FINEMARK HOLDINGS, INC.

FineMark Holdings Reports Third Quarter 2022 Net Income of $5.4 Million, Earnings Per Diluted Share of $.45

FORT MYERS, OCTOBER 17, 2022 – FineMark Holdings, Inc. (the “Holding Company”; OTCQX: FNBT), the parent company of FineMark National Bank & Trust (the “Bank”; collectively, “FineMark”), today reported net revenues of $25.9 million for the third quarter ended September 30, 2022, compared to $24.1 million in the third quarter of 2021. Net income was $5.4 million, or $.45 per diluted share, compared with net income of $7.1 million, or $.61 per diluted share, for the same period a year ago.

Joseph R. Catti, Chairman & Chief Executive Officer:

Hurricane Ian, the fifth-strongest hurricane to hit the U.S., devastated homes and businesses and natural resources and resulted in hardship and loss for many Florida families. Ian left more than four million people without electricity, and many without drinking water and critical resources. School closures only added to the burden for families. The storm also exacerbated housing shortages.

Beyond the tragic loss of life and human suffering, the final economic toll will not be known for some time. The worst damage occurred close to our home office in Fort Myers, including Sanibel and Captiva Islands, Fort Myers Beach, Naples and Bonita Springs.

At FineMark, we are committed to helping in the recovery. Therefore, we have allocated $400,000 for our associates and the community to assist people who have been adversely affected.

Even before Ian made landfall, 2022 was already proving difficult for many individuals, families and businesses. Inflation is at levels not seen since the early 1980s, with the price of food, gasoline, housing and other necessities increasing dramatically. In addition, businesses continue to struggle to hire workers in a tight labor market. In response to current conditions, the Federal Reserve remains committed to aggressively raising interest rates, which is increasing borrowing costs and resulting in declining values in fixed-income portfolios. Major equity indexes have fallen significantly thus far in 2022, and volatility is considerably higher than at the start of the year, reflecting growing concerns about the economic impacts of rising rates and the possibility of the U.S. economy tipping into recession.

Risk management is an essential part of our culture of stewardship and an integral component of how we work. We maintain risk management standards so that our clients’ financial plans will not be derailed by extreme events, whether due to a storm, market downturn, high inflation or any other unforeseen circumstances.

We are focused on helping clients in this challenging environment, as well as being a positive contributor to the community. Our portfolio managers are balancing the potential impacts of rising interest rates and the potential of a recession on fixed-income assets and equities in managing client portfolios. As interest rates rise and loans become more expensive, we are also committed to maintaining cost-effective access to capital, based on a personalized analysis of each client’s situation, while maintaining the highest underwriting standards.

Our associates embody the strong spirit of teamwork that Floridians are showing in coming together to rebuild our communities. We look forward to providing continuing support.

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Financial Summary

($ in thousands, except per share data)	Q3 2022	Q3 2021	% Change
Net Interest Income	$18,079	$16,496	10%
Provision for Loan Losses	$121	$(834)	115%
Trust Fees	$6,477	$7,012	-8%
Other Non-Interest Income	$865	$605	43%
Salary & Benefits Expense	$11,984	$9,464	27%
Other Non-Interest Expense	$6,676	$6,135	9%
Pre-Gain/(Loss) Income	$6,640	$9,348	-29%
Gains/(Losses)	$505	$0	100%
Pre-Tax Income	$7,145	$9,348	-24%
Net Income	$5,388	$7,056	-24%
Net Loans	$2,125,751	$2,002,778	6%
Investments	$1,144,326	$904,567	27%
Total Assets	$3,455,462	$3,083,569	12%
Total Deposits	$2,919,206	$2,429,920	20%
Subordinated Debt	$33,483	$40,898	-18%
FHLB Borrowings	$175,000	$284,080	-38%
Total Equity	$256,348	$304,782	-16%
Trust Assets Under Administration	$5,392,768	$5,739,551	-6%
Net New Trust Business	$115,923	$122,908	-6%
Tier 1 Capital Ratio	9.35%	9.88%	
Return on Average Equity	7.97%	9.39%	
Diluted Earnings per Common Share	$0.45	$0.61	-26%
Book Value Per Share	$21.81	$26.32	-17%

