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 third quarter of 2020.

FineMark Holdings, Inc. (the "Holding Company") (OTCQX: FNBT), the parent company of FineMark National Bank & Trust (the "Bank") (collectively, "FineMark"), today announced third quarter 2020 net income of $5.7 million (or $0.63 per diluted share). This compares to net income of $4.5 million (or $0.50 per diluted share) reported for the third quarter of 2019.

THIRD QUARTER FINANCIAL HIGHLIGHTS

FineMark achieved record quarterly net income for the third quarter, up 27% versus the third quarter of 2019 and up 44% year-to-date versus 2019. This increase has been driven largely by loan growth of 23% and assets under management and administration growth of 11% over the past 12 months.

As of September 30, 2020, total assets stand at $2.6 billion compared to $2.1 billion a year earlier. Quarterly pre-tax operating income increased to $7.4 million (a 23% increase over the third quarter of 2019). These achievements are particularly noteworthy given the low interest rate environment and uncertain economic climate.

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

- Record earnings resulting in Return on Average Assets (ROAA) of 0.90% (up from 0.89%); Return on Risk-Weighted Assets (RORWA) of 1.54% (up from 1.45%); and Return on Average Equity (ROAE) of 11.35% (up from 10.47%).
- A cost of funds decline of 88 basis points (to 0.67%).
- Trust and investment fees increased 7% to $5.3 million, representing 24% of total revenue.
- Assets under management and administration increased 11% to $4.6 billion (This includes both new clients and existing clients expanding their relationships).
- Loans net of allowance increased by over $330 million (or 23%) to $1.8 billion.
- Deposits increased 24% to $2.0 billion.
- Net interest income increased 34% to $15.2 million.

Please refer to attached abbreviated financial statements.

COVID-19: ONGOING IMPACT AND OUR RESPONSE

Despite the many challenges the current pandemic has created, FineMark has maintained its focus on safety while delivering exceptional service to our clients, resulting in strong financial performance for our shareholders. Our ability to grow while also generating record earnings during this difficult period is clearly due to the quality and dedication of our people and their commitment to our client service-driven approach.

Operations and Safety: Most of our associates have returned to the office and continue to provide service at the highest level by holding productive meetings through the use of videoconferencing technology and by offering drive-through service and in-person meetings by appointment. We also have begun to open some of our lobbies for teller transactions.

Loan Forbearance: The credit quality of our loan portfolio remains strong despite the challenges and hardships faced by many of our clients and the broader economy. As of June 30, 2020, we granted 90-day forbearance on 184 loans totaling $131 million. As of September 30, 2020, only six of those loans (totaling $6.1 million) remain in forbearance; we do not expect any losses from those relationships. These results are a testament to our prudent, relationship-driven approach to lending.

Paycheck Protection Program (PPP): As of September 30, 2020, we've processed more than 500 PPP loans. In the third quarter, based on the current rules issued from Congress and frequent updates provided by the SBA, we began the process of helping borrowers apply for loan forgiveness. In alignment with our values, we're pleased to be able to help many businesses in our communities successfully obtain loans through this program.

NET INTEREST INCOME AND MARGIN

The Federal Reserve is expected to maintain its ultra-low target for short-term interest rates for the next two to three years and we continue to seek funding cost reduction opportunities to offset that downward pressure on interest income. Net interest income for the third quarter increased 34% year-over-year to $15.2 million; on a year-to-date basis, net interest income rose 26% versus 2019. This growth reflects our success in reducing our cost of funds while growing our deposit base.

Our average cost of funds declined to 0.67% this quarter versus 0.77% in the previous quarter; this decline of 10 basis points is largely due to the low interest rate environment. Yield on earning assets, however, decreased on an absolute basis, falling from 3.32% to 3.13% during the third quarter. As a result, net interest margin decreased from 2.58% to 2.50% during the quarter. Non-interest-bearing deposits increased 51% in the third quarter compared to the previous year, including funding for PPP loans deposited in non-interest-bearing accounts; this represented a large change from a fairly small base.

