc. (the “Holding Company”; OTCQX: FNB), the parent company of FineMark National Bank & Trust (the “Bank”; collectively, “FineMark”), today announced fourth quarter 2020 net income of \$6.3 million (or \$0.69 per diluted share). This compares to net income of \$4.3 million (or \$0.49 per diluted share) in the fourth quarter of 2019, a 45% increase. For the full year 2020, FineMark announced net income of \$22.0 million (or \$2.42 per diluted share). This compares to 2019’s totals of \$15.2 million (or \$1.69 per diluted share), a 44% increase.

FineMark achieved record net income for both the full year 2020 and the fourth quarter. This accomplishment is especially notable given the headwinds created by record low interest rates and ongoing challenges from COVID-19. We attribute this success to our associates and their commitment to providing excellent service even under the most difficult of circumstances. With every pivot they rose to the occasion and as a result, our trust and investment business continued to expand, and our loan portfolio continued to grow.

Additionally, we accelerated our planned investments in technology and greatly expanded our ability to engage with clients and shareholders virtually in 2020. We used this technology to host a variety of events, including an online annual shareholders’ meeting, virtual investor roundtables, and speaker sessions attended by clients located across the country.

## FOURTH QUARTER FINANCIAL HIGHLIGHTS

Highlights of the fourth quarter of 2020 on a year-over-year basis include:

- Net income increased 45% to a record \$6.3 million.
- Diluted earnings per share increased 41% to \$0.69.
- Loans, net of allowance, increased 22% to \$1.9 billion (up 17% excluding Paycheck Protection Program loans).
- Total deposits increased 33% to \$2.2 billion.
- Net interest income increased 26% to \$15.3 million.
- Trust fees increased 11% to \$5.6 million.
- Assets under management and administration increased 14% to \$5.1 billion (including \$120 million of net client asset inflows, a 63% increase from the third quarter).

## YEAR-END FINANCIAL HIGHLIGHTS

Highlights for the entire year of 2020 include:

- Net income increased 44% to a record \$22.0 million.
- Diluted earnings per share increased 43% to \$2.42.
- Net interest income increased 26% to \$58.2 million.
- Return on average assets (ROAA) was 0.89% (up from 0.76%); return on risk-weighted assets (ROWA) was 1.49% (up from 1.22%); return on average equity (ROAE) was 11.20% (up from 8.97%).
- Net interest margin was 2.45% (up from 2.43%).
- Cost of funds was 0.81% (down from 1.46%).
- Nonperforming loans dropped to 0.07% of total loans, down from 0.12% in 2019.
- Trust fees increased 12% to \$20.9 million.

*Please refer to the attached abbreviated financial statement.*

## NET INTEREST INCOME AND MARGIN

For the fourth quarter of 2020, FineMark's net interest income totaled \$15.3 million, up 26% from the fourth quarter of 2019. This increase was attributable to a 22% year-over-year increase in the loan portfolio coupled with a decline in the Bank's cost of funds, despite the cost of the recent subordinate debt and the decrease in yields on earning assets. For the entire year, FineMark's net interest income totaled \$58.2 million, up 26% from 2019.

In alignment with our values, we were pleased to help hundreds of small businesses successfully obtain loans through the Paycheck Protection Program (PPP). Our principal motivation for participating in PPP was to assist our clients; however, a byproduct of the program was a positive effect on revenue (in 2020, we recognized \$1 million in fees generated by these loans).

Against the backdrop of the Federal Reserve's policy to keep short-term rates near zero for most of the year due to the COVID-19 pandemic, the Bank's net interest margin for 2020 was 2.45%, up slightly from 2.43% in 2019. To support our capital position (due to strong balance sheet growth), we issued \$21.3 million in 10-year subordinated debt. The rate on this debt is fixed at 4.25% for five years.

## NON-INTEREST INCOME

A significant driver of FineMark's growth for the past several years, and an important source of revenue diversification, is our expanding trust and investment business. As of December 31, 2020, FineMark's assets under management and administration totaled \$5.1 billion, a 14% increase from year-end 2019. As a result, trust fees totaled \$20.9 million for the year, a 12% increase over 2019. While this growth was aided by strength in the equity markets in the second half of the year, it resulted primarily from the addition of new clients and our expanded relationships with existing clients.

