FineMark Holdings, Inc.

DEAR VALUED SHAREHOLDERS:

On behalf of FineMark Holdings, Inc.—the Board of Directors, the executive management team, and all our dedicated associates—I am pleased to report on the company's performance for the second quarter of 2021.

FineMark Holdings, Inc. (the "Holding Company") (OTCQX: FNBT), the parent company of FineMark National Bank & Trust (the "Bank") (collectively, "FineMark"), today announced second quarter 2021 net income of $5.4 million (or $0.58 per diluted share). This compares to net income of $4.8 million (or $0.54 per diluted share) reported for the second quarter of 2020.

SECOND QUARTER FINANCIAL HIGHLIGHTS

FineMark's net income for the second quarter increased 11.3% on a year-over-year basis, reflecting continued growth in our loan portfolio and trust business. While the loan portfolio expanded by 13%, net interest income increased only 4%, reflecting the continued ultra-low interest rate environment. Assets under management and administration increased 30% or $1.3 billion over the past 12 months, reflecting inflows from new and existing trust clients and gains in equity markets.

As of June 30, 2021, the Bank's total assets are just under $3.0 billion compared to $2.5 billion a year earlier. Once the $3.0 billion threshold is reached, FineMark's capital ratios will be evaluated on a consolidated basis. In preparation, $82.5 million in new equity capital was raised in the month of June, with 2.5 million shares issued at $33 per share (818,182 of those shares were issued in July). Investor demand was robust due to the strength of the Bank's balance sheet, our mix of interest- and fee-based income, along with other factors. This demand led us to increase the amount raised from the original target of $60 million.

Quarterly pre-tax operating income was $7.1 million, up 11.5% year-over-year, but down slightly from the previous quarter. This quarter-over-quarter decrease was due partly to a one-time fee for prepaying $10 million of subordinated debt; this upfront cost will generate substantial future interest savings.

Major categories affecting second quarter 2021 performance on a year-over-year basis:

- Cost of funds decreased 20 basis points to 0.57%.
- Trust and investment fees increased 35% to $6.6 million, representing 29% of total revenue.
- Assets under management and administration increased 30% to $5.7 billion, including $141 million of additional investments from new and existing clients.
- Loans (net of allowances) increased 13% to $1.95 billion, reflecting strong new loan demand net of paydowns.
- Deposits increased 23% to $2.4 billion, even after adjusting for $100 million in deposits that were moved off the balance sheet in the first quarter of 2021.
- Net interest income increased 4% to $15.6 million, despite a decrease in net interest margin as yields declined.

Return on average assets was 0.74% (down from 0.80%); return on risk-weighted assets was 1.28% (versus 1.34%); and return on average equity was 9.89% (versus 10.16%). Declines were due to a change in balance sheet composition, a higher asset base, higher non-interest expense to support growth, a higher equity capital base, and lower realized gains on securities.

Please refer to the attached abbreviated financial statements for details.

COVID-19 UPDATE

As the U.S. continues to recover from the COVID-19 pandemic, we are pleased to report that our operations are essentially back to normal at all FineMark locations. We are extremely proud that we were able to serve our clients throughout the past year and produce strong financial performance for our shareholders. We were able to grow our high-quality loan portfolio, grow our deposit base, increase trust assets and generate strong earnings during the pandemic.

Loan-loss Reserves and Forbearance: No new COVID-related provisions were made for loan losses in the second quarter and we are continuing to evaluate the appropriateness of the Bank's $2.5 million in COVID-related reserves. As of June 30, 2021, two loans, both from the same borrower, remain in forbearance; however, we expect full repayment and both loans to resume paying according to original terms.

Paycheck Protection Program (PPP): As of June 30, 2021, we have $40.8 million in PPP loans outstanding. Our PPP loan portfolio, which will continue to decline as borrowers seek loan forgiveness, recognized $532,000 in net fees in the second quarter, for a total of $1.1 million year-to-date. We are pleased to have helped many businesses in our communities obtain funds through the PPP to assist them through the pandemic.