NON-INTEREST INCOME

Our overall growth continues to be bolstered by our expanding trust and investment business, as measured by assets under management and administration. As of September 30, 2020, FineMark had a total of $4.6 billion in assets under management and administration, up 11% on a year-over-year basis. During the third quarter of 2020, we added over $73 million of client assets; these inflows came from both new and existing clients, representing our ability to build new relationships and expand current ones.

A continued recovery in the U.S. equity market in the third quarter also contributed to our growth in trust assets. Net appreciation and income from investments increased clients' assets by $166 million in the third quarter. Trust fees for the third quarter totaled $5.3 million, an increase of 7% on a year-over-year basis and up 12% year-to-date versus 2019.

FineMark realized net gains of $1.1 million from the sale of debt securities in the third quarter. Security sales were conducted primarily to maintain FineMark's balance sheet in line with policy levels.

NON-INTEREST EXPENSES

As FineMark's loan portfolio, deposit base and trust business continue to grow, certain expenses may increase as needed to maintain the bank's high levels of client service. Non-interest expenses in the third quarter totaled $14.1 million, a 19% increase compared to the third quarter of 2019. The higher expense is mainly due to our hiring of new associates at a rate that is in line with FineMark's steady expansion. As always, our focus is on maintaining the level of client service that meets our high standards.

CREDIT QUALITY

The overall credit quality of the bank's loan portfolio remained strong during the third quarter, improving over the second quarter and year-over-year with low levels of classified loans relative to capital and total assets. As of September 30, 2020, classified loans—loans that may potentially default—totaled $2.35 million (or just 0.93% of total capital and reserves). This level compares very favorably to the industry average of 14.44%; management believes the probability of any losses associated with these loans to be very low. Total non-performing loans declined 7% year-over-year to $1.1 million and now represent just 0.06% of total loans.

The allowance for loan losses at the end of the third quarter was $20.2 million, up 3% versus the second quarter and up 31% year-over-year. This increase reflects loan portfolio growth and includes $2.5 million added in the first half of 2020 as a special COVID-related provision, which is in line with industry practice. Approximately $630,000 of loan loss allowances were added in the third quarter, an amount that is in line with FineMark's typical levels. The loan loss allowance represents 1.12% of total loans outstanding as of September 30, 2020, is unchanged from the second quarter and up from 1.05% a year earlier.

Management believes that this level of reserve is sufficient to support the risks in the bank's loan portfolio. The residential real estate market, which represents the majority of our loan portfolio, has not yet shown a negative impact due to the pandemic. In addition, only 15% of the portfolio is represented by commercial loans, with no concentration in sectors particularly affected by the pandemic. (It is worth noting that our percentage of commercial loans was just 10% a year ago; the increase to the current 15% has been driven primarily by PPP loans.)

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

CAPITAL AND LIQUIDITY

All of the Bank's capital ratios continue to be in excess of regulatory requirements for "well-capitalized" banks. As of September 30, 2020, the bank's tier 1 leverage ratio was 9.19%. FineMark's tier 1 leverage ratio was 7.71% and the total risk-based capital ratio was 16.57%.

HEADQUARTERS CONSTRUCTION UPDATE

Construction of our new office building in Fort Myers, Florida, is on schedule. The building will support the bank's growth and serve as the home base for our expanding team. We continue to work closely with the building contractor to ensure that workers' safety is prioritized and have been assured that all appropriate job-site safety measures have been implemented. We expect our relocation to begin in mid-November and plan to open with just under 100 associates onsite before the end of the year.

CLOSING REMARKS

As we continue to work together during a year filled with unprecedented challenges, we appreciate your loyalty, trust and faith in us. We're also deeply grateful for the dedication exhibited by our associates each day. Their constancy, positive attitudes, and desire to serve inspire us all. Our people have been nothing short of extraordinary in their commitment to the bank, to our clients, and to our communities.

Our ability to achieve the financial success reported here is no secret—it's the result of our relationship-based approach, which is dedicated to providing creative, convenient solutions that meet our clients' needs. We believe that our commitment to driving diversified growth through both our lending and asset management businesses will serve our shareholders well across all phases of the market cycle, particularly in these times of heightened uncertainty.