Net asset inflows in the fourth quarter of 2020 were \$120 million, a 63% increase versus the previous quarter. For the year, net asset inflows totaled \$420 million. This reflects the Bank's ability to attract funds from new clients (\$148 million) and expand relationships with existing clients (\$272 million). Although less than the exceptional inflows experienced in 2019, the results are notable given the uncertainty created by the pandemic.

## NON-INTEREST EXPENSE

As FineMark's business increases, we incur additional expenses to maintain high service levels. Our non-interest expense increased 11% in 2020 to \$53.1 million. This uptick, due largely to our hiring of additional professionals and our investment in technology to support client service, is in line with FineMark's steady expansion. FineMark's efficiency ratio, which measures non-interest expense as a percent of revenues, improved in 2020 to 61.27% (from 69.12% in 2019), indicating our ability to manage expenses prudently as we expand.

## CREDIT QUALITY

As FineMark grows, the Bank remains committed to maintaining high credit standards through our relationship-based approach to lending. Loans are underwritten based on an in-depth understanding of each potential borrower's needs and financial situation. As a result, the Bank has experienced minimal defaults on loans across all market cycles.

At the end of 2020, nonperforming loans were just \$1.3 million, or 0.07% of the Bank's total loans. This is a further decline from the low rate of 0.12% at year-end 2019. As of December 31, 2020, the Bank's allowance for loan loss reserve was \$20.8 million (or 1.11% of total loans outstanding) and includes \$2.5 million held as a precaution due to the pandemic. Management believes that this reserve is sufficient to support the Bank's loan portfolio risk.

FineMark's management team is pleased with the credit quality of the Bank's loan portfolio and will continue to closely monitor economic conditions to determine whether additional provisions should be made. We believe our commitment to maintaining strong relationships, understanding our clients' individual situations, and working proactively with them to deliver creative solutions continues to serve our shareholders well.

## CAPITAL

All of the Bank's capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. As of December 31, 2020, the Bank's tier 1 leverage ratio was 9.19%. FineMark's (the consolidated entity) tier 1 leverage ratio was 7.48%, and the total risk-based capital ratio was 17.52%. Funds raised through the \$21.3 million subordinated debt offering in the fourth quarter were used to pay down a line of credit at the holding company level and to augment the Bank's capital.

## FINEMARK HOLDINGS, INC. ON THE OTCQX EXCHANGE

Shares of FineMark Holdings, Inc. (OTCQX: FNBT), the parent company of FineMark National Bank & Trust, are traded on the OTCQX exchange. Operated by the OTC Markets Group, the OTCQX allows investors to trade privately-held stock through their preferred broker. During 2020, FineMark's shares traded in a range of \$19.55 and \$25.15 at an average volume of 1,089 shares per trading day. The shares closed the year trading at \$23.41 for a price-to-tangible book value multiple of 0.99x.

## OUR NEW HEADQUARTERS OFFICE

FineMark's new headquarters in Fort Myers, Florida, opened in the fourth quarter. The state-of-the-art building features superior amenities and is equipped with the latest technology to facilitate future in-person client meetings. The solar panels installed on its carports generated a \$189,000 tax credit and will help reduce carbon emissions. We look forward to hosting a formal welcome event at our new headquarters as soon as it is safe to do so.

## CLOSING REMARKS

As we look ahead to 2021, the most important drivers of the Bank's growth will always be our associates' unparalleled commitment to providing the highest level of personalized service to our clients and the strength of our balance sheet. We believe that these qualities will continue to create shareholder value in all types of environments now and in the years to come.

We remain faithful to the vision that has guided FineMark since its founding in 2007: to make a positive impact on the families, individuals, 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 of—and dedication to—our vision.

