



FINEMARK HOLDINGS, INC.

FineMark Holdings, Inc. Reports Second Quarter 2024 Net Income of \$766 thousand

Second Quarter 2024 Results:

Interest Income \$43.0 million	7% Annual Net Loan growth	13% Annual Assets Under Administration growth
Consolidated Results		
<p>Net interest income: \$11.6 million</p> <p>Return on avg assets: 0.07%</p> <p>Return on avg equity: 0.93%</p> <p>Total risk-based capital ratio: 18.59%</p>	<p>Joseph R. Catti, Chairman & CEO commented on the quarter:</p> <p>Net interest income and net interest margin—two key metrics of any bank—improved in the second quarter as we began to see funding costs stabilize while yields on loans continued to rise and low interest rate bonds matured, also resulting in significant yield increases. This marks a welcome reversal after more than two years of pressure brought on by the Federal Reserve’s efforts to control inflation through rapid rate increases. We are cautiously optimistic that improvements continue and potentially accelerate when the Federal Reserve eventually cuts rates.</p> <p>Despite the impact of the unprecedented rate environment on our financial results, it did not hinder our ability to attract new individuals and families, drawn to our highly personalized way of doing business. In the first six months of 2024, we welcomed 447 new clients to the Bank, many of whom were referrals from existing clients. It is gratifying to see that our commitment to deliver unparalleled and proactive service is resonating with clients, who then refer their families and friends. As I have said before, our clients and our associates are what make this organization a success.</p>	
Banking		
<p>Annual loan growth (net): \$170 million</p> <p>Annual deposit growth: \$362 million</p> <p>Non-performing loan ratio: 0.04%</p>	<p>As mentioned, loan growth, loan repricing, and maturing lower-yielding bonds contributed to record interest income of \$43.0 million in the second quarter, representing a 28% increase from second quarter 2023. Net interest income rose 9% from the first quarter to \$11.6 million as interest expense showed signs of stabilizing.</p> <p>Our asset management business continues to expand, providing a diversified source of income. Assets under management and administration (AUMA) increased by 13% compared to June 30, 2023, now totaling \$7.5 billion. Trust fees reached a record \$8.9 million in the second quarter, marking a 21% increase from second quarter 2023.</p>	
Trust & Investments		
<p>6% annual increase in relationships (households)</p> <p>13% annual increase in assets under management & administration</p> <p>21% increase in fees Q2 2024 v Q2 2023</p>	<p>Non-interest expense increased 5.7% from the second quarter of 2023 as we continued to invest in technology and our people to support FineMark’s growing business, while maintaining high levels of service.</p> <p>Our unwavering commitment to our clients and our associates remains our primary focus. We believe this focus will continue to create long-term shareholder value as we expand our client base while maintaining a conservative credit culture and stable financial structure.</p>	

Net Interest Income & Margin

As stated in prior quarters, the Federal Open Market Committee (FOMC) initiated a series of eleven rate increases beginning in March of 2022, with the aim of curbing inflation. These rate hikes, totaling 525 basis points, have impacted FineMark's net interest income by escalating the cost of funding on deposits and borrowings more quickly than yields on loans and investments have increased. This trend began to show signs of reversing late in the quarter, with asset yields outpacing funding costs, resulting in an increase in net interest margin from the first quarter 2024.

FineMark's net interest income totaled \$11.6 million in the second quarter, reflecting a 9.1% decrease compared to second quarter 2023. The Bank's net interest margin (NIM) decreased to 1.18% in the second quarter 2024, compared to 1.40% in the same period last year. However, the NIM increased 10 basis points when comparing Q2 to Q1 and net interest income increased 9.2% compared to the first quarter 2024. Yields on earning assets increased from 4.23% in Q1 2024 to 4.34%, while cost of funds only increased from 3.29% to 3.33%.

A total of \$127 million in bonds, with an average yield of 0.98%, will mature by December 31, 2024. These dollars are expected to be reinvested at significantly higher yields. We anticipate this, along with new and repricing higher-yielding loans, will further support improvements in net interest income and net interest margin.