We thank our shareholders, our associates, and our clients for their continued support.

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, lending services, 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

(Dollars in thousands, except per share amounts)

Unaudited

	At September 30, 2020	At September 30, 2019
Assets		
Cash and due from banks	$ 81,070	137,879
Debt securities available for sale	553,035	385,721
Debt securities held to maturity	65,981	28,071
Loans, net of allowance for loan losses of $20,209 in 2020 and $15,404 in 2019	1,789,905	1,458,700
Federal Home Loan Bank stock	17,008	13,764
Federal Reserve Bank stock	4,397	3,884
Premises and equipment, net	37,607	24,031
Operating lease right-of-use assets	8,012	7,133
Accrued interest receivable	7,690	6,151
Deferred tax asset	33	2,006
Bank-owned life insurance	34,753	33,900
Other assets	7,298	6,559
Total assets	$ 2,606,789	2,107,799
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	307,432	203,313
Savings, NOW and money-market deposits	1,591,812	1,302,620
Time deposits	79,678	91,086
Total deposits	1,978,922	1,597,019
Official checks	4,452	3,508
Other borrowings	14,920	2,499
Federal Home Loan Bank advances	354,334	284,581
Operating lease liabilities	8,198	7,378
Subordinated debt	29,622	29,574
Other liabilities	10,714	7,817
Total liabilities	2,401,162	1,932,376
Shareholders' equity:		
Common stock, $.01 par value; 50,000,000 shares authorized, 8,936,616 and 8,854,557 shares issued and outstanding in 2020 and 2019	89	89
Additional paid-in capital	122,266	120,732
Retained earnings	73,834	53,842
Accumulated other comprehensive income	9,438	760
Total shareholders' equity	205,627	175,423
Total liabilities and shareholders' equity	$ 2,606,789	2,107,799
Book Value per Share	23.01	19.81

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	Three Months		Nine Months	
Periods ended September 30,	**2020**	**2019**	**2020**	**2019**
Interest income:				
Loans	$ 16,004	15,647	$ 47,413	45,752
Debt securities	2,817	2,215	8,713	6,673
Dividends on Federal Home Loan Bank stock	159	171	532	433
Other	110	459	704	628
Total interest income	19,090	18,492	57,362	53,486
Interest expense:				
Deposits	1,226	4,721	6,927	13,572
Federal Home Loan Bank advances	2,207	1,961	6,215	4,638
Subordinated debt	452	452	1,358	1,358
Total interest expense	3,885	7,134	14,500	19,568
Net interest income	15,205	11,358	42,862	33,918
Provision for loan losses	630	233	4,376	1,059
Net interest income after provision for loan losses	14,575	11,125	38,486	32,859
Noninterest income:				
Trust fees	5,337	4,968	15,289	13,591
Income from bank-owned life insurance	213	224	635	667
Income from solar farms	86	97	241	262
Gain on sale of debt securities available for sale	1,066	833	5,128	1,327
Gain on extinguishment of debt	-	271	-	271
Other fees and service charges	222	319	624	850
Total noninterest income	6,924	6,712	21,917	16,968
Noninterest expenses:				
Salaries and employee benefits	8,313	7,284	23,737	21,504
Occupancy	1,597	1,410	4,515	4,292
Information systems	1,310	1,062	3,831	3,263
Professional fees	329	333	1,048	1,011
Marketing and business development	454	509	1,214	1,442
Regulatory assessments	385	82	1,002	680
Other	1,681	1,127	4,562	3,209
Total noninterest expense	14,069	11,807	39,909	35,401
Earnings before income taxes	7,430	6,030	20,494	14,426
Income taxes	1,694	1,505	4,824	3,540
Net earnings	$ 5,736	4,525	$ 15,670	10,886
Weighted average common shares outstanding - basic	8,824	8,872	8,920	8,855
Weighted average common shares outstanding - diluted	9,104	9,049	9,052	9,036
Per share information: Basic earnings per common share	$ 0.65	0.51	$ 1.76	1.23
Diluted earnings per common share	$ 0.63	0.50	$ 1.73	1.20

FineMark Holdings, Inc.