Kind regards,



Joseph R. Catti  
Chairman & 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 may contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Further, the adverse effect of the COVID-19 pandemic on the Company, its customers and the communities where it operates may adversely affect the Company's business, results of operations and financial condition for an indefinite period of time. 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 (Dollars in thousands, except per share amounts) Unaudited

Assets	At December 31,	
	2020	2019
Cash and due from banks	\$ 227,921	51,038
Debt securities available for sale	589,233	474,841
Debt securities held to maturity	64,908	30,329
Loans, net of allowance for loan losses of \$20,782 in 2020 and \$15,838 in 2019	1,850,293	1,512,466
Federal Home Loan Bank stock	16,155	12,912
Federal Reserve Bank stock	4,397	4,029
Premises and equipment, net	41,303	24,744
Operating lease right-of-use assets	7,674	8,912
Accrued interest receivable	7,604	6,402
Deferred tax asset	-	2,054
Bank-owned life insurance	34,963	34,118
Other assets	6,965	7,130
Total assets	\$ 2,851,416	2,168,975
 <b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Noninterest-bearing demand deposits	352,281	208,016
Savings, NOW and money-market deposits	1,788,441	1,368,311
Time deposits	84,232	94,092
Total deposits	2,224,954	1,670,419
Official checks	5,883	6,694
Other borrowings	5,612	2,390
Federal Home Loan Bank advances	334,271	264,520
Operating lease liabilities	7,849	9,115
Subordinated debt	50,712	29,586
Deferred tax payable	202	-
Other liabilities	10,876	7,798
Total liabilities	2,640,359	1,990,522
 Shareholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized, 8,955,427 and 8,856,646 shares issued and outstanding in 2020 and 2019	90	89
Additional paid-in capital	122,629	120,955
Retained earnings	80,120	58,164
Accumulated other comprehensive income	8,218	(755)
Total shareholders' equity	211,057	178,453
Total liabilities and shareholders' equity	\$ 2,851,416	2,168,975
Book Value per Share	23.57	20.15

## FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

### Consolidated Statements of Earnings (Dollars and shares in thousands, except per share amounts) Unaudited

Periods ended December 31,	Three Months		Twelve Months	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest income:				
Loans	\$ 16,265	15,549	\$ 63,678	61,301
Debt securities	2,664	2,729	11,377	9,402
Dividends on Federal Home Loan Bank stock	138	281	670	714
Other	109	253	813	881
Total interest income	<u>19,176</u>	<u>18,812</u>	<u>76,538</u>	<u>72,298</u>
Interest expense:				
Deposits	1,035	4,341	7,962	17,913
Federal Home Loan Bank advances	2,275	1,892	8,490	6,530
Subordinated debt	554	453	1,912	1,811
Total interest expense	<u>3,864</u>	<u>6,686</u>	<u>18,364</u>	<u>26,254</u>
Net interest income	15,312	12,126	58,174	46,044
Provision for loan losses	610	429	4,986	1,488
Net interest income after provision for loan losses	<u>14,702</u>	<u>11,697</u>	<u>53,188</u>	<u>44,556</u>
Noninterest income:				
Trust fees	5,591	5,023	20,880	18,614
Income from bank-owned life insurance	210	219	845	886
Income from solar farms	71	68	312	330
Gain on sale of debt securities available for sale	584	233	5,712	1,560
(Loss) gain on extinguishment of debt	(160)	414	(160)	685
Other fees and service charges	241	319	865	1,169
Total noninterest income	<u>6,537</u>	<u>6,276</u>	<u>28,454</u>	<u>23,244</u>
Noninterest expenses:				
Salaries and employee benefits	8,098	7,948	31,835	29,452
Occupancy	1,310	1,354	5,825	5,646
Information systems	1,410	1,150	5,241	4,413
Professional fees	520	323	1,568	1,334
Marketing and business development	293	612	1,507	2,054
Regulatory assessments	391	108	1,393	788
Other	1,142	995	5,704	4,204
Total noninterest expense	<u>13,164</u>	<u>12,490</u>	<u>53,073</u>	<u>47,891</u>
Earnings before income taxes	8,075	5,483	28,569	19,909
Income taxes	1,789	1,162	6,613	4,702
Net earnings	<u>\$ 6,286</u>	<u>4,321</u>	<u>\$ 21,956</u>	<u>15,207</u>
Weighted average common shares outstanding - basic	8,942	8,854	8,925	8,855
Weighted average common shares outstanding - diluted	9,075	9,029	9,057	9,024
Per share information: Basic earnings per common share	<u>\$ 0.70</u>	<u>0.49</u>	<u>\$ 2.46</u>	<u>1.72</u>
Diluted earnings per common share	<u>\$ 0.69</u>	<u>0.49</u>	<u>\$ 2.42</u>	<u>1.69</u>