Financial Highlights

Year-over-year highlights for the third quarter of 2022 include:

- Net income decreased 24% to $5.4 million. Several factors contributed to the decline including a $2.5 million increase in salaries and benefits, a $121 thousand provision expense compared to a $834 thousand provision reversal last year and $400 thousand set aside for Hurricane Ian initiatives.
- Investment portfolio increased 27% to $1.1 billion.
- Loan production decreased by 30% (predominately a result of rising interest rates).
- Deposits increased 20% to $2.9 billion.
- Net interest income increased 10% to $18.1 million.
- Cost of funds increased to 76 basis points from 51 basis points.
- FHLB borrowings decreased 38%, resulting in interest expense savings of $542,000.
- Gains of $505,000 realized on the extinguishment of debt (repayment of FHLB Advances).
- Trust fees decreased 8% to $6.5 million.
- Assets under management and administration decreased 6% to $5.4 billion (net of $116 million from new and expanded relationships).
- Asset quality remains pristine, with non-performing loans to total loans at 0.03% (down from an already negligible 0.05%).

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Net Interest Income & Margin

For the third quarter of 2022, FineMark's net interest income totaled $18.1 million, up 10% from the year prior.

This increase was largely due to growth in the Bank's investment portfolio (a 27% increase year-over-year), continued net loan growth of $10.6 million for the quarter, and the repayment of $25 million in Federal Home Loan Bank of Atlanta (FHLB) advances, which will reduce the Bank's quarterly interest expense by $153 thousand going forward.

The investment portfolio grew by $240 million year-over-year, resulting in $1.3 million in additional interest income for the quarter. The investment portfolio now represents 33% of total assets.

Interest rates continued to rise in the third quarter, causing the Bank's interest expense to increase. The Bank's net interest margin decreased to 2.16% from 2.24% in third quarter 2021.

Net Interest Income and Margin

($ in thousands)	Q3 2022	Q3 2021	% Change
Investment Income	$4,062	$2,740	48%
Loan Income	$20,186	$17,244	17%
Total Interest Income	$24,247	$19,984	21%
Deposit Expense	$4,188	$932	349%
FHLB Borrowing Expense	$1,473	$2,015	-27%
Subordinated Debt	$507	$541	-6%
Total Interest Expense	$6,168	$3,488	77%
Net Interest Income	$18,079	$16,496	10%
Net Interest Margin	2.16%	2.24%	
Loan Yield	3.77%	3.48%	
Investment Yield	1.34%	1.30%	
Cost of Funds	0.76%	0.51%	

Non-Interest Income

As of September 30, 2022, assets under management and administration totaled $5.4 billion, down slightly from $5.7 billion in the third quarter of 2021.

The Bank's trust and investment earnings were impacted by the decline in the U.S. equity markets (the S&P 500 was down 4% for the quarter), which resulted in an 8% decrease in recurring trust fees.

Despite market volatility, $115.9 million of new assets were added from new and existing clients, which is a testament to the exceptional level of expertise and service provided by our associates.

Non-Interest Income

($ in thousands)	Q3 2022	Q3 2021	% Change
Trust Recurring Fees	$6,191	$6,744	-8%
Estate Settlement Fees	$286	$268	7%
Other Non-Interest Income	$865	$605	43%
Total Non-Interest Income	$7,342	$7,617	-4%
Debt Extinguishment Gains/(Losses)	$505	$0	100%
Securities Gains/(Losses)	$0	$0	0%
Total Gains/(Losses)	$505	$0	100%

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Non-Interest Expense

Non-interest expense increased 20% for a total of $18.7 million in the third quarter of 2022, compared to $15.6 million in the third quarter of 2021. This increase is primarily due to salary expenses and costs associated with the opening of two new locations in the second quarter. As FineMark continues to grow, additional expenses are incurred to maintain high service levels, which included hiring six new associates in the third quarter. In addition, $400 thousand was allocated for Hurricane Ian related initiatives. FineMark's efficiency ratio increased to 72%, compared to 64.7% in the third quarter of last year.