NET INTEREST INCOME AND MARGIN

Inflation has been in the news a great deal recently. While we believe the recent surge is likely to be transitory, FineMark's earnings would likely hold up well even if inflation were to persist longer than expected, as rising-rate environments tend to increase loan rates and benefit banks' net interest margins. The Federal Reserve remains committed to maintaining ultra-low short-term interest rates at least until 2023, and we continue to seek ways to reduce funding costs to offset the downward pressure on net interest income. Net interest income for the second quarter rose 4% year-over-year to $15.6 million. The increase is a result of growth in the Bank's balance sheet and its ability to invest cash in either loans or bonds.

Average cost of funds declined to 0.57% in the second quarter of 2021, versus 0.58% in the first quarter and 0.77% in the second quarter of 2020. Yield on earning assets also declined slightly to 2.79% versus 2.81% in the first quarter. As a result, the Bank's net interest margin decreased by 1 basis point in the second quarter, to 2.24% versus 2.25%. Going forward, interest expense will benefit from having prepaid $10 million in subordinated debt, which had an interest rate of 5.875%. The bank incurred a prepayment fee of $400,000, however the debt prepayment will generate $587,500 in annual savings.

NON-INTEREST INCOME

Non-interest income growth continues to benefit from strong performance in our trust and investment business. Fee income from the trust business now represents 29% of revenues and acts as a stabilizer to the Bank's net interest income, which is interest rate sensitive. As of June 30, 2021, FineMark had $5.7 billion in assets under management and administration, up 30% on a year-over-year basis. During the second quarter of 2021, we added nearly $141 million in net assets from new and existing clients, which highlights our ability to expand current relationships, while building new ones, often based on referrals.

The U.S. equity market delivered strong returns in the second quarter, which contributed to the growth in trust assets. Trust fees for the quarter totaled $6.6 million, a year-over-year increase of 35%.

FineMark realized gains of $243,000 from the sale of debt securities in the second quarter of 2021, down from $1.4 million in the second quarter of 2020, when bond prices had benefitted from the precipitous decline in interest rates.

NON-INTEREST EXPENSES

As FineMark's loan portfolio, deposit base, and trust business continue to grow, operating overhead also increases to maintain our high level of client service. Non-interest expenses in the second quarter totaled $15.1 million, a 5% increase compared to the first quarter and a 18% increase year-over-year. The higher expense is mainly due to hiring new associates and continuing to invest in cybersecurity and technology.

CREDIT QUALITY

FineMark's asset quality remains strong. The Bank had $3.1 million in classified loans (loans that may potentially default) as of June 30, 2021, compared to $2.4 million in the first quarter. The Bank's ratio of classified loans to total loans remains exceptionally low at 1.03% of total capital, compared to an industry average of 14.5%. Total non-performing loans rose by $0.4 million in the second quarter to $2.0 million, which represents 0.10% of total loans.

The allowance for loan losses at the end of the second quarter was slightly below $22 million, up 2.6% versus the first quarter and up 10.5% year-over-year, reflecting the growth in our loan portfolio. Loan loss allowances represent 1.10% of total loans outstanding as of June 30, 2021, unchanged from the previous quarter. The total includes $2.5 million added in the first half of 2020 as a special COVID-related provision. Despite an increase in classified loans, management continues to believe reserves are sufficient to support the risk in the Bank's loan portfolio.

Management is pleased with the credit quality of the Bank's loan portfolio; as always, we monitor conditions of both the economy and our individual borrowers to determine whether additional provisions should be made. Our commitment to knowing our clients—and working with them proactively to achieve solutions as needed—continues to serve our shareholders well. As the Bank is on the verge of exceeding $3 billion in assets, we are prepared for the higher level of regulatory scrutiny that larger banks receive from the Federal Reserve. We intend to maintain capital levels that are consistent with peers of our size, as illustrated by the capital raise this quarter, to support continued growth.

CAPITAL AND LIQUIDITY

FineMark's capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. As of June 30, 2021, FineMark's tier 1 leverage ratio on a consolidated basis was 9.27%, a substantial increase from the first quarter due to the equity capital raised this quarter. The total risk-based capital ratio as of June 30, 2021 was 19.68%.