# FineMark Holdings, Inc.

## Consolidated Financial Highlights

Fourth Quarter 2020

Unaudited

\$ in thousands except for share data	4th Qtr 2020	3rd Qtr 2020	2nd Qtr 2020	1st Qtr 2020	4th Qtr 2019	Full Year	
						2020	2019
<b>\$ Earnings</b>							
Net Interest Income	\$ 15,312	\$ 15,205	\$ 15,032	\$ 12,625	\$ 12,126	\$ 58,174	\$ 46,044
Provision for loan loss	\$ 610	\$ 630	\$ 2,563	\$ 1,183	\$ 429	\$ 4,986	\$ 1,488
Non-interest Income	\$ 6,113	\$ 5,858	\$ 5,341	\$ 5,590	\$ 5,629	\$ 22,900	\$ 20,999
Gain on sale of debt securities available for sale	\$ 584	\$ 1,066	\$ 1,371	\$ 2,691	\$ 233	\$ 5,712	\$ 1,560
Debt extinguishment gains	\$ (160)	\$ —	\$ —	\$ —	\$ 414	\$ (160)	\$ 685
Non-interest Expense	\$ 13,164	\$ 14,069	\$ 12,814	\$ 13,026	\$ 12,490	\$ 53,072	\$ 47,891
Earnings before income taxes	\$ 8,075	\$ 7,430	\$ 6,368	\$ 6,696	\$ 5,483	\$ 28,570	\$ 19,909
Taxes	\$ 1,789	\$ 1,694	\$ 1,520	\$ 1,610	\$ 1,162	\$ 6,613	\$ 4,702
Net Income	\$ 6,286	\$ 5,736	\$ 4,847	\$ 5,087	\$ 4,321	\$ 21,956	\$ 15,207
Basic earnings per share	\$ 0.70	\$ 0.65	\$ 0.54	\$ 0.57	\$ 0.49	\$ 2.46	\$ 1.72
Diluted earnings per share	\$ 0.69	\$ 0.63	\$ 0.54	\$ 0.56	\$ 0.49	\$ 2.42	\$ 1.69
<b>Performance Ratios</b>							
Return on average assets*	0.93 %	0.90 %	0.80 %	0.92 %	0.82 %	0.89 %	0.76 %
Return on risk weighted assets*	1.60 %	1.54 %	1.34 %	1.46 %	1.32 %	1.49 %	1.22 %
Return on average equity*	12.12 %	11.35 %	10.16 %	11.11 %	9.72 %	11.20 %	8.97 %
Yield on earning assets*	2.95 %	3.13 %	3.32 %	3.59 %	3.74 %	3.23 %	3.82 %
Cost of funds*	0.62 %	0.67 %	0.77 %	1.26 %	1.40 %	0.81 %	1.46 %
Net Interest Margin*	2.36 %	2.50 %	2.58 %	2.39 %	2.41 %	2.45 %	2.43 %
Efficiency ratio	60.24 %	63.58 %	58.92 %	62.31 %	67.87 %	61.27 %	69.12 %
<b>Capital</b>							
Tier 1 leverage capital ratio	7.48 %	7.71 %	7.89 %	8.35 %	8.51 %	7.48 %	8.51 %
Common equity risk-based capital ratio	12.94 %	13.20 %	13.15 %	14.10 %	13.70 %	12.94 %	13.70 %
Tier 1 risk-based capital ratio	12.94 %	13.20 %	13.15 %	14.10 %	13.70 %	12.94 %	13.70 %
Total risk-based capital ratio	17.52 %	16.57 %	16.56 %	17.67 %	17.18 %	17.52 %	17.18 %
Book value per share	\$ 23.57	\$ 23.01	\$ 22.08	\$ 20.74	\$ 20.15	\$ 23.57	\$ 20.15
Tangible book value per share	\$ 23.57	\$ 23.01	\$ 22.08	\$ 20.74	\$ 20.15	\$ 23.57	\$ 20.15
<b>Asset Quality</b>							
Net charge-offs (recoveries)	\$ 37	\$ 3	\$ 9	\$ (7)	\$ (10)	\$ 42	\$ 116
Net charge-offs (recoveries) to average total loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	— %	0.01 %