Non-Interest Income

Second quarter non-interest income grew to \$9.9 million, a 13.0% increase compared to second quarter 2023. The primary driver of this growth was the continued expansion of our trust and investment business. Assets under management and administration totaled \$7.5 billion on June 30, 2024, marking a 13% increase from \$6.7 billion on June 30, 2023. Trust fees reached \$8.9 million in the second quarter 2024, representing a 21% increase over the second quarter 2023.

Non-Interest Expense

Non-interest expense increased to \$20.5 million for the quarter ended June 30, 2024, up 5.7% from the second quarter 2023. Much of the increased expense is attributable to sustained investments in personnel, technology, and facilities, coupled with a rise in regulatory expenses.

Balance Sheet Highlights

Despite higher interest rates and ongoing economic uncertainty, gross loan production totaled \$251 million for the quarter, compared to \$249 million in the second quarter 2023. Deposits grew by \$362 million compared to second quarter 2023. Deposits totaled \$3 billion, up from \$2.6 billion a year ago. FineMark continues to maintain elevated levels of Cash and Securities, ensuring high levels of on-balance-sheet liquidity.

Credit Quality

FineMark maintains its commitment to high credit standards by utilizing a personalized and relationship centric approach to lending. Loan decisions are based on a comprehensive understanding of each borrower's requirements and distinctive financial circumstances, leading to minimal loan defaults across diverse economic conditions.

As of June 30, 2024, non-performing loans totaled \$1.2 million, or 0.04% of total loans. This marks a decrease from \$2.1 million in the second quarter 2023, or 0.09% of total loans. The current allowance for credit losses stands at \$23.6 million, equivalent to 0.89% of gross loans. Given the quality of our loan portfolio, management believes this reserve is sufficient to support the Bank's loan portfolio risk.

Capital

All capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. On June 30, 2024, FineMark's Tier 1 leverage ratio, on a consolidated basis, was 9.06%, while the total risk-based capital ratio was 18.59%. Rising interest rates over the past two years led to a net unrealized loss of \$46.7 million on the Bank's investment portfolio as of June 30, 2024, which decreased from first quarter net unrealized losses which totaled \$51.4 million. This unrealized loss does not reflect bond credit quality, rather it represents the effect of the rapid interest rate increases. Given the short duration of the portfolio of 2.1 years, these losses will continue to decline as bonds mature.

To partially mitigate the negative impact of further interest rate hikes, the Bank entered into a new interest rate cap in the second quarter 2024. This is in addition to three swap agreements and one interest rate cap in 2023. The Bank expects continued net interest income improvement as the lower yielding securities mature, existing adjustable-rate loans reprice, new loans are originated at higher yields, and the Federal Reserve begins to lower rates.

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Background

FineMark Holdings, Inc. serves as the parent company for FineMark National Bank & Trust. Established in 2007, FineMark National Bank & Trust operates as a nationally chartered bank with its headquarters in Florida. With offices in Florida, Arizona and South Carolina, FineMark provides a comprehensive array of financial services encompassing personal and business banking, lending services, trust, and investment services. The Corporation's common stock is traded on the OTCQX under the symbol FNBT. For investor information, please visit 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 share amounts)