HEADQUARTERS UPDATE AND EXPANSION PLANS

We are comfortably settled into our new home office in Fort Myers, Florida, and we continue to recognize synergies that arise from having more than 100 associates in the same location. We look forward to opening new locations in Jupiter, Florida (before the end of 2021) and South Naples, Florida (in early 2022) to meet the needs of our growing client base in those areas. That will bring us to 14 locations in Florida, Arizona and South Carolina.

CLOSING REMARKS

As always, we appreciate your loyalty, trust, and faith in FineMark and our associates. We continue to be deeply grateful for the exceptional dedication our team of associates show to the Bank, our clients, and our communities every day. Our ability to achieve the results reported here stems from our relationship-based approach and our dedication to providing creative solutions that meet our clients' needs. We believe that our commitment to achieving balanced, diversified growth through our lending and trust businesses will serve our shareholders well. We recognize that many parts of the world are still battling the pandemic and we are grateful to hold an optimistic outlook that strong economic growth will continue for the remainder of the year.

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. 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 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 share amounts)

Assets	**June 30, 2021**	**December 31, 2020**
	(Unaudited)	
Cash and due from banks	$ 197,119	227,921
Debt securities available for sale	654,974	589,233
Debt securities held to maturity	65,919	64,908
Loans, net of allowance for loan losses of $21,636 in 2021 and $20,782 in 2020	1,945,541	1,850,293
Federal Home Loan Bank stock	12,082	16,155
Federal Reserve Bank stock	5,016	4,397
Premises and equipment, net	42,305	41,303
Operating lease right-of-use assets	7,289	7,674
Accrued interest receivable	7,193	7,604
Deferred tax asset	2,212	-
Bank-owned life insurance	35,360	34,963
Other assets	7,959	6,965
Total assets	$ 2,982,969	2,851,416
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	448,097	352,281
Savings, NOW and money-market deposits	1,845,800	1,788,441
Time deposits	64,366	84,232
Total deposits	2,358,263	2,224,954
Official checks	7,762	5,883
Other borrowings	5,790	5,612
Federal Home Loan Bank advances	284,144	334,271
Operating lease liabilities	7,444	7,849
Subordinated debt	40,876	50,712
Deferred tax liability	-	202
Other liabilities	7,685	10,876
Total liabilities	2,711,964	2,640,359
Shareholders' equity:		
Common stock, $.01 par value; 50,000,000 shares authorized, 10,754,549 and 8,955,427 shares issued and outstanding in 2021 and 2020	108	90
Additional paid-in capital	178,155	122,629
Retained earnings	91,088	80,120
Accumulated other comprehensive income	1,654	8,218
Total shareholders' equity	271,005	211,057
Total liabilities and shareholders' equity	$ 2,982,969	2,851,416
Book Value per Share	25.20	23.57

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Interest income:				
Loans	$ 16,860	15,640	$ 33,335	31,409
Debt securities	2,398	3,035	4,866	5,896
Dividends on Federal Home Loan Bank stock	114	188	279	373
Other	101	456	218	594
Total interest income	19,473	19,319	38,698	38,272
Interest expense:				
Deposits	1,023	1,732	2,064	5,701
Federal Home Loan Bank advances	2,078	2,102	4,172	4,008
Subordinated debt	732	453	1,424	906
Total interest expense	3,833	4,287	7,660	10,615
Net interest income	15,640	15,032	31,038	27,657
Provision for loan losses	540	2,563	847	3,746
Net interest income after provision for loan losses	15,100	12,469	30,191	23,911
Noninterest income:				
Trust fees	6,628	4,897	12,596	9,952
Income from bank-owned life insurance	200	210	397	422
Income from solar farms	97	92	161	155
Gain on sale of debt securities available for sale	243	1,371	902	4,062
Loss on extinguishment of debt	(400)	-	(955)	-
Other fees and service charges	309	142	541	402
Total noninterest income	7,077	6,712	13,642	14,993
Noninterest expenses:				
Salaries and employee benefits	9,336	7,435	18,240	15,424
Occupancy	1,506	1,487	3,035	2,918
Information systems	1,548	1,313	3,086	2,521
Professional fees	446	369	872	719
Marketing and business development	492	266	677	760
Regulatory assessments	395	314	788	617
Other	1,355	1,630	2,750	2,881
Total noninterest expense	15,078	12,814	29,448	25,840
Earnings before income taxes	7,099	6,367	14,385	13,064
Income taxes	1,703	1,520	3,417	3,130
Net earnings	$ 5,396	4,847	$ 10,968	9,934
Weighted average common shares outstanding - basic	9,162	8,922	9,093	8,912
Weighted average common shares outstanding - diluted	9,331	9,067	9,265	9,045
Per share information: Basic earnings per common share	$ 0.59	0.54	$ 1.21	1.11
Diluted earnings per common share	$ 0.58	0.54	$ 1.18	1.10

FineMark Holdings, Inc.