Allowance for loan losses	\$ 20,782	\$ 20,209	\$ 19,582	\$ 17,028	\$ 15,838	\$ 20,782	\$ 15,838
Allowance to total loans	1.11 %	1.12 %	1.12 %	1.06 %	1.04 %	1.11 %	1.04 %
Nonperforming loans	\$ 1,279	\$ 1,098	\$ 1,560	\$ 1,184	\$ 1,798	\$ 1,279	\$ 1,798
Other real estate owned	0	0	0	0	0	0	0
Nonperforming loans to total loans	0.07 %	0.06 %	0.09 %	0.07 %	0.12 %	0.07 %	0.12 %
Nonperforming assets to total assets	0.04 %	0.04 %	0.06 %	0.05 %	0.08 %	0.04 %	0.08 %
<b>Loan Composition (% of Total Gross Loans)</b>							
1-4 Family	53.1 %	53.3 %	52.8 %	55.9 %	57.3 %	53.1 %	57.3 %
Commercial Loans	13.5 %	14.9 %	15.3 %	10.9 %	10.0 %	13.5 %	10.0 %
Commercial Real Estate	18.9 %	19.4 %	19.9 %	21.0 %	20.9 %	18.9 %	20.9 %
Construction Loans	7.6 %	6.8 %	6.7 %	6.6 %	6.1 %	7.6 %	6.1 %
Other Loans	7.0 %	5.5 %	5.3 %	5.6 %	5.7 %	7.0 %	5.7 %
<b>End of Period Balances</b>							
Assets	\$ 2,851,416	\$ 2,606,789	\$ 2,520,831	\$ 2,464,677	\$ 2,168,975	\$ 2,851,416	\$ 2,168,975
Debt securities	\$ 654,141	\$ 619,016	\$ 618,569	\$ 577,917	\$ 505,170	\$ 654,141	\$ 505,170
Loans, net of allowance	\$ 1,850,293	\$ 1,789,905	\$ 1,727,853	\$ 1,584,767	\$ 1,512,466	\$ 1,850,293	\$ 1,512,466
Deposits	\$ 2,224,954	\$ 1,978,922	\$ 1,919,966	\$ 1,824,174	\$ 1,670,419	\$ 2,224,954	\$ 1,670,419
Other borrowings	\$ 5,612	\$ 14,920	\$ 9,121	\$ 112,527	\$ 2,390	\$ 5,612	\$ 2,390
Subordinated Debt	\$ 50,712	\$ 29,622	\$ 29,610	\$ 29,598	\$ 29,586	\$ 50,712	\$ 29,586
FHLB Advances	\$ 334,271	\$ 354,334	\$ 314,396	\$ 294,458	\$ 264,520	\$ 334,271	\$ 264,520
Shareholders Equity	\$ 211,057	\$ 205,627	\$ 197,174	\$ 185,119	\$ 178,453	\$ 211,057	\$ 178,453
<b>Trust and Investment</b>							
Fee Income	\$ 5,591	\$ 5,337	\$ 4,897	\$ 5,055	\$ 5,023	\$ 20,879	\$ 18,614
<b>Assets Under Administration</b>							
Balance at beginning of period	\$ 4,622,464	\$ 4,382,810	\$ 3,932,309	\$ 4,472,585	\$ 4,175,715	\$ 4,472,585	\$ 3,391,455
Net investment appreciation (depreciation) & income	\$ 349,016	\$ 166,182	\$ 389,677	\$ (706,530)	\$ 180,466	\$ 198,345	\$ 535,238
Net client asset flows	\$ 119,928	\$ 73,472	\$ 60,824	\$ 166,253	\$ 116,404	\$ 420,477	\$ 545,892
Balance at end of period	\$ 5,091,408	\$ 4,622,464	\$ 4,382,810	\$ 3,932,309	\$ 4,472,585	\$ 5,091,408	\$ 4,472,585
Percentage of AUA that are managed	89 %	90 %	89 %	88 %	88 %	89 %	88 %
<b>Stock Valuation</b>							
Closing Market Price (OTCQX)	\$ 23.41	\$ 19.85	\$ 21.60	\$ 21.00	\$ 25.10	\$ 23.41	\$ 25.10
Multiple of Tangible Book Value	0.99	0.86	0.98	1.01	1.25	0.99	1.25

\*annualized