	June 30,	December 31,
Assets	2024	2023
	(Unaudited)	
Cash and due from banks	\$ 308,969	369,060
Debt securities available for sale	927,835	947,701
Debt securities held to maturity	86,694	87,928
Loans, net of allowance for credit losses of \$23,569 in 2024 and \$23,472 in 2023	2,615,614	2,493,809
Federal Home Loan Bank stock	14,744	16,974
Federal Reserve Bank stock	7,490	6,362
Premises and equipment, net	38,584	39,869
Operating lease right-of-use assets	10,354	11,338
Accrued interest receivable	14,476	13,062
Deferred tax asset	19,408	21,152
Bank-owned life insurance	74,280	73,333
Other assets	15,564	20,167
	\$ 4,134,012	4,100,755
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	649,578	629,976
Savings, NOW and money-market deposits	2,039,179	1,949,898
Time deposits	310,985	312,137
	2,999,742	2,892,011
Official checks	3,576	6,264
Other borrowings	450,000	500,000
Federal Home Loan Bank advances	250,000	305,000
Repurchase agreements	36,932	31,397
Operating lease liabilities	10,506	11,490
Subordinated debt	27,497	27,477
Other liabilities	20,455	30,829
	3,798,708	3,804,468
Shareholders' equity:		
Preferred stock, 10,000,000 shares authorized, \$.01 par value, 50,000 designated 7.25%, Series B Non-Cumulative Perpetual Convertible, 30,000 shares issued and outstanding	-	-
Common stock, \$.01 par value 50,000,000 shares authorized, 12,077,790 and 11,934,086 shares issued and outstanding in 2024 and 2023	121	119
Additional paid-in capital	248,295	215,497
Retained earnings	133,600	132,585
Accumulated other comprehensive loss	(46,712)	(51,914)
	335,304	296,287
Total liabilities and shareholders' equity	\$ 4,134,012	4,100,755
Book Value per Share	\$ 25.28	24.83

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Interest income:				
Loans	\$ 33,686	27,134	\$ 65,367	51,592
Debt securities	4,707	4,368	9,137	8,183
Dividends on Federal Home Loan Bank stock	162	253	605	571
Other	4,401	1,930	9,648	2,263
Total interest income	<u>42,956</u>	<u>33,685</u>	<u>84,757</u>	<u>62,609</u>
Interest expense:				
Deposits	22,421	12,344	43,534	22,475
Other borrowings	5,938	5,059	13,048	5,568
Federal Home Loan Bank advances	2,592	2,991	5,146	6,085
Subordinated debt	370	492	741	983
Total interest expense	<u>31,321</u>	<u>20,886</u>	<u>62,469</u>	<u>35,111</u>
Net interest income	11,635	12,799	22,288	27,498
Credit loss expense (income)	200	(23)	620	1,034
Net interest income after credit loss expense (income)	<u>11,435</u>	<u>12,822</u>	<u>21,668</u>	<u>26,464</u>
Noninterest income:				
Trust fees	8,876	7,347	17,409	13,920
Income from bank-owned life insurance	477	408	947	1,073
Income from solar farms	89	84	159	151
Gain on extinguishment of debt	-	534	367	534
Other fees and service charges	487	414	942	829
Total noninterest income	<u>9,929</u>	<u>8,787</u>	<u>19,824</u>	<u>16,507</u>
Noninterest expenses:				
Salaries and employee benefits	12,844	11,555	24,526	23,147
Occupancy	2,528	2,499	5,027	4,948
Information systems	1,654	1,561	3,326	3,126
Professional fees	566	691	1,074	1,329
Marketing and business development	456	486	945	1,166
Regulatory assessments	754	876	1,516	1,244
Other	1,695	1,720	3,294	3,344
Total noninterest expense	<u>20,497</u>	<u>19,388</u>	<u>39,708</u>	<u>38,304</u>
Earnings before income taxes	867	2,221	1,784	4,667
Income taxes	101	391	207	832
Net earnings	766	1,830	1,577	3,835
Preferred stock dividends	562	-	562	-
Earnings available to common shareholders	<u>\$ 204</u>	<u>1,830</u>	<u>\$ 1,015</u>	<u>3,835</u>
Weighted average common shares outstanding - basic	12,081	11,905	12,046	11,863
Weighted average common shares outstanding - diluted	12,106	11,953	12,072	11,902
Per share information: Basic earnings per common share	<u>\$ 0.02</u>	<u>0.15</u>	<u>\$ 0.08</u>	<u>0.32</u>
Diluted earnings per common share	<u>\$ 0.02</u>	<u>0.15</u>	<u>\$ 0.08</u>	<u>0.32</u>

FineMark Holdings, Inc.