Consolidated Financial Highlights
Second Quarter 2021
Unaudited

						YTD	
$ in thousands except for share data	2nd Qtr 2021	1st Qtr 2021	4th Qtr 2020	3rd Qtr 2020	2nd Qtr 2020	2021	2020
$ Earnings							
Net Interest Income	$ 15,640	$ 15,398	$ 15,312	$ 15,205	$ 15,032	$ 31,038	$ 27,657
Provision for loan loss	$ 540	$ 307	$ 610	$ 630	$ 2,563	$ 847	$ 3,746
Non-interest Income (excl. gains and losses)	$ 7,234	$ 6,461	$ 6,113	$ 5,858	$ 5,341	$ 13,695	$ 10,931
Gain on sale of debt securities available for sale	$ 243	$ 659	$ 584	$ 1,066	$ 1,371	$ 902	$ 4,062
Debt extinguishment losses	$ (400)	$ (555)	$ (160)	$ —	$ —	$ (955)	$ —
Non-interest Expense	$ 15,078	$ 14,370	$ 13,164	$ 14,069	$ 12,814	$ 29,448	$ 25,840
Earnings before income taxes	$ 7,099	$ 7,286	$ 8,075	$ 7,430	$ 6,367	$ 14,385	$ 13,064
Taxes	$ 1,703	$ 1,714	$ 1,789	$ 1,694	$ 1,520	$ 3,417	$ 3,130
Net Income	$ 5,396	$ 5,572	$ 6,286	$ 5,736	$ 4,847	$ 10,968	$ 9,934
Basic earnings per share	$ 0.59	$ 0.62	$ 0.70	$ 0.65	$ 0.54	$ 1.21	$ 1.11
Diluted earnings per share	$ 0.58	$ 0.61	$ 0.69	$ 0.63	$ 0.54	$ 1.18	$ 1.10
Performance Ratios							
Return on average assets*	0.74 %	0.78 %	0.93 %	0.90 %	0.80 %	0.76 %	0.85 %
Return on risk weighted assets*	1.28 %	1.37 %	1.60 %	1.54 %	1.34 %	1.30 %	1.34 %
Return on average equity*	9.89 %	10.48 %	12.12 %	11.35 %	10.16 %	10.18 %	10.62 %
Yield on earning assets*	2.79 %	2.81 %	2.95 %	3.13 %	3.32 %	2.80 %	3.45 %
Cost of funds*	0.57 %	0.58 %	0.62 %	0.67 %	0.77 %	0.58 %	1.00 %
Net Interest Margin*	2.24 %	2.25 %	2.36 %	2.50 %	2.58 %	2.25 %	2.49 %
Efficiency ratio	66.37 %	65.43 %	60.24 %	63.58 %	58.92 %	65.91 %	60.59 %
Capital							
Tier 1 leverage capital ratio	9.27 %	7.37 %	7.48 %	7.71 %	7.89 %	9.27 %	7.89 %
Common equity risk-based capital ratio	15.96 %	12.91 %	12.94 %	13.20 %	13.15 %	15.96 %	13.15 %
Tier 1 risk-based capital ratio	15.96 %	12.91 %	12.94 %	13.20 %	13.15 %	15.96 %	13.15 %
Total risk-based capital ratio	19.68 %	17.36 %	17.52 %	16.57 %	16.56 %	19.68 %	16.56 %
Book value per share	$ 25.20	$ 23.20	$ 23.57	$ 23.01	$ 22.08	$ 25.20	$ 22.08
Tangible book value per share	$ 25.20	$ 23.20	$ 23.57	$ 23.01	$ 22.08	$ 25.20	$ 22.08
Asset Quality							
Net (recoveries) charge-offs	$ (1)	$ (6)	$ 3	$ 3	$ 9	$ (7)	$ 3
Net (recoveries) charge-offs to average total loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	— %	0.00 %