Non-Interest Expense

($ in thousands)	Q3 2022	Q3 2021	% Change
Salary Expense	$10,622	$8,228	29%
Employee Benefits Expense	$1,362	$1,236	10%
Occupancy Expense	$2,035	$1,667	21%
Information Systems Expense	$1,417	$1,585	-11%
Other Non-Interest Expense	$3,224	$2,883	12%
Total Non-Interest Expense	$18,660	$15,599	20%
Tax Expense	$1,757	$2,292	-23%

Credit Quality

Asset quality remained pristine, and the Bank remains committed to maintaining its high credit standards through a relationship-centered approach to lending. Loan decisions are based on an in-depth understanding of each borrower's needs and unique financial situation. As a result, the Bank has experienced minimal loan defaults through various economic cycles.

As of September 30, 2022, non-performing loans totaled $692 thousand, or 0.03% of total loans, a decrease from $928 thousand or 0.05% in the third quarter of 2021. The current allowance for loan losses is $21.9 million (or 1.02% of gross loans). To give clients who were impacted by Hurricane Ian time to recover, 20 loans have been placed on a 90-day forbearance (totaling $8 million) and one loan ($1.9 million) has been amended to interest only payments.

Credit Quality

($ in thousands)	Q3 2022	Q3 2021	% Change
Gross Loans	$2,147,653	$2,023,584	6%
Allowance for Loan Losses	$21,902	$20,806	5%
Net Loans	$2,125,751	$2,002,778	6%
Net Recoveries/(Charge-Offs)	$176	$4	4300%
Non-Accrual Loans	$692	$928	-25%
Non-Accrual Loans/Gross Loans	0.03%	0.05%	
Past Due 30-89 Days	$1,894	$0	100%
Past Due Loans/Gross Loans	0.09%	0.00%	

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Balance Sheet Highlights

Despite rising interest rates, loan production totaled $169 million for the quarter, compared to $241 million last year, resulting in net loans of $2.1 billion compared to $2 billion in the third quarter of 2021. Additionally, deposits continued to grow from both existing and new clients, increasing 20% or $489 million, compared to the third quarter of 2021. Deposits totaled $2.9 billion, compared to $2.4 billion a year ago. The investment portfolio increased to approximately $1.1 billion from $905 million at the end of third quarter 2021, which is a 27+% or $240 million increase. Lastly, FHLB advances are down $109 million or 38%.

Capital

All capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. On September 30, 2022, FineMark's Tier 1 leverage ratio on a consolidated basis was 9.35%, and the total risk-based capital ratio was 20.30%.

Rising interest rates during the past few quarters resulted in a $78 million net unrealized loss on the Bank's investment portfolio. This unrealized loss does not reflect bond credit quality; rather, it shows how rapidly interest rates have increased. These losses will likely remain unrealized since the Bank intends to hold these bonds to maturity.

Capital

($ in thousands)	Q3 2022	Q3 2021	% Change
Tier 1 Capital	$334,521	$303,127	10%
Net Unrealized Gain/(Loss)	($78,173)	$1,655	-4824%
Total Capital	$256,348	$304,782	-16%
Tier 1 Leverage Ratio	9.35%	9.88%	
Risk-Based Capital Ratio	20.30%	20.22%	
ROAE	7.97%	9.39%	

Return on average equity (ROAE) decreased to 7.97% this quarter, compared to 9.39% for the third quarter of 2021.

Performance 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 the third quarter of 2022, FineMark's shares traded in a range between $28.85 and $33.00, and at an average volume of 729 shares trading per day. The shares closed the quarter trading at $29.25, a 14% decrease compared to the end of the third quarter of 2021, for a price-to-tangible book value multiple of 1.34.

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Closing Remarks from Chairman & Chief Executive Officer, Joseph R. Catti

The results shared today reflect our commitment to serving our clients, the strength of our balance sheet and the collaborative efforts of our associates. I am incredibly proud of how our team persevered during a difficult period. Since our founding in 2007, our mission and vision have never wavered. In everything we do, we strive to make a positive impact on the individuals, families and communities we serve while being good stewards of FineMark's resources. That has never been more apparent than in the past two weeks since Hurricane Ian made landfall.

As previously mentioned, the third quarter was challenging even before the hurricane caused widespread destruction and suffering, with rising interest rates and broad declines in the equity markets. As Florida begins to recover from Hurricane Ian's impact, we will be here to assist our clients in navigating their financial lives and reaching their goals, as well as aiding our community.

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.

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