Consolidated Financial Highlights

Second Quarter 2024

Unaudited

\$ in thousands except for share data						YTD	
	2nd Qtr 2024	1st Qtr 2024	4th Qtr 2023	3rd Qtr 2023	2nd Qtr 2023	2024	2023
\$ Earnings							
Net Interest Income	\$ 11,635	\$ 10,653	\$ 11,130	\$ 11,305	\$ 12,799	\$ 22,288	\$ 27,498
Credit Loss Expense (Income)	\$ 200	\$ 420	\$ (866)	\$ 238	\$ (23)	\$ 620	\$ 1,034
Non-Interest Income (excl. gains and losses)	\$ 9,929	\$ 9,528	\$ 8,829	\$ 9,164	\$ 8,253	\$ 19,457	\$ 15,973
Gain on Debt Extinguishment	\$ —	\$ 367	\$ —	\$ —	\$ 534	\$ 367	\$ 534
Non-interest Expense	\$ 20,497	\$ 19,211	\$ 20,119	\$ 19,518	\$ 19,388	\$ 39,708	\$ 38,304
Earnings Before Income Tax Expense (benefit)	\$ 867	\$ 917	\$ 706	\$ 713	\$ 2,221	\$ 1,784	\$ 4,667
Income Tax Expense (Benefit)	\$ 101	\$ 106	\$ 171	\$ (16)	\$ 391	\$ 207	\$ 832
Net Earnings	\$ 766	\$ 811	\$ 535	\$ 729	\$ 1,830	\$ 1,577	\$ 3,835
Preferred Stock Dividends	\$ 562	\$ —	\$ —	\$ —	\$ —	\$ 562	\$ —
Earnings Available to Common Shareholders	\$ 204	\$ 811	\$ 535	\$ 729	\$ 1,830	\$ 1,015	\$ 3,835
Basic Earnings per Share	\$ 0.02	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.15	\$ 0.08	\$ 0.32
Diluted Earnings per Share	\$ 0.02	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.15	\$ 0.08	\$ 0.32
Performance Ratios							
Return on average assets*	0.07 %	0.08 %	0.05 %	0.07 %	0.19 %	0.08 %	0.21 %
Return on risk weighted assets*	0.13 %	0.14 %	0.09 %	0.13 %	0.34 %	0.14 %	0.35 %
Return on average equity*	0.93 %	1.09 %	0.77 %	1.06 %	2.63 %	1.01 %	2.81 %
Yield on earning assets*	4.34 %	4.23 %	4.12 %	3.93 %	3.68 %	4.28 %	3.54 %
Cost of funds*	3.33 %	3.29 %	3.04 %	2.78 %	2.36 %	3.31 %	2.06 %
Net Interest Margin*	1.18 %	1.08 %	1.15 %	1.21 %	1.40 %	1.13 %	1.57 %
Efficiency ratio	95.05 %	95.19 %	100.80 %	95.36 %	89.82 %	95.12 %	88.10 %
Capital							
Tier 1 leverage capital ratio	9.06 %	9.04 %	8.46 %	8.71 %	8.77 %	9.06 %	8.77 %
Common equity risk-based capital ratio	16.40 %	16.58 %	15.46 %	15.63 %	15.80 %	16.40 %	15.80 %
Tier 1 risk-based capital ratio	16.40 %	16.58 %	15.46 %	15.63 %	15.80 %	16.40 %	15.80 %
Total risk-based capital ratio	18.59 %	18.80 %	17.72 %	17.96 %	18.16 %	18.59 %	18.16 %
Book value per share	\$ 25.28	\$ 24.85	\$ 24.83	\$ 23.13	\$ 23.16	\$ 25.28	\$ 23.16
Tangible book value per share	\$ 25.28	\$ 24.85	\$ 24.83	\$ 23.13	\$ 23.16	\$ 25.28	\$ 23.16
Asset Quality							
Net charge-offs (recoveries)	\$ (14)	\$ 627	\$ (2)	\$ (7)	\$ (12)	\$ 613	\$ (22)
Net charge-offs (recoveries) to average total loans	— %	0.02 %	— %	— %	— %	0.02 %	— %