Allowance for loan losses	$ 21,636	$ 21,095	$ 20,782	$ 20,209	$ 19,582	$ 21,636	$ 19,582
Allowance to total loans	1.10 %	1.10 %	1.11 %	1.12 %	1.12 %	1.10 %	1.12 %
Nonperforming loans	$ 2,001	$ 1,599	$ 1,279	$ 1,098	$ 1,560	$ 2,001	$ 1,560
Other real estate owned	0	0	0	0	0	0	0
Nonperforming loans to total loans	0.10 %	0.08 %	0.07 %	0.06 %	0.09 %	0.10 %	0.09 %
Nonperforming assets to total assets	0.07 %	0.06 %	0.04 %	0.04 %	0.06 %	0.07 %	0.06 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	53.6 %	52.4 %	53.1 %	53.3 %	52.8 %	53.6 %	52.8 %
Commercial Loans	11.1 %	13.1 %	13.5 %	14.9 %	15.3 %	11.1 %	15.3 %
Commercial Real Estate	21.1 %	19.5 %	18.9 %	19.4 %	19.9 %	21.1 %	19.9 %
Construction Loans	6.7 %	7.7 %	7.6 %	6.8 %	6.7 %	6.7 %	6.7 %
Other Loans	7.4 %	7.3 %	7.0 %	5.5 %	5.3 %	7.4 %	5.3 %
End of Period Balances							
Assets	$ 2,982,969	$ 2,874,148	$ 2,851,416	$ 2,606,789	$ 2,520,831	$ 2,982,969	$ 2,520,831
Debt securities	$ 720,893	$ 668,823	$ 654,141	$ 619,016	$ 618,569	$ 720,893	$ 618,569
Loans, net of allowance	$ 1,945,541	$ 1,889,770	$ 1,850,293	$ 1,789,905	$ 1,727,853	$ 1,945,541	$ 1,727,853
Deposits	$ 2,358,263	$ 2,297,031	$ 2,224,954	$ 1,978,922	$ 1,919,966	$ 2,358,263	$ 1,919,966
Other borrowings	$ 5,790	$ 12,144	$ 5,612	$ 14,920	$ 9,121	$ 5,790	$ 9,121
Subordinated Debt	$ 40,876	$ 50,737	$ 50,712	$ 29,622	$ 29,610	$ 40,876	$ 29,610
FHLB Advances	$ 284,144	$ 284,207	$ 334,271	$ 354,334	$ 314,396	$ 284,144	$ 314,396
Shareholders Equity	$ 271,005	$ 210,400	$ 211,057	$ 205,627	$ 197,174	$ 271,005	$ 197,174
Trust and Investment							
Fee Income	$ 6,628	$ 5,968	$ 5,591	$ 5,337	$ 4,897	$ 12,596	$ 9,952
Assets Under Administration							
Balance at beginning of period	$ 5,304,562	$ 5,091,408	$ 4,622,464	$ 4,382,810	$ 3,932,309	$ 5,091,408	$ 4,472,585
Net investment appreciation (depreciation) & income	$ 242,924	$ 75,199	$ 349,016	$ 166,182	$ 389,677	$ 318,123	$ (316,852)
Net client asset flows	$ 140,623	$ 137,955	$ 119,928	$ 73,472	$ 60,824	$ 278,578	$ 227,077
Balance at end of period	$ 5,688,110	$ 5,304,562	$ 5,091,408	$ 4,622,464	$ 4,382,810	$ 5,688,110	$ 4,382,810
Percentage of AUA that are managed	89 %	89 %	89 %	90 %	89 %	89 %	89 %
Stock Valuation							
Closing Market Price (OTCQX)	$ 33.00	$ 30.00	$ 23.41	$ 19.85	$ 21.60	$ 33.00	$ 21.60
Multiple of Tangible Book Value	1.31	1.29	0.99	0.86	0.98	1.31	0.98

*annualized