Consolidated Financial Highlights
Third Quarter 2020
Unaudited

$ in thousands except for share data	3rd Qtr 2020	2nd Qtr 2020	1st Qtr 2020	4th Qtr 2019	3rd Qtr 2019	Year to Date 2020	Year to Date 2019
$ Earnings							
Net Interest Income	$ 15,205	$ 15,032	$ 12,625	$ 12,125	$ 11,358	$ 42,862	$ 33,918
Provision for loan loss	$ 630	$ 2,563	$ 1,183	$ 429	$ 233	$ 4,376	$ 1,059
Non-interest Income	$ 5,858	$ 5,341	$ 5,590	$ 5,629	$ 5,608	$ 16,789	$ 15,370
Gain on sale of debt securities available for sale	$ 1,066	$ 1,371	$ 2,691	$ 233	$ 833	$ 5,128	$ 1,327
Debt extinguishment gains	$ 0	$ —	$ —	$ 413	$ 271	$ 0	$ 271
Non-interest Expense	$ 14,069	$ 12,814	$ 13,026	$ 12,489	$ 11,807	$ 39,909	$ 35,401
Earnings before income taxes	$ 7,430	$ 6,368	$ 6,696	$ 5,483	$ 6,030	$ 20,494	$ 14,426
Taxes	$ 1,694	$ 1,520	$ 1,610	$ 1,163	$ 1,505	$ 4,824	$ 3,540
Net Income	$ 5,736	$ 4,847	$ 5,087	$ 4,321	$ 4,525	$ 15,670	$ 10,886
Basic earnings per share	$ 0.65	$ 0.54	$ 0.57	$ 0.49	$ 0.51	$ 1.76	$ 1.23
Diluted earnings per share	$ 0.63	$ 0.54	$ 0.56	$ 0.49	$ 0.50	$ 1.73	$ 1.20
Performance Ratios							
Return on average assets*	0.90 %	0.80 %	0.92 %	0.82 %	0.89 %	0.87 %	0.74 %
Return on Risk Weighted assets*	1.54 %	1.34 %	1.46 %	1.32 %	1.45 %	1.45 %	1.18 %
Return on average equity*	11.35 %	10.16 %	11.11 %	9.72 %	10.47 %	10.88 %	8.71 %
Yield on earning assets*	3.13 %	3.32 %	3.59 %	3.74 %	3.81 %	3.33 %	3.84 %
Cost of funds*	0.67 %	0.77 %	1.26 %	1.40 %	1.55 %	0.88 %	1.48 %
Net Interest Margin*	2.50 %	2.58 %	2.39 %	2.41 %	2.34 %	2.49 %	2.44 %
Efficiency ratio	63.58 %	58.92 %	62.31 %	67.87 %	65.35 %	61.61 %	69.57 %
Capital							
Tier 1 leverage capital ratio	7.71 %	7.89 %	8.35 %	8.51 %	8.59 %	7.71 %	8.59 %
Common equity risk-based capital ratio	13.20 %	13.15 %	14.10 %	13.70 %	14.00 %	13.20 %	14.00 %
Tier 1 risk-based capital ratio	13.20 %	13.15 %	14.10 %	13.70 %	14.00 %	13.20 %	14.00 %
Total risk-based capital ratio	16.57 %	16.56 %	17.67 %	17.18 %	17.61 %	16.57 %	17.61 %
Book value per share	$ 23.01	$ 22.08	$ 20.74	$ 20.15	$ 19.81	$ 23.01	$ 19.81
Tangible book value per share	$ 23.01	$ 22.08	$ 20.74	$ 20.15	$ 19.81	$ 23.01	$ 19.81
Asset Quality							
Net charge-offs (recoveries)	$ 3	$ 9	$ (7)	$ (10)	$ (5)	$ 5	$ 121
Net charge-offs (recoveries) to average total loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	— %	0.01 %