Allowance for credit losses	\$ 23,569	\$ 23,354	\$ 23,472	\$ 24,270	\$ 24,164	\$ 23,569	\$ 24,164
Allowance to total loans	0.89 %	0.91 %	0.93 %	0.98 %	0.98 %	0.89 %	0.98 %
Nonperforming loans	\$ 1,165	\$ 1,483	\$ 1,629	\$ 2,111	\$ 2,122	\$ 1,165	\$ 2,122
Other real estate owned	—	—	—	—	—	—	—
Nonperforming loans to total loans	0.04 %	0.06 %	0.07 %	0.09 %	0.09 %	0.04 %	0.09 %
Nonperforming assets to total assets	0.03 %	0.04 %	0.04 %	0.05 %	0.06 %	0.03 %	0.06 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	47.6 %	48.9 %	48.8 %	48.7 %	48.5 %	47.6 %	48.5 %
Commercial Loans	13.6 %	10.9 %	10.2 %	10.4 %	10.7 %	13.6 %	10.7 %
Commercial Real Estate	24.8 %	25.6 %	26.8 %	25.7 %	25.3 %	24.8 %	25.3 %
Construction Loans	8.2 %	7.6 %	7.3 %	8.2 %	8.3 %	8.2 %	8.3 %
Other Loans	5.9 %	7.0 %	6.9 %	7.0 %	7.2 %	5.9 %	7.2 %
End of Period Balances							
Assets	\$ 4,134,012	\$ 4,189,904	\$ 4,100,755	\$ 3,968,775	\$ 3,802,330	\$ 4,134,012	\$ 3,802,330
Debt securities	\$ 1,014,529	\$ 1,036,337	\$ 1,035,629	\$ 994,246	\$ 1,092,107	\$ 1,014,529	\$ 1,092,107
Loans, net of allowance	\$ 2,615,614	\$ 2,551,673	\$ 2,493,809	\$ 2,456,714	\$ 2,446,065	\$ 2,615,614	\$ 2,446,065
Deposits	\$ 2,999,742	\$ 3,064,281	\$ 2,892,011	\$ 2,778,627	\$ 2,637,668	\$ 2,999,742	\$ 2,637,668
Other borrowings	\$ 486,932	\$ 527,667	\$ 531,397	\$ 531,973	\$ 608,092	\$ 486,932	\$ 608,092
Subordinated Debt	\$ 27,497	\$ 27,487	\$ 27,477	\$ 27,467	\$ 27,458	\$ 27,497	\$ 27,458
FHLB Advances	\$ 250,000	\$ 210,000	\$ 305,000	\$ 315,000	\$ 215,000	\$ 250,000	\$ 215,000
Shareholders' Equity	\$ 335,304	\$ 329,382	\$ 296,287	\$ 275,584	\$ 275,517	\$ 335,304	\$ 275,517
Trust and Investment							
Fee Income	\$ 8,876	\$ 8,533	\$ 7,839	\$ 8,015	\$ 7,347	\$ 17,409	\$ 13,920
Assets Under Administration							
Balance at beginning of period	\$ 7,373,816	\$ 6,839,707	\$ 6,395,888	\$ 6,697,009	\$ 6,435,562	\$ 6,839,707	\$ 5,944,772
Net investment appreciation (depreciation) & income	\$ (21,279)	\$ 341,650	\$ 303,241	\$ (363,654)	\$ 60,789	\$ 320,372	\$ 236,355
Net client asset flows	\$ 184,184	\$ 192,459	\$ 140,578	\$ 62,533	\$ 200,658	\$ 376,643	\$ 515,882
Balance at end of period	\$ 7,536,721	\$ 7,373,816	\$ 6,839,707	\$ 6,395,888	\$ 6,697,009	\$ 7,536,721	\$ 6,697,009
Percentage of AUA that are managed	91 %	89 %	88 %	88 %	88 %	91 %	88 %
Stock Valuation							
Closing Market Price (OTCQX)	\$ 24.35	\$ 25.25	\$ 24.15	\$ 22.65	\$ 23.30	\$ 24.35	\$ 23.30
Multiple of Tangible Book Value	0.96	1.02	0.97	0.98	1.01	0.96	1.01

*annualized