Allowance for loan losses	$ 20,209	$ 19,582	$ 17,028	$ 15,838	$ 15,404	$ 20,209	$ 15,404
Allowance to total loans	1.12 %	1.12 %	1.06 %	1.04 %	1.05 %	1.12 %	1.05 %
Nonperforming loans	$ 1,098	$ 1,560	$ 1,184	$ 1,798	$ 1,183	$ 1,098	$ 1,183
Other real estate owned	0	0	0	0	0	0	0
Nonperforming loans to total loans	0.06 %	0.09 %	0.07 %	0.12 %	0.08 %	0.06 %	0.08 %
Nonperforming assets to total assets	0.04 %	0.06 %	0.05 %	0.08 %	0.06 %	0.04 %	0.06 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	53.3 %	52.8 %	55.9 %	57.3 %	56.0 %	53.3 %	56.0 %
Commercial Loans	14.9 %	15.3 %	10.9 %	10.0 %	9.7 %	14.9 %	9.7 %
Commercial Real Estate	19.4 %	19.9 %	21.0 %	20.9 %	20.9 %	19.4 %	20.9 %
Construction Loans	6.8 %	6.7 %	6.6 %	6.1 %	7.6 %	6.8 %	7.6 %
Other Loans	5.5 %	5.3 %	5.6 %	5.7 %	5.9 %	5.5 %	5.9 %
End of Period Balances							
Assets	$ 2,606,789	$ 2,520,831	$ 2,464,677	$ 2,168,983	$ 2,107,799	$ 2,606,789	$ 2,107,799
Debt securities	$ 619,016	$ 618,569	$ 577,917	$ 505,170	$ 413,792	$ 619,016	$ 413,792
Loans, net of allowance	$ 1,789,905	$ 1,727,853	$ 1,584,767	$ 1,512,466	$ 1,458,700	$ 1,789,905	$ 1,458,700
Deposits	$ 1,978,922	$ 1,919,966	$ 1,824,174	$ 1,670,419	$ 1,597,019	$ 1,978,922	$ 1,597,019
Other borrowings	$ 14,920	$ 9,121	$ 112,527	$ 2,390	$ 2,499	$ 14,920	$ 2,499
Subordinated Debt	$ 29,622	$ 29,610	$ 29,598	$ 29,586	$ 29,574	$ 29,622	$ 29,574
FHLB Advances	$ 354,334	$ 314,396	$ 294,458	$ 264,520	$ 284,581	$ 354,334	$ 284,581
Shareholders Equity	$ 205,627	$ 197,174	$ 185,119	$ 178,453	$ 175,423	$ 205,627	$ 175,423
Trust and Investment							
Fee Income	$ 5,337	$ 4,897	$ 5,055	$ 5,023	$ 4,968	$ 15,289	$ 13,591
Assets Under Administration							
Balance at beginning of period	$ 4,382,810	$ 3,932,309	$ 4,472,585	$ 4,175,715	$ 3,930,319	$ 4,472,585	$ 3,391,455
Net investment appreciation (depreciation) & income	$ 166,182	$ 389,677	$ (706,530)	$ 180,466	$ 71,545	$ (150,671)	$ 354,772
Net client asset flows	$ 73,472	$ 60,824	$ 166,253	$ 116,404	$ 173,852	$ 300,549	$ 429,488
Balance at end of period	$ 4,622,464	$ 4,382,810	$ 3,932,309	$ 4,472,585	$ 4,175,715	$ 4,622,464	$ 4,175,715
Percentage of AUA that are managed	90 %	89 %	88 %	88 %	89 %	90 %	89 %
Stock Valuation							
Closing Market Price (OTCQX)	$ 19.85	$ 21.60	$ 21.00	$ 25.10	$ 25.10	$ 19.85	$ 25.10
Multiple of Tangible Book Value	$ 0.86	$ 0.98	$ 1.01	$ 1.25	$ 1.27	$ 0.86	$ 1.27

